

Chapter Seven

The Alternative Economy as a Singularity

We have seen the burdens of high overhead that the conventional, hierarchical enterprise and mass-production industry carry with them, their tendency to confuse the expenditure of inputs with productive output, and their culture of cost-plus markup. Running throughout this book, as a central theme, has been the superior efficiency of the alternative economy: its lower burdens of overhead, its more intensive use of inputs, and its avoidance of idle capacity.

Two economies are fighting to the death: one of them a highly-capitalized, high-overhead, and bureaucratically ossified conventional economy, the subsidized and protected product of one and a half century's collusion between big government and big business; the other a low capital, low-overhead, agile and resilient alternative economy, outperforming the state capitalist economy despite being hobbled and driven underground.

The alternative economy is developing within the interstices of the old one, preparing to supplant it. The Wobbly phrase "building the structure of the new society within the shell of the old" is one of the most fitting phrases ever conceived for summing up the concept.

A. Networked Production and the Bypassing of Corporate Nodes

One of the beauties of networked production, for subcontractors ranging from the garage shop to the small factory, is that it transforms the old corporate headquarters into a node to be bypassed.

Johan Soderberg suggests that the current model of outsourcing and networked production makes capital vulnerable to being cut out of the production process by labor. He begins with an anecdote about Toyota subcontractor Aisin Seiki, "the only manufacturer of a component critical to the whole Toyota network," whose factory was destroyed in a fire:

The whole conglomerate was in jeopardy of grinding to a halt. In two months Toyota would run out of supplies of the parts produced by Aisin Seiki. Faced with looming disaster, the network of subcontractors fervently cooperated and created provisory means for substituting the factory. In a stunningly short time, Toyota subsidiaries had restructured themselves and could carry on unaffected by the incident. Duncan Watt attributes the swift response by the Toyota conglomerate to its networked mode of organisation. The relevance of this story for labour theory becomes apparent if we stipulate that the factory was not destroyed in an accident but was held-up in a labour conflict. Networked capital turns every point of production, from the firm down to the individual work assignment, into a node subject to circumvention. ...[I]t is capital's ambition to route around labour strongholds that has brought capitalism into network production.... Nations, factories, natural resources, and positions within the social and technical division of labour, are all made subject to redundancy. Thus has capital annulled the threat of blockages against necks in the capitalist production chain, upon which the negotiating power of unions is based.

But this redundancy created by capital as a way of routing around blockages, Soderberg continues, threatens to make capital itself redundant:

The fading strength of unions will continue for as long as organised labour is entrenched in past victories and outdated forms of resistance. But the networked mode of production opens up a "window of opportunity" for a renewed cycle of struggle, this time, however, of a different kind. *Since all points of production have*

*been transformed into potentially redundant nodes of a network, capital as a factor of production in the network has itself become a node subject to redundancy.*¹

(This was, in fact, what happened in the Third Italy: traditional mass-production firms attempted to evade the wave of strikes by outsourcing production to small shops, and were then blindsided when the shops began to federate among themselves.)²

Soderberg sees the growing importance of human relative to physical capital, and the rise of peer production in the informational realm, as reason for hope that independent and self-managed networks of laborers can route around capital. Hence the importance he attaches to the increasingly draconian "intellectual property" regime as a way of suppressing the open-source movement and maintaining control over the conditions of production.³

Dave Pollard, writing from the imaginary perspective of 2015, made a similar observation about the vulnerability of corporations that follow the Nike model of hollowing themselves out and outsourcing everything:

In the early 2000s, large corporations that were once hierarchical end-to-end business enterprises began shedding everything that was not deemed 'core competency', in some cases to the point where the only things left were business acumen, market knowledge, experience, decision-making ability, brand name, and aggregation skills. This 'hollowing out' allowed multinationals to achieve enormous leverage and margin. It also made them enormously vulnerable and potentially dispensable.

As outsourcing accelerated, some small companies discovered how to exploit this very vulnerability. When, for example, they identified North American manufacturers outsourcing domestic production to third world plants in the interest of 'increasing productivity', they went directly to the third world manufacturers, offered them a bit more, and then went directly to the North American retailers, and offered to charge them less. The expensive outsourcers quickly found themselves unnecessary middlemen.... The large corporations, having shed everything they thought was non 'core competency', learned to their chagrin that in the connected, information economy, the value of their core competency was much less than the inflated value of their stock, and they have lost much of their market share to new federations of small entrepreneurial businesses.⁴

The worst nightmare of the corporate dinosaurs is that, in an economy where "imagination" or human capital is the main source of value, the imagination might take a walk: that is, the people who actually possess the imagination might figure out they no longer need the company's permission, and realize its "intellectual property" is unenforceable in an age of encryption and bittorrent (the same is becoming true in manufacturing, as the discovery and enforcement of patent rights against reverse-engineering efforts by hundreds of small shops serving small local markets becomes simply more costly than it's worth).

For example, Tom Peters gives the example of Oticon, which got rid of "the entire formal organization" and abolished departments, secretaries, and formal management titles. Employees put their personal belongings in "caddies, or personal carts, moving them to appropriate spots in the

1 Johan Soderberg, *Hacking Capitalism: The Free and Open Source Software Movement* (New York and London: Routledge, 2008), pp. 141-142.

2 Michael J. Piore and Charles F. Sabel, *The Second Industrial Divide: Possibilities for Prosperity* (New York: HarperCollins, 1984), pp. 226-227.

3 Soderberg, *Hacking Capitalism*, pp. 142-142

4 David Pollard, "The Future of Business," *How to Save the World*, January 14, 2004
<<http://blogs.salon.com/0002007/2004/01/14.html>>.

completely open space as their work with various colleagues requires.”¹ The danger for the corporate gatekeepers, in sectors where outlays for physical capital cease to present significant entry barriers, is that one of these days knowledge workers may push their "personal carts" out of the organization altogether, and decide they can do everything just as well without the company.

B. The Advantages of Value Creation Outside the Cash Nexus

We already examined, in Chapters Three and Five, the tendencies toward a sharp reduction in the number of wage hours worked and increased production of value in the informal sector. From the standpoint of efficiency and bargaining power, this has many advantages.

On the individual level, a key advantage of the informal and household economy lies in its offer of an alternative to wage employment for meeting a major share of one's subsistence needs, and the increased bargaining power of labor in what wage employment remains.

How much does the laborer increase his freedom if he happens to own a home, so that there is no landlord to evict him, and how much still greater is his freedom if he lives on a homestead where he can produce his own food?

That the possession of capital makes a man independent in his dealings with his fellows is a self-evident fact. It makes him independent merely because it furnishes him actually or potentially means which he can use to produce support for himself without first securing the permission of other men.²

Ralph Borsodi demonstrated some eight decades ago—using statistics!—that the hourly “wage” from gardening and canning, and otherwise replacing external purchases with home production, is greater than the wages of most outside employment.³

Contra conventional finance gurus like Suze Orman, who recommend investments like lifetime cost averaging of stock purchases, contributing to a 401k up to the employer's maximum matching contribution, etc., the most sensible genuine investment for the average person is capital investment in reducing his need for outside income. This includes building or purchasing the roof over his head as cheaply and paying it off as quickly as possible, and substituting home production for purchases with wage money whenever the first alternative is reasonably competitive. Compared to the fluctuation in value of financial investments, Borsodi writes,

the acquisition of things which you can use to produce the essentials of comfort—houses and lands, machines and equipment—are not subject to these vicissitudes.... For their economic utility is dependent upon yourself and is not subject to change by markets, by laws or by corporations which you do not control.⁴

The home producer is free from “the insecurity which haunts the myriads who can buy the necessities of life only so long as they hold their jobs.”⁵ A household with no mortgage payment, a large garden and a well-stocked pantry might survive indefinitely (if inconveniently) with only one part-time wage earner.

1 Tom Peters, *The Tom Peters Seminar: Crazy Times Call for Crazy Organizations* (New York: Vintage Books, 1994), pp. 29-30.

2 Ralph Borsodi, *Prosperity and Security* (New York and London: Harper & Brothers, 1938), p. 241.

3 Borsodi, *This Ugly Civilization* (Philadelphia: Porcupine Press, 1929, 1975), p. 99.

4 *Ibid.*, p. 337.

5 *Ibid.*, p. 352.

As we saw in Chapter Three, the evaporation of rents on artificial property rights like “intellectual property,” and the rapid decline of capital outlays for physical production, mean a crisis in the ability to capture value from production. But, turning this on its head, it also means a collapse in the costs of living. As Bruce Sterling argued\ half facetiously (does he ever argue otherwise?), increased knowledge creates “poverty” in the sense that when everything is free, nothing is worth anything. But conversely, when nothing is worth everything, everything is free. And a world of free goods, while quite inconvenient for those who used to make their living selling those goods, is of a less unambiguously bad character for those who no longer need to make as much of a living to pay for stuff. When everything is free, the pressure to make a living in the first place is a lot less.

*Waiting for the day of realization that Internet knowledge-richness actively **MAKES** people economically poor. “Gosh, Craigslist has such access to ultra-cheap everything now... hey wait a second, where did my job go?”

*Someday the Internet will offer free food and shelter. At that point, hordes simply walk away. They abandon capitalism the way a real-estate bustee abandons an underwater building.¹

C. More Efficient Extraction of Value from Inputs

John Robb uses STEMI compression, an engineering analysis template, as a tool for evaluating the comparative efficiency of his proposed Resilient Communities:

In the evolution of technology, the next generation of a particular device/program often follows a well known pattern in the marketplace: its design makes it **MUCH** cheaper, faster, and more capable. This allows it to crowd out the former technology and eventually dominate the market (i.e. transistors replacing vacuum tubes in computation). A formalization of this developmental process is known as STEMI compression:

- Space. Less volume/area used.
- Time. Faster.
- Energy. Less energy. Higher efficiency.
- Mass. Less waste.
- Information. Higher efficiency. Less management overhead.

So, the viability of a proposed new generation of a particular technology can often be evaluated based on whether it offers a substantial improvement in the compression of all aspects of STEMI without a major loss in system complexity or capability. This process of analysis also gives us an "arrow" of development that can be traced over the life of a given technology.

The relevance of the concept, he suggests, may go beyond new generations of technology. “Do Resilient Communities offer the promise of a generational improvement over the existing global system or not?”

In other words: is the Resilient Community concept (as envisioned here) a viable self-organizing system that can rapidly and virally crowd out existing structures due to its systemic improvements? Using STEMI compression as a measure, there is reason to believe it is:

¹ Bruce Sterling, “The Power of Design in your exciting new world of abject poverty,” *Wired: Beyond the Beyond*, February 21, 2010 <http://www.wired.com/beyond_the_beyond/2010/02/the-power-of-design-in-your-exciting-new-world-of-abject-poverty/>.

- Space. Localization (or hyperlocalization) radically reduces the space needed to support any given unit of human activity. Turns useless space (residential, etc.) into productive space.
- Time. Wasted time in global transport is washed away. JIT (just in time production) and place.
- Energy. Wasted energy for global transport is eliminated. Energy production is tied to locality of use. More efficient use of solar energy (the only true exogenous energy input to our global system).
- Mass. Less systemic wastage. Made to order vs. made for market.
- Information. Radical simplification. Replaces hideously complex global management overhead with simple local management systems.¹

The contrast between Robb's Resilient Communities and the current global system dovetails, more or less, with that between our two economies. And his STEMI compression template, as a model for analyzing the alternative economy's superiorities over corporate capitalism, overlaps with a wide range of conceptual models developed by other thinkers. Whether it be Buckminster Fuller's ephemeralization, or lean production's eliminating *muda* and “doing more and more with less and less,” the same general idea has a very wide currency.

A good example is what Mamading Ceesay calls the “economies of agility.” The emerging postindustrial age is a “network age where emerging Peer Production will be driven by the economies of agility.”

Economies of scale are about driving down costs of manufactured goods by producing them on a large scale. Economies of agility in contrast are about quickly being able to switch between producing different goods and services in response to demand.²

If the Toyota Production System is a quantum improvement on Sloanist mass-production in terms of STEMI compression and the economics of agility, and networked production on the Emilia-Romagna model is a similar advancement on the TPS, then the informal and household economy is an order of magnitude improvement on both of them.

Jeff Vail uses the term “Rhizome” for the forms of organization associated with Robb's Resilient Communities, and with the alternative economy in general: “an alternative mode of human organization consisting of a network of minimally self-sufficient nodes that leverage non-hierarchical coordination of economic activity.”

The two key concepts in my formulation of rhizome are 1) minimal self-sufficiency, which eliminates the dependencies that accrete [sic] hierarchy, and 2) loose and dynamic networking that uses the “small worlds” theory of network information processing to allow rhizome to overcome information processing burdens that normally overburden hierarchies.³

By these standards, the alternative economy that we saw emerging from the crises of state capitalism in previous chapters is capable of eating the corporate-state economy for lunch. Its great virtue is its superior efficiency in using limited resources intensively, as opposed to mass-production capitalist industry's practice of adding subsidized inputs extensively. The alternative economy reduces

1 John Robb, “STEMI Compression,” *Global Guerrillas* blog, November 12, 2008 <<http://globalguerrillas.typepad.com/globalguerrillas/2008/11/stemi.html>>.

2 Mamading Ceesay, “The Economies of Agility and Disrupting the Nature of the Firm,” *Confessions of an Autodidactic Engineer*, March 31, 2009 <<http://evangineer.agoraworx.com/blog/2009-03-31-the-economies-of-agility-and-disrupting-the-nature-of-the-firm.html>>.

3 Jeff Vail, “What is Rhizome?” *JeffVail.Net*, January 28, 2008 <<http://www.jeffvail.net/2007/01/what-is-rhizome.html>>.

waste and inefficiency through the greater efficiency with which it extracts use-value from a given amount of land or capital.

An important concept for understanding the alternative economy's more efficient use of inputs is “productive recursion,” which Nathan Cravens uses to refer to the order of magnitude reduction in labor required to obtain a good when it is produced in the social economy, without the artificial levels of overhead and waste associated with the corporate-state nexus.¹ Savings in productive recursion include (say) laboring to produce a design in a fraction of the time it would take to earn the money to pay for a proprietary design, or simply using an open source design; or reforging scrap metal at a tenth the cost of using virgin metal.²

Production methods lower the cost of products when simplified for rapid replication. That is called productive recursion. Understanding productive recursion is the first step to understanding how we need to restructure Industrial economic systems in response to this form of technological change. If Industrial systems are not reconfigured for productive recursion, they will collapse before reaching anywhere near full automation. I hope this writing helps divert a kink in the proliferation of personal desktop fabrication and full productive automation generally.³

He cites, from Neil Gershenfeld's *Fab*, a series of “cases that prove the theory of productive recursion in practice.” One example is the greatly reduced cost for cable service in rural Indian villages, “due to reverse engineered satellite receivers by means of distributed production.” Quoting from *Fab*:

A typical village cable system might have a hundred subscribers, who pay one hundred rupees (about two dollars) per month. Payment is prompt, because the “cable-wallahs” stop by each of their subscribers personally and rather persuasively make sure that they pay. Visiting one of these cable operators, I was intrigued by the technology that makes these systems possible and financially viable.

A handmade satellite antenna on his roof fed the village's cable network. Instead of a roomful of electronics, the head end of his cable network was just a shelf at the foot of his bed. A sensitive receiver there detects and interprets the weak signal from the satellite, then the signal is amplified and fed into the cable for distribution around the village. The heart of all this is the satellite receiver, which sells for a few hundred dollars in the United States. He reported that the cost of his was one thousand rupees, about twenty dollars.⁴

The cheap satellite receiver was built by Sharp, which after some legwork Gershenfeld found to be “an entirely independent domestic brand” run out of a room full of workbenches in a district of furniture workshops in Delhi.

They produced all of their own products, although not in that room—done there, it would cost too much. The assembly work was farmed out to homes in the community, where the parts were put together. Sharp operated like a farm market or grain elevator, paying a market-based per-piece price on what was brought in. The job of the Sharp employees was to test the final products.

1 Nathan Cravens, “Productive Recursion Proven,” *Open Manufacturing* (Google Groups), March 8, 2009 <http://groups.google.com/group/openmanufacturing/browse_thread/thread/f819aab7683b93ac?pli=1>.

2 Cravens, “Productive Recursion,” *Open Source Ecology Wiki* <http://openfarmtech.org/index.php?title=Productive_Recursion>.

3 Cravens, “Productive Recursion Proven.”

4 Neil Gershenfeld, *Fab: The Coming Revolution on Your Desktop—from Personal Computers to Personal Fabrication* (New York: Basic Books, 2005), p. 182.

The heart of the business was in a back room, where an engineer was busy taking apart last-generation video products from developed markets. Just as the students in my fab class would learn from their predecessors' designs and use them as the starting point for their own, this engineer was getting a hands-on education in satellite reception from the handiwork of unknown engineers elsewhere. He would reverse engineer their designs to understand them, then redo the designs so that they could be made more simply and cheaply with locally available components and processes. And just as my students weren't guilty of plagiarism because of the value they added to the earlier projects, this engineer's inspiration by product designs that had long since become obsolete was not likely to be a concern to the original satellite-receiver manufacturers.

The engineer at the apex of the Sharp pyramid was good at his job, but also frustrated. Their business model started with existing product designs. The company saw a business opportunity to branch out from cable television to cable Internet access, but there weren't yet available obsolete cable modems using commodity parts that they could reverse-engineer. Because cable modems are so recent, they use highly integrated state-of-the-art components that can't be understood by external inspection, and that aren't amenable to assembly in a home. But there no technological reason that data networks couldn't be produced in just this way, providing rural India with Internet access along with Bollywood soap operas....

...There isn't even a single entity with which to partner on a joint venture; the whole operation is fundamentally distributed.¹

Another example of productive recursion, also from Gershenfeld's experiences in India, is the reverse engineering of ground resistance meters.

For example, the ground resistance meters that were used for locating water in the area cost 25,000 rupees (about \$500). At Vigyan Ashram they bought one, stripped it apart, and from studying it figured out how to make them for just 5,000 rupees.... Another example arose because they needed a tractor on the farm at Vigyan Ashram, but could not afford to buy a new one. Instead, they developed their own "MechBull" made out of spare jeep parts for 60,000 rupees (\$1,200). This proved to be so popular that a Vigyan Ashram alum built a business making and selling these tractors.²

Yet another is a walk-behind tractor, developed from a modified motorcycle within Anil Gupta's "Honeybee Network" (an Indian alternative technology group).

Modeled on how honeybees work—collecting pollen without harming the flowers and connecting flowers by sharing the pollen—the Honeybee Network collects and helps develop ideas from grassroots inventors, sharing rather than taking their ideas. At last count they had a database of ten thousand inventions.

One Indian inventor couldn't afford or justify buying a large tractor for his small farm; it cost the equivalent of \$2,500. But he could afford a motorcycle for about \$800. So he came up with a \$400 kit to convert a motorcycle into a three-wheeled tractor (removable of course, so that it's still useful as transportation). Another agricultural inventor was faced with a similar problem in applying fertilizer; his solution was to modify a bicycle.³

According to Marcin Jakubowski of Open Source Ecology, the effects of productive recursion are cumulative. "Cascading Factor 10 cost reduction occurs when the availability of one product decreases the cost of the next product."⁴ We already saw, in Chapter Five, the specific case of the CEB Press,

1 Ibid., pp. 185-187.

2 Ibid. p. 164.

3 Ibid., p. 88.

4 Marcin Jakubowski, "OSE Proposal—Towards a World Class Open Source Research and Development Facility," v0.12, January 16, 2008 <http://openfarmtech.org/OSE_Proposal.doc>.

which can be produced for around 20% of the cost of purchasing a competing commercial model.

Amory Lovins and his coauthors, in *Natural Capitalism*, described the cascading cost savings (“Tunneling Through the Cost Barrier”) that result when the efficiencies of one stage of design reduce costs in later stages. Incremental increases in efficiency may increase costs, but large-scale efficiency improvements in entire designs may actually result in major cost reductions. Improving the efficiency of individual components in isolation can be expensive, but improving the efficiency of systems can reduce costs by orders of magnitude.¹

Much of the art of engineering for advanced resource efficiency involves harnessing helpful interactions between specific measures so that, like loaves and fishes, the savings keep on multiplying. The most basic way to do this is to “think backward,” from downstream to upstream in a system. A typical industrial pumping system, for example..., contains so many compounding losses that about a hundred units of fossil fuel at a typical power station will deliver enough electricity to the controls and motor to deliver enough torque to the pump to deliver only ten units of flow out of the pipe—a loss factor of about tenfold.

But turn those ten-to-one compounding losses around backward..., and they generate a one-to-ten compounding *saving*. That is, saving one unit of energy furthest downstream (such as by reducing flow or friction in pipes) avoids enough compounding losses from power plant to end use to save about ten units of fuel, cost, and pollution back at the power plant.²

To take another example, both power steering and V-8 engines resulted from Detroit's massive increases in automobile weight in the 1930s, along with marketing-oriented decisions to add horsepower that would be idle except during rapid acceleration. The introduction of lightweight frames, conversely, makes possible the use of much lighter internal combustion engines or even electric motors, which in turn eliminate the need for power steering.

Most of the order-of-magnitude efficiencies of whole-system design that Lovins et al describe result, not from new technology, but from more conscious use of existing technology: what Edwin Land called “the sudden cessation of stupidity” or “stopping having an old idea.”³ Simply combining existing technological elements in the most effective way can result in efficiency increases of Factor Four, Factor Eight, or more. The overall designs are generally the kinds of mashups of off-the-shelf technology that Cory Doctorow and Murray Bookchin comment on below.

The increased efficiencies result from a design process like Eric Raymond's Bazaar: designers operate intelligently, with constant feedback.⁴ The number of steps and the transaction costs involved in aggregating user feedback with the design process are reduced. The inefficiencies that result from an inability to “think backward” are far more likely to occur in a stovepiped organizational framework, where each step or part is designed in isolation by a designer whose relation to the overall process is mediated by a bureaucratic hierarchy. For example, in building design:

Conventional buildings are typically designed by having each design specialist “toss the drawings over the transom” to the next specialist. Eventually, all the contributing specialists' recommendations are integrated, sometimes simply by using a stapler.⁵

1 Paul Hawken, Amory Lovins, and L. Hunter Lovins, *Natural Capitalism: Creating the Next Industrial Revolution* (Boston, New York, and London: Little, Brown and Company, 1999), pp. 113-124.

2 Ibid., p. 121.

3 Ibid., pp. 65, 117.

4 Eric S. Raymond, *The Cathedral and the Bazaar* <<http://catb.org/~esr/writings/homesteading>>.

5 Hawken et al, *Natural Capitalism*, p. 90.

This approach inevitably results in higher costs, because increased efficiencies of a single step taken in isolation generally *are* governed by a law of increased costs and diminishing returns. Thicker insulation, better windows, etc., cost more than their conventional counterparts. Lighter materials and more efficient engines for a car, similarly, cost more than conventional components. So optimizing the efficiency of each step in isolation follows a rising cost curve, with each marginal improvement in efficiency of the step costing more than the last. But by approaching design from the perspective of a whole system, it becomes possible to “tunnel through the cost barrier”:

When intelligent engineering and design are brought into play, big savings often cost less *up front* than small or zero savings. Thick enough insulation and good enough windows can eliminate the need for a furnace, which represents an investment of more capital than those efficiency measures cost. Better appliances help eliminate the cooling system, too, saving even more capital cost. Similarly, a lighter, more aerodynamic car and a more efficient drive system work together to launch a spiral of decreasing weight, complexity and cost. The only moderately more efficient house and car do cost more to build, but when designed as whole systems, the *superefficient* house and car often cost less than the original, unimproved versions.¹

While added insulation and tighter windows increase the cost of insulation or windows, taken in isolation, if integrated into overall building design they may *reduce* total costs up front by reducing the required capacity—and hence outlays on capital equipment—of heating and cooling systems. A more energy-efficient air conditioner, *given* unchanged cooling requirements, will cost more; but energy-efficient windows, office equipment, etc., can reduce the cooling load by 85%, and thus make it possible to replace the cooling system with one three-fourths smaller than the original—thereby not only reducing the energy bill by 75%, but enormously reducing capital expenditures on the air conditioner.² The trick is to “do the right things in the right order”:

...if you're going to retrofit your lights and air conditioner, do the lights first so you can make the air conditioner smaller. If you did the opposite, you'd pay for more cooling capacity than you'd need after the lighting retrofit, and you'd also make the air conditioner less efficient because it would either run at part-load or cycle on and off too much.³

This is also a basic principle of lean production: most costs come from five percent of point consumption needs, and from scaling the capacity of the load-bearing infrastructure to cover that extra five percent instead of just handling the first ninety-five percent. It ties in, as well, with another lean principle: getting production out of sync with demand (including the downstream demand for the output of one step in a process), either spatially or temporally, creates inefficiencies. Optimizing one stage without regard to production flow and downstream demand usually involves expensive infrastructure to get an in-process input from one stage to another, often with intermediate storage while it is awaiting a need. The total resulting infrastructure cost greatly exceeds the saving at individual steps. Inefficient synchronization of sequential steps in any process results in bloated overhead costs from additional storage and handling infrastructure.

A good example of the cost-tunneling phenomenon was engineer Jan Schilham's work at the Interface carpet factory in Shanghai, which reduced horsepower requirements for pumping in one process twelvefold—while *reducing* capital costs. In conventional design, the factory layout and system of pipes are assumed as given, and the pumps chosen against that background.

1 Ibid., p. 114.

2 Ibid., pp. 119-120.

3 Ibid., p. 122.

...First, Schilham chose to deploy big pipes and small pumps instead of the original design's small pipes and big pumps. Friction falls as nearly the fifth power of pipe diameter, so making the pipes 50 percent fatter reduces their friction by 86 percent. The system needs less pumping energy—and smaller pumps and motors to push against the friction. If the solution is this easy, why weren't the pipes originally specified to be big enough? ...Traditional optimization compares the cost of fatter pipe with only the value of the saved *pumping energy*. This comparison ignores the size, and hence the capital cost, of the [pumping] *equipment* needed to combat the pipe friction. Schilham found he needn't calculate how quickly the savings would repay the extra up-front cost of the fatter pipe, because capital cost would fall more for the pumping and drive equipment than it would rise for the pipe, making the efficient system as a whole cheaper to construct.

Second, Schilham laid out the pipes first and *then* installed the equipment, in reverse order from how pumping systems are conventionally installed. Normally, equipment is put in some convenient and arbitrary spot, and the pipe fitter is then instructed to connect point A to point B. the pipe often has to go through all sorts of twists and turns to hook up equipment that's too far apart, turned the wrong way, mounted at the wrong height, and separated by other devices installed in between....

By laying out the pipes before placing the equipment that the pipes connect, Schilham was able to make the pipes short and straight rather than long and crooked. That enabled him to exploit their lower friction by making the pumps, motors, inverters and electricals even smaller and cheaper.¹

Vinay Gupta described some of the specific efficiencies involved in productive recursion, that combine to reduce the alternative economy's costs by an order of magnitude.² The most important efficiency comes from distributed infrastructure which provides

the same class of services that are provided by centralized systems like the water and power grids, but without the massive centralized investments in physical plant. For example, dry toilets and solar panels can provide high quality services household by household without a grid.

The digital revolution and network organization interact with distributed infrastructure to remove most of the administrative and other transaction costs involved in getting the technologies to the people who can benefit from them. It is, in other words, governed by the rules of Raymond's Bazaar, which Robb made the basis of his “open source insurgency.”

Distributed infrastructure also benefits from “economies of agility,” as opposed to the enormous capital outlays in conventional blockbuster investments that must frequently be abandoned as “sunk costs” when the situation changes or funding stops. “[H]alf a dam is no dam at all, but 500 of 1000 small projects is half way to the goal.” And distributed infrastructure projects manage to do without the enormous administrative and overhead costs of conventional organizations, which we saw described by Paul Goodman in Chapter Two; most of the organization and planning are done by those with the technical knowledge and sweat equity, who are directly engaged in the project and reacting to the situation on the ground.

And finally, Gupta argues, distributed finance—microcredit—interacts with distributed infrastructure and network organization to heighten the advantages of agility and low overhead still further.

1 Ibid., pp. 116-117.

2 Vinay Gupta, “The Global Village Development Bank: financing infrastructure at the individual, household and village level worldwide” Draft 2 (March 12, 2009) <<http://vinay.howtolivewiki.com/blog/hexayurt/my-latest-piece-the-global-village-development-bank-1348>>.

We also saw, in Chapter Five, the ways that modular design and the forms of stigmergic organization facilitated by open-source design contribute to lower costs. Modular design is a way of getting more bang for the R&D buck by maximizing use of a given innovation across an entire product ecology. And stigmergic organization with open-source designs eliminates barriers to widespread use of the most efficient existing designs.

Malcolm Gladwell's "David vs. Goliath" analysis of military history is an excellent illustration of the economies of agility. Victory goes to the bigger battalions about seven times out of ten—when Goliath outnumbers David ten to one, that is. But when the smaller army, outnumbered ten to one, acknowledges the fact and deliberately chooses unconventional tactics that target Goliath's weaknesses, it actually wins about six times out of ten. "When underdogs choose not to play by Goliath's rules, they win..." Guerrilla fighters from J.E.B. Stuart to T. E. Lawrence to Ho Chi Minh have learned, as General Maurice de Saxe put it, that victory is about legs rather than arms. As Lawrence wrote, "Our largest available resources were the tribesmen, men quite unused to formal warfare, whose assets were movement, endurance, individual intelligence, knowledge of the country, courage."¹ Another good example is what the U.S. military (analyzing Chinese asymmetric warfare capabilities) calls "Assassin's Maces": "anything which provides a cheap means of countering an expensive weapon." A good example is the black box that transmits ten thousand signals on the same frequency used by SAM missiles, and thus overwhelms American air-to-surface missiles which target SAM radio signals. The Chinese, apparently, work from the assumption that the U.S. develops countermeasures to "Assassin's Mace" weapons, and deliberately make it easier for American intelligence to acquire older such weapons as a form of disinformation; there's good reason to believe the Chinese military can work around American countermeasures much more quickly, and cheaply, than the U.S. can develop them.²

A recent example of "Assassin's Mace" technology is Skygrabber, an off-the-shelf software product that costs \$26. Insurgents in Afghanistan use it to capture video feeds from U.S. military drones. The Pentagon has known about the problem since the Balkan wars, but—get this—didn't bother spending the money to encrypt the feed because they "assumed local adversaries wouldn't know how to exploit it."³ In our discussion of networked resistance in Chapter Three, if you recall, we saw that the music industry assumed its DRM only had to be good enough to thwart the average user, because the geeks who could crack it would be too few to have a significant economic impact. But as Cory Doctorow pointed out, it takes only one geek to figure it out and then explain it to everybody else. It's called "stigmergic organization." Well, here's Dat Ole Debbil stigmergy again, and the Pentagon's having about as much fun with it as the record companies. John Robb describes the clash of organizational cultures:

This event isn't an aberration. It is an inevitable development, one that will only occur more and more often. Why? Military cycles of development and deployment take decades due to the dominance of a lethargic, bureaucratic, and bloated military industrial complex. Agility isn't in the DNA of the system nor will it ever be (my recent experience with a breakthrough and inexpensive information warfare system my team built, is yet another example of how FAIL the military acquisition system is).

In contrast, vast quantities of cheap/open/easy technologies (commercial and open source) are undergoing rapid rates of improvement. Combined with tinkering networks that can repurpose them to a

1 Malcolm Gladwell, "How David Beats Goliath," *The New Yorker*, May 11, 2009

<http://www.newyorker.com/reporting/2009/05/11/090511fa_fact_gladwell?currentPage=all>.

2 David Hambling, "China Looks to Undermine U.S. Power, With 'Assassin's Mace'." *Wired*, July 2

<<http://www.wired.com/dangerroom/2009/07/china-looks-to-undermine-us-power-with-assassins-mace/>>.

3 Siobhan Gorman, Yochi J. Dreazen and August Cole, "Insurgents Hack U.S. Drones," *Wall Street Journal*, December 17, 2009 <<http://online.wsj.com/article/SB126102247889095011.html>>.

plethora of unintended needs (like warfare), this development path becomes an inexorable force. The delta (a deficit from the perspective of the status quo, an advantage for revisionists) between the formal and the informal will only increase as early stage networks that focus specifically on weapons/warfare quickly become larger, richer, etc. (this will happen as they are combined with the economic systems of more complex tribal/community "Darknets").¹

In theory, it's fairly obvious what the U.S. national security establishment needs to do. All the assorted "Fourth Generation Warfare" doctrines are pretty much agreed on that. It has to reconfigure itself as a network, more decentralized and agile than the network it's fighting, so that it can respond quickly to intelligence and small autonomous units can "swarm" enemy targets from many directions at once.² The problem is, it's easier said than done. Al Qaeda had one huge advantage over the U.S. national security establishment: Osama bin Laden is simply *unable* to interfere with the operations of local Al Qaeda cells in the way that American military bureaucracies interfere with the operations of military units. No matter what 4GW doctrine calls for, no matter what the slogans and buzzwords at the academies and staff colleges say, it will be impossible to *do* any of it so long as the military bureaucracy exists because military bureaucracies are constitutionally *incapable* of restraining themselves from interference. Robb describes the problem. He quotes Jonathan Vaccaro's op-ed from the *New York Times*:

In my experience, decisions move through the process of risk mitigation like molasses. When the Taliban arrive in a village, I discovered, it takes 96 hours for an Army commander to obtain necessary approvals to act. In the first half of 2009, the Army Special Forces company I was with repeatedly tried to interdict Taliban. By our informal count, however, we (and the Afghan commandos we worked with) were stopped on 70 percent of our attempts because we could not achieve the requisite 11 approvals in time.

For some units, ground movement to dislodge the Taliban requires a colonel's oversight. In eastern Afghanistan, traveling in anything other than a 20-ton mine-resistant ambush-protected vehicle requires a written justification, a risk assessment and approval from a colonel, a lieutenant colonel and sometimes a major. These vehicles are so large that they can drive to fewer than half the villages in Afghanistan. They sink into wet roads, crush dry ones and require wide berth on mountain roads intended for donkeys. The Taliban walk to these villages or drive pickup trucks.

The red tape isn't just on the battlefield. Combat commanders are required to submit reports in PowerPoint with proper fonts, line widths and colors so that the filing system is not derailed. Small aid projects lag because of multimonth authorization procedures. A United States-financed health clinic in Khost Province was built last year, but its opening was delayed for more than eight months while paperwork for erecting its protective fence waited in the approval queue.

Communication with the population also undergoes thorough oversight. When a suicide bomber detonates, the Afghan streets are abuzz with Taliban propaganda about the glories of the war against America. Meanwhile, our messages have to inch through a press release approval pipeline, emerging 24 to 48 hours after the event, like a debutante too late for the ball.³

Robb adds his own comments on just how badly the agility-enhancing potential of network technology is sabotaged:

1 John Robb, "SUPER EMPOWERMENT: Hack a Predator Drone," *Global Guerrillas*, December 17, 2009

<<http://globalguerrillas.typepad.com/globalguerrillas/2009/12/super-empowerment-hack-a-predator-drone.html>>.

2 John Arquilla and David Ronfeldt, "Fighting the Network War," *Wired*, December 2001 <<http://www.wired.com/wired/archive/9.12/netwar.html>>.

3 Jonathan J. Vaccaro, "The Next Surge—Counterbureaucracy," *New York Times*, December 7, 2009

<<http://www.nytimes.com/2009/12/08/opinion/08vaccaro.html>>.

* Risk mitigation trumps initiative every time. Careers are more important than victory. Risk evaluation moves upward in the hierarchy. Evaluation of risk takes time, particularly with the paucity of information that can be accessed at positions removed from the conflict...

* New communications technology isn't being used for what it is designed to do (enable decentralized operation due to better informed people on the ground). Instead it is being used to enable more complicated and hierarchical approval processes -- more sign offs/approvals, more required processes, and higher level oversight. For example: a general, and his staff, directly commanding a small strike team remotely.¹

So long as the military bureaucracy exists, it will be impossible to put 4GW ideas into practice without interference from the pointy-haired bosses.

Another example of the same phenomenon is the way the Transportation Security Administration deals with security threats: as the saying goes, by “always planning for the last war.”

First they attacked us with box cutters, so the TSA took away anything even vaguely sharp or pointy. Then they tried (and failed) to hurt us with stuff hidden in their shoes. So the TSA made us take off our shoes at the checkpoint. Then there was a rumor of a planned (but never executed) attack involving liquids, so the TSA decided to take away our liquids.²

Distributed infrastructure benefits, as well, from what Robb calls “scale invariance”³: the ability of the part, in cases of system disruption, to replicate the whole. Each part conserves the features that define the whole, on the same principle as a hologram. Projects like Open-Source Ecology,⁴ once the major components of a local site are in place, can duplicate any of the individual components or duplicate them all to create a second site. The Fab Lab can produce the parts for a steam engine, CEB press, tractor, sawmill, etc., or even the machine tools for another Fab Lab.

Distributist writer John Medaille pointed out, by private email, that the Israelites under the Judges were a good example of superior extraction of value from inputs. At a time when the “more civilized” Philistines dominated most of the fertile valleys of Palestine, the Israelite confederacy stuck to the central highlands. But their “alternative technology,” focused on extracting more productivity from marginal land, enabled them to make more intensive use of what was unusable to the Philistines.

The tribes clung to the hilltops because the valleys were “owned” by the townies (Philistines) and the law of rents was in full operation. The Hebrews were free in the hills, and increasingly prosperous, both because of their freedom and because of new technologies, namely contoured plowing and waterproof cement, which allowed the construction of cisterns to put them through the dry season.⁵

In other words, a new technological regime supplanted a more privileged form of society through superior efficiency, despite being disadvantaged in access to productive inputs. The Hebrews were able to outcompete the dominant social system by making more efficient and intensive use of inputs that were “unusable” with conventional methods of economic organization.

1 Robb, “Fighting an Automated Bureaucracy,” *Global Guerrillas*, December 8, 2009 <<http://globalguerrillas.typepad.com/globalguerrillas/2009/12/journal-fighting-an-automated-bureaucracy.html>>.

2 Thoreau, “More on the swarthy threat to our precious carry-on fluids,” *Unqualified Offerings*, December 26, 2009 <<http://highclearing.com/index.php/archives/2009/12/26/10438>>.

3 Robb, “Resilient Communities and Scale Invariance,” *Global Guerrillas*, April 16, 2009 <<http://globalguerrillas.typepad.com/globalguerrillas/2009/04/resilient-communities-and-scale-invariance.html>>.

4 See Chapter Five.

5 John Medaille, personal email to author, January 28, 2009.

The alternative economy, likewise, has taken for its cornerstone the stone which the builders refused. As I put it in a blog post (in an admittedly grandiose yet nevertheless eminently satisfying passage):

...[T]he owning classes use less efficient forms of production precisely because the state gives them preferential access to large tracts of land and subsidizes the inefficiency costs of large-scale production. Those engaged in the alternative economy, on the other hand, will be making the most intensive and efficient use of the land and capital available to them. So the balance of forces between the alternative and capitalist economy will not be anywhere near as uneven as the distribution of property might indicate.

If everyone capable of benefiting from the alternative economy participates in it, and it makes full and efficient use of the resources already available to them, eventually we'll have a society where most of what the average person consumes is produced in a network of self-employed or worker-owned production, and the owning classes are left with large tracts of land and understaffed factories that are almost useless to them because it's so hard to hire labor except at an unprofitable price. At that point, the correlation of forces will have shifted until the capitalists and landlords are islands in a mutualist sea—and their land and factories will be the last thing to fall, just like the U.S Embassy in Saigon.¹

Soderberg refers to the possibility that increasing numbers of workers will "defect from the labour market" and "establish means of non-waged subsistence," through efficient use of the waste products of capitalism.² The "freegan" lifestyle (less charitably called "dumpster diving") is one end of a spectrum of such possibilities. At the other end is low-cost recycling and upgrading of used and discarded electronic equipment: for example, the rapid depreciation of computers makes it possible to add RAM to a model a few years old at a small fraction of the cost of a new computer, with almost identical performance.

Reason's Brian Doherty, in a display of rather convoluted logic, attempted to depict freeganism as proof of capitalism's virtues:

It's nice of capitalism to provide such an overflowing cornucopia that the [freegans] of the world can opt out. Wouldn't it be gracious of them to show some love to the system that manages to keep them alive and thriving without even trying?³

To take Doherty's argument and stand it on its head, consider the amount of waste resulting from the perverse incentives under the Soviet planned economy. In some cases, new refrigerators and other appliances were badly damaged by being roughly thrown off the train and onto a pile at the point of delivery, because the factory got credit simply for manufacturing them, and the railroad got credit for delivering them, under the metrics of the Five Year Plan. Whether they actually worked, or arrived at the retailer in a condition such that someone was willing to buy them, was beside the point. Now, imagine if some handy fellow in the Soviet alternative economy movement had bought up those fridges as factory rejects for a ruble apiece, or just bought them for scrap prices from a junkyard, and then got them in working order at little or no cost. Would Doherty be praising Soviet socialism for its efficiency in producing such a surplus that the Russian freegan could live off the waste?

When the alternative economy is able to make more efficient use of the waste byproducts of state

1 Kevin Carson, "Building the Structure of the New Society Within the Shell of the Old," *Mutualist Blog: Free Market Anti-Capitalism*, March 22, 2005 <<http://mutualist.blogspot.com/2005/03/building-structure-of-new-society.html>>.

2 Soderberg, *Hacking Capitalism*, p. 172.

3 Brian Doherty, "The Glories of Quasi-Capitalist Modernity, Dumpster Diving Division," *Reason Hit & Run Blog*, September 12, 2007 <<http://reason.com/blog/show/122450.html>>.

capitalism—waste byproducts that result from the latter's inefficient use of subsidized inputs—and thereby supplant state capitalism from within by the superior use of its underutilized resources and waste, it is rather perverse to dismiss the alternative economy as just another hobby or lifestyle choice enabled by the enormous efficiencies of corporate capitalism. And the alternative economy is utilizing inputs that would otherwise be waste, and thereby establishing an ecological niche based on the difference between capitalism's actual and potential efficiencies; so to treat capitalism's inefficiencies as a mark of efficiency—i.e., how inefficient it can afford to be—is a display of Looking Glass logic.

The alternative economy's superior extraction of value from waste inputs extends, ultimately, to the entire economy.

If these isolated nodes of self-sufficiency connect, communicate, and interact, then they will enjoy an improve position relative to hierarchal structures....

Additionally, from the perspective of the diagonal, the Diagonal Economy will begin as a complementary structure that is coextensive but out of phase with our current system. However, it will be precisely because it leverages a more efficient information processing structure that it will be able to eventually supplant the substrate hierarchies as the dominant system.¹

One example of how the alternative economy permits the increasingly efficient extraction of value from waste material, by the way, is the way in which network technology facilitates repair even within the limits of proprietary design and the planned obsolescence model. In Chapter Two, we considered Julian Sanchez's account of how Apple's design practices serve to thwart cheap repair. iFixit is an answer to that problem:

Kyle Wiens and Luke Soules started iFixit (ifixit.com) out of their dorms at Cal Poly in San Luis Obispo, Calif. That was six years ago. Today they have a self-funded business that sells the parts and tools you need to repair Apple equipment. One of their innovations is creating online repair manuals for free that show you how to make the repairs.

“Our biggest source of referrals is Apple employees, particularly folks at the Genius Bar,” Wien says. They refer customers who complain when Apple won't let them fix an out-of-warranty product. (Apple: “Just buy a new one!”)

iFixit will also buy your old Mac and harvest the reusable parts to resell.... If it's starting to sound like an auto parts franchise, well, Wiens and Soules have been thinking about someday doing for cars what they do for computers and handhelds today.²

In other words, the same open-source insurgency model that governs the file-sharing movement is spreading to encompass the development of all kinds of measures for routing around planned obsolescence and the other irrationalities of corporate capitalism. The reason for the quick adaptability of fourth generation warfare organizations, as described by John Robb, is that any innovation developed by a particular cell becomes available to the entire network. And by the same token, in the file-sharing world, it's not enough that DRM be sufficiently hard to circumvent to deter the average user. The average user need only use Google to benefit from the superior know-how of the geek who has already figured out how to circumvent it. Likewise, once anyone figures out how to circumvent any instance of planned obsolescence, their hardware hack becomes part of a universally accessible

1 Jeff Vail, “The Diagonal Economy 5: The Power of Networks,” *Rhizome*, December 21, 2009 <<http://www.jeffvail.net/2009/12/diagonal-economy-5-power-of-networks.html>>.

2 Dale Dougherty, “What's in Your Garage?” *Make*, vol. 18 <<http://www.make-digital.com/make/vol18/?pg=39>>.

repository of knowledge.

As Cory Doctorow notes, cheap technologies which can be modularized and mixed-and-matched for any purpose are just lying around. “[T]he market for facts has crashed. The Web has reduced the marginal cost of discovering a fact to \$0.00.” He cites Robb's notion that “[o]pen source insurgencies don't run on detailed instructional manuals that describe tactics and techniques.” Rather, they just run on “plausible premises.” You just put out the plausible premise—i.e., the suggestion based on your gut intuition, based on current technical possibilities, that something can be done—that IED's can kill enemy soldiers, and then anyone can find out *how* to do it via the networked marketplace of ideas, with virtually zero transaction costs.

But this doesn't just work for insurgents — it works for anyone working to effect change or take control of her life. Tell someone that her car has a chip-based controller that can be hacked to improve gas mileage, and you give her the keywords to feed into Google to find out how to do this, where to find the equipment to do it — even the firms that specialize in doing it for you.

In the age of cheap facts, we now inhabit a world where knowing something is possible is practically the same as knowing how to do it.

This means that invention is now a lot more like collage than like discovery.

Doctorow mentions Bruce Sterling's reaction to the innovations developed by the protagonists of his (Doctorow's) *Makers*: “There's hardly any engineering. Almost all of this is mash-up tinkering.” Or as Doctorow puts it, it “assembles rather than invents.”

It's not that every invention has been invented, but we sure have a lot of basic parts just hanging around, waiting to be configured. Pick up a \$200 FPGA chip-toaster and you can burn your own microchips. Drag and drop some code-objects around and you can generate some software to run on it. None of this will be as efficient or effective as a bespoke solution, but it's all close enough for rock-n-roll.¹

Murray Bookchin anticipated something like this back in the 1970s, writing in *Post-Scarcity Anarchism*:

Suppose, fifty years ago, that someone had proposed a device which would cause an automobile to follow a white line down the middle of the road, automatically and even if the driver fell asleep.... He would have been laughed at, and his idea would have been called preposterous.... But suppose someone called for such a device today, and was willing to pay for it, leaving aside the question of whether it would actually be of any genuine use whatever. Any number of concerns would stand ready to contract and build it. No real invention would be required. There are thousands of young men in the country to whom the design of such a device would be a pleasure. They would simply take off the shelf some photocells, thermionic tubes, servo-mechanisms, relays, and, if urged, they would build what they call a breadboard model, and it would work. The point is that the presence of a host of versatile, reliable, cheap gadgets, and the presence of men who understand all their cheap ways, has rendered the building of automatic devices almost straightforward and routine. It is no longer a question of whether they can be built, it is a question of whether they are worth building.²

1 Cory Doctorow, “Cheap Facts and the Plausible Premise,” *Locus Online*, July 5, 2009
<<http://www.locusmag.com/Perspectives/2009/07/cory-doctorow-cheap-facts-and-plausible.html>>.

2 Murray Bookchin, “Toward a Liberatory Technology,” in *Post-Scarcity Anarchism* (Berkeley, Calif.: The Ramparts Press, 1971), pp. 49-50.

D. The Implications of Reduced Physical Capital Costs

The informal and household economy reduces waste by its reliance on “spare cycles” of ordinary capital goods that most people already own. It makes productive use of idle capital assets the average person owns anyway, provides a productive outlet for the surplus labor of the unemployed, and transforms the small surpluses of household production into a ready source of exchange value.

Let's consider again our example of the home-based microenterprise—the microbrewery or restaurant—from Chapter Five. Buying a brewing vat and a few small fermenters for your basement, using a few tables in an extra room as a public restaurant area, etc., would require a small bank loan for at most a few thousand dollars. And with that capital outlay, you could probably make payments on the debt with the margin from one customer a day. A few customers evenings and weekends, probably found mainly among your existing circle of acquaintances, would enable you to initially shift some of your working hours from wage labor to work in the restaurant, with the possibility of gradually phasing out wage labor altogether or scaling back to part time, as you built up a customer base. In this and many other lines of business (for example a part-time gypsy cab service using a car and cell phone you own anyway), the minimal entry costs and capital outlay mean that the minimum turnover required to pay the overhead and stay in business would be quite modest. In that case, a lot more people would be able to start small businesses for supplementary income and incrementally shift some of their wage work to self employment, with minimal risk or sunk costs.

The lower the initial capital outlays, and the lower the resulting overhead that must be serviced, the larger the percentage of its income stream belongs to the microenterprise without encumbrance—regardless of how much business it is able to do. It is under no pressure to “go big or not go at all,” to “get big or get out,” or to engage in large batch production to minimize unit costs from overhead, because it has virtually no overhead costs. So the microenterprise can ride out prolonged periods of slow business. If the microenterprise is based in a household which owns its living space free and clear and has a garden and well-stocked pantry, the household may be able to afford to go without income during slow spells and live off its savings from busy periods. Even if the household is dependent on some wage labor, the microenterprise in good times can be used as a supplemental source of income with no real cost or risk of the kind that would exist were there overhead to be serviced, and therefore enable a smaller wage income to go further in a household income-pooling unit.

That's why, as we saw in Chapter Two, one of the central functions of so-called “health” and “safety” codes, and occupational licensing is to prevent people from using idle capacity (or “spare cycles”) of what they already own anyway, and thereby transforming them into capital goods for productive use. In general, state regulatory measures that increase the minimum level of overhead needed to engage in production will increase the rate of failure for small businesses, with pressure to intensified “cutthroat competition.” In the specific case of high burdens of interest-bearing debt, and the pressure to earn a sufficient revenue stream to repay the interest as well as the principal, Tom Greco writes,

As borrowers compete with one another to try to meet their debt obligations in this game of financial “musical chairs,” they are forced to expand their production, sales, and profits....

...Thus, debt continually mounts up, and businesses and individuals are forced to compete for markets and scarce money in a futile attempt to avoid defaulting on their debts. The system makes it certain that some *must* fail.¹

¹ Thomas Greco, *The End of Money and the Future of Civilization* (White River Junction, Vt.: Chelsea Green Publishing,

Because the household economy and the microenterprise require few or no capital outlays, their burden of overhead is miniscule. This removes the pressure to large-batch production. It removes the pressure to get out of business altogether and liquidate one's assets when business is slow, because there is no overhead to service. Reduced overhead costs reduce the failure rate; they reduce the cost of staying in business indefinitely, enjoying revenue free and clear in good periods and riding out slow ones with virtually no loss. As Borsodi wrote,

Only in the home can the owner of a machine afford the luxury of using it only when he has need of it. The housewife uses her washing machine only an hour or two per week. The laundry has to operate its washing machine continuously. Whether operating or not operating all of its machines, the factory has to earn enough to cover depreciation and obsolescence on them. Office overhead, too, must be earned, whether the factory operates on full time or only on part time.¹

And a housewife who uses her washing machine to full capacity in a household micro-laundry, with no additional marginal cost besides the price of soap, water, and power, will eat the commercial laundry alive.

E. Strong Incentives and Reduced Agency Costs

We already saw, above, Eric Raymond's description of how self-selection and incentives work in the Linux “Bazaar” model of open-source development. As Michel Bauwens put it,

the permissionless self-aggregation afforded by the internet, allowed humans to congregate around their passionate pursuits.... It was discovered that when people are motivated by intrinsic positive motivation, they are hyperproductive....

...[W]hile barely one in five of corporate workers are passionately motivated, one hundred percent of peer producers are, since the system filters out those lacking it!²

And Johan Soderberg, likewise:

To a hired programmer, the code he is writing is a means to get a pay check at the end of the month. Any shortcut when getting to the end of the month will do. For a hacker, on the other hand, writing code is an end in itself. He will always pay full attention to his endeavour, or else he will be doing something else.³

The alternative economy reduces waste by eliminating all the waste of time involved in the “face time” paradigm. Wage labor and hierarchy are characterized by high degrees of “presenteeism.” Because the management is so divorced from the actual production process, it has insufficient knowledge of the work to develop a reliable metric of actual work accomplished. So it is required to rely on proxies for work accomplished, like the amount of time spent in the office and whether people “look busy.” Workers, who have no intrinsic interest in the work and who get paid for just being there, have no incentive to use their time efficiently.

2009), p. 55.

1 Borsodi, *This Ugly Civilization*, p. 126.

2 Michel Bauwens, “The three revolutions in human productivity,” *P2P Foundation Blog*, November 29, 2009 <<http://blog.p2pfoundation.net/the-three-revolutions-in-human-productivity/2009/11/29>>.

3 Johan Soderberg, *Hacking Capitalism*, p. 26.

Matthew Yglesias describes this as “the office illusion”: the equation of “being in the office” to “working.”

Thus, minor questions like *am I getting any work done?* can tend to slip away. Similarly, when I came into an office every day, I felt like I couldn't just leave the office just because I didn't want to do anymore work, so I would kind of foot-drag on things to make sure whatever task I had stretched out to fill the entire working day. If I'm not in an office, by contrast, I'm acutely aware that I have a budget of *tasks* that need to be accomplished, that "working" means finishing some of those tasks, and that when the tasks are done, I can go to the gym or go see a movie or watch TV. Thus, I tend to work in a relatively focused, disciplined manner and then go do something other than work rather than slack off.¹

Under the "face time" paradigm of wage employment at a workplace away from home, there is no trade-off between work and leisure. Anything done at work is "work," for which one gets paid. There is no opportunity cost to slacking off on the job. In home employment, on the other hand, the trade-off between effort and consumption is clear. The self-employed worker knows how much productive labor is required to support his desired level of consumption, and gets it done so he can enjoy the rest of his life. If his work itself is a consumption good, he still balances it with the rest of his activities in a rational, utility-maximizing manner, because he is the conscious master of his time, and has no incentive to waste time because "I'm here anyway." Any "work" he does which is comparatively unproductive or unrewarding comes at the expense of more productive or enjoyable ways of spending his time.

At work, on the other hand, all time belongs to the boss. A shift of work is an eight-hour chunk of one's life, cut off and flushed down the toilet for the money it will bring. And as a general rule, people do not make very efficient use of what belongs to someone else.

J.E. Meade contrasts the utility-maximizing behavior of a self-employed individual to that of a wage employee:

A worker hired at a given hourly wage in an Entrepreneurial firm will have to observe the minimum standard of work and effort in order to keep his job; but he will have no immediate personal financial motive... to behave in a way that will promote the profitability of the enterprise.... [A]ny extra profit due to his extra effort will in the first place accrue to the entrepreneur....

Let us go to the other extreme and consider a one-man Cooperative, i.e. a single self-employed worker who hires his equipment. He can balance money income against leisure and other amenities by pleasing himself over hours of work, holidays, the pace and concentration of work, tea-breaks or the choice of equipment and methods of work which will make his work more pleasant at the cost of profitability. Any innovative ideas which he has, he can apply at once and reap the whole benefit himself.²

This is true not only of self-employment in the household sector and of self-managed peer networks, but of self-managed cooperatives in the money economy as well. The latter require far less in the way of front-line managers than do conventional capitalist enterprises. Edward Greenberg contrasts the morale and engagement with work, among the employees of a capitalist enterprise, with that of workers who own and manage their place of employment:

1 Matthew Yglesias, "The Office Illusion," *Matthew Yglesias*, September 1, 2007 <http://matthewyglesias.theatlantic.com/archives/2007/09/the_office_illusion.php>.

2 J.E. Meade, "The Theory of Labour-Managed Firms and Profit Sharing," in Jaroslav Vanek, ed., *Self-Management: Economic Liberation of Man* (Hammondsworth, Middlesex, England: Penguin Education, 1975), p. 395.

Rather than seeing themselves as a group acting in mutuality to advance their collective interests and happiness, workers in conventional plants perceive their work existence, quite correctly, as one in which they are almost powerless, being used for the advancement and purposes of others, subject to the decisions of higher and more distant authority, and driven by a production process that is relentless....

The general mood of these two alternative types of work settings could not be more sharply contrasting. To people who find themselves in conventional, hierarchically structured work environments, the work experience is not humanly rewarding or enhancing. This seems to be a product of the all-too-familiar combination of repetitious and monotonous labor... and the structural position of powerlessness, one in which workers are part of the raw material that is manipulated, channeled, and directed by an only partly visible managerial hierarchy. Workers in such settings conceive of themselves, quite explicitly, as objects rather than subjects of the production process, and come to approach the entire situation, quite correctly, since they are responding to an objective situation of subordination, as one of a simple exchange of labor for wages. Work, done without a great deal of enthusiasm, is conceived of as intrinsically meaningless, yet necessary for the income that contributes to a decent life away from the workplace.¹

Greenberg notes a "striking" fact: "the vast difference in the number of supervisors and foremen found in conventional plants as compared with the plywood cooperatives."

While the latter were quite easily able to manage production with no more than two per shift, and often with only one, the former often requires six or seven. Such a disparity is not uncommon. I discovered in one mill that had recently been converted from a worker-owned to a conventional, privately owned firm that the very first action taken by the new management team was to quadruple the number of line supervisors and foremen. In the words of the general manager of this mill who had also been manager of the mill prior to its conversion,

*We need more foremen because, in the old days, the shareholders supervised themselves.... They cared for the machinery, kept their areas picked up, helped break up production bottlenecks all by themselves. That's not true anymore. We've got to pretty much keep on them all of the time.*²

Workers in a cooperative enterprise put more of themselves into their work, and feel free to share their private knowledge—knowledge that would be exploited far more ruthlessly as a source of information rent in a conventional enterprise. Greenberg quotes a comment by a worker in a plywood co-op that speaks volumes on wage labor's inefficiency at aggregating distributed knowledge, compared to self-managed labor:

If the people grading off the end of the dryer do not use reasonable prudence and they start mixing the grades too much, I get hold of somebody and I say, now look, this came over to me as face stock and it wouldn't even make decent back. What the hell's goin' on here?

[Interviewer: That wouldn't happen if it were a regular mill?]

That wouldn't happen. [In a regular mill]... he has absolutely no money invested in the product that's being manufactured.... He's selling nothing but his time. *Any knowledge he has on the side, he is not committed or he is not required to share that.* [emphasis added]

It took me a little while to get used to this because where I worked before... there was a union and you did your job and you didn't go out and do something else. Here you get in and do anything to help.... I see somebody needs help, why you just go help them.

1 Edward S. Greenberg. "Producer Cooperatives and Democratic Theory" in Robert Jackall and Henry M. Levin, eds., *Worker Cooperatives in America* (Berkeley, Los Angeles, London: University of California Press, 1984), p. 185.

2 *Ibid.*, p. 193.

I also tend to... look around and make sure things are working right a little more than... if I didn't have anything invested in the company.... I would probably never say anything when I saw something wrong.¹

F. Reduced Costs from Supporting Rentiers and Other Useless Eaters

The alternative economy reduces waste and increases efficiency by eliminating the burden of supporting a class of absentee investors. By lowering the threshold of capital investment required to enter production, and easing the skids for self-employment at the expense of wage employment, the informal economy increases efficiency. Because producer-owned property must support only the laborer and his family, the rate of return required to make the employment of land and capital worthwhile is reduced. As a result, fewer productive resources are held out of use and there are more opportunities for productive labor.

The absentee ownership of capital skews investment in a different direction from what it would be in an economy of labor-owned capital, and reduces investment to lower levels. Investments that would be justified by the bare fact of making labor less onerous and increasing productivity, in an economy of worker-owned capital,² must produce an additional return on the capital to be considered worth making in an economy of rentiers. It is directly analogous to the holding of vacant land out of use that might enable laborers to subsist comfortably, because it will not in addition produce a rent over and above the laborer's subsistence. As Thomas Hodgskin observed in *Popular Political Economy*,

It is maintained... that labour is not productive, and, in fact, the labourer is not allowed to work, unless, in addition to replacing whatever he uses or consumes, and comfortably subsisting himself, his labour also gives a profit to the capitalist...; or unless his labour produces a great deal more... than will suffice for his own comfortable subsistence. Capitalists becoming the proprietors of all the wealth of the society... act on this principle, and never... will they suffer labourers to have the means of subsistence, unless they have a confident expectation that their labour will produce a profit over and above their own subsistence. This... is so completely the principle of slavery, to starve the labourer, unless his labour will feed his master as well as himself, that we must not be surprised if we should find it one of the chief causes... of the poverty and wretchedness of the labouring classes.³

When capital equipment is owned by the same people who make and use it, or made and used by different groups of people who divide the entire product according to their respective labor and costs, it is productive. But when capital equipment is owned by a class of rentiers separate from those who make it or use it, the owners may be said more accurately to impede production rather than "contribute" to it.

If there were only the makers and users of capital to share between them the produce of their co-operating labour, the only limit to productive labour would be, that it should obtain for them and their families a comfortable subsistence. But when in addition to this..., they must also produce as much more as satisfies the capitalist, this limit is much sooner reached. When the capitalist... will allow labourers neither to make nor use instruments, unless he obtains a profit over and above the subsistence of the labourer, it is plain that bounds are set to productive labour much within what Nature prescribes. In proportion as capital in the hands of a third party is accumulated, so the whole amount of profit required by the capitalist increases, and so there arises an artificial check to production and population. The impossibility of the labourer producing

1 Ibid., p. 191.

2 Thomas Hodgskin, *Popular Political Economy: Four Lectures Delivered at the London Mechanics' Institution* (New York: Augustus M. Kelley, 1966 [1827]), pp. 255-256.

3 Ibid., pp. 51-52.

all which the capitalist requires prevents numberless operations, such as draining marshes, and clearing and cultivating waste lands; to do which would amply repay the labourer, by providing him with the means of subsistence, though they will not, in addition, give a large profit to the capitalist. In the present state of society, the labourers being in no case the owners of capital, every accumulation of it adds to the amount of profit demanded from them, and extinguishes all that labour which would only procure the labourer his comfortable subsistence.¹

Hodgskin developed this same theme, as it applied to land, in *The Natural and Artificial Right of Property Contrasted*:

It is, however, evident, that the labour which would be amply rewarded in cultivating all our waste lands, till every foot of the country became like the garden grounds about London, were all the produce of labour on those lands to be the reward of the labourer, cannot obtain from them a sufficiency to pay profit, tithes, rent, and taxes....

In the same manner as the cultivation of waste lands is checked, so are commercial enterprise and manufacturing industry arrested. Infinite are the undertakings which would amply reward the labour necessary for their success, but which will not pay the additional sums required for rent, profits, tithes, and taxes. These, and no want of soil, no want of adequate means for industry to employ itself, are the causes which impede the exertions of the labourer and clog the progress of society.²

The administrative and transaction costs of conventional commercial economy have a similar effect to that of rentier incomes: they increase the number of people the laborer must support, in addition to himself, and thereby increase the minimum scale of output required for entering the market. The social economy enables its participants to evade the overhead costs of conventional organization (of the kind we saw skewered by Paul Goodman in Chapter Two), as described by Scott Burns in *The Household Economy*. The most enthusiastic celebrations of increased efficiencies from division of labor—like those at Mises.Org—tend to rely on illustrations in which, as Burns puts it, "labor can be directly purchased," or be made the object of direct exchange between the laborers themselves. But in fact,

[m]arketplace labor must not only bear the institutional burden of taxation, it must also carry the overhead costs of organization and the cost of distribution. Even the most direct service organizations charge two and one-half times the cost of labor. The accountant who is paid ten dollars an hour is billed out to clients at twenty-five dollars an hour.... When both the general and the specific overhead burdens are considered, it becomes clear that any productivity that accrues to specialization is vitiated by the overhead burdens it must carry.

Consider, for example, what happens when an eight-dollar-an-hour accountant hires an eight-dollar-an-hour service repairman, and vice versa. The repairman is billed out by his company at two and one-half times his hourly wage, or twenty dollars; to earn this money, the accountant must work three hours and twenty minutes, because 25 per cent of his wages are absorbed by taxes. Thus, to be truly economically efficient, the service repairman must be at least three and one-third times as efficient as the accountant at repairing things.³

The same principle applies to exchange, with household and informal arrangements requiring far less in the way of administrative overhead than conventional retailers. Food buying clubs run out of

1 Ibid., pp. 243-244

2 Hodgskin, "Letter the Eighth: Evils of the Artificial Right of Property," *The Natural and Artificial Right of Property Contrasted. A Series of Letters, addressed without permission to H. Brougham, Esq. M.P. F.R.S.* (London: B. Steil, 1832). <http://oll.libertyfund.org/index.php?option=com_staticxt&staticfile=show.php%3Ftitle=323&layout=html>

3 Scott Burns, *The Household Economy: Its Shape, Origins, & Future* (Boston: The Beacon Press, 1975), pp. 163-164.

people's homes, barter bazaars¹ and freecycling networks, the imploding transaction costs of aggregating information and putting buyer and seller together on Craigslist, etc., all involve little or no overhead cost. Projects like FreeCycle, in fact, kill two birds with one stone: they simultaneously provide a low-overhead alternative to conventional retail, and maximize the efficiency with which the alternative economy extracts the last drop of value from the waste byproducts of capitalism.

To take just one example, consider the enormous cost of factoring in the apparel industry. Because most large retailers don't pay their apparel suppliers on time (delays of as much as six months are common), apparel producers must rely on factors to buy their accounts receivable at a heavy discount ("loan shark rates," in the words of Eric Husman, an engineer who blogs on lean manufacturing issues—typically 15-20%).² The requirement either to absorb several months' expenses while awaiting payment, or to get timely payment only at a steep discount, is an enormous source of added cost which exerts pressure to make it up on volume through large batch size. Now the large retailers, helpfully, are introducing a new "Supplier Alliance Program," which amounts to bringing the factoring operation in-house.³ That's right: they actually "lend you the money they owe you" (in Husman's words). Technically, the retailers aren't actually lending the money, but rather extending their credit rating to cover your dealings with independent banks. The program is a response to the bankruptcy of several major factors in the recent financial crisis, and the danger that hundreds of vendors would go out of business in the absence of factoring. (Of course actually paying for orders on receipt would be beyond the meager resources of the poor big box chains.)

For the small apparel producer, in contrast, producing directly for an independent local retailer, for a local barter network, or for networked operations like Etsy, carries little or no overhead. Consider also the number of other industries in which something like the factoring system prevails (i.e., selling you, on credit, the rope to hang yourself with). A good example is the relationship Cargill and ADM have with family farmers: essentially a recreation of the 18th century putting-out system. Kathleen Fasanella, a consultant to the small apparel industry who specializes—among other things—in applying lean principles to apparel manufacturing, is for this reason an enthusiastic supporter of pull distribution networks (farmers selling at farmers' markets, craft producers selling on Etsy, etc.).⁴

The shift to dispersed production in countless micro-enterprises also makes the alternative economy far less vulnerable to state taxation and imposition of artificial levels of overhead. In an economy of large-scale, conventional production, the required scale of capital outlays and resulting visibility of enterprises provides a physical hostage for the state's enforcement of overhead-raising regulations and "intellectual property" laws.

The conventional enterprise also provides a much larger target for taxation, with much lower costs for enforcement.⁵ But as required physical capital outlays implode, and conventional manufacturing

1 Gul Tuysuz, "An ancient tradition makes a little comeback," *Hurriyet DailyNews*, January 23, 2009 <<http://www.hurriyet.com.tr/english/domestic/10826653.asp?scr=1>>.

2 Eric Husman, private email, November 18, 2009; Kathleen Fasanella, "Selling to Department Stores pt. 1," *Fashion Incubator*, August 11, 2009 <<http://www.fashion-incubator.com/archive/selling-to-department-stores-pt1/>>.

3 "Supply Chain News: Walmart Joins Kohl's in Offering Factoring Program to Apparel Suppliers," *Supply Chain Digest*, November 17, 2009 <http://www.scdigest.com/ASSETS/ON_TARGET/09-11-17-2.PHP?cid=2954&ctype=conte>.

4 Kathleen Fasanella, private email, November 19, 2009. Fasanella wrote the best-known book in the industry on how to start an apparel company: *The Entrepreneur's Guide to Sewn Product Manufacturing* (Apparel Technical Svcs, 1998). Eric Husman also happens to be her husband.

5 See, for example, Benjamin Darrington, "Government Created Economies of Scale and Capital Specificity" (Austrian Student Scholars' Conference, 2007) pp. 6-7

<http://agorism.info/_media/government_created_economies_of_scale_and_capital_specificity.pdf>.

melts into a network of small machine shops and informal/household “hobby” shops, the targets become too small and dispersed to bother with.

This effect of rentier income, by the way, is just another example of a broader phenomenon we have been observing in various guises throughout this book: the effect of any increase in the minimum capital outlay, overhead, etc., to carry out a function, is to increase the scale of production necessary to service fixed costs. Overhead is a baffle that disrupts the flow from effort to output, and has an effect on the productive economy comparable to that of constipation or edema on the human body.

On the Open Manufacturing list, Eric Hunting argues that one of the side-effects of the kind of relocalized flexible manufacturing we examined in Chapter Five is that increasing competition, easy diffusion of new technology and technique, and increasing transparency of cost structure will—between them—arbitrage the rate of profit to virtually zero and squeeze artificial scarcity rents and spot-market profits from price almost entirely.

What Open Manufacturing is doing is on the bleeding-edge of a general trend in industrial automation for progressively increasing productivity and production flexibility (mass customization/demand-driven flex production) with systems of decreasing scale and up-front cost. At the same time the economics of manufacturing has used-up the potential of Globalization as a means to exploit geographic spot-market bargains in materials and labor costs and is now dealing in a world of increasingly homogenous materials costs and expensive energy—and therefore transportation—costs. The efficiency of manufacturing logistics really matters now. It no longer makes economic sense to manufacture whole goods in far away places no matter how cheap the labor is. And—though the executive class remains slow on the uptake as usual—the trend is toward localization of production with increasing flexibility. So, ironically driven by the profit motive, commercial manufacturing is on a parallel track to the same goal as Open Manufacturing; progressive localization and diversification of production.

I foresee this producing a progressive 'commoditization' of global economics. In other words, global trade will increasingly be trade of commodities materials and components, because it no longer makes economic sense to move finished goods around when their transportation is so inefficient. Commodities trade is highly automated because commodities production is highly automated, produces uniform products, and deals in large volumes relative to the number of workers. Production costs are highly quantifiable when the amortized cost of equipment supersedes the human labor overhead and that tends to factor out the variability in that only remaining (and deliberately) 'fuzzy' valued commodity. The result is that there is increasing global price capitulation in the value of commodities—largely because its increasingly difficult to hide costs, find exclusive geographical spot-market bargains, or maintain exclusive distribution hegemonies. Trading systems have a very high and steadily increasing quantitative awareness of the costs of everything and the projected demand and production capacity for everything. At a certain point they can algorithmically factor out profit and can start trading commodities for commodities without cash indexed to projected demand/production. Profit in trade is based on divergence in the perception of value between buyer and seller. Scarcity is often a perception created by hiding data—and that's increasingly hard to do in a world where quantitative analysis trading knows more about an industry than the CEOs do. When everybody knows ahead of time what the concrete values of everything is and you have an actual open market where everyone has alternate sources for just about everything, profit becomes impossible.¹

¹ Eric Hunting, “Re: Roadmap to Post-Scarcity,” *Open Manufacturing*, January 12, 2010 <<http://groups.google.com/group/openmanufacturing/msg/96166c44e39d3e6e?hl=en>>.

G. The Stigmergic Non-Revolution

Kim Stanley Robinson, in the second volume of his Mars trilogy, made some interesting comments (through the mouth of one of his characters) on the drawbacks of traditional models of revolution:

“...[R]evolution has to be rethought. Look, even when revolutions have been successful, they have caused so much destruction and hatred that there is always some kind of horrible backlash. It's inherent in the method. If you choose violence, then you create enemies who will resist you forever. And ruthless men become your revolutionary leaders, so that when the war is over they're in power, and likely to be as bad as what they replaced.”¹

A political movement is useful mainly for running interference, defending safe spaces in which we can build the real revolution—the revolution that *matters*. To the extent that violence is used, it should not be perceived by the public at large as a way of conquering anything, but as defensive force that raises the cost of government attacks on the counter-economy. The movement should avoid, at all costs, being seen as an attempt to impose a new way of life on the “conventional” public, but instead strive to be seen as a fight to enable everyone to live their own lives the way they want. And even in such cases, non-cooperation and civil disobedience—while taking advantage of the possibilities of exposure that networked culture provide—are likely to be more effective than violent defense.

Rather than focusing on ways to shift the correlation of forces between the state's capabilities for violence and ours, it makes far more sense to focus on ways to increase our capabilities of living how we want below the state's radar. The networked forms of organization we've examined in Chapter Three and in this chapter are key to that process.

The focus on securing liberty primarily through political organization—organizing “one big movement” to make sure everybody is on the same page, before anyone can put one foot in front of the other—embodies all the worst faults of 20th century organizational culture. What we need, instead, is to capitalize on the capabilities of network culture. Network culture, in its essence, is stigmergic: that is, an “invisible hand” effect results from the several efforts of individuals and small groups working independently. Such independent actors may have a view to coordinating their efforts with a larger movement, and take the actions of other actors into account, but they do so without any single coordinating apparatus set over and above their independent authority.

In other words, we need a movement that works like Wikipedia at its best, or like open-source developers who independently tailor modular products to a common platform.

The best way to change “the laws,” in practical terms, is to make them irrelevant and unenforceable through counter-institution building and through counter-economic activity outside the state's control. States claim all sorts of powers that they are utterly unable to enforce. It doesn't matter what tax laws are on the books if most commerce is in encrypted currency of some kind and invisible to the state. Without the ability to enforce their claimed powers, the claimed powers themselves are about as relevant as the edicts of the Emperor Norton. That's why Charles Johnson argues that it's far more cost-effective to go directly after the state's enforcement capabilities than to try to change the law.

In point of fact, if options other than electoral politics are allowed onto the table, then it might very well be the case that exactly the opposite course would be more effective: if you can establish effective means for individual people, or better yet large groups of people, to evade or bypass government enforcement and

¹ Kim Stanley Robinson, *Green Mars* (New York, Toronto, London, Sydney, Auckland: Bantam Books, 1994), p. 309.

government taxation, then that might very well provide a much more effective route to getting rid of particular bad policies than getting rid of particular bad policies provides to getting rid of the government enforcement and government taxation.

To take one example, consider immigration. If the government has a tyrannical immigration law in place..., then there are two ways you could go about trying to get rid the tyranny. You could start with the worst aspects of the law, build a coalition, do the usual stuff, get the worst aspects removed or perhaps ameliorated, fight off the backlash, then, a couple election cycles later, start talking about the almost-as-bad aspects of the law, build another coalition, fight some more, and so on, and so forth, progressively whittling the provisions of the immigration law down until finally you have whittled it down to nothing, or as close to nothing as you might realistically hope for. Then, if you have gotten it down to nothing, you can now turn around and say, "Well, since we have basically no restrictions on immigration any more, why keep paying for a border control or internal immigration cops? Let's go ahead and get rid of that stuff." And then you're done.

The other way is the reverse strategy: to get rid of the tyranny by first aiming at the enforcement, rather than aiming at the law, by making the border control and internal immigration cops as irrelevant as you can make them. What you would do, then, is to work on building up more or less loose networks of black-market and grey-market operators, who can help illegal immigrants get into the country without being caught out by the Border Guard, who provide safe houses for them to stay on during their journey, who can help them get the papers that they need to skirt surveillance by La Migra, who can hook them up with work and places to live under the table, etc. etc. etc. To the extent that you can succeed in doing this, you've made immigration enforcement irrelevant. And without effective immigration enforcement, the state can bluster on as much as it wants about the Evil Alien Invasion; as a matter of real-world policy, the immigration law will become a dead letter.¹

This coincides to a large extent with what calls "incapacitation": "rendering the old order unable to function by sapping what it needs to survive."²

But suppose if, instead of waiting for the collapse of the market economy and the crumbling of the power elite, we brought about that collapse, guerrilla-style, by making information free, by making local communities energy self-sufficient, and by taking the lead in biotech away from government and corporatists (the power elite) by working collaboratively, using the Power of Many, Open Source, unconstrained by corporate allegiance, patents and 'shareholder expectations'?³

In short, we undermine the old corporate order, not by the people we elect to Washington, or the policies those people make, but by how we do things where we live. A character in Marge Piercy's *Woman on the Edge of Time*, describing the revolution that led to her future decentralist utopia, summed it up perfectly. Revolution, she said, was not uniformed parties, slogans, and mass-meetings. "It's the people who worked out the labor-and-land intensive farming we do. It's all the people who changed how people bought food, raised children, went to school!Who made new unions, withheld rent, refused to go to wars, wrote and educated and made speeches."⁴

One of the benefits of stigmergic organization, as we saw in earlier discussions of it, is that individual problems are tackled by the self-selected individuals and groups best suited to deal with

1 Charles Johnson, "In which I fail to be reassured," *Rad Geek People's Daily*, January 26, 2008
<http://radgeek.com/gt/2008/01/26/in_which/>.

2 David Pollard, "All About Power and the Three Ways to Topple It (Part 1)," *How to Save the World*, February 18, 2005
<<http://blogs.salon.com/0002007/2005/02/18.html>>.

3 Pollard, "All About Power—Part Two," *How to Save the World*," February 21, 2005
<<http://blogs.salon.com/0002007///2005/02/21.html>>.

4 Marge Piercy, *Woman on the Edge of Time* (New York: Fawcett Columbine, 1976), p. 190.

them—and that their solutions are then passed on, via the network, to everyone who can benefit from them. DRM may be so hard to crack that only a handful of geeks can do it; but that doesn't mean, as the music and movie industries had hoped, that that would make “piracy” economically irrelevant. When a handful of geeks figure out how to crack DRM today, thanks to stigmergic organization, people will be downloading DRM-free “pirated” music and movies at torrent sites next week.

Each individual innovation in ways of living outside the control of the corporate-state nexus, of the kind mentioned by Pollard and Piercy, creates a demonstration effect: You can do this too! Every time someone figures out a way to produce “pirated” knockoff goods in a microfactory in defiance of a mass-production corporation's patents, or build a cheap and livable house in defiance of the contractor-written building code, or run a microbakery or unlicensed hair salon out of their home with virtually zero overhead in defiance of local zoning and licensing regulations, they're creating another hack to the system, and adding it to the shared culture of freedom. And the more they're able to do business with each other through encrypted currencies and organize the kind of darknet economy described by John Robb, the more the counter-economy becomes a coherent whole opaque to the corporate state.

Statism will ultimately end, not as the result of any sudden and dramatic failure, but as the cumulative effect of a long series of little things. The costs of enculturating individuals to the state's view of the world, and of dissuading a large enough majority of people from disobeying when they're pretty sure they're not being watched, will result in a death of a thousand cuts. More and more of the state's activities, from the perspective of those running things, will just cost more (in terms not only of money but of just plain mental aggravation) than they're worth. The decay of ideological hegemony and the decreased feasibility of enforcement will do the same thing to the state that file-sharing is now doing to the RIAA.

One especially important variant of the stigmergic principle is educational and propaganda effort. Even though organized, issue-oriented advocacy groups arguably have a significant effect on the state, in pressuring the state to cease or reduce suppression of the alternative economy, the best way to maximize bang for the buck in such efforts is simply to capitalize on the potential of network culture: that is, put maximum effort into just getting the information out there, giving the government lots and lots of negative publicity, and then “letting a thousand flowers bloom” when it comes to efforts to leverage it into political action. That being done, the political pressure itself will be organized by many different individuals and groups operating independently, spurred by their own outrage, without even sharing any common antistatist ideology.

In the case of any particular state abuse of power or intervention into the economy, there are likely to be countless subgroups of people who oppose it for any number of idiosyncratic reasons of their own, and not from any single dogmatic principle. If we simply expose the nature of the state action and all its unjust particular effects, it will be leveraged into action by people in numbers many times larger than those of the particular alternative economic movement we are involved in. The state and the large corporations are a bunch of cows floundering around in the Amazon. Just get the information out there, and the individual toothy little critters in the school of piranha, acting independently, will take care of the skeletonizing on their own.

A good example, in the field of civil liberties, is what Radley Balko does every day, just through his own efforts at exposing the cockroaches of law enforcement to the kitchen light, or that CNN series about gross civil forfeiture abuses in that town in Texas. When Woodward and Bernstein uncovered Watergate, they didn't start trying to organize a political movement to capitalize on it. They just published the info and a firestorm resulted.

This is an example of what Robb calls “self-replication”: “create socially engineered copies of your organization through the use of social media. Basically, this means providing the motivation, knowledge, and focus necessary for an unknown person (external and totally unconnected to your group) to conduct operations that advance your group's specific goals (or the general goals of the open source insurgency).”¹

The contrast in agility and learning ability between stigmergic organizations and hierarchies is beautifully brought out by Pollard:

So Management by SMART Objective [Specific, Measurable, Achievable, Realistic, and Time-Based—Peter Drucker] leads to this ludicrous and dysfunctional dance:

- * Leaders hire ‘expert’ consultants, or huddle among themselves, or decide by fiat, what the SMART objectives should be for their organization: “increase revenues by 10% and profits by 20% next year by introducing ‘improved’ versions of 15 selected products that can be sold for an average price 25% higher than the old version, and which, through internal efficiencies, cost 15% less per unit to produce”

- * These leaders then ‘cascade down’ these objectives and command subordinates to come up with SMART business unit plans that will, if successful, collectively achieve these top-level objectives.

- * The subordinates understand that their success depends on ratcheting up profits, and that the objectives set by the leaders are ridiculous, magical thinking. So they come up with alternative plans to increase profits by 20% through a series of difficult, but realistic, moves. These entail offshoring everything to China, layoffs, pressuring staff to work longer hours for no more money, and, if all else fails, firing people or leaving vacancies unfilled.

- * The good people in the organization all leave, because they know this short-range thinking is dysfunctional, damaging to the organizations in the longer term, unsustainable, and a recipe for a miserable workplace. Their departure creates more vacancies that aren’t filled, which in the short term reduces costs.

- * The clueless and the losers, who are left, attempt to pick up the slack. They work harder, find workarounds for the dumbest management decrees, and do their best to achieve these objectives. Those fortunate enough to be in the right market areas in the right economies get promoted into some of the vacant spots left by the good people, but without the commensurate salary increase.

- * The leaders, as a result, achieve their short-run objectives, award themselves huge bonuses, profit from increases in the value of their stock options, and repeat the whole cycle the next year.

- * At some point the utter sustainability of this “management process” becomes apparent. There is a really bad year. The economy is blamed, perhaps. Or the top leaders are fired, and rehired in other organizations suffering from really bad years. Or the company is bought out, or ‘reorganized’ so that all the old objectives and measures no longer apply, and a completely new set is established.

The byproduct is a blizzard of plans, budgets and strategies, which are substantially meaningless. Everyone does ad hoc things to protect their ass and try to make the best of impossible targets and incompetent, arrogant leaders self-deluded about their own brilliance and about their ability to control what is really happening in the organization and the marketplace.

There are, however, some things of real value happening in these organizations. None of them are ‘SMART’ so none is recognized or rewarded, and most of these things are actively discouraged. Nevertheless, because most people take pride in what they do, these valuable things happen. They include:

- * Learning: People learn by making mistakes (that they don’t admit to), and this makes them better at doing their jobs.

- * Conversations: People share, peer-to-peer, what works and doesn’t work, through mostly informal

¹ John Robb, “STANDING ORDER 8: Self-replicate,” *Global Guerrillas*, June 3, 2009
<<http://globalguerrillas.typepad.com/globalguerrillas/2009/06/standing-order-8-selfreplicate.html>>.

conversations, and this too makes them better at doing their jobs. These conversations are often surreptitious, since they are not considered 'productive' work.

* Practice: The more people work at doing a particular task, the better they get at it. Most such practices are substantially workarounds, self-developed ways to do their particular specialized work optimally, despite instructions to the contrary from leaders and published manuals, and despite the burden of reporting SMART data up the hierarchy, which has to be creatively invented and explained so that the practices aren't disrupted by new orders from the leaders.

* Judgement: Through the above improved learning, conversations and practice, people develop good judgement. They make better decisions. The leaders get all the credit for these decision, but it doesn't matter.

* Trust Relationships: Through peer-to-peer conversations, trust relationships develop. When people trust each other, whole layers of bureaucracy are stripped away. People are left to do what they do well. Unfortunately leaders in large organizations almost never trust their subordinates, so these trust relationships are almost always horizontal, not vertical. Despite this, these relationships profoundly improve productivity.

* Professionalism: The net result of all of the above is increased professionalism. People just become more competent.

This is why, in all my years as a manager, I always saw my role as listening and clearing away obstacles my staff were facing, identifying and getting rid of the small percentage who could not be trusted (too ambitious, too self-serving, uncollaborative, secretive or careless), and trusting the rest to do what they do best, and staying out of their way. In recent years I started to lose the heart to do this, but I still tried.

The ideal organization is therefore not SMART, but self-organized, trusting (no need to measure results, just practice your craft and the results will inevitably be good), highly conversational, and ultimately collaborative (impossible in large organizations because performance is measured individually not collectively). It's one where the non-performers are collectively identified by their peers and self-select out by sheer peer pressure. It's one without hierarchy. It's agile, resilient and improvisational, because it runs on principles, not rules, and because when issues arise they're dealt with by the self-organized group immediately, not shelved until someone brings them to the attention of the 'leaders'. It's designed for complexity. It's organic, natural.

In my experience, such an organizational model can be replicated, but it doesn't scale.¹

In light of all this, the most cost-effective "political" effort is simply making people understand that they don't need anyone's permission to be free. Start telling them right now that the law is unenforceable, and disseminating knowledge as widely as possible on the most effective ways of evading it. Publicize examples of ways we can live our lives the way we want, with institutions of our own making, under the radar of the state's enforcement apparatus: local currency systems, free clinics, ways to protect squatter communities from harassment, and so on. Educational efforts to undermine the state's moral legitimacy, educational campaigns to demonstrate the unenforceability of the law, and efforts to develop and circulate means of circumventing state control, are all things best done on a stigmergic basis.

Eric Raymond sees the phase transition between forms of social organization as a response to insupportable complexity. The professionalized meritocracies that managed the centralized state and large corporation through the middle of the 20th century were an attempt to manage complexity by applying Weberian and Taylorist rules. And they did a passable job of managing the system competently for most of that time, he says. But in recent years we've reached a level of complexity beyond their capacity to deal with.

¹ David Pollard, "Replicating (Instead of Growing) Natural Small Organizations," *how to save the world*, January 14, 2009 <<http://howtosavetheworld.ca/2010/01/14/not-so-smart-replicating-instead-of-growing-natural-small-organizations/>>.

The “educated classes” are adrift, lurching from blunder to blunder in a world that has out-complexified their ability to impose a unifying narrative on it, or even a small collection of rival but commensurable narratives. They’re in the exact position of old Soviet central planners, systemically locked into grinding out products nobody wants to buy.

The answer, under these conditions, is to “[a]dapt, decentralize, and harden”—i.e., to reconfigure the system along the stigmergic lines he described earlier in “The Cathedral and the Bazaar”:

Levels of environmental complexity that defeat planning are readily handled by complex adaptive systems. A CAS doesn’t try to plan against the future; instead, the agents in it try lots of adaptive strategies and the successful ones propagate. This is true whether the CAS we’re speaking of is a human immune system, a free market, or an ecology.

Since we can no longer count on being able to plan, we must adapt. When planning doesn’t work, centralization of authority is at best useless and usually harmful. And we must harden: that is, we need to build robustness and the capacity to self-heal and self-defend at every level of the system. I think the rising popular sense of this accounts for the prepper phenomenon. Unlike old-school survivalists, the preppers aren’t gearing up for apocalypse; they’re hedging against the sort of relatively transient failures in the power grid, food distribution, and even civil order that we can expect during the lag time between planning failures and CAS responses.

CAS hardening of the financial system is, comparatively speaking, much easier. Almost trivial, actually. About all it requires is that we re-stigmatize the carrying of debt at more than a very small proportion of assets. By anybody. With that pressure, there would tend to be enough reserve at all levels of the financial system that it would avoid cascade failures in response to unpredictable shocks.

Cycling back to terrorism, the elite planner’s response to threats like underwear bombs is to build elaborate but increasingly brittle security systems in which airline passengers are involved only as victims. The CAS response would be to arm the passengers, concentrate on fielding bomb-sniffers so cheap that hundreds of thousands of civilians can carry one, and pay bounties on dead terrorists.¹

Compared to the stigmergic organization, a bureaucratic hierarchy is systematically stupid. This was the subject of a recent debate between Roderick Long and Bryan Caplan. Here's what Long wrote:

Rand describes a “pyramid of ability” operating within capitalism, wherein the dull masses are carried along by the intelligent and enterprising few. “The man at the top,” Rand assures us, “contributes the most to all those below him,” while the “man at the bottom who, left to himself, would starve in his hopeless ineptitude, contributes nothing to those above him, but receives the bonus of all of their brains.” Rand doesn’t say that the top and the bottom always correspond to employers and employees respectively, but she clearly takes that to be the usual situation. And that simply does *not* correspond with the reality of most people’s everyday experience.

If you’ve spent any time at all in the business world, you’ve almost certainly discovered that the reality on the ground resembles the comic-strip Dilbert a lot more than it resembles Rand’s pyramid of ability. In Kevin Carson’s words: as in government, so likewise in business, the “people who regulate what you do, in most cases, know less about what you’re doing than you do,” and businesses generally get things done only to the extent that “rules imposed by people not directly involved in the situation” are treated as “an obstacle to be routed around by the people actually doing the work.” To a considerable extent, then, in the real world we see the people at the “bottom” carrying the people at the “top” rather than vice versa.²

1 Eric Raymond, “Escalating Complexity and the Collapse of Elite Authority,” *Armed and Dangerous*, January 5, 2010 <<http://esr.ibiblio.org/?p=1551>>.

2 Roderick Long, “The Winnowing of Ayn Rand,” *Cato Unbound*, January 20, 2010 <<http://www.cato->

Caplan, in challenging this assessment, missed the point. He treated Long's critique as an attack on the intelligence of the average manager:

But what about the "tons of empirical evidence" that Rand's pyramid of ability is real? The Bell Curve is a good place to start. Intelligence is one of the strongest - if not the strongest - predictors of income, occupation, and social status. More to the point, simple pencil-and-paper tests of intelligence are the single best predictor of independently measured job performance and trainability. If you want to dig deeper, check out the large literature on why income runs in families.

How then can we reconcile first-hand observation with economic theory and statistical fact? It's easier than it seems. Lots of people think their bosses are stupid because:

1. The market doesn't measure merit perfectly, so success is partly luck. As a result, some bosses are unimpressive. (Though almost all of them are smarter than the average rank-and-file worker).

2. There's a big contrast effect: If you expect bosses to be in the 99th percentile of ability, but they're only in the 90th, it's natural to misperceive them as "stupid." (Similarly, if someone scores in the 99th percentile on the SAT in math, and the 80th in English, many people will perceive him as "terrible in English.")

3. Bosses are much more visible than regular workers, so their flaws and mistakes - even if minor - are quickly noticed. When normal people screw up, there's usually no one paying attention.

4. Perhaps most importantly, people over-rate themselves. We like to imagine that we're so great that we intellectually tower over our so-called "superiors." Only a small percentage of us are right.

If Rod Long's point is merely that markets would be even more meritocratic under laissez-faire, I agree. But to deny that actually-existing capitalism is highly meritocratic is misguided. To suggest that the pyramid of ability is actually inverted is just silly.¹

But the point, as I argued with Caplan, is not that managers are inherently less intelligent or capable as individuals. Rather, it's that hierarchical organizations are—to borrow that wonderful phrase from Feldman and March—*systematically* stupid. For all the same Hayekian reasons that make a planned economy unsustainable, *no* individual is “smart” enough to manage a large, hierarchical organization. *Nobody*—not Einstein, not John Galt—possesses the qualities to make a bureaucratic hierarchy function rationally. Nobody's that smart, any more than anybody's smart enough to run Gosplan efficiently—that's the whole point. No matter how insightful and resourceful they are, no matter how prudent, as human beings in dealing with actual reality, nevertheless by their very nature hierarchies insulate those at the top from the reality of what's going on below, and *force* them to operate in imaginary worlds where all their intelligence becomes useless. No matter how intelligent managers are as individuals, a bureaucratic hierarchy makes their intelligence less *usable*.

In the case of network organization, just the opposite is the case: networked, stigmergic organization promotes *maximum* usability of intelligence.

The fundamental reason for agility, in a self-managed peer network, is the lack of a bureaucratic hierarchy separating the worker from the end-user. The main metric of quality is direct end-user

unbound.org/2010/01/20/roderick-long/the-winnowing-of-ayn-rand/>.

¹ Bryan Caplan, "Pyramid Power," *EconLog*, January 21, 2010 <http://econlog.econlib.org/archives/2010/01/pyramid_power.html>.

feedback. And in a self-managed peer network, “employee education” follows directly from what workers actually learn by doing their jobs.

In a corporate hierarchy, in contrast, most quality metrics are developed to inform bureaucratic intermediaries who are neither providers nor end-users of the company's services.

And, much like management metrics of quality, their metrics of employee skill and competence are utterly divorced from reality. At just about every job where I've ever worked, for example, “employee education” credits were utterly worthless busy work that had nothing to do with what I actually did.

A few days before I first wrote this draft, I heard a couple of registered nurses at the hospital where I work talking about the CEU (continuing education unit) hours they were required to take as a condition of renewing their licenses every couple of years. I asked one of them if the online courses she had to take for CEU credit were the same kind of useless busywork we orderlies got in “employee in-service” handouts and mimeographed “teach points.” Exactly the same, she said. It was just stuff done on paper to impress people on the outside who didn't know any better.

Steve Herrick, commenting under a blog post of mine, confirmed my impression of the (lack of) value of most “in-service meetings” and “employee education hours,” based on his own experience working in hospitals:

...I work as a medical interpreter. According to the rules, I can't touch patients (let alone provide care) or computers. However, according to other rules, I have [to] pass tests on sharps disposal, pathogen transmission, proper use of portable computers, etc.¹

Recently the hospital where I work was certified as a “Cardiac Center of Excellence,” which has subsequently been touted by the marketing department in no end of smarmy, self-congratulatory TV spots (you know, the soft-lit commercials with smiling patients and nurses, and the Henry Mancini string section playing in the background). One of the prerequisites for obtaining this certification was for the entire nursing staff to take a course on using an EKG machine. For anyone who didn't already work in a cardiac ward where they used an EKG machine or watch a telemetry monitor on a daily basis, the course material was utterly useless. It was a lot of extremely complicated, rote material that anyone not already familiar with it, or who didn't have it reinforced continually afterward by using the equipment on a daily basis, would immediately forget after taking the test. It might have been useful as an introduction for someone actually hired to work full-time on a cardiac ward, assuming it was used in conjunction with on the job training. But for everyone else, it was less than useless. The important thing, though, is that it impresses the rubes and yokels on the outside who don't know any better. What mattered was that the entire nursing staff *had taken a class on EKGs and telemetry*, and that the hospital *had an impressive piece of paper* from a third-party certifying organization (itself apparently comprised either of incompetents who didn't realize how worthless the piece of paper was, or charlatans who knowingly kept all the pointy-haired emperors supplied with invisible clothing).

Such nonsense results, of necessity, from a situation in which a bureaucratic hierarchy must develop some metric for assessing the skills or work quality of a labor force whose actual work they know nothing about. When management doesn't know (in Paul Goodman's words) “what a good job of work is,” they are forced to rely on arbitrary metrics. Blogger Atrios describes his experience with the phenomenon.

¹ Comment under Carson, “The People Making 'The Rules' are Dumber than You,” Center for a Stateless Society, January 11, 2010 <<http://c4ss.org/content/1687>>.

During my summers doing temp office work I was always astounded by the culture of “face time”—the need to be at your desk early and stay late even when there was no work to be done and doing so in no way furthered any company goals. Doing your work and doing it adequately was entirely secondary to looking like you were working hard as demonstrated by your desire to stay at work longer than strictly necessary.¹

One of his commenters, in considerably more pointed language, added: “If you are a manager who is too stupid to figure out that what you should actually measure is real output then the next best thing is to measure how much time people spend pretending to produce that output.” But in fairness, again, establishing a satisfactory measure of real output that can convey information to those outside the production process, without being gamed by those engaged in the process, in a situation where the interests of the two diverge, is a lot easier said than done.

Most of the constantly rising burden of paperwork exists to give an illusion of transparency and control to a bureaucracy that is out of touch with the actual production process. Most new paperwork is added to compensate for the fact that existing paperwork reflects poorly designed metrics that poorly convey the information they're supposed to measure. “If we can only design the perfect form, we'll finally know what's going on.”

Weberian work rules result of necessity when performance and quality metrics are not tied to direct feedback from the work process itself. It is a metric *of work for* someone who is neither a creator/provider nor an end user.

In a self-managed process, if we may recur to the terminology of James Scott cited in the previous chapter, work quality is horizontally legible to those directly engaged in it. In a hierarchy, managers are forced to see “in a glass darkly” a process which is necessarily opaque to them because they are not directly engaged in it. They are forced to carry out the impossible task of developing accurate metrics for evaluating the behavior of subordinates, based on the self-reporting of people with whom they have a fundamental conflict of interest. All of the paperwork burden that management imposes on workers reflects an attempt to render legible a set of social relationships that by its nature must be opaque and closed to them, because they are outside of it. Each new form is intended to remedy the heretofore imperfect self-reporting of subordinates. The need for new paperwork is predicated on the assumption that compliance must be verified because those being monitored have a fundamental conflict of interest with those making the policy, and hence cannot be trusted; but at the same time, that paperwork relies on their self-reporting as the main source of information. Every time new evidence is presented that this or that task isn't being performed to management's satisfaction, or this or that policy isn't being followed, despite the existing reams of paperwork, management's response is to design yet *another* form. “If you don't trust me to do the job right without filling out all these forms, why do you trust me to fill out the forms?”

The difficulties are inherent in the agency problem. Human agency is inalienable. When someone agrees to work under someone else's direction for a period of time, the situation is comparable to selling a car but remaining in the driver's seat. There is no magical set of compliance paperwork or quality/performance metrics that will enable management to sit in the driver's seat of the worker's consciousness, to exercise direct control over his hands, or to look out through his eyes.

The only solution is to build incentives into the work itself, and into the direct relationships between the worker and customer, so that it is legible to them. It is necessary to create a situation in

1 Atrios, “Face Time,” *Eschaton*, July 9, 2005 <http://atrios.blogspot.com/2005_07_03_atrios_archive.html>.

which creators/providers and end-users are the only parties directly involved in the provision of goods and services, so that metrics of quality are *for* them as well as *of* them. Michel Bauwens writes:

The capacity to cooperate is verified in the process of cooperation itself. Thus, projects are open to all comers provided they have the necessary skills to contribute to a project. These skills are verified, and communally validated, in the process of production itself. This is apparent in open publishing projects such as citizen journalism: anyone can post and anyone can verify the veracity of the articles. Reputation systems are used for communal validation. The filtering is a posteriori, not a priori. Anti-credentialism is therefore to be contrasted to traditional peer review, where credentials are an essential prerequisite to participate.

P2P projects are characterized by holoptism. Holoptism is the implied capacity and design of peer to processes that allows participants free access to all the information about the other participants; not in terms of privacy, but in terms of their existence and contributions (i.e. horizontal information) and access to the aims, metrics and documentation of the project as a whole (i.e. the vertical dimension). This can be contrasted to the panoptism which is characteristic of hierarchical projects: processes are designed to reserve 'total' knowledge for an elite, while participants only have access on a 'need to know' basis. However, with P2P projects, communication is not top-down and based on strictly defined reporting rules, but feedback is systemic, integrated in the protocol of the cooperative system.¹

When you make a sandwich for yourself, or for a member of your family, you don't need a third-party inspection regime to guarantee that the sandwich is up to snuff, because there is a fundamental unity of interest between you as sandwich maker and sandwich eater, or between you and the person you're making food for. And if the quality of the sandwich is substandard, you or your family know it because it tastes bad when they take a bite of it. In other words, the process is run directly for the benefit of those engaged in it, and the quality feedback is built directly into the process itself.

It's only when people are engaged in work with no intrinsic value or meaning to themselves, with which they don't identify, which they don't control, and which is for the benefit of people whose interests are fundamentally opposed to their own, that a complicated system of compliance and quality metrics are required to vouch for its quality to third parties removed from the immediate situation. And in such circumstances, because the managerial hierarchy lacks the job-related tacit knowledge required to formulate meaningful metrics or evaluate incoming data, the function of the metrics and data is at best largely symbolic: e.g., elaborate exercises in shining it on, like JCAHO inspections and ISO-9000. At worst, they *reduce* quality when people who don't understand the work interfere with those who do. So you wind up with a 300-page manual for making the sandwich, along with numerous other 300-page manuals for vendor specifications—and it still tastes like crap.

A classic example of the counterproductivity of using bureaucratic rules to obstruct the initiative of those directly involved in a situation is the story of a train fire which was widely circulated on the Internet (which, according to Snopes.Com, it turns out was legitimate). A faulty bearing caused a wheel on one of the cars to overheat and melt down. The crew, spotting the smoke, stopped the train in compliance with the rules. Unfortunately, it came to rest on a wooden bridge with creosote ties. Still more unfortunately, the management geniuses directing the crew from afar refused to budge on the rules, which prohibited moving the train. As a result, the bridge burned and six burning coal cars dropped into the creek below.²

Closer to home, my barber told me his mother had been hospitalized for surgery, a situation which

1 Michel Bauwens, "The Political Economy of Peer Production," *Ctheory.net*, December 1, 2005 <<http://www.ctheory.net/articles.aspx?id=499>>.

2 "A Bridge Too Far: Train Sets Bridge on Fire," Snopes.Com <<http://www.snopes.com/photos/accident/trainfire.asp>>.

was complicated by her chronic anemia. She had an unusual variety of Type O blood that was extremely difficult to match. His daughter happened to have the same blood type—but the hospital's rules require all blood donated to be sent off to a blood bank a long distance away, and all blood transfused to be obtained from the same bank. So under the rules, there was literally no way for someone at the hospital to use his or her own common sense and transfuse perfectly matching blood from granddaughter to grandmother. “That sounds like the standard kind of bureaucratic clusterfuck at the hospital where I work,” I told him.

The same principle was illustrated by an anecdote from the Soviet Great Patriotic War (I'm afraid I can't track down the original source, but it's too good a story not to relate). A division commander was denied permission to pull his divisional artillery back far enough to be in effective range of a road, and thus to be able to target German armor moving along that road, because he couldn't convince the political officer that backward movement didn't constitute “retreat.”

And then there's the old saw about how the Egyptians lost the 1967 Arab-Israeli War because they literally obeyed the instructions in their Russian field manuals: “retreat into the interior and wait for the first snowfall.”

Rigid hierarchies and rigid work rules only work in a predictable environment. When the environment is unpredictable, the key to success lies with empowerment and autonomy for those in direct contact with the situation. A good example is the Transportation Safety Administration's response to the threat of Al Qaeda attacks. As Matthew Yglesias has argued, “the key point about identifying al-Qaeda operatives is that there are extremely few al-Qaeda operatives so (by Bayes' theorem) any method you employ of identifying al-Qaeda operatives is going to mostly reveal false positives.”¹ So (this is me talking) when your system for anticipating attacks upstream is virtually worthless, the “last mile” becomes monumentally important: having people downstream capable of recognizing and thwarting the attempt, and with the freedom to use their own discretion in stopping it, when it is actually made.

An almost universal problem, when bureaucratic, stovepiped industrial design processes isolate designers from user feedback, is the “gold plated turd.” Whenever a product is designed by one bureaucracy, for sale to procurement officers in another bureaucracy who are buying it for someone else's use, a gold-plated turd is almost invariably the result.

A good example from my experience as a hospital worker is the kind of toilet paper dispenser sold to large institutional clients. If you've ever used a public restroom or patient restroom in a hospital, you've almost certainly encountered one of those Georgia-Pacific monstrosities: a plastic housing that makes it almost impossible to manipulate the roll without breaking your wrist, and so much resistance that you tear the paper rather than turning the spool more often than not. And these toilet paper dispensers, seemingly engineered at great effort to perform their functions as badly as possible, sell for \$20 or more. On the other hand, an ordinary toilet paper spool—one that actually turns easily and is convenient to use—can probably be bought at Lowe's or Home Depot for a dollar.

A more recent example—also from my job—is the “Vitalwrap,” which uses an electric pump to circulate ice water to a cooling pad in contact with the patient's skin. The Vitalwrap comes in with orthopedic patients from the Physicians' Specialty Hospital. The problem with Vitalwrap is that the ice chamber is poorly insulated, which means the ice melts completely in a couple of hours. And the pump

¹ Matthew Yglesias, “Too Much Information,” *Matthew Yglesias*, December 28, 2009 <<http://yglesias.thinkprogress.org/archives/2009/12/too-much-information.php>>.

is so shoddy that it seems deliberately designed to break down in a short period of time. One patient had two defunct Vitalwraps in her room, in addition to the one she was using, because the pumps had broken down. Compare that to a similar product by another company, the Iceman, which has been the in-house product in the hospital where I work. Its ice chamber is heavily insulated like a picnic ice chest; consequently it retains unmelted ice for eight hours or more. Thanks to the sturdy motors, the hospital can reuse the Icemen for many months, with no problem. And here's the kicker: the Vitalwrap costs twice as much as the Iceman. But the Vitalwrap has a clear plastic, science-fictiony looking ice chamber; and because it wears out after a few weeks, it looks all shiny and new—as opposed to the scuff marks on the Iceman, which actually works for half the price. But nobody but a member of nursing staff who compares the two products on a daily basis has any idea of the difference between them. And we're about the last people on Earth who have any input into the product procurement process. Both the Vitalwrap and the patient are simply products, transferred from one bureaucracy to another.

I've had similar experiences as a consumer of goods and services, outside of my job. A good example is my experience with the IT officer at the local public library, which I described earlier in the book. I emailed the library on how poorly the newly installed Word 2007 software, and whatever Windows desktop upgrade they'd bought, performed compared to the earlier version of Windows and the Word 2003 they replaced. As Windows products go, Word 2003 is about the best word processing software you can get. It's got a user interface pretty much the same as that of Open Office, in terms of complexity. In fact, I'd go so far as to say it was as good as Open Office, aside from the \$200 price tag and the forced upgrades that open source software is mercifully free of. Word 2007, on the other hand, is a classic gold-plated turd. Its user interface is so complicated and busy that the dashboard actually has to be tabbed to accommodate all the bells and whistles. I told the IT officer that it was a good idea, whenever she found a Windows product that worked acceptably, to hold onto it like grim death and run like hell when offered anything “new and improved” from Redmond. Her response: Word 2007 is the standard “productivity software” choice of major public libraries and corporations all across America. In my follow-up, I told her the very fact that something worked worse than what it replaced, despite being the “standard choice” of pointy-haired bosses all across the country, was an object lesson in the wisdom of basing one's software choice on corporate bureaucrats' “best practices” rather than on feedback from user communities. Never heard back from her, for some reason. Nice lady, though.

Niall Cook, in *Enterprise 2.0*, describes the comparative efficiencies of social software outside the enterprise to the “enterprise software” in common use by employers. Self-managed peer networks, and individuals meeting their own needs in the outside economy, organize their efforts through social software chosen by the users themselves based on its superior usability for their purposes. And they are free to do so without corporate bureaucracies and their officially defined procedural rules acting as a ball and chain. Enterprise software, in contrast, is chosen by non-users for use by other people of whose needs they know little (at best). Hence enterprise software is frequently a gold-plated turd. Blogs and wikis, and the free, browser-based platforms offered by Google and Mozilla, are a quantum improvement on the proprietary enterprise software that management typically forces on its employees. The kinds of productivity software and social software freely available to individuals in their private lives is far better than the enterprise software that corporate bureaucrats buy for a captive clientele of users—consumer software capabilities amount to “a fully functioning, alternative IT department.”¹ Corporate IT departments, in contrast, “prefer to invest in a suite of tools 'offered by a major incumbent vendor like Microsoft or IBM'.” System specs are driven by management's top-down requirements rather than by user needs.

1 Niall Cook, *Enterprise 2.0: How Social Software Will Change the Future of Work* (Burlington, Vt.: Gower, 2008), p. 91.

...a small group of people at the top of the organization identify a problem, spend 12 months identifying and implementing a solution, and a huge amount of resources launching it, only then to find that employees don't or won't use it because they don't buy in to the original problem.¹

Management is inclined “to conduct a detailed requirements analysis with the gestation period of an elephant simply in order to chose a \$1,000 social software application.”² Employees often wind up using their company credit cards to purchase needed tools online rather than “wait for [the] IT department to build a business case and secure funding.”³ This is the direct opposite of agility.

As a result of all this, people are more productive away from work than they are at work.

Corporate IT departments are a lot like the IT department at my public library, as recounted above. They are obsessed with security and control, and see the free exchange of information between employees as a threat to that security and control. They also have an affinity for doing business with other bureaucracies like themselves, which means a preference for buying proprietary enterprise software from giant corporations. They select software on pretty much the same basis as a Grandma buying a gift for her granddaughter just entering college: “I just knew it had to be the best, dear, because it's the latest thing from Microsoft!”

Nascent “Enterprise 2.0” organization within a traditional firm is often forced to fight obstruction from top-down management styles, even in areas where human capital is the main source of value. With corporate cultures based on obsession with security and control, management instinctively fights workers' attempts to choose their own platforms based on usability. Attempts to facilitate information sharing between employees falls afoul of this culture, because employees obviously wouldn't desire access to information unless they were up to no good. On the outside, peer networks are free to self-organize without interference from hierarchy. As a result, in forms of production where the main source of value is human capital, and human relationships for sharing knowledge, autonomous outside peer networks have a leg up on corporate hierarchies.

The parallels between Enterprise 2.0 and the military's doctrines for Fourth Generation Warfare are striking. The military's Fourth Generation Warfare doctrines are an attempt to take advantage of network communications technology and cybernetic information processing capabilities in order replicate, within a conventional military force, the agility and resilience of networked organizations like Al Qaeda. The problem, as we saw earlier in this chapter, is that interference from the military's old bureaucratic hierarchies systematically impede all the possibilities offered by network technology. The basic idea behind the new doctrines is, through the use of networked communications technology, to increase the autonomy and reduce the reaction time of the “boots on the ground” directly engaged in a situation. But as John Robb suggested, military hierarchies wind up seeing the new communications technologies instead as a way of increasing mid-level commanders' realtime control over operations, and increasing the number of sign-offs required to approve any proposed operation. By the time those engaged in combat operations get the required eleven approvals of higher-ups, and the staff officers have had time to process the information into some kind of unrecognizable scapple (PowerPoint presentations and all), the immediate situation has changed to the point that their original plan is meaningless anyway.

1 Ibid., p. 93.

2 Ibid., p. 95.

3 Ibid., p. 96.

So the real thing—genuinely independent, self-managed networked resistance movements unimpeded by bureaucratic interference with the natural feedback and reaction mechanisms of a stigmergic organization—is incomparably better than the military hierarchy's pallid imitations.

Similarly, Enterprise 2.0 is an attempt to replicate, within the boundaries of a corporation, the kinds of networked, stigmergic organization that Raymond wrote about in “The Cathedral and the Bazaar.” But networked producers inside the corporation find themselves thwarted, at every hand, by bureaucratic impediments to their putting immediately into practice their own judgment of what's necessary based on direct experience of the situation.

What actually happens, when management attempts to “empower” employees by adopting a networked organization within corporate boundaries, is suggested by an anecdote from an HR blog. Management came up with a brilliant idea for reducing the number of round-robin emails selling extra concert tickets and used cars, soliciting rides, etc.: to put an official bulletin board at one convenient central location! But rather than simply mounting a square of corkboard and leaving employees to their own devices in posting notices, management had to come up with an official procedure for advance submission of notices for approval, followed—a week later, if they were lucky and the notice was successfully vetted for all conceivable violations of company policy—by a manager unlocking the glass case with his magic set of keys and posting the ad. Believe it or not, management was puzzled as to why the round-robin emails continued and the bulletin board wasn't more popular.¹

This sort of thing is the currency of one school of organization theorists, who as Charles Sabel describes them, assert that

So bounded is the rationality of organizations that they are incapable of learning in the sense of improving decisions by deliberation on experience. Thus the assumption that decision makers 'survey' only the first feasible choices immediately accessible to them at the moment of decision, and 'prefer' that choice to any other or inaction, yields 'garbage-can' models of organizations, in which decisions result from collisions between decision makers and solutions.... The assumption that decision makers can compare only a few current solutions to their problem, and prefer the one that best meets their needs, but cannot draw from this decision any analytic conclusions regarding subsequent choices, turns organized decision making into muddling through....²

To take just one example: Martha Feldman and James March found little relationship between the gathering of information and the policies that were ostensibly based on it. In corporate legitimizing rhetoric, of course, management decisions are always based on a rational assessment of the best available information.³ They did case studies of three organizations, and found an almost total disconnect between policies and the information they were supposedly based on.

Feldman and March did their best to provide a charitable explanation--an explanation, that is, other than "organizations are systematically stupid."⁴ "Systematically stupid" probably comes closest to satisfying Occam's Razor, and I'd have happily stuck with that explanation. But Feldman and March

1 Chloe, “Important People,” *Corporate Whore*, September 21, 2007

<<http://web.archive.org/web/20071014221728/http://corporatewhore.us/important-people/>>.

2 Charles F. Sabel, “A Real-Time Revolution in Routines,” in Charles Hecksher and Paul S. Adler, *The Firm as a Collaborative Community: Reconstructing Trust in the Knowledge Economy* (New York: Oxford University Press, 2006), pp. 110-111.

3 Martha S. Feldman and James G. March, "Information in Organizations as Signal and Symbol," *Administrative Science Quarterly* 26 (April 1981).

4 *Ibid.*, p. 174.

struggled to find some adaptive purpose in the observed use of information.

The interesting thing, from my perspective, is that most of the “adaptive purposes” they describe reflect *precisely* what I'd call “systematic stupidity.” They began by surveying more conventional assessments of organizational inefficiency as an explanation for the observed pattern. First, organizations are “unable... to process the information they have. They experience an explanation glut as a shortage. Indeed, it is possible that the overload contributes to the breakdown in processing capabilities....” Second, “...the information available to organizations is systematically the wrong kind of information. Limits of analytical skill or coordination lead decision makers to collect information that cannot be used.”¹

Then they made three observations of their own on how organizational structure affects the use of information:

First, ordinary organizational procedures provide positive incentives for underestimating the costs of information relative to its benefits. Second, much of the information in an organization is gathered in a surveillance mode rather than in a decision mode. Third, much of the information used in organizational life is subject to strategic misrepresentations.

Organizations provide incentives for gathering more information than is optimal from a strict decision perspective.... First, the costs and benefits of information are not all incurred at the same place in the organization. Decisions about information are often made in parts of the organization that can transfer the costs to other parts of the organization while retaining the benefits....

Second, post hoc accountability is often required of both individual decision makers and organizations...

Most information that is generated and processed in an organization is subject to misrepresentation....

The decision maker, in other words, must gather excess information in anticipated defense against the possibility that his decision will be second-guessed.² By “surveillance mode,” the authors mean that the organization seeks out information not for any specific decision, but rather to monitor the environment for surprises. The lead time for information gathering is longer than the lead time for decisions. Information must therefore be gathered and processed without clear regard to the specific decisions that may be made.³

All the incentives mentioned so far seem to result mainly from large size and hierarchy—i.e., to result (again) from “systematic stupidity.” The problem of non-internalization of the costs and benefits of information-gathering by the same actor, of course, falls into the inefficiency costs of large size. The problem of post hoc accountability results from hierarchy. At least part of the problem of surveillance mode is another example of poor internalization: the people gathering the information are different from the ones using it, and are therefore gathering it with a second-hand set of goals which does not coincide with their own intrinsic motives. The strategic distortion of information, as an agency problem, is (again) the result of hierarchy and the poor internalization of costs and benefits in the same responsible actors. In other words, the large, hierarchical organization is “systematically stupid.”

The authors' most significant contribution in this article is their fourth observation: that the gathering of information serves a legitimizing function in the organization.

1 Ibid., p. 175.

2 Ibid., pp. 175-176.

3 Ibid., p. 176.

Bureaucratic organizations are edifices built on ideas of rationality. The cornerstones of rationality are values regarding decision making....

The gathering of information provides a ritualistic assurance that appropriate attitudes about decision making exist. Within such a scenario of performance, information is not simply a basis for action. It is a representation of competence and a reaffirmation of social virtue. Command of information and information sources enhances perceived competence and inspires confidence. The belief that more information characterizes better decisions engenders a belief that having information, in itself, is good and that a person or organization with more information is better than a person or organization with less. Thus the gathering and use of information in an organization is part of the performance of a decision maker or an organization trying to make decisions intelligently in a situation in which the verification of intelligence is heavily procedural and normative....

Observable features of information use become particularly important in this scenario. When there is no reliable alternative for asserting a decision maker's knowledge, visible aspects of information gathering and storage are used as implicit measures of the quality and quantity of information possessed and used....¹

In other words, when an organization gets too big to have any clear idea how well it is performing the function for which it officially exists, it creates a metric for "success" defined—as we saw in our study of Sloanist organizational pathologies—in terms of the processing of inputs.

But in fairness to management, it's not the stupidity of the individual; to repeat my point above contra Caplan, it's the stupidity of the organization. Large, hierarchical organizations are *systematically* stupid, regardless of how intelligent and competent the people running them are. By definition, *nobody* is smart enough to run a large, hierarchical organization, just as nobody's smart enough to centrally plan an economy.

The reality of corporate life is apt to bear a depressing resemblance to the Ministry of Central Services in *Brazil*, or to "The Feds" in Neal Stephenson's *Snow Crash*. "The Feds" are the direct successor to the United States government, claiming continued sovereign jurisdiction over the territory of the former U.S., but in fact functioning as simply one of many competing franchise "governments" or networked civil societies in the panarchy that exists following the collapse of most territorial states. Mainly occupying the federal office buildings on what used to be federal property, its primary activity is designing enterprise software for sale to corporations. Its internal governance seems to reflect, in equal parts, the bureaucratic world of *Brazil* and the typical IT department's idealized vision of a corporate intranet (not that there's much difference).

One employee of the Feds shows up for work and logs on, after negotiating the endless series of biometric scans, only to receive a long and excruciatingly detailed memo on the policies governing the unauthorized bringing in of toilet paper from home, sparked by toilet paper shortages in the latest austerity drive.

The memo includes an announcement that "Estimated reading time for this document is 15.62 minutes (and don't think we won't check)." Her supervisor's standard template, in checking up on memo reading times, is something like this:

Less than 10 min. Time for an employee conference and possible attitude counseling.
10-14 min. Keep an eye on this employee; may be developing slipshod attitude.

¹ Ibid., pp. 177-178.

14-15.61 min. Employee is an efficient worker, may sometimes miss important details.
Exactly 15.62 min. Smartass. Needs attitude counseling.
15.63-16 min. Asswipe. Not to be trusted.
16-18 min. Employee is a methodical worker, may sometimes get hung up on minor details.
More than 18 min. Check the security videotape, see just what this employee was up to (e.g., possible unauthorized restroom break).

The employee decides, accordingly, to spend between fourteen and fifteen minutes reading the memo. “It's better for younger workers to spend too long, to show that they're careful, not cocky. It's better for older workers to go a little fast, to show good management potential.”

Their actual work is similarly micromanaged:

She is an applications programmer for the Feds. In the old days, she would have written computer programs for a living. Nowadays, she writes fragments of computer programs. These programs are designed by Marietta and Marietta's superiors in massive week-long meetings on the top floor. Once they get the design down, they start breaking up the problem into tinier and tinier segments, assigning them to group managers, who break them down even more and feed little bits of work to the individual programmers. In order to keep the work done by the individual coders from colliding, it all has to be done according to a set of rules and regulations even bigger and more fluid than the Government procedure manual [even bigger than the rules for reading a toilet paper memo?].

So the first thing [she] does, having read the new subchapter on bathroom tissue pools, is to sign on to a subsystem of the main computer system that handles the particular programming project she's working on. She doesn't know what the project is—that's classified—or what it's called. She shares it with a few hundred other programmers, she's not sure exactly who. And every day when she signs on to it, there's a stack of memos waiting for her, containing new regulations and changes to the rules that they all have to follow when writing code for the project. These regulations make the business with the bathroom tissue seem as simple and elegant as the Ten Commandments.

So she spends until about eleven A.M. reading, rereading, and understanding the new changes in the Project [presumably with recommended reading times, carefully monitored, for each one]...

Then she starts going back over all the code she has previously written for the Project and making a list of all the stuff that will have to be rewritten in order to make it compatible with the new specifications. Basically, she's going to have to rewrite all of her material from the ground up. For the third time in as many months.

But hey, it's a job.¹

If you think that's a joke, go back and reread the material earlier in this chapter on the rules governing PowerPoint presentations in the U.S. military command in Afghanistan.

H. The Singularity

The cumulative effect of all these superior efficiencies of peer production, and of the informal and household economy, is to create a singularity.

The problem, for capital, is that—as we saw in previous chapters—the miniaturization and

¹ Neal Stephenson, *Snow Crash* (Westminster, Md.: Bantam Dell Pub Group, 2000).

cheapness of physical capital, and the emergence of networked means of aggregating investment capital, are rendering capital increasingly superfluous.

The resulting crisis of realization is fundamentally threatening. Not only is capital superfluous in the immaterial realm, but the distinction between the immaterial and material realms is becoming increasingly porous. Material production, more and more, is taking on the same characteristics that caused the desktop computer to revolutionize production in the material realm.

The technological singularity means that labor is ceasing to depend on capital, and on wage employment by capital, for its material support.

For over two centuries, as Immanuel Wallerstein observed, the system of capitalist production based on wage labor has depended on the ability to externalize many of its reproduction functions on the non-monetized informal and household economies, and on organic social institutions like the family which were outside the cash nexus.

Historically, capital has relied upon its superior bargaining power to set the boundary between the money and social economies to its own advantage. The household and informal economies have been allowed to function to the extent that they bear reproduction costs that would otherwise have to be internalized in wages; but they have been suppressed (as in the Enclosures) when they threaten to increase in size and importance to the point of offering a basis for independence *from* wage labor.

The employing classes' fear of the subsistence economy made perfect sense. For as Kropotkin asked:

If every peasant-farmer had a piece of land, free from rent and taxes, if he had in addition the tools and the stock necessary for farm labour—Who would plough the lands of the baron? Everyone would look after his own....

If all the men and women in the countryside had their daily bread assured, and their daily needs already satisfied, who would work for our capitalist at a wage of half a crown a day, while the commodities one produces in a day sell in the market for a crown or more?¹

"The household as an income-pooling unit," Wallerstein writes, "can be seen as a fortress both of accommodation to and resistance to the patterns of labor-force allocation favored by accumulators." Capital has tended to favor severing the nuclear family household from the larger territorial community or extended kin network, and to promote an intermediate-sized income-pooling household. The reason is that too small a household falls so far short as a basis for income pooling that the capitalist is forced to commodify too large a portion of the means of subsistence, i.e. to internalize the cost in wages.² It is in the interest of the employer not to render the worker *totally* dependent on wage income, because without the ability to carry out some reproduction functions through the production of use value within the household subsistence economy, the worker will be "compelled to demand higher real wages...."³ On the other hand, too large a household meant that "the level of work output required to ensure

1 Peter Kropotkin, *The Conquest of Bread* (New York: Vanguard Press, 1926), pp. 36-37.

2 Immanuel Wallerstein, "Household Structures and Labor-Force Formation in the Capitalist World Economy," in Joan Smith, Immanuel Wallerstein, Hans-Dieter Evers, eds., *Households and the World Economy* (Beverly Hills, London, New Delhi: Sage Publications, 1984), pp. 20-21.

3 Wallerstein and Joan Smith, "Households as an institution of the world-economy," in Smith and Wallerstein, eds., *Creating and Transforming Households: The constraints of the world-economy* (Cambridge; New York; Oakleigh, Victoria; Paris: Cambridge University Press, 1992), p. 16.

survival was too low," and "diminished pressure to enter the wage-labor market."¹

It's only common sense that when there are multiple wage-earners in a household, their dependence on any one job is reduced, and the ability of each member to walk away from especially onerous conditions is increased: "While a family with two or more wage-earners is no less dependent on the sale of labor power in general, it is significantly shielded from the effects of particular unemployment..."² And in fact it is less dependent on the sale of labor power in general, to the extent that the per capita overhead of fixed expenses to be serviced falls as household size increases. And the absolute level of fixed expenses can also be reduced by substituting the household economy for wage employment, in part, as the locus of value creation. As we saw Borsodi put it in the previous chapter, "[a] little money, where wages are joined to the produce of the soil, will go a long way..."

The new factor today is a revolutionary shift in competitive advantage from wage labor to the informal economy. The rapid growth of technologies for home production, based on small-scale electrically powered machinery and new forms of intensive cultivation, has radically altered the comparative efficiencies of large- and small-scale production. This was pointed out by Borsodi almost eighty years ago, and the trend has continued since. The current explosion in low-cost manufacturing technology promises to shift competitive advantage in the next decade much more than in the entire previous century.

The practical choice presented to labor by this shift of comparative advantage was ably stated by Marcin Jakubowski, whose Factor E Farm is one of the most notable attempts to integrate open manufacturing and digital fabrication with an open design repository:

Friends and family still harass me. They still keep telling me to 'get a real job.' I've got a good response now. It is:

1. Take a look at the last post on the soil pulverizer
2. Consider 'getting a real job at \$100k,' a well-paid gig in The System. Tax and expense take it down to \$50k, saved, if you're frugal.

Ok. I can 'get a real job', work for 6 months, and then buy a Soil Pulverizer for \$25k. Or, I make my own in 2 weeks at \$200 cost, and save the world while I'm at it.

Which one makes more sense to you? You can see which one makes more sense to me. It's just economics.³

In other words, how ya gonna keep 'em down in the factory, when the cost of getting your own garage factory has fallen to two months' wages?

As James O'Connor described the phenomenon in the 1980s, "the accumulation of stocks of means and objects of reproduction within the household and community took the edge off the need for alienated labor."

Labor-power was hoarded through absenteeism, sick leaves, early retirement, the struggle to reduce days

1 Wallerstein, "Household Structures," p. 20.

2 Samuel Bowles and Herbert Gintis. "The Crisis of Liberal Democratic Capitalism: The Case of the United States," *Politics and Society* 11:1 (1982), p. 83.

3 Marcin Jakubowski, "Get a Real Job!" *Factor E Farm Weblog*, September 7, 2009 <<http://openfarmtech.org/weblog/?p=1067>>.

worked per year, among other ways. Conserved labor-power was then expended in subsistence production.... The living economy based on non- and anti-capitalist concepts of time and space went underground: in the reconstituted household; the commune; cooperatives; the single-issue organization; the self-help clinic; the solidarity group. Hurrying along the development of the alternative and underground economies was the growth of underemployment... and mass unemployment associated with the crisis of the 1980s. "Regular" employment and union-scale work contracted, which became an incentive to develop alternative, localized modes of production....

...New social relationships of production and alternative employment, including the informal and underground economies, threatened not only labor discipline, but also capitalist markets.... Alternative technologies threatened capital's monopoly on technological development... Hoarding of labor-power threatened capital's domination of production. Withdrawal of labor-power undermined basic social disciplinary mechanisms....¹

More recently, "Eleutheros," of *How Many Miles from Babylon?* blog, described the sense of freedom that results from a capacity for independent subsistence:

...if we padlocked the gate to this farmstead and never had any trafficking with Babylon ever again, we could still grow corn and beans in perpetuity....

What is this low tech, low input, subsistence economy all about, what does it mean to us? It is much like Jack Sparrow's remark to Elizabeth Swann when... he told her what the Black Pearl really was, it was freedom. Like that to us our centuries old agriculture represents for us a choice. And having a choice is the very essence and foundation of our escape from Babylon.

...To walk away from Babylon, you must have choices.... Babylon, as with any exploitative and controlling system, can only exist by limiting and eliminating your choices. After all, if you actually have choices, you may in fact choose the things that benefit and enhance you and your family rather than things that benefit Babylon.

Babylon must eliminate your ability to choose....

So I bring up my corn field in way of illustration of what a real choice looks like. We produce... our staple bread with no input at all from Babylon. So we always have the choice to eat that instead of what Babylon offers. We also buy wheat in bulk and make wheat bread sometimes, but if (when, as it happened this year) the transportation cost or scarcity of wheat makes the price beyond the pale, we can look at it and say, "No, not going there, we will just go home and have our cornbread and beans." Likewise we sometimes buy food from stands and stores, and on a few occasions we eat out. But we always have the choice, and if we need to, we can enforce that choice for months on end....

Your escape from Babylon begins when you can say, "No, I have a choice. Oh, I can dine around Babylon's table if I choose, but if the Babylonian terms and conditions are odious, then I don't have to."²

And the payoff doesn't require a total economic implosion. This is a winning strategy even if the money economy and division of labor persist indefinitely to a large extent—as I think they almost surely will—and most people continue to get a considerable portion of their consumption needs through money purchases. The end-state, after Peak Oil and the other terminal crises of state capitalism have run their course, is apt to bear a closer resemblance to Warren Johnson's *Muddling Toward Frugality* and Brian Kaller's "Return to Mayberry" than Jim Kunstler's *World Made by Hand*.

1 James O'Connor, *Accumulation Crisis* (New York: Basil Blackwell, 1984), pp. 184-186.

2 Eleutheros, "Choice, the Best Sauce," *How Many Miles from Babylon*, October 15, 2008 <<http://milesfrombabylon.blogspot.com/2008/10/choice-best-sauce.html>>.

The knowledge that you are debt-free and own your living space free and clear, and that you could keep a roof over your head and food on the table without wage labor indefinitely, if you had to, has an incalculable effect on your bargaining power here and now, even while capitalism persists.

As Ralph Borsodi observed almost eighty years ago, his ability to "retire" on the household economy for prolonged periods of time—and potential employers' knowledge that he could do so—enabled him to negotiate far better terms for what outside work he did decide to accept. He described, from his own personal experience, the greatly increased bargaining power of labor when the worker has the ability to walk away from the table:

...Eventually income began to go up as I cut down the time I devoted to earning money, or perhaps it would be more accurate to say I was able to secure more for my time as I became less and less dependent upon those to whom I sold my services.... This possibility of earning more, by needing to work less, is cumulative and is open to an immense number of professional workers. It is remarkable how much more appreciative of one's work employers and patrons become when they know that one is independent enough to decline unattractive commissions. And of course, if the wage-earning classes were generally to develop this sort of independence, employers would have to compete and bid up wages to secure workers instead of workers competing by cutting wages in order to get jobs.¹

...Economic independence immeasurably improves your position as a seller of services. It replaces the present "buyer's market" for your services, in which the buyer dictates terms with a "seller's market," in which you dictate terms. It enables you to pick and choose the jobs you wish to perform and to refuse to work if the terms, conditions, and the purposes do not suit you. The next time you have your services to sell, see if you cannot command a better price for them if you can make the prospective buyer believe that you are under no compulsion to deal with him.²

...[T]he terms upon which an exchange is made between two parties are determined by the relative extent to which each is free to refuse to make the exchange.... The one who was "free" (to refuse the exchange), dictated the terms of the sale, and the one who was "not free" to refuse, had to pay whatever price was exacted from him.³

Colin Ward, in "Anarchism and the informal economy," envisioned a major shift from wage labor to the household economy:

[Jonathan Gershuny of the Science Policy Research Unit at Sussex University] sees the decline of the service economy as accompanied by the emergence of a self-service economy in the way that the automatic washing machine in the home can be said to supersede the laundry industry. His American equivalent is Scott Burns, author of *The Household Economy*, with his claim that 'America is going to be transformed by nothing more or less than the inevitable maturation and decline of the market economy. The instrument for this positive change will be the household—the family—revitalized as a powerful and relatively autonomous productive unit'.

The only way to banish the spectre of unemployment is to break free from our enslavement to the idea of employment....

The first distinction we have to make then is between work and employment. The world is certainly short of jobs, but it has never been, and never will be, short of work.... The second distinction is between the regular, formal, visible and official economy, and the economy of work which is not employment....

1 Borsodi, *Flight From the City: An Experiment in Creative Living on the Land* (New York, Evanston, San Francisco, London: Harper & Row, 1933, 1972), p. 100.

2 Borsodi, p. 335.

3 *Ibid.*, p. 403.

...Victor Keegan remarks that 'the most seductive theory of all is that what we are experiencing now is nothing less than a movement back towards an informal economy after a brief flirtation of 200 years or so with a formal one'.

We are talking about the movement of work back into the domestic economy...¹

Burns, whom Ward cited above, saw the formation of communes, the buying of rural homesteads, and other aspects of the back to the land movement, as an attempt

to supplant the marketplace entirely. By building their own homes and constructing them to minimize energy consumption, by recycling old cars or avoiding the automobile altogether, by building their own furniture, sewing their own clothes, and growing their own food, they are minimizing their need to offer their labor in the marketplace. They pool it, instead, in the extended household.... [T]he new homesteader can internalize 70-80 per cent of all his needs in the household; his money work is intermittent when it can't be avoided altogether.²

To reiterate: we're experiencing a singularity in which it is becoming impossible for capital to prevent a shift in the supply of an increasing proportion of the necessities of life from mass produced goods purchased with wages, to small-scale production in the informal and household sector. The upshot is likely to be something like Vinay Gupta's "Unplugged" movement, in which the possibilities for low-cost, comfortable subsistence off the grid result in exactly the same situation, the fear of which motivated the propertied classes in carrying out the Enclosures: a situation in which the majority of the public can take wage labor or leave it, if it takes it at all, the average person works only on his own terms when he needs supplemental income for luxury goods and the like, and (even if he considers supplemental income necessary in the long run for an optimal standard of living) can afford in the short run to quit work and live off his own resources for prolonged periods of time, while negotiating for employment on the most favorable terms. It will be a society in which workers, not employers, have the greater ability to walk away from the table. It will, in short, be the kind of society Wakefield lamented in the colonial world of cheap and abundant land: a society in which labor is hard to get on any terms, and almost impossible to hire at a low enough wage to produce significant profit.

Gupta's short story "The Unplugged"³ related his vision of how such a singularity would affect life in the West.

To "get off at the top" requires millions and millions of dollars of stored wealth. Exactly how much depends on your lifestyle and rate of return, but it's a lot of money, and it's volatile depending on economic conditions. A crash can wipe out your capital base and leave you helpless, because all you had was shares in a machine.

So we Unpluggers found a new way to unplug: an independent life-support infrastructure and financial architecture—a society within society—which allowed anybody who wanted to "buy out" to "buy out at the bottom" rather than "buying out at the top."

If you are willing to live as an Unplugger does, your cost to buy out is only around three months of wages for a factory worker, the price of a used car. You never need to "work" again—that is, for money which you spend to meet your basic needs.

1 Colin Ward, "Anarchism and the informal economy," *The Raven* No. 1 (1987), pp. 27-28.

2 Burns, *The Household Economy*, p. 47.

3 Vinay Gupta, "The Unplugged," How to Live Wiki, February 20, 2006 <http://howtolivewiki.com/en/The_Unplugged>.

The more technical advances lower the capital outlays and overhead for production in the informal and household economy, the more the economic calculus is shifted in the way described by Jakubowski above.

The basic principle of Unplugging was to combine "Gandhi's Goals" ("self-sufficiency," or "the freedom that comes from owning your own life support system") with "Fuller's Methods" (getting more from less). Such freedom

allows us to disconnect from the national economy as a way of solving the problems of our planet one human at a time. But Gandhi's goals don't scale past the lifestyle of a peasant farmer and many westerners view that way of life as unsustainable for them personally....

Fuller's "do more with less" was a method we could use to attain self-sufficiency with a much lower capital cost than "buy out at the top." An integrated, whole-systems-thinking approach to a sustainable lifestyle—the houses, the gardening tools, the monitoring systems—all of that stuff was designed using inspiration from Fuller and later thinkers inspired by efficiency. The slack—the waste—in our old ways of life were consuming 90% of our productive labor to maintain.

A thousand dollar a month combined fuel bill is your life energy going down the drain because the place you live sucks your life away [sic] in waste heat, which is waste money, which is waste time. Your car, your house, the portion of your taxes which the Government spends on fuel, on electricity, on waste heat... all of the time you spent to earn that money is wasted to the degree those systems are inefficient systems, behind best practices!

James L. Wilson, in a vignette of family life in the mid-21st century, writes of ordinary people seceding from the wage system and meeting as many of their needs as possible locally, primarily as a response to the price increases from Peak Oil—but in so doing, also regaining control of their lives and ending their dependence on the corporation and the state.

"Well, you see all these people working on their gardens? They used to not be here. People had grass lawns, and would compete with each other for having the greenest, nicest grass. But your grandma came home from the supermarket one day, sat down, and said, 'That's it. We're going to grow our own food.' And the next spring, she planted a vegetable garden where the grass used to be.

"And boy, were some of the neighbors mad. The Homeowners Association sued her. They said the garden was unsightly. They said that property values would fall. But then, the next year, more people started planting their own gardens.

"And not just their lawns. People started making improvements on their homes, to make them more energy-efficient. They didn't do it to help the environment, but to save money. People in the neighborhood started sharing ideas and working together, when before they barely ever spoke to each other....

"And people also started buying from farmer's markets, buying milk, meat, eggs and produce straight from nearby farmers. This was fresher and healthier than processed food. They realized they were better off if the profits stayed within the community than if they went to big corporations far away.

"This is when your grandma, my Mom, quit her job and started a bakery from home. It was actually in violation of the zoning laws, but the people sided with grandma against the government. When the government realized it was powerless to crack down on this new way of life, and the people realized they didn't have to fear the government, they became free. And so more and more people started working from home. Mommies and Daddies used to have different jobs in different places, but now more and more of them are in business together in their own home, where they're close to their children instead of putting them in

day care."....¹

Conclusion

We have seen throughout this chapter the superiority of the alternative economy, in terms of a number of different conceptual models—Robb's STEMI compression, Ceesay's economies of agility, Gupta's distributed infrastructure, and Cravens' productive recursion—to the corporate capitalist economy. All these superiorities can be summarized as the ability to make better use of material inputs than capitalism, and the ability to make use of the waste inputs of capitalism.

Localized, small-scale economies are the rats in the dinosaurs' nests. The informal and household economy operates more efficiently than the capitalist economy, and can function on the waste byproducts of capitalism. It is resilient and replicates virally. In an environment in which resources for technological development have been almost entirely diverted toward corporate capitalism, it takes technologies that were developed to serve corporate capitalism, adapts them to small-scale production, and uses them to destroy corporate capitalism. In fact, it's almost as though the dinosaurs themselves had funded a genetic research lab to breed mammals: "Let's reconfigure the teeth so they're better for sucking eggs, and ramp up the metabolism to survive a major catastrophe—like, say, an asteroid collision. Nah, I *don't* really know what it would be good for—but what the fuck, the Pangean Ministry of Defense is paying for it!"

To repeat, there are two economies competing: their old economy of bureaucracy, high overhead, enormous capital outlays, and cost-plus markup, and our new economy of agility and low overhead. And in the end... we will bury them.

Appendix: The Singularity in the Third World

If the coming singularity will enable the producing classes in the industrialized West to defect from the wage system, in the Third World it may enable them to skip that stage of development altogether. Gupta concluded "The Unplugged" with a hint about how the principle might be applied in the Third World: "We encourage the developing world to Unplug as the ultimate form of Leapfrogging: skip hypercapitalism and anarchocapitalism and democratic socialism entirely and jump directly to Unplugging."

Gupta envisions a corresponding singularity in the Third World when the cost of an Internet connection, through cell phones and other mobile devices, falls low enough to be affordable by impoverished villagers. At that point, the transaction costs which hampered previous attempts at disseminating affordable intermediate technologies in the Third World, like Village Earth's Appropriate Technology Library or Schumacher's Intermediate Technology Development Group, will finally be overcome by digital network technology.

It is inevitable that the network will spread everywhere across the planet, or very nearly so. Already the cell phone has reached 50% of the humans on the planet. As technological innovation transforms the ordinary cell phone into a little computer, and ordinary cell services into connections to the Internet, the population of the internet is going to change from being predominantly educated westerners to being mainly

¹ James L. Wilson, "Standard of Living vs. Quality of Life," *The Partial Observer*, May 29, 2008 <<http://www.partialobserver.com/article.cfm?id=2955&RSS=1>>.

people in poorer countries, and shortly after that, to being predominantly people living on a few dollars a day....

...Most people are very poor, and as the price of a connection to the Internet falls to a level they can afford, as they can afford cell phones now, we're going to get a chance to really help these people get a better life by finding them the information resources they need to grow and prosper.

Imagine that you are a poor single mother in South America who lives in a village without a clean water source. Your child gets sick now and again from the dirty water, and you feel there is nothing you can do, and worry about their survival. Then one of your more prosperous neighbors gets a new telephone, and there's a video which describes how to purify water [with a solar purifier made from a two-liter soda bottle]. It's simple, in your language, and describes all the basic steps without showing anything which requires schooling to understand. After a while, you master the basic practical skills--the year or two of high school you caught before having the child and having to work helps. But then you teach your sisters, and none of the kids get sick as often as they used to... life has improved because of the network.

Then comes solar cookers, and improved stoves, and preventative medicine, and better agriculture [earlier Gupta mentions improved green manuring techniques], and diagnosis of conditions which require a doctor's attention, with a GPS map and calendar of when the visiting doctors will be in town again.¹

The revolution is already here, according to a *New York Times* story. Cell phones, with service plans averaging \$5 a month, have already spread to a third of the population of India. That means that mobile phones, with Internet service, have "seeped down the social strata, into slums and small towns and villages, becoming that rare Indian possession to traverse the walls of caste and region and class; a majority of subscribers are now outside the major cities and wealthiest states." And the mushrooming growth of cell phone connections, 15 million in March 2009, amounts to something like a 45% annual growth rate over the 400 million currently in use—a rate which, if it continues, will mean universal cell phone ownership within five years.²

Interestingly, Jeff Vail predicts that this increased connectivity, combined with especially exacerbated trends toward the hollowing out of the nation-state (see Chapter Three), will cause India to be a pioneer in the early development of the Diagonal Economy (see Chapter Six).

...I do want to give one location-specific example of where I think this trend toward the degradation of the Nation-State construct will be especially severe: India. No, I don't think India will collapse (though there will be plenty of stories of woe), nor that the state government that occupies most of the geographic territory of "India" will collapse (note that careful wording). Rather, I think that the trend for a disconnection between any abstract notion of "Nation" and a unitary state in India will become particularly pronounced over the course of 2010. This is already largely apparent in India, but look for it to become more so. While Indian business and economy will fare decently well in 2010 from an international trade perspective, the real story will be a rising failure of this success to be effectively distributed by the government outside of a narrow class of urban middle class. It will instead be a rising connectivity and self-awareness of their situation among India's rural poor, resulting in an increasing push for localized self-sufficiency and resiliency of food production (especially the "tipping" of food forests and perennial polycultures), that will most begin to tear at the relevancy of India's central state government. In India there is a great potential for the beginnings of the Diagonal Economy to emerge in 2010.³

1 Vinay Gupta, "What's Going to Happen in the Future," *The Bucky-Gandhi Design Institution*, June 1, 2008 <<http://vinay.howtolivewiki.com/blog/global/whats-going-to-happen-in-the-future-670>>.

2 Anand Giridharadas, "A Pocket-Size Leveler in an Outsized Land," *New York Times*, May 9, 2009 <<http://www.nytimes.com/2009/05/10/weekinreview/10giridharadas.html?ref=world>>.

3 Jeff Vail, "2010—Predictions and Catabolic Collapse," *Rhizome*, January 4, 2010 <<http://www.jeffvail.net/2010/01/2010-predictions-and-catabolic-collapse.html>>.