Brazil is the most unequal country in the Western hemisphere economically. While it overflows with natural abundance, a few families control much of its wealth and 10% of its people live below the *global* poverty line. The same concentrated control of wealth that breeds inequality seems to corrupt politics and restrain business initiative; Brazil is also in the bottom 10% of countries in terms of ease of creating a business, according to the World Bank.

We use the term capitalism to refer to the idealized historical version of markets in which governments focus on protecting private property and enforcing contracts. But many share the idea that existing social arrangements generate unfair inequality and undermine collective action. The Radical Markets we envision are institutional arrangements that allow the fundamental principles of market allocation—free exchange disciplined by competition and open to all comers—to play out fully. An auction is the quintessential Radical Market.

The most significant problem of our time is rising inequality within wealthy countries. This reflects not only diverging wages, but the shift of national income away from wages entirely. The reward to saving is itself falling (with falling interest rates) and an increasing share of national income is being absorbed by market power—what we later call the "monopoly problem." 60 % of the income of the top 1% of earners comes from such profits or returns on capital (as opposed to wages). Falling labor's share and rising inequality are not just the consequence of accelerated growth but close correlates (symptoms or causes) of increased market power.

"Supply-side" ideas that grew up in response to the "stagflation" of the 1970s promised that allowing greater play of capitalism (lower taxes, deregulation, privatization) would unleash economic growth. Wealth would eventually "trickle down" to ordinary workers. Yet not only has the promised wealth failed to trickle down; it has not materialized at all. In fact, productivity growth has dramatically fallen over this period. Growth in labor productivity from the end of WWII to 2004 was around 2.2% annually. Since 2005 it has slowed to around 1.2%. In many wealthy countries, such as France and Japan, productivity growth fell by a factor of 10 from 5-7% to just a fraction of a percent. Unemployment and misemployment differ from country to country, depending on the treatment of the long-term unemployed.

Reallocating capital and employment from less productive entities to more productive ones could dramatically increase aggregate output. 90% of American children born in 1940 had a higher living standard than their parents; only 50% of children born in 1980 did. Call it *stagnequality*—low growth combined with rising inequality. It is no surprise that the public has rejected conventional economic wisdom.

Many rising powers (China, India, Turkey, Mexico) have seen an increase in authoritarian and nationalist sentiment with the notion that the social fabric is fraying. Yet any sophisticated, large-scale market depends on well-designed and well-enforced rules of the game without which rampant theft, constant breaking of contracts, and the rule of the strongest would prevail. These rules can be reduced to 3 principles: freedom, competition, and openness.

Per Adam Smith, in a well-functioning market, "The rich are led by an invisible hand to make nearly the same distribution of the necessaries of life which would have been made had the earth been divided into equal portions among all its inhabitants; and thus, without intending it, without knowing it, advance the interest of the society." The central theme of the Philosophical Radicals was the struggle against a society dominated by the aristocracy. They understood that economic privilege and political privilege were 2 sides of the same coin and fought with equal vigor for competitive democratic elections through the expansion of the franchise and for open borders to international trade.

But at the same time as markets for land and labor advanced, industrial capitalism showed a tendency toward new forms of monopoly power of factories, railroads, and natural resources. Newly empowered majorities tyrannized minorities of all sorts and capitalists used their resources to corrupt politicians and control the press. The expansion of free trade across borders went hand in hand with international power politics. The leading free trader—Great Britain—exploited its colonies for slave labor and natural resources.

The next generation of liberal reformers in the late 19th and early 20th centuries sought to address these problems. Antitrust policies and legal support for labor unions restrained the power of monopolies. Social insurance, progressive taxation, and free compulsory education enhanced competition by expanding access to opportunity. Following WWII, these reforms helped usher in an unprecedented period of economic growth, declining inequality, and political consensus in wealthy countries. Ideas for further break-throughs in expanding trade or eliminating monopoly power were largely abandoned. Economists came to believe that differences in individuals and natural talents are the main sources of inequality. They agreed that progressive taxation and welfare systems are needed to ensure a fair distribution, but that they must be limited lest they come at a cost to the size of the total economic pie.

This tradeoff fragmented the liberal coalition into the modern political Left, known as liberals in the US and social democrats in Europe. They prioritized equality within nations and opening of markets to domestic minorities and women. Those liberals who prioritize free markets and efficiency over equality formed the modern political "Right" and came to be known as libertarians in the US and neoliberals in Europe. While inequality across countries and between dominant identity groups (white men) and other groups (women, African Americans) declined, inequality within wealthy countries expanded, as private property inherently conferred market power. Checks, balances, and judicial intervention limited the power of majorities to tyrannize minorities but did so by handing power to elites and special interest groups.

Most markets in which individuals and businesses participate are more like the housing market (both buyers and sellers have significant bargaining power) than the grain market (whose homogeneity is the result of careful market design). Factories, intellectual property, companies, paintings—all are highly idiosyncratic, one-of-a-kind assets. In these and many other cases, the assumption of perfect competition makes little sense. But in many markets for relatively homogeneous commodities, such as Internet services or airplane flights, a few dominant firms prevail. Market power is omnipresent and intrinsic to the current institutional structure of capitalism and is one of the dominant sources of stagnequality and political conflict. The other problem is that some markets are clogged with market power, areas lacking in markets that could vastly improve people's well-being. This is most acute for goods and services usually provided by governments, like policing, public parks, roads, social insurance, and national defense: what is needed is a market for political influence.

On-person-one-vote (1p1v) stops compromise among groups of people and leads to wild swings of power between ideological blocs. Data, one of the most valuable commodities in the digital economy, are collected and monetized by companies such as Google and Facebook, but the users who create these data receive no direct compensation. A much-needed market in data does not exist. Our competitive market economy, so it would seem, is actually plagued by monopolized and missing markets. Eminent domain is often unfair and always politically controversial.

Modern capitalism evolved out of a system of feudal land ownership, which put significant restrictions on people's freedom to sell land and labor. A defining feature of capitalism is the right to trade. Smith and other Radical reformers in Britain saw these privileges and traditions as barriers to achieving the most efficient use of property, or *allocative efficiency*. To support such changes, Radicals promoted clearer and freer property rights and the enclosure of common areas (including pastures and forests), which turned them into private property. These changes are closely associated with the rise of capitalism. In the American West, the conversion of open pastureland into family farms was a first step to industrialization. Aristotle realized that people care best for things they own. In contrast, a common pasture will be overgrazed, a shared kitchen neglected, and a group project usually put on the back burner. This beneficial feature of private property is *investment efficiency.*

The 19th century saw an unprecedented period of economic development. Previously, economic growth was largely in line with population growth, which proceeds slowly, as income per person had been stagnant for nearly all of human history. The 19th century was the first time that national product capacity steadily grew. Goods from around the world became available in many countries with gains concentrated among the *bourgeoisie,* a small class of rich city dwellers. Despite the early industrial revolution, workers' wages in Britain remained flat from 1750 to 1850. People in 19th century Britain inherited land. Rather than investing in it or selling it, they would lazily collect rental payment from tenant farmers. This problem we label the monopoly problem. A landowner may be regarded as a monopolist because land is so often unique in its character and location.

The capitalist system created by Radical reforms loosened the restrictions inhibiting the free flows of land and labor from their best uses but has not eliminated them. Monopoly power blocked the path of progress. The planning that was important to capitalism created large-scale enterprises which consistently required putting together a variety of moving parts, each controlled by a local monopolist of a piece of land. To avoid this chaos, business people formed large corporations that would own many assets, such as factories and parcels of land, and employed many workers whom the head of the corporation could centrally direct to accomplish its goals without constant negotiation. Corporations rapidly rook over the business landscape during the 19th and early 20th century. Corporations overcame some monopoly problems, but the large accumulations of wealth and power also allowed them to hold down wages, raise prices, and retard economic development, causing political and social backlash. So, while corporate planning played an important role in the economy and helped overcome many local monopoly problems, it never supplanted markets as the primary means of organization.

Most mainstream economists continue to assume that bargaining eliminates the monopoly problem. The US largely uses private property rights where investment incentives are more important than allocative efficiency, and common property where allocative efficiency is more important than investment efficiency. The private property system prevails in most cases, but the government owns vast resources—including a huge fraction of the nation's land—which it rents out, allowing people to use for free, or occasionally auctions, as in the case of radio spectrum.

<u>Economy</u> [The book develops and advocates for a complex "self-assessment" system in which individuals are required to declare the value of their possessions for the purpose of a transaction or public project, but also must stand ready to "prove" that the declared value is correct. This is used in "stakes" horseracing and some mutual fire insurance arrangements. This tax is a "common ownership self-assessed tax" (COST). It is complex, unlikely to be implemented and not explained further in these notes].

<u>Politics</u> [The political process may be enhanced with another unlikely process called quadratic voting (QV). Participants start with a pool of credits and may use them to "buy" as many votes as they wish in favor of or against each issue. But the cost in credits is quadratic (doubling with each multiple vote in a single issue). The more uses that can be made of voice credits the more benefits QV brings by allowing individuals more freedom to choose how and where to use their influence in the public arena.]

Migration Persistent differences in mass living standards across countries were unknown until the late 19th century. Even the most extreme gaps, such as between China and the UK were only a factor of 3. This contrasts with the 10 to 1 gap that opened up by the 1950s. Inequality across countries has gone from a relatively insignificant phenomenon in the 1820s to the dominant source of global inequality today. Theirs was a world in which migration did most people little good; ours is one in which migration can be a primary route to well-being and prosperity for most people in the world. Migration was relatively unrestricted across countries and controls upon it were scarcely enforced, since there was little demand to migrate and the primitive, risky, and uncomfortable nature of transportation deterred all but the most desperate or ambitious.

In the early 20th century, a decisive shift in attitudes toward migration occurred. With the growing affordability of travel across continents and oceans, and the increasing differentials of wages across countries, the economic advantages of migration greatly improved, not least for displaced populations following WWI. The US slammed its doors in the late teens and 1920s. In Europe, with the rise of ethno-nationalistic sentiments, countries tried to keep out those who were thought to pollute their cultural heritage or racial gene pool.

The WWII postwar economic system stood on 3 pillars: international trade, monetary and macroeconomic stabilization, and development finance. Each pillar was represented by an institution: The General Agreements on Tariffs and Trade (GATT), the International Monetary Fund (IMF), and the World Bank. Growing inequalities between rich and poor countries, together with dramatic advances in transportation and information technology, stirred citizens of poor countries to migrate to wealthier ones. These aspirations were particularly palpable where poor and rich countries met in close quarters: the Rio Grande between the US and Mexico; Western and Eastern Europe; and across the 2 sides of the Mediterranean.

In Europe, although migration between EU members was institutionalized, linguistic and cultural barriers kept most people at home, and income differences between European countries were modest by global standards, reducing the incentive for migration. Capital, goods, and highly educated labor flows rapidly across borders, generating significant wealth, while less educated workers tend to stay home. The wealth difference is starker across the Mediterranean and between Mexico and the US. Trade and migration benefits capitalists in wealthy countries and laborers in poor countries at the expenses of laborers in wealthy countries and capitalists in poor countries.

Often it is in the rural and economically depressed regions where few migrants reside that opposition to migration is strongest. Migration offers few benefits to and imposes some costs on most workers in wealthy countries who are already left behind by the forces of trade, automation, and the rising power of concentrated finance. Coupled with natural human instincts toward tribalism, which have been stirred up by nativist politicians, broad and growing political opposition to migrations has set in.

In the US, under the H1-B program employers "sponsor" migrant workers. Google can hire a software engineer from India by obtaining a visa for the worker, which allows him to reside in the US for 3 years, renewable for a 2nd 3-year period. Family members can also sponsor visas under the Family Reunification policy. We propose a Visas Between Individuals Program (VIP), which would extend this system so that any ordinary person could sponsor a migrant worker. For this program to work, migrant workers must be permitted to work for below the minimum wage. Immigration enforcement would need to be strengthened. If someone disappears into the underground economy, there must be a reasonable likelihood that he will be caught and deported. However, enforcement of the VIP system would be easier than the current system because migrants desperate to enter the country can more easily find sponsors and thus avoid the risks of illegal entry.

The major difference between the H1-B program and the one we propose is that we would allow ordinary people to be sponsors. The H1-B program is not controversial. Another program even closer to the one we propose is the J-1 visa program. Americans can sponsor people, typically young women, who work as au pairs for a year or two and live in their homes. While nominally a cultural exchange program, it is virtually the same as the guest work program that we propose, except that it is limited and more highly regulated than we believe necessary. The VIP program will attract migrants who are willing to pay the most and place discretion with the communities in which they settle to set the community regulations.

The migration systems in the UAE, Qatar, Kuwait, Bahrain, Oman, and Saudi Arabia (countries of the Gulf Cooperation Council or GCC) are often criticized, but they tell an interesting tale. Where the US has 9 natives for every foreign-born resident, the ratio in the UAE is reversed. Bahrain and Oman host roughly 1 migrant for every native. In Saudi Arabia, Australia and New Zealand there is 1 migrant for every 2 citizens. Singapore hosts 2 migrants for every 3 natives. Yet despite these large migrant populations—in all cases, involving mostly low-skilled migrant workers—none of the countries has experienced as large a popular backlash against migration as OECD countries with far fewer migrants. All of the countries have migration systems designed for the benefits of migration to be broadly shared among natives rather than exclusively accruing to a small group of geographically concentrated capitalists, entrepreneurs, and high-skilled workers. Natives can sponsor migrants for tasks that benefit them Thus, political support for this massive scale of migration has been strong and sustained for years. Even in closed societies, migration receives political support as long as its benefits are widely distributed in a visible way.

A low-income person who can earn $6000 from sponsoring a low-skilled migrant worker will significantly increase her well-being. If ordinary people both gain financially from migration and learn something about the humanity and needs of foreigners, their opposition to immigration will decline. To be sure, the increase in the number of migrants will suppress wages for some jobs. The key difference is that in our proposal, many of the people who might be hurt by wage suppression will also gain by participating as sponsors in the program. The benefits of migration will be distributed more fairly, reducing political opposition to it. Factories that have moved abroad could return, offering new jobs for natives, if abundant migrant labor were available. The illegal economy is currently dominated by low-skilled workers—strawberry pickers, nannies, gardeners, slaughterhouse worker. VIP would put this work on a legal footing, while channeling some of the surplus away from the employers and into the pockets of native workers.

When migrants have the option, most prefer temporary migration for work in circular patterns over permanent migration. Only when this option is foreclosed do most attempt to move permanently. Circular migration does not create the pathologies normally associated with class divisions, where the lower class consists of people who are born into an involuntary status they can never leave. While inequality *within* the US might rise, both inequality among US natives and *global* inequality will decline, reducing the demand for migration and raising the wages of workers all over the world. The US already has a subordinate class of low-wage workers—illegal aliens. Americans have exploited this class for decades, and it has for those decades been tolerated by the US government because of its importance for many industries. By bringing this underground economy into the open, our approach would allow it to be regulated and monitored.

VIP would be self-regulating. As more migrants arrived, the gains to natives would fall, and fewer natives would choose to sponsor migrants. The VIP program, if adopted in multiple countries, would create a vast and fluid international market in migrant labor. This would be a moral gain relative to the hypocrisy of our current system and perhaps the only plausible way toward a more just international order.

Capital markets BlackRock, Vanguard, Fidelity, and State Street are the most powerful companies in the world. But they keep a low profile. Each manages several trillion dollars of assets. Together, they control more than 20% of the US stock market. All institutional investors collectively own about 25% of the US stock market. Their key features which keeps them "boring" is that they are *diversified* and many of their investments are held somewhat *passively*. The movement for American Independence was partly a struggle against the monopolistic control of the British East India Company over the trade in tea. The successive antitrust acts in the first half of the 20th century ended with WWII. Beginning in the 1970s and accelerating from the 1980s onward, antitrust authorities lost track of the ways in which capital markets reconfigure themselves to maintain monopoly power. Ownership has separated from control (effective voting shares) and given rise to what economists call "agency costs." The agent—here, the CEO—does not necessarily act in the interests of the principle—the collection of shareholders. As the economy moved from personal ownership—where a single person owns a mill or a farm—to the modern system of capital markets, in which equity is dispersed throughout the population, it became much easier to raise capital for businesses and other projects. But it also became much easier for industry to concentrate through acquisitions, resulting in monopoly prices, depressed wages, and political corruption. And it also becomes possible for managers to operate firms for their private benefit rather than for the benefit of shareholders.

"Behavioral finance" holds that the ordinary investors can best diversify while paying as little as possible to money managers via low-cost index funds that track broad market indices. This has resulted in the control of institutional investors rising from 4% in 1980 to 26% in 2008. When combined, Black Rock, Vanguard, Fidelity, and State Street constitute the single largest shareholder of at least 40% of all public companies in the US and nearly 90% of public companies in the S&P 500. The fraction of US public firms held by institutional investors who simultaneously hold large blocks of other same-industry increased from <10% in 2980 to 60% in 2010 and has continued to rise since. Institutional investors behave much as trusts did a century ago, but in subtler ways. Antitrust law enforcement has not adapted to meet the latest form of concentrated economic power.

To evaluate a merger, the market power effect (which is bad for consumers) must be balanced with the economies of scale (which are good for producers and consumers). Firms in concentrated industries with a lot of common ownership have made increasingly anemic investments in capacity and innovation. Institutional investors naturally dominate "earnings calls." If procompetitive moves by firms are met with scorn from such leading investors and anticompetitive ones are praised, this tends to co-opt the CFO to become an anti-competitive force within the firm. More commonly owned firms have compensation practices that systematically discourage aggressive competition. Under the cover of promoting good corporate governance, institutional investors could promote initiatives to "cut the waste" by reducing investment and the number of workers and instead encourage firms to pay higher returns to shareholders or hoard cash.

Over the period that institutional investors rose to prominence, the dominant corporate "ideology" shifted from investment and innovation toward retrenchment, lobbying, and cost-cutting. Where institutional investors own substantial stakes in airlines, prices are higher for routes where they compete than for those where they do not and even affect pricing on individual routes. A measure of overlapping ownership by different institutional investors predicts the prices and terms of financial products offered by banks far better than do standard measures of concentration. Where institutional investors own large stakes in banks that compete in local markets, customers receive lower interest rates for their checking accounts. In construction, manufacturing, finance, and services, horizontal holdings by institutional investors increased by 600% from 1993 to 2014.

The emerging dominance of institutional investors means not only that people face higher prices. It likely means that they receive lower wages as well. “Monopsony” (single buyer) is the reverse of monopoly (single supplier). Recent research shows a tight link between the rise of market buying power and anemic wage growth. The logical end point of institutional investment and diversification is the coordination of all capital to extract maximum wealth from consumers and workers.

A simple Radical reform can prevent this by banning institutional investors from diversifying their holdings *within* industries while allowing them to diversify *across* industries. With a 1% threshold within an industry, they can be *small* and *fully* diversified—within as well as across industries. Or they can be *large* and *partially* diversified—not within but only across industries. We also exempt investors that opt to be *purely* passive (that do not engage in any corporate governance activities). Competition at present centers primarily on fees, services, and the illusory ability of fund managers to “pick” stocks. If our proposal were put into effect, competition would instead focus on the quality of governance that institutional investors provide to maximize returns.

Currently antitrust laws are underenforced in local markets, allowing amassing of assets or collusion in a local area, i.e. among landlords in poor neighborhoods. It is also underenforced in the digital economy. Because investors earn the highest returns by creating monopolies, markets are constantly in danger of becoming concentrated, and only the government can stand in the way. Eternal vigilance is the price of market competition.

Labor and Data

Most people don’t realize the extent to which their labor—as data producers—powers the digital economy. Facebook, for example, pays out only about 1% of its value each year to workers (programmers) and gets the rest of its work for free from us! In contrast, Walmart pays out 40% of its value in wages. People’s role as data producers is not fairly used or properly compensated.

The World Wide Web interface of hyperlinks placed emphasis on lowering barriers to participation rather than providing incentives and rewards for labor. “Information wants to be free” became a slogan for entrepreneurs and a rallying cry for activists. People developed a strong attachment to the idea of free services. In the late 1990s and early 2000s many start-ups tried to create systems of micropayments. One of these efforts became the payment platform PayPal. In early days the Internet was an unfamiliar Wild West populated by many sophisticated young hackers who were willing to put up with inconvenience in exchange for “freedom.” Together, these forces established an environment where users were reluctant to pay for anything and the providers of services searched for alternative means of staying afloat. Desperate for some way to monetize their mass user base, Google turned to advertising to stabilize its balance sheet. Facebook, YouTube, and others followed Google’s lead. Because Google can glean the values and preference of users from their search history, it can minimize advertising waste and noise. The personal ecosystem offered by Facebook, far more complex than a Google search, serves a similar function. Facebook learns details about users, which allows it to match them to advertisers who seek a narrowly targeted audience, and to place advertisements in social contexts by encouraging users to share advertising campaigns with their friends.

The crucial components of success for nets are data and computational power. This is why neural nets were hardly used prior to the late 2000s and then, beginning around 2010, exploded to become perhaps the hottest technology of the day. The vast data sets collected by Google, Facebook and others as a by-product of their core business functions became a crucial source of revenue and competitive advantage. Companies that started as reluctantly free service providers in search of a revenue model and morphed into advertising platforms are now in the process of becoming data collectors, delivering services that lure users into providing information on which they train AIs using ML (machine learning).

A typical YouTube content creator receives roughly $2 for 1000 views of a video. Given that an average YouTube video lasts about 4 minutes, this means that creators can expect about $.0005 for every minute their videos are viewed. In contrast Netflix pockets about $.005 for every minute a typical user watches its videos, or roughly 10X as much. Siren servers thrive on devaluing creative content from news to music and appropriating the value it generates for themselves rather than its creators.

The share of income going to labor in the largest tech companies is roughly 5-15%, lower than any industry other than extractive ones such as oil, and dramatically lower than service-sector companies like Walmart, where labor is roughly 80%. We may be headed for a world where labor’s share falls dramatically from its current roughly 70% to something closer to 20-30%. AI, just as much as field or factories, offers a critical role for ordinary human labor—as suppliers of data or what we call *data as labor.* Jobs dry up because the valuable inputs humans supply are treated as byproducts of entertainment rather than socially valued work.

Why is it important for people to be paid for data in money rather than in-kind in the form of valuable service? Data are much more like capital than labor: they are a naturally available resource, harvested from the public domain (where they are freely available), and transformed into something useful only by the hard work of programmers, entrepreneurs, and venture capitalists who then deserve to own the data. While data may have enormous value in total or on average, *on the margin* no individual’s data are worth much.

The marginal value is not the statistics of a given ML problem, but rather the *distribution of complexity across different problems.* For example, a speech recognition system with all but very high accuracy is mostly useless. This means that the last few percentage points of accuracy may make a bigger difference for the value of a system than the first 90% does. For learning any given skill, studying is mostly useless, then very useful, and then mostly useless again. For a critical period, study is extremely valuable in learning calculus, but once you know calculus passably well, additional study will quickly become wasted and redundant. While additional data may not improve some services that have matured (like selecting movies you like), the same data may improve other services that are at an early stage (virtual reality, speech translation).

The data titans (Google, Facebook, Microsoft, etc.) do not pay for most of their labor. Instead they rely on “free” data passively collected from their user base. Of course, these data are not really free; the siren servers provide service to users in exchange for receiving their data. Feudal labor arrangements worked similarly. Lords insulated their serfs from fluctuations in markets and guaranteed them safety, rights to use the land and to keep enough of the crop to survive. In exchange, lords took all the upside of the market return on serfs’ agricultural output. Similarly, today, siren servers provide useful and enjoyable information services, while taking the market value of the data we produce in exchange— “technofeudalism.” Technoserfs know any investment they make will be expropriated by the platforms.

Google quietly subcontracts more than 10,000 human raters to give feedback on the quality of its search results in cases where organic user feedback is insufficient. Yet it took investigative reporting to uncover this practice since they hide it and its importance from the public eye. Google powers its ML analysis of videos from funny YouTube posts. In short, the siren servers have occupied the central piece of real estate in a “digital commons” that has room for only a few players, and their interests are now opposed to paying technoserfs who at present voluntarily till this land. Paying for online data provision may signal to users that the activities they currently view as entertainment are actually labor. Paying may also undermine the perceived motives of social collaboration and participation that may yield social rewards to users for “being part of an online community.”

Prior to the emergence of unions, British wages during the early process of industrialization hardly advanced at all despite improvements in technology. Once unions managed to counter the monopsony power of British industrialists, not only did wages quickly increase but the pace of overall productivity radically accelerated. The triple roles of collective bargaining, quality certification, and career development, are exactly the roles unions played during the Industrial Age. A data labor union might help foster digital competition by breaking the stranglehold on data of a few of the most powerful siren servers. The first step toward valuing individual contributions to the data economy is measuring these marginal contributions. Governments would have to ensure that individual digital workers have clear ownership rights over their data, a step the European Union has moved toward with is General Data Protection Regulations, and that they have the right to freely associate to form data labor unions.

Data labor will represent a much greater source of income and wealth in coming years than at present, and in fact much of the market capitalization of digital companies is based on this possibility. Paying people for their data might make them feel like more useful members of society. Since the rise of video gaming is an important cause of the decline in labor force participation among young men, many of them could convert their enjoyment of gaming into a productive skill. Given the trend toward the “gamification” of many productive tasks, it is not hard to imagine that the skills these young men have acquired in their life as gamers might help them earn a living if data were treated as labor.

[**This book explains the causes of and solutions to migration and growing wealth inequality in the clearest terms I have found--as matters of economics.**

The same concentrated control of wealth that breeds inequality seems to corrupt politics and restrain business initiative. Inequality across countries has gone from a relatively insignificant phenomenon in the 1820s to the dominant source of global inequality today. Despite large migrant populations—in all cases, involving mostly low-skilled migrant workers—none of the countries (UAE, Qatar, Kuwait, Bahrain, Oman, Saudi Arabia, Australia and New Zealand) has experienced as large a popular backlash against migration as OECD countries with their far fewer migrants. Migration receives political support as long as its benefits are widely distributed in a visible way. When migrants have the option, most prefer temporary migration for work in circular patterns over permanent migration.

Institutional investors now behave as trusts did a century ago, but in subtler ways. Competition would focus on the quality of governance that they provide to maximize returns.

Siren servers (Google, Facebook, etc.) thrive on appropriating for themselves-rather than its creators--the value that creative content generates. Data are more like capital than labor. Data labor will represent a much greater source of income and wealth in coming years than at present, and much of the market capitalization of digital companies is based on this possibility.]

Economy *(continued)*

Every problem that inhibits privately owned assets from flowing to their best use we refer to as the “monopoly problem.” One barrier to trade is the “endowment effect”—people’s minimum willingness to buy an object is usually lower than their minimum willingness to part with it. Barriers to borrowing are another obstacle to trade and efficient use of resources. Many assets, from houses to factories, can be fully used only if owned rather than rented because a renter cannot undertake the customization and investment required. The sharing economy—exemplified by Zipcar, Uber, and Airbnb—is helping to accustom us to temporary “possessing” rather than “owning.”

Consider the radio spectrum. Since the early 1990s, long-term spectrum licenses have been auctioned off by governments around the world. But the monopoly problem has emerged in secondary markets: the companies that acquired the licenses at auction have been reluctant to sell them to higher-value users. In response, the US Congress passed legislation authorizing the FCC to buy back and repackage large parts of the spectrum. Assigning Internet domain names and addresses is another natural application for such licenses. Ranchers lease grazing rights from the government, which often doesn’t know how to price those rights. A COST, in which ranchers would effectively “buy” grazing rights from each other at self-assed prices, would work more smoothly. A COST could also be used for leases on mineral, fishery, farming, and other natural resource leases, which are frequently sold off at arbitrary prices. The economy underperforms by as much as 25% annually because of the misallocation of resources to low productivity firms.

Estimates based on “current measure returns on capital” imply that capital’s share of income in the US is 30%, and that 40% of this wealth is held by the top 1%. COST would end the conflict between capital and labor, making differences in labor income the leading source of inequality. Excessive attachment to homes inhibits employment and dynamism in the US economy, a problem COST would greatly reduce. People invest unhealthy amounts of time and resources collecting things they hardly ever use and don’t really need.

A mixed democracy limits the dangers of majority rule under which different social classes—typically, the masses, the aristocracy, and a hereditary ruler—are assigned ways to influence government and veto outcomes they disapprove of. In Rome, the large number of veto points led to gridlock, which powerful leaders such as Julius Caesar resolved with extra constitutional acts, leading to civil war, dictatorship, and then empire. Great Britain had a classic mixed constitution, but it took a long time for democracy to shake its reputation as mob rule. Lock, Voltaire and others developed the secular theory of sovereignty and located it collectively in the people. The works of these thinkers influenced Thomas Jefferson, who wrote in the American Declaration of independence that “governments are instituted among men, deriving their just power from the consent of the governed.”

Most citizens find themselves, at one time or another in a minority group of like-minded people. Those with the most intense preferences who are repeatedly victimized in the political process have strong incentive to rebel or secede. With a supermajority needed to amend the Constitution, the framers institutionalized the power of minorities with intense preferences so that it flowed through peaceful political channels. The opposite problem is gridlock. The American framers settled on a compromise between the extremes of tyranny of the majority and paralysis. Yet the tradeoffs are so complex that judicial intervention sometimes seems arbitrary.

At each stage of Hitler’s ascendency to power, he enjoyed effective majority support from those remaining within the shrinking polity, so in some sense each purge was “democratic” even as it undermined the universalistic basis of democracy. This is the logic of “majoritarian cycling”: majority rule with no check on the ability of majorities to exploit and repress minorities can degenerate into the rule of a narrow clique or even the dictatorship of a single person.

Politics *(continued)*

The introduction of democracy to a country on average causes a 20% increase in national income. It seems plausible that QV will improve, at least in terms of its effects on economic productivity, over existing democracy as much as democracy did over the average system it replaced as it brings markets for public goods in line with markets for private goods. QV empowers citizens to express their views in a fundamentally richer and deeper way than 1p1v allows. Because QV penalizes extreme views by making them costlier to express, it encourages moderation and compromise.

It is usually easier to provide benefits to many people as a group than to individuals separately. Public transport shared by many is often more economical than individual vehicles. Yet large-scale services at present are either provided by monopolistic corporations or by dysfunctional public authorities.

During the 16th and 17th centuries the dominant philosophy uniting colonialism and trade was *mercantilism*. Mercantilists believed that sovereigns should try to sell goods abroad while importing as little as possible, allowing them to accumulate capital, ideally in the form of hard currency. This reflected the interest of the ruling classes of the time. Mercantilist policies burdened ordinary people but generated savings for the state that rulers could use to achieve military supremacy and maintain public order.

Radical thinkers shifted the focus of economic analysis away from the interest of sovereigns in accumulating wealth and toward the desire of ordinary people to enjoy prosperity. They believed that economic freedom of many kinds (to exchange across borders, to borrow, and lend, to repurpose and sell land and other capital, etc.) was critical to maximizing the total welfare that a nation’s economy could deliver to its citizens. They supported the free movement of people, not just goods.