

Entrepreneurial Innovation and Crony Corruption

It always starts with entrepreneurial innovators breaking new ground and establishing new avenues for the expression of individual liberty and private initiative. Then, as soon as some of the companies established by those innovators grow sufficiently large and influential, the biggest protection rackets operating in their respective territories (i.e., states and their military-bureaucratic regimes) stop fighting them and proceed to corrupting them with subsidies, “public contracts”, unofficial monopoly privileges, etc.

As a result, such companies become increasingly inefficient, unresponsive to the wishes of their clients, or downright opposed to their original mission statements. As soon as that starts happening, the representatives of political protection rackets start clamoring for imposing “regulations” on the whole industry – that is, subjecting it officially and comprehensively to the dictates of institutionalized aggression. Having been long since thoroughly corrupted, the high-ranking officers of the companies in question happily concur, thereby driving the last nail in the coffin of free competition in the industry under consideration. The ones who have opened new avenues of individual liberty are now all too willing to close them indefinitely.

This is what happened in the mature period of the Industrial Revolution, and this is what is happening now in the mature period of the Information Revolution. However, it follows from the very character of the Information Revolution that today we can be more aware than ever of the recurrent nature of this perfidious process. By the same token, we can also be more effective than ever in finally stopping its recurrence. Crony corporatism is an extension of statism, and statism is an enabler of crony corporatism – thus, tools and resources originally created to promote individual liberty (and knowledge about threats to it) must be used to their fullest in denouncing statism and its pseudo-market allies, lest they be converted into their opposites. If there has ever been a perfect time to renounce statism altogether and be particularly vocal and decisive about it, thereby possibly ending its corruption of libertarian entrepreneurialism, it certainly is right now.