# Footnote: Birth of The Middleman

*Burgeoning markets precipitated by better communications, threw all the artisans in each entire region into desperate competition. Out of the fray emerged a new economic class, whom chance and fortune made rich upon the labours of their former peers, while they themselves produced nothing.* [PDF]

The geographic horizon of the artisan's market does not extend beyond the boundary of the Estate - the former Hundred - within which his own town or village is situated. But by exchanging ideas with his peers he is soon able to advance his technology sufficiently to produce enough to satisfy a much bigger market. With the rapid growth of a national road network he now also has the means of reaching that bigger market.

## Competition

However, beyond the horizon of his parochial market lies the parochial market of another artisan of the same trade. If he trades beyond his own local horizon he takes away some of the livelihood of a peer. Likewise, if another artisan invades his local market, competition threatens to take away some of his livelihood. But greed inevitably prevails and ignites a chain-reaction which welds these stable parochial markets of the former Hundreds into one Region-wide market ruled by universal competition.

By a fortuitous mix of aptitude and serendipity, a few artisans begin to dominate the Regional market. Not necessarily because their products are better than their competitors' products. They may in fact not be as good. But *by convincing the consumer* that they are better. That *they* are giving the consumer a better deal. Thus, the successful product is not the *best* product: it is the *best-marketed* product. The successful competitor is not the best artisan, but the best salesman. Success in this new Regional market also requires luck. The successful competitor is also the one who just happened to be in the right place at the right time with the right goods. Whether by accident or design, it does not matter.

It is in the fundamental nature of the competitive process that most fail. As a result, their local markets are systematically annexed by those few who are successful. Originally, each artisan's customer-base comprised the 100 or so households within the noble Estate - the former Hundred - in which he lived. However, the larger natural Region, within which the competitive market has formed, probably contains 100 noble Estates in which reside a total of 10,000 households. Those artisans who survive and succeed in this new competitive market are therefore now having to supply a much larger customer-base. They soon find themselves unable to cope with the increased demand of their larger markets on their own. The successful artisan therefore needs to expand his enterprise ten-fold.

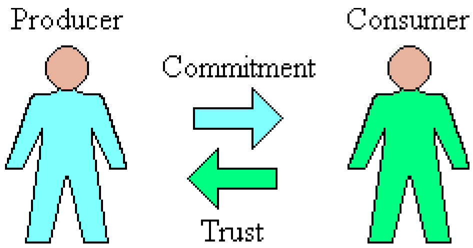
## Return To Bondage

He therefore hires his former peers as subcontractors to make goods for him which he then sells at a profit. He thereby accumulates capital with which he leases land from the Estate and builds a factory upon it. Then he gradually pays his subcontractors less and less for more and more, until he forces them to let him buy them out. He can do this because he is now their only way into their market. Finally he takes them on as free employees while demand is high, then lays them off again when it falls.

Thus the majority who fail are back where they started. They are again no more than labourers in a common labour pool. Here they must wait until one of their successful former peers has a need for their skills. A secure life-long income guaranteed by the co-ordinated demarcation of skills and territories is supplanted by the old insecurities of pool labour. Each labourer is thrown once again into unwilling competition with his peers. Wages plummet ever faster towards the threshold of subsistence.

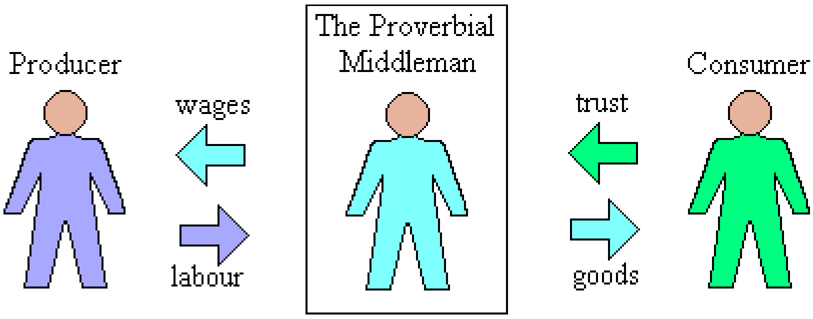
## A Fundamental Change

Within the parochial market of the former Hundred, the producer traded almost exclusively with members of his own community. He knew them personally. They knew him personally. They knew both his work and his character. He was committed to them both as friends and as members of his community. They trusted him to provide them always with goods and services of utmost quality.




The new Regional market severed this intimate link between producer and consumer. In the Regional market, the consumer does not know the individual who made the good he is buying. All he sees is the corporate entity in the middle - the market-oriented business of the former artisan who has become the real producer's employer. The consumer therefore no longer knows the personal character and reputation of the producer. He therefore cannot trust him.

The producer no longer knows the consumer. He therefore no longer has the personal commitment to him that he would have if he were a personal friend or member of his community. The Regional market has thus erected an isolative social barrier between producer and consumer. That barrier comprises the businesses of the former artisans who have become the large and successful players in the new Regional market - the proverbial 'middlemen'.



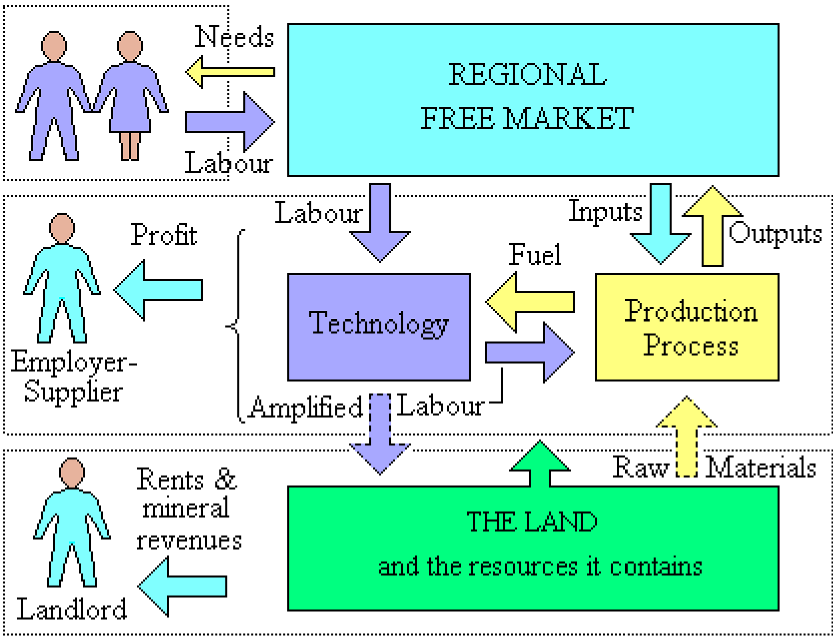

Each consumer is left with no choice but to count these few successful Regional middlemen as part of his own trusted community. The middle-man cannot gain consumer trust by natural social contact. The number of consumers he has to deal with is now far beyond the 150 or so he is neurologically equipped to know as family and friends.

He must therefore gain the consumer's trust by advertising - a process of repetitive self-praise and self-aggrandisement. By this method, the consumer never gets to meet or know his powerful supplier personally. He cannot therefore know his moral character or technical competence. But advertising allows the supplier to plant within the consumer's mind whatever image of himself he wishes. He therefore naturally creates an image or vision of impeccable moral character and technical perfection.

However, in this relationship, the consumer cannot reciprocate. He does not have the means to elevate himself to such a height within the mind of a large supplier. The supplier therefore does not trust the consumer. So in any deal it is the consumer who must always take the risk. Nor is the supplier committed to the consumer as an individual. He is committed only to his market as a whole, to consumers collectively. As long as the majority is happy, a dissatisfied minority is immaterial. The individual producer-consumer is thus subjugated to the middleman employer-supplier.

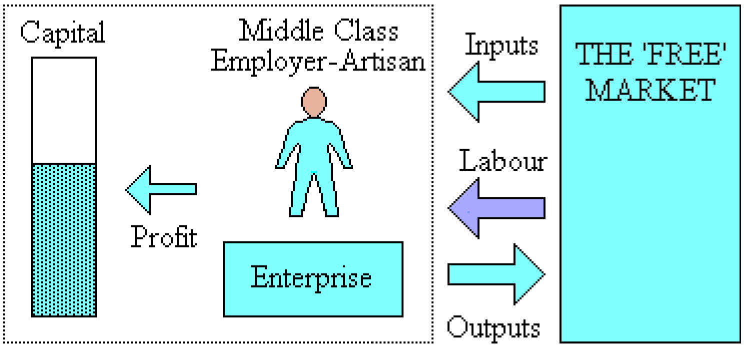
## A New Phenomenon

These new employer-suppliers have thus become a new 'Middle' Class in more senses than one. They do not only form a new middle layer of the economic barrier which separates common man from the land that supplies his needs of life, but they are also an absorptive barrier to free exchange between producing and consuming individuals.




As an economic phenomenon, this new middle-class employer-supplier is fundamentally different from all that went before him. Severed from the land, he buys raw materials from the free market. He hires labourers from the free market. His labourers add value to these raw materials by forming them into goods. He then outputs the goods to the free market. He himself contributes no productive labour to this process, yet he ends up by gaining from it not only his needs of life which he consumes, but also a profit which he accumulates in the form of capital. Thus although he contributes no productive labour, he gains from his enterprise vastly more than those who do. So where does this profit come from?

The inputs to his enterprise come exclusively from the free market. The outputs from his enterprise go only to the free market. Since he himself contributes nothing to the production process, his enterprise as a whole must take out of the free market far more than it puts back in. His inputs from the free market are supplied by others like himself who also make a profit and return nothing. His outputs to the free market are also mostly supplied to others like himself who also make a profit and return nothing. His profit cannot therefore be coming from others of his own kind. This leaves only one place it could come from: his labourers.

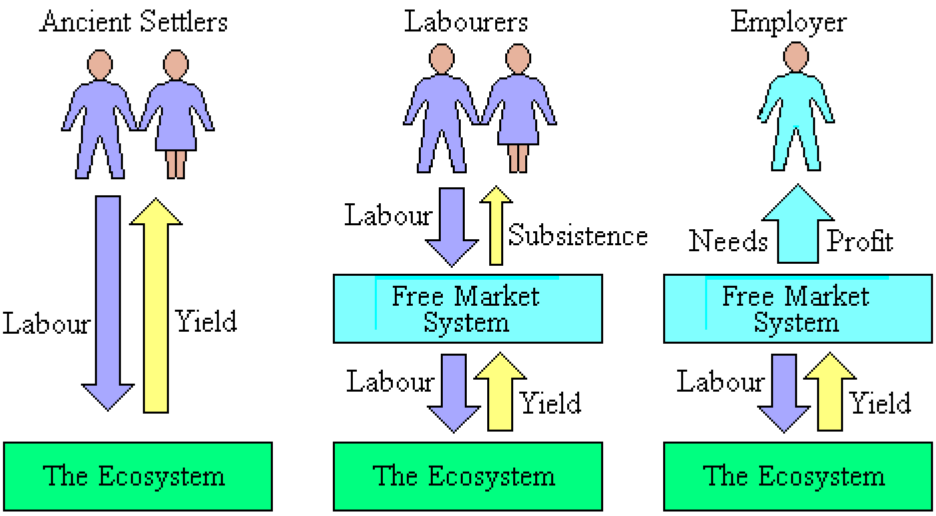



The small proportion of his outputs which recompense his labourers is therefore necessarily far less than the value their labour adds to his raw materials in forming them into goods. His labourers are therefore being short-changed. If each labourer had his own hide of land from which he exclusively could harvest his needs of life, his labour would yield far more *to him* than it does when he has an employer bleeding off most of what his labour yields. These enterprises of this new Middle Class thus form an economically dissipative layer which saps and absorbs both the fruits of the earth and the labours of man.

To the ancient settler who farmed his landshare of land, nature delivered a comfortable economic yield for his labour. But the labourer's access to nature is barred by the free market system. To him, this is a dissipative device which severely attenuates what nature would otherwise yield for his labour. To his employer, on the other hand, it works as an extremely high-gain economic amplifier which yields vast rewards in return for no *productive* effort at all.

But no matter how productive technology may make the labourer, the business enterprise acts always as a device which limits what he receives to the minimum socially acceptable level of subsistence for his skills. All in excess of this is bled off to swell the proprietor's capital. This makes sure that the labourer can never accumulate capital. This means that he can never regain what his predecessors had as artisans of their trades.

Meanwhile his employer accumulates more and more. This may be in the form of a bigger and better home. More luxurious furnishings. The opportunity to travel. Expensive social and leisure activities. Improved technology to increase the productivity of his labourers and hence the rate at which his capital increases. His quality of life thus far exceeds that of the labourer, yet it is the labourer's work which generates it.



The employer, however, is quick to point out that running his enterprise demands of him a great deal of personal effort. He is also quick to point out that if his enterprise were not there, the labourer would have no job and no income. But this is not true. If the employer's enterprise did not exist the labourer would simply produce his goods directly for his peer consumers within his community.

The employer expends his vast personal energy for two reasons. Firstly to maintain his market share by fending off competitors and persuading consumers that his products are the best and the cheapest, and that his is the most trustworthy business to deal with. Secondly to maintain the barrier he has erected between producer and consumer so that he can stand at the door and siphon off the largest possible proportion of the wealth which passes through it. His effort therefore goes not to produce wealth, but to funnel wealth produced by others into his own pocket.

The free market is thus a *relativistic* phenomenon. From the employer's point of view it is a bounteous giver. From the labourers point of view it is an exploiting thief. Thus, it behaves quite differently according to the social status of the observer. Its form and structure are different. What the free market actually *is* therefore depends on *who* is looking at it and where heredity and serendipity have, or have not, placed him within it.

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