Review of the new book by Peter Barnes, Capitalism 3.0: A Guide to Reclaiming the Commons

Reviewer: David Bishop

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Since the dawn of capitalism, people have been in awe of both its productive and destructive capacities. Karl Marx and Friedrich Engels expressed their own wonderment in a widely quoted passage from the Communist Manifesto, published in 1848.

"The bourgeoisie, during its rule of scarce one hundred years, has created more massive and more colossal productive forces than have all preceding generations together. Subjection of Nature's forces to man, machinery, application of chemistry to industry and agriculture, steam-navigation, railways, electric telegraphs, clearing of whole continents for cultivation, canalization of rivers, whole populations conjured out of the ground. What earlier century had even a presentiment that such productive forces slumbered in the lap of social labor?"

Prodigious production, however, imposed an equally prodigious cost on nature and humanity. And humanity did not go quietly into the dark industrial night. So long as people could survive on the land, however minimally, they rarely chose to become industrial laborers. As Karl Polanyi explained in The Great Transformation, they became "Labor" because they had to.

The driving force that made them have to was the enclosure movement. English law and custom were reshaped to segregate and privatize land formerly available to all for grazing and farming. With less and less access to the Commons, impoverished peasants moved into the cities. Over many decades, they became a reluctant and restive industrial workforce.

In his brilliant and so very needed new book Capitalism 3.0: A Guide to Reclaiming the Commons, (Berrett-Koehler) Peter Barnes argues that each stage of capitalism spawns its own operating system, its own set of rules and institutions that reflect its historical situation. The enclosures laws reflected a time of shortages and scarcity he calls Capitalism 1.0.

Beginning in the late 19th century and increasingly evident in the late 20th century, we have moved into a period Barnes calls Capitalism 2.0. This era is characterized by surplus, not scarcity. The central economic problem no longer is increasing supply, but soliciting new demand. An increasing portion of the GDP is spent to persuade people to want increasingly superfluous output and to provide them the credit to buy it. Regulations curb corporate excesses; incentives ameliorate the damage caused by those corporations.

Capitalism 2.0 spawns a political battle that focuses on how the enormous wealth generated by capitalism's prodigious engines should be distributed. That battle gives birth to a new set of rules and institutions, including the regulation of corporate behavior, environmental regulations, and the creation of a safety net (minimum wage and maximum hour laws, Social Security, and universal health care -- everywhere but in the U.S.)

To Barnes, the costs of Capitalism 2.0 on humanity are clear: growing inequality, increasingly stressful lives, ever-widening holes in the safety net as capital spills across borders and corporate revenues and power begin to exceed those of many nations.

We need a new set of operating instructions, Barnes argues, that will usher in and guide the creation of Capitalism 3.0. In a remarkably brief 166 pages, Peter addresses and rather astonishingly, largely answers his question, "How do you revise a system as vast and complex as capitalism? And how do you do it gracefully, with a minimum of pain and disruption?"

Capitalism 3.0 grew out of a life of social and political activism and market entrepreneurialism. In the 1970s, Barnes started a profitable solar energy company. In the 1980s, he helped launch the much more profitable and enduring Working Assets phone and financial company. He opens his book with this self-description. "I'm a businessman. I believe society should reward successful initiative with profit. At the same time, I know that profit-seeking activities have unhealthy side effects. They cause pollution, waste, inequality, anxiety and no small amount of confusion about the purpose of life."

Barnes' key solution to the unhealthy side effects of profit-seeking behavior is to revive the idea of -- and reclaim the value -- of the Commons. Over the last few years, hundreds of meetings and thousands of conversations have taken place among those who are actively involved in protecting the popular culture from the encroachment of private intellectual property, those who are involved in trying to maintain the internet as a public network, and those who are trying to curb corporate power and restrain the increasing tendency by cities and states to privatize public goods.

Many of these conversations have been stimulated by a small California-based organization called the Tomales Bay Institute, aided and abetted by its increasingly well-visited web site <http://www.alternet.org/story/46146/www.onthecommons.org>. Among its fellows are David Bollier, Harriet Barlow, Jonathan Rowe, and Peter Barnes. Capitalism 3.0 is the first comprehensive book on the Commons issued by the Institute.

The Commons, Barnes insists, should no longer be viewed simply as a pasture where animals graze, but rather as a generic term, comparable to the terms "market" or "state". The Commons is the gifts we inherit or create together. "A gift is something we receive as oppose to something we earn," Barnes writes. "A shared gift is one we receive as members of a community as opposed to individually".

Think of the Commons as a broad river fed by three principal tributaries: nature, community, and culture. This river precedes and surrounds capitalism and adds immense value to it, and to us.

The land as Commons is an idea that has had its advocates from the earliest days of the American Republic. For Thomas Paine, "there are two kinds of property. Firstly, natural property, or that which comes to us from the Creator of the universe -- such as the earth, air, water. Secondly, artificial or acquired property -- the invention of men." In the natural property, Paine maintained, "all individuals have legitimate birthrights ... Since such birthrights were diminished by enclosure, there ought to be an 'indemnification for that loss." Paine propose the establishment of a national permanent fund where every person at the age of twenty-one would receive money as partial compensation for his or her loss of "natural inheritance, by the introduction of the system of landed property."

In the late 19th century, economist Henry George launched an influential movement also based on the concept of the Commons. That movement argued that the value of land is almost entirely derived, not from the landowner's investment, but from public actions. Value comes from easy transportation access, good parks and schools, quiet and safe streets. All of which are created from public investment. George and his followers advocated a significant tax on all land, to compensate the public for its investment that created that land's market value.

In the modern lingo, Henry George was the first to advocate an anti-givings movement. In the last twenty years the United States has witnessed the rise of its evil twin, the anti-takings movement. This movement has gained considerable political traction. Several states have adopted laws that require government to compensate private landowners if public actions diminish the value of private property. If, for example, government downzones land to require a lower building density, the landowner should receive compensation for any loss in his property value.

But what if the government upzones the land to allow for higher concentration? What if it builds a freeway near the land? What if it transforms an unsightly section of the neighborhood into a park? All these actions would substantially increase the value of the land. Shouldn't the public be compensated for its investment? Even a cursory investigation suggests that the level of givings in this country is 100, perhaps even 1000 times greater than the level of takings.

Barnes is reluctant to rely on governments to protect the Commons, especially on an ongoing basis. Governments change. Laws, regulations, and taxes are easily rescinded or weakened when powerful financial interests get involved. The public interest rarely if ever is represented with the same level of resources and feral energy as the private interest. This imbalance is inherent in the costs and rewards of involvement. An individual gains little by stopping private interests from encroaching on the Commons. An individual corporation, on the other hand, is handsomely rewarded when it enables poaching.

The timber industry spent $8 million in campaign contributions to preserve a logging road subsidy worth $458 million, a return on their investment of 5,725 percent, former Republican strategist Kevin Phillips observes. Glaxo Wellcome invested $1.2 million in campaign contributions to obtain a l9 month patent extension on Zantac worth $1 billion, a return of 83,333 percent.

Rather than relying on government, Barnes argues for the creation of a new institution, a commons trust, based on a new property right in the Commons. Unlike government policies, he maintains, property rights tend to endure, as do the institutions that own them. When government is deciding what to do with a public asset like the spectrum, or the national parks, or the air, Barnes' advice is, "Propertize, don't privatize".

Barnes briefly lists many kinds of possible trusts: watershed trusts, air trusts, children's opportunity trust, an American Permanent Fund based on a waste absorption tax on corporate profits.

These new trusts would serve as stewards of the Commons for future generations, and would distribute revenue gained from creating a property right in the Commons. Barnes argues that a trust could conceivably generate large sums, which, if distributed on a per capita basis, could ameliorate poverty. Not only would there be a redistribution from rich to poor within countries, but an even larger redistribution between richer and poorer countries when the Commons in question is global, like the atmosphere.

A significant test for this new approach to the Commons may come as we develop strategies to combat global warming. Europe and, several American states, are beginning to embrace a cap on carbon emissions, ratcheting the cap down over time to eventually reach a point where no further global warming from human activities would occur.

Such a cap creates an environmental market value for carbon. How should this new value be distributed? Europe distributed carbon emission credits in proportion to the amount of pollution a company emitted! The result? Billions of dollars in increased corporate income with little or no reduction in pollution. The new Governor of New York, Eliot Spitzer, has suggested that 100 percent of the credits created by a New York carbon cap on electricity generation should be auctioned off.

Barnes would consider this a major step in the right direction, but he would go further. In Capitalism 3.0, and in his previous book, Who Owns the Sky? Barnes argues that carbon emission credits should be distributed on a per capita basis. We might issue a certificate to every person that allows him or her 5 tons of annual carbon emissions.

Corporations, and households that generate higher carbon emissions would have to buy credits. Each five years, as governments ratchet downwards the carbon cap, increasing the market value of an individual credit rises, creating a higher incentive for companies to improve energy efficiency and shift to no and low carbon energy sources and a greater income to individual households.

Capitalism 3.0 is an important and timely book. Blessedly brief and simply written, it elaborates an argument for profound social and economic change while offering a pragmatic strategy for achieving that change with a minimal amount of disruption and bureaucracy. Read it to understand why the word Commons is slowly but surely permeating political conversations.

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