



The limits of libertarianism

Free marketers need to stop defending oppressive monopoly power.

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Over the past half-century, libertarians have played a critical role in the ever-growing war against governmental nonsense. If you want to read the best critiques of wasteful transit policy, sports stadia, government pensions or cancel culture, you can find it among liberty-minded outlets like *Reason* magazine, the Cato Institute and numerous free-market think tanks. They have provided a strong and necessary voice for free-market capitalism at a time when it faces serious challenges, notably from China and other state-directed systems.

Yet in recent years, libertarians increasingly seem less concerned with how their policies might actually impact people. Convinced that markets are virtually always the best way to approach any issue, they have allied with many of the same forces – monopoly capital, anti-suburban zealots and the tech oligarchy – which are systematically undermining the popular rationale for market capitalism.

Perhaps after the endless regulatory assaults of the Covid years, we could be nudging to a ‘libertarian moment’, the *Wall Street Journal*’s Gerard Baker hopes. But this would depend on having a vibrant social base, whose personal wellbeing is at stake, to push society in that direction.

The critical issue here is class. Libertarians tend to enjoy theory, but flounder when it comes to addressing the actual needs of people. Barely anyone today looks to former House speaker Paul Ryan, with his notions of privatising social security, or to other *Fountainhead* politicians of his ilk for leadership. The corporate superstructure has moved to the Democrats, while a large part of the GOP’s class base – notably small businesspeople, artisans and skilled workers – feels abandoned by the corporate free-market Republicans and is more attracted to populist politics. Nowhere is the disconnect between libertarianism and its traditional base of small-property owners more obvious than in housing. In their zeal, sometimes justified, to end the worst zoning abuses, the libertarians have allied themselves with two forces, monopoly capital and social engineers (also known as city planners), whose goal is not to expand the blessings of ownership, but to squelch it for all but a few. Their end game is to leave most people stuck in small apartments.



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The peace that could have been

TIM BLACK

Libertarians have served as fellow travellers and allies to the hyperactive, oligarch-funded YIMBY ('Yes in My Backyard') movement. In essence, as former Cato fellow Randal O'Toole notes, the libertarian right has 'betrayed' the very middle class that most supports conservative causes. O'Toole, who had been Cato's land-use expert since 2007, was forced out in favour of an alliance, as he puts it, working hand-in-hand with left-wing groups seeking 'to force Californians to live in ways in which they didn't want to live'.

Some libertarians see this as a 'free-market housing fix', although in their worship of markets most have said little about policies that prevent construction on the periphery – a principal contributor to excessively high housing costs. Expanded ownership is a noble cause. But it is hardly the intention of the strongest advocates for these policies. Victoria Fierce of the YIMBY pro-density lobby in California, for example, favours increasing urban density in part because it 'promotes collectivism'. In some senses, the approach of some YIMBYs reflects the planning orthodoxy seen in the late Soviet Union. In the 1950s, Alexei Gutnov published *The Ideal Communist City*, which, while acknowledging the appeal of suburbia, rejected it as unsuitable for a society that prioritises equality and social control.

Yet it's not just YIMBYs who favour densification and an end to single-family zoning. This notion also appeals to large financial institutions that seek to develop a rentership society, where homes, furniture and other necessities are turned into rental products, offering an endless cashflow to the oligarchs. Large financial institutions like Britain's Lloyds Bank and US investment managers BlackRock are massively involved in this process. In the first quarter of 2021, investors accounted for roughly one out of every seven homes bought in the US – a marked increase from previous years. This undermines the chances for wealth creation and

aspiration for coming generations, since homes account for roughly two-thirds of the wealth of middle-income Americans.

The current agenda of severe housing and land-use regulation, which libertarians have provided critical cover for, is closely associated with housing affordability losses. Indeed, studies in Vancouver, Canada and several other locations have linked densification with higher land prices and diminished housing affordability. California already has the highest urban density of any US state and suffers from some of the highest rental and housing costs in the country. The densification agenda is already being implemented in places like California, with policies aimed at destroying single-family home ownership at a time when the market has shifted even more towards suburbia. Former World Bank chief urban economist Alain Bertaud has slammed such 'arbitrary limits on city expansion'. 'The result is predictably higher prices', he says. In other words, in backing YIMBY densification policies, the libertarians have inadvertently pushed prices up further.



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Why Ukraine must win

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The key point libertarians need to understand is that, with the decline of the property-owning middle class, so too goes the market economy's natural support base. In 2019 the OECD reported, in *Under Pressure: The Squeezed Middle Class*, that the principal contributor to the decline of the middle classes has been house prices growing 'three times faster than household median income over the past two decades' across high-income countries. The share of national wealth held by those below the top 10 per cent has fallen since the 1980s by 13 percentage points, a similar proportion to that gained by the top 0.1 per cent. Today, roughly half of all Americans earn less than \$35,000 annually, living essentially paycheck to paycheck. This middle

class may be far less likely to support market-focused policies if they see little personal reason to do so.

In many ways, libertarians, like all of us, are victims of history. The high-water mark of libertarianism, roughly the period from Reagan to Obama, occurred before the decline of the middle classes had become so clear. The Soviet Union had collapsed, and Russia had not yet emerged as a neo-Tsarist bully, and China was still struggling with mass poverty and severe underdevelopment. The US economy, notably its innovation and energy sectors, performed as supporters of a market-based system would predict, and it assured the country a modicum of prosperity and an enviable global role.

Now that China has shown the power of state capitalism on a massive scale, many countries instead look to Beijing for answers to their development needs rather than capital centres like New York or London. Globalist orthodoxy, basically against restraints on trade, has allowed state-supported companies to subsidise production, develop capacities and essentially drive the West out of numerous key markets (we saw this clearly with medical equipment during the pandemic).

Meanwhile, the once entrepreneurial tech scene, like the financial markets of the past, has morphed into a handful of zaibatsu, or oligopolistic corporate conglomerates, whose goal is to control virtually every growth industry, from global entertainment to local news, electric cars, medical services, housing and the Metaverse. Yet rather than defend grassroots capitalism, libertarians have been prominent in defending monopoly power, opposing any effort to employ anti-trust laws on companies with market shares of 80 to 90 per cent, all in the name of defending 'free enterprise'.

Most critically, as opportunity has waned, belief in capitalism is failing, particularly among the young. In the 2016 primaries, the openly socialist Bernie Sanders easily cleaned up among voters under 30, a performance he repeated in the early 2020 primaries, even as the older cohorts rejected him decisively. Annual polling by the Communism Memorial Foundation shows a growing number of American millennials favour socialism over capitalism (and a small minority even say they would prefer communism or fascism to our current market system). By 2024, millennials will be the country's biggest voting bloc by far.

Well-educated professionals, not to mention lobbyists and elite media, have feasted well in the world of neoliberalism. They have little reason to want to alter the status quo with China, which has created opportunities for them, even as most Americans are struggling, our industrial structure has declined, and the pandemic-caused supply-chain problems have undermined the ability of the market to function efficiently even further.

Industrial policy à la Europe or Japan may not be the best solution – libertarians could have some useful ideas here. But allowing other countries to avoid environmental or labour norms, while we impose ever more regulations, transforms the whole logic of 'the market is efficient' into a headlong rush into deindustrialisation and decline. The West's supply-chain issues, which are accelerating the demise of smaller businesses and the continued ascendancy of larger firms, clearly require new policies, and libertarians may well have some good suggestions, particularly about what not to do.

To survive, free markets need to prove their current efficacy not just in terms of stock earnings or the personal fortunes of a few. One cannot expect life-time renters or people whose jobs have been sacrificed to the globalist gods to become ready devotees of *laissez-faire*.

Ultimately, however, more than just economic freedom is at stake. Democracy was born when both Athens and later Rome included small property owners in governance. Democracy died

when these small owners lost power to what Aristotle labelled the *oligarchia* – some of the very people some libertarians seem passionately interested in supporting. As nonprofits, oligarchs and bureaucrats plot out the future, small business owners and the middle class, as one entrepreneur put it, are simply ‘not at the table’. This class has driven much of the West’s economic progress, nurtured self-government, and constitutes the traditional basis for thriving market systems.

The primary importance of dispersed property was critical in the thinking of such revered figures as Thomas Jefferson, James Madison and John Adams. All considered the over-concentration of property in a few hands as a basic threat to republican institutions – an insight shared by intellectuals like Edmund Burke, Alexis de Tocqueville and Adam Smith. As Burke put it, what really matters in the end is not ideology but reality: ‘The circumstances are what render every civil and political scheme beneficial or noxious to mankind.’

Capitalism’s greatest opponent, Vladimir Lenin, also saw that free-market capitalism draws its primary strength not from giant institutions or the managerial elite but in the operation of small players in local markets. ‘Small scale commercial production is, every moment of every day, giving birth *spontaneously* to capitalism and the bourgeoisie... Wherever there is business and freedom of trade, capitalism appears’, he noted. ‘Capitalism begins in the village marketplace.’ To become relevant again, libertarians need to go beyond their dogmatic attachments, focus on bolstering the vitality of *competitive* free markets. An economy dominated by a handful of oligarchs, who exercise power over information on the major platforms and simply buy up promising competitors, might seem swell to the free-market think tanks, but it is not likely to nurture grassroots capitalism.

Ultimately, the great values that libertarians bring to the policy debate are more relevant than ever. But their suggestions will only be heard if they can demonstrate – particularly to the young generation – the potential of markets to make lives better. In the end that is the real issue. While libertarians are so valuable in ferreting out government cronyism, they need to face up to the prospect that markets, although theoretically free, are in reality becoming ever more oppressive and controlled.

Libertarian ideas still have great relevance, but only so much as they reflect markets that are open to competition and capable of improving everyday lives.