

THE ORIGINS OF TOTALITARIANISM: CONCLUSION

The point of this series was to examine the conditions which led to the rise of Fascism in the 1930s to see if there are useful insights that might guide our understanding of conditions in the US today. In introduction to this series, I suggested several points of convergence, and over the last three months I have tried to flesh out those ideas.

The book has problems. The history focuses on Europe, so it isn't helpful in understanding the rise of totalitarianism in Russia. There is much less focus on the economic situation in post-WWI Germany and Austria than I would expect. Arendt talks about the the large number of superfluous people, the mob and the masses, but there is little discussion of how or why that happened. Fortunately we already read *The Great Transformation* by Karl Polanyi, so we have some idea about that. The reasons for the displacement don't seem important to Arendt's thesis, but the absence is jarring.

It seems to me that the most significant condition that led to the rise of fascism in Germany was the large number of displaced and unsettled people, which I think is the result of economic upheaval due to the costs of WWI and the reparations imposed on Germany. That mob was egged on by politicians and media pushing propaganda about the ideology of the Nazis and setting up scapegoats, especially the Jews. Another important factor was the lack of resistance from elites. But the Nazis would have been limited to the margins if not for the large number of people with no place in society. These are the superfluous people. They have no role in the productive sector of society, and no place or position to hold them reasonably close to the bounds of society. Here's how Arendt explains it:

The totalitarian attempt to make men superfluous reflects the experience of modern masses of their superfluity on an overcrowded earth. The world of the dying, in which men are taught they are superfluous through a way of life in which punishment is meted out without connection with crime, in which exploitation is practiced without profit, and where work is performed without product, is a place where senselessness is daily produced anew. ...
P. 457.

That is true in the US and elsewhere today. People aren't stupid. They know that they are superfluous. They know they have no power, no security and no real hope of either. They hate it. When they see people fired from long-term jobs and told they only get severance if they train foreign replacements to do their jobs, it makes them sick inside. When they are told that their jobs are going to Mexico, and it's "strictly a business decision" but 1400 people are going to be fired, they are angry and hostile. They know that they mean nothing to their employers, and nothing to politicians. And mostly they know they mean nothing to the elites who dominate the political process and the economy, and who set the system up to screw everyone else. They know the elites despise them as the the NRO's Kevin Williamson and David French loudly say. They know the elites and specifically the tribe of economists, knew that they would be screwed by NAFTA and other trade deals, and didn't lift a finger to stop that from happening on the grounds that it all works out for the beset on average. So what if the rich elites took all the gains? The liberal elites will come up with incremental tweaks to fix everything, and the conservatives will resist and nothing will change, and they don't worry because it isn't them or their families.

Other factors work into this poisonous stew. There is an ideology: the neoliberal myth of the

almighty market, the supercomputer that works out all the details as long as mere humans do not interfere with its mysterious workings. This ideology permeates every aspect of our society, from claims that markets pay what you are worth to the strange idea that businesses should operate public schools.

Liberals deny that they share the ideology, but since 1992, the liberal elites have pushed "market-oriented" solutions to every problem. We can't use a Pigovian tax system to solve problems, especially a tax on fossil fuels or securities transactions. We need a market solution: cap and trade. Schools are a problem, but we can't throw money at them like they do in socialist hells like Finland. We need the market solution of charter schools competing with public schools, with the public schools funded primarily by local property taxes, so rich areas get good schools and screw the poor. We can't have single payer health insurance. We put the insurance companies and big Pharma firmly in control of which working age people get health care and cost of health care for all of us. Liberal elite theory results in the creation of new government sponsored "markets" which create opportunities for rich people and corporations to screw over consumers, like Enron did for electricity.

Then there are scapegoats. The primary targets are minorities, especially African-Americans, but recently the unemployed and the working poor. The neoliberal ideology justifies scapegoating. It tells people that if you don't succeed, it's your own fault because this is the best of all possible systems. The losers are labeled as leeches and takers by the winners. The ideology justifies their smugness and their sociopathic demands to cut the social safety net.

Neoliberalism is also an excuse for hating immigrants and Muslims, who are coming here to take the jobs of deserving people, so it actually works to deflect the anger of the first

group of scapegoats, at least for those who take the bait.

The conservative elites, such as they are, support this neoliberal ideology, and in pursuit of winning elections add the rejection of science and the imposition of ancient religious prohibitions and standards. The liberal elites are fine with the ideology, though they continue to support Enlightenment values, and occasionally offer a patch to salvage one or two lives. But when the crunch comes, they always side with the ideology and the establishment candidate.

Conclusion

As I reread the posts in this series, I realized how angry I am about the way politics operates here. I am repulsed by the elites who act as if there were no alternative. I am nauseated by liberal wonks whose views of what is possible are claustrophobic. They are the descendants of the liberals who told me and my generation that nothing could be done about the murderous war in Viet Nam. I cannot stomach the conservative elites. They are the scum who think their mission on earth is to undo the New Deal; the direct spawn of the John Birchers and the McCarthyites and the rest of the fear-mongers. They are the wreckers.

Polanyi says that when a social structure imposes too much stress on too many people it has to change. We don't know how many disaffected people there are in the US, but it is clear that there is an enormous number, in both parties and among the unaffiliated, and that change will come. The US has always prided itself on its openness to change. We believe that everything will work out for the best, because we are the exceptional people, the City on the Hill. We assume that change will be for the best. Arendt points out the sickening reality: some changes are deadly.

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THE ORIGINS OF TOTALITARIANISM PART 7: SUPERFLUOUS PEOPLE

The last chapter of Hannah Arendt's *The Origins of Totalitarianism* is devoted to discussion of the totalitarian regime, which comes when the totalitarian movement has taken power. Arendt says that totalitarian movements don't offer a specific program for government. Instead, they propose to operate under a "scientific" program. For the Nazis, this was the law of nature with its eternal progress towards perfection, which Arendt thinks arises from a skewed form of Darwinism. For the Communists it was the laws of history as supposedly discovered by Marx. Once in power, the totalitarian regime becomes an instrument for the will of the leader, who in turn is an instrument for imposing and acting out those laws. It is here that Arendt takes up the issue of concentration camps. She says that they are instruments for studying ways to reduce individuals to oblivion, to being superfluous, which is the goal of totalitarianism.

Men insofar as they are more than animal reaction and fulfillment of functions are entirely superfluous to totalitarian regimes. Totalitarianism strives not toward despotic rule over men, but toward a system in which men are superfluous. Total power can be achieved and safeguarded only in a world of conditioned reflexes, of marionettes without the slightest trace of spontaneity. Precisely because man's resources are so great, he can be fully dominated only when he becomes a specimen of the animal-species man.

...

The totalitarian attempt to make men superfluous reflects the experience of modern masses of their superfluity on an overcrowded earth. The world of the dying, in which men are taught they are superfluous through a way of life in which punishment is meted out without connection with crime, in which exploitation is practiced without profit, and where work is performed without product, is a place where senselessness is daily produced anew. Yet, within the framework of the totalitarian ideology, nothing could be more sensible and logical; if the inmates are vermin, it is logical that they should be killed by poison gas; if they are degenerate, they should not be allowed to contaminate the population; if they have "slave-like souls" (Himmler), no one should waste his time trying to re-educate them. ... P. 457.

Why is it necessary that people become superfluous? The answer appears in the final chapter, *Ideology and Terror: A Novel Form of Government*. Ideologies are "... isms which to the satisfaction of their adherents can explain everything and every occurrence by deducing it from a single premise...". P.468. They are the scientific programs offered by totalitarian movements as the organizing principles of societies. For Arendt, the Nazi ideology revolves around the idea of the laws of nature, of blood, while the Communist ideology revolves around the historical laws of Marxism. In both cases, human beings are in the way of the historical forces, and must be forcibly denied the ability to interfere with the primal force.

Terror is the realization of the law of movement; its chief aim is to make it possible for the force of nature or of history to race freely through mankind, unhindered by any spontaneous human

action. As such, terror seeks to “stabilize” men in order to liberate the forces of nature or history. It is this movement which singles out the foes of mankind against whom terror is let loose, and no free action of either opposition or sympathy can be permitted to interfere with the elimination of the “objective enemy” of History or Nature, of the class or the race. Guilt and innocence become senseless notions; “guilty” is he who stands in the way of the natural or historical process which has passed judgment over “inferior races,” over individuals “unfit to live,” over “dying classes and decadent peoples.” Terror executes these judgments, and before its court, all concerned are subjectively innocent: the murdered because they did nothing against the system, and the murderers because they do not really murder but execute a death sentence pronounced by some higher tribunal. The rulers themselves do not claim to be just or wise, but only to execute historical or natural laws; they do not apply laws, but execute a movement in accordance with its inherent law. Terror is lawfulness, if law is the law of the movement of some supra-human force, Nature or History. P. 465.

That idea, the idea of the unrestrained movement of supra-human forces, should sound familiar. That’s how Arendt described Imperialism, the early form of unrestrained capitalism. It also describes today’s world as seen by the architects of neoliberalism. They warn that everyone loses if The Market is subjected to even the slightest restraint, whether to movement of jobs and capital overseas or to prohibit dumping toxins into earth, air and water. They insist that foreign limitations on patents and copyrights are impossible restraints. They preach that the only legitimate

goal of government is to enforce property rights to the utter maximum. For them, the restless movement of money in the hands of the rich and powerful operates in accordance with its own internal logic, logic which cannot be questioned by quasi-humans not gifted with the power to control vast sums of wealth. They tell us that The Market knows all and fixes everything as long as we mere humans do not interfere with its workings. Neoliberal capitalism is a form of supra-human force that Arendt warned us about.

Neoliberalism forms world view of movement conservatives. Here's an article in the National Review on this issue by one Kevin Williamson. :

The truth about these dysfunctional, downscale communities is that they deserve to die. Economically, they are negative assets. Morally, they are indefensible. Forget all your cheap theatrical Bruce Springsteen crap. Forget your sanctimony about struggling Rust Belt factory towns and your conspiracy theories about the wily Orientals stealing our jobs. Forget your goddamned gypsum, and, if he has a problem with that, forget Ed[mund] Burke, too. The white American underclass is in thrall to a vicious, selfish culture whose main products are misery and used heroin needles. Donald Trump's speeches make them feel good. So does OxyContin. What they need isn't analgesics, literal or political. They need real opportunity, which means that they need real change, which means that they need U-Haul.

Williamson's NRO colleague David French agrees:

My childhood was different from Kevin's, but I grew up in Kentucky, live in a rural county in Tennessee, and have seen the challenges of the white working-class first-hand. Simply put, Americans are killing themselves and destroying

their families at an alarming rate. No one is making them do it. The economy isn't putting a bottle in their hand. Immigrants aren't making them cheat on their wives or snort OxyContin. Obama isn't walking them into the lawyer's office to force them to file a bogus disability claim.

For generations, conservatives have rightly railed against deterministic progressive notions that put human choices at the mercy of race, class, history, or economics. Those factors can create additional challenges, but they do not relieve any human being of the moral obligation to do their best.

Williamson and French agree that the white working-class people are superfluous, and so are their communities and their way of life. Millions of them should just hire U-Hauls and move to the blessed land of plentiful jobs. They must all lose themselves and their way of life to the inexorable laws of movement, only this time, it's the inexorable laws of neoliberalism, of rampant unrestrained capitalism. By those rules, individuals cannot act collectively, through unions or through active government. They are permitted to act collectively in their Churches, which emphasize their helplessness in this world except through the will of the Almighty, and therefore pose no real threat to the interests of the rich and powerful.

These white working-class people and their communities aren't economically viable, and nothing can or should be done to make things different. They should surrender to the external and ungovernable force of hyper-capitalism. They are superfluous, and if they die in misery, leaving their families in poverty, it's just the natural law of economic freedom working itself out in the passive voice, with the invisible hand of the rich and powerful hidden in a fog of words.

THE PROBLEM OF THE LIBERAL ELITES PART 4 CONCLUSION

Most economists supported NAFTA, and then spent years justifying their support with models and econometric studies they claimed showed that it had little effect. They continued to support trade treaties when China entered the World Trade Organization. They supported the KORUS deal and most supported TPP. Meanwhile, manufacturing job losses increased from the allegedly minor losses of NAFTA to astonishingly high levels.

Link. Link. The linked studies don't count ancillary job losses, including the jobs that never came here because US corporate executives took US generated capital and know-how overseas to build new plants, many with advanced manufacturing capability. The damage done by these trade deals to people and communities is obvious now, especially after Bernie Sanders won the Michigan primary, and an increasing number of economists are talking about it in public.

There is a strong parallel here with the crucial role played by economists in deregulation of the financial sector. This too had widespread support from economists across ideological spectrum.

How did these experts get it so wrong, and wreak such damage on so many people? I think it's because they have so much confidence in their models, and use their authority as experts to push through policies based on those models. And if I'm right, this is a genuine problem for liberal experts.

We can see the confidence in models in Krugman's

work. In this blog post, Krugman takes up the question of why economists were so late to the study of inequality. He says he agrees with this Bloomberg View column by Justin Fox (which gives a nice history of the issue), but says that Fox missed a critical part of that failure: inequality is “a hard issue to model”.

The other [issue one might model] involves the *personal* distribution of income and wealth. Why are investment bankers paid so much? Why did the gap between CEOs and the average worker widen so much after 1980?

And here’s the thing: we really don’t know how to model personal income distribution – at best we have some semi-plausible ad hoc stories. Part of why Piketty made such a big splash was that he offered a sketch of a model of wealth inequality that tied it into broader macro numbers – $r > g$ and all that – which gave all of us something systematic to talk about. But he himself concedes that the big rise in inequality so far has come from a surge in the right tail of earnings, which may have had something to do with norms, but in any case isn’t well explained by any model we have right now. Emphasis in original.

Krugman claims to rely on his models. He’s written a number of blog posts explaining his views and defending the process against those who argue that models are worthless if they don’t predict disasters and other bitter criticisms. Here’s an example from earlier this year.

And that really gets at my point, which is not that existing models are always the right guide for policy, but that policy preferences should be disciplined by models. If you don’t believe the implications of the standard model in

any area, OK; but then give me a model, or at least a sketch of a model, to justify your instincts.

Conservatives and their economists insist that the vast increase in incomes at the top and the decrease at the bottom are the result of some special skill or lack of skill, or that the “market pays people what they are worth”; but that is just false, as I explain in detail here and here. Fox says that economists should look outside their specialties and consider the possibility of changing social norms, as some sociologists suggest, or changes in laws and political priorities, as some political scientists suggest. I doubt that social norms have changed. Every survey I’ve seen says that people don’t know the actual figures about wealth and income inequality, and wildly underestimate them.

Krugman says Piketty offers the explanation of “ $r > g$ and all that”, but what I read in Piketty is his theory that the rich use their economic and political power to get favorable changes in laws, regulations and court rulings, changes that increase wealth and income inequality solely for their benefit, with the losses inflicted on the rest of us. As far as I can tell, raw economic and political power are completely outside the economist field of view, simply because they cannot be modeled. And on top of that, those models don’t even consider fraud and corruption, which play a large role in our version of capitalism.

In his 1993 article in Foreign Affairs, Krugman makes the case that the real basis for NAFTA is foreign policy. It was intended to help Mexico transition to a more Westernized economy, which he thought was a good idea. That is a policy judgment, not an economic judgment. But whatever the government and the economists thought, NAFTA was an experiment in the exercise of raw economic power.

The same thing was true about China and the WTO,

and TPP and TISA and US/China deals like BITs. The point of these treaties is to change the nature of existing markets and social structures, to create non-governmental forms of control of trade and property, and to protect and enhance the economic power of some US industries at the expense of the lives of millions of workers. Hiding behind weasel words like Free Trade and the professional reputations of most economists, Congress has ceded US sovereignty to a bunch of rogue corporations acting strictly in the interest of profits and shareholder returns, with neoliberals in both parties supporting Fast Track approval of whatever they want.

Krugman counts himself a lukewarm opponent of TPP, as do other liberal economists, for political and not economic reasons. Even though the damage is done, it's nice to see this change.

That leads me to the conclusion that liberal elites, especially liberal economists, have a real problem: they have been wrong too often on too many important issues. They were wrong about trade. They were wrong about neoliberal economics in general, the Washington Consensus, and, as Queen Elizabeth II pointed out, they couldn't even see the Great Crash coming.

After the Great Crash, they searched for explanations, but while some focused on the effect of deregulation, there were still plenty of defenders, including many who denied the relevance of the gradual weakening and then elimination of Glass-Steagall, but none of those explanations touched on fraud and corruption. No liberal economists called for prosecutions. Instead they focused the debate on the nature of their models, claiming that they were unfairly blamed for not predicting the Great Crash. Of course, those were the very models they used to advise policy makers that deregulation would be just fine.

Economists have all used the same introductory textbooks for decades now, teaching the simple

tropes of capitalism. That sets the baseline for economic theory for the great mass of citizens who have been taught to think the ideas of Econ 101 as laid out the textbooks of Mankiw or Samuelson and Nordhaus are Gospel. Liberal economists who move away from those ideas are rejected by conservatives.

Now liberals say we trusted you to be right, and you weren't. And not just that, you were wrong in the worst possible way: you concurred with conservative economists. That costs the liberal elites credibility with liberals and even many centrists.

And progressives, the heirs to FDR, by nature more suspicious of wealth and power, say: we trusted you, but you didn't even question the goals and motives of the rich and powerful. Why would we ever trust you? We aren't even sure we're on the same side.

That presents liberal economists with a real problem. Why would anyone listen to them now?

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THE PROBLEM OF THE LIBERAL ELITES PART 3 ON TRADE

Paul Krugman has been walking back his nearly unbridled support of trade treaties lately. In this blog post, he says "I think I've never assumed away the income distribution effects." Those distributional effects are, he says, predicted by the standard models. In the Foreign Affairs article I've discussed in the last two posts in this series, he must be referring to his statement that NAFTA will "...probably lead to a slight fall in the real wages of unskilled U.S. workers". Here's part of of his

explanation:

When a country with a highly skilled labor force increases its trade with a country in which skill is at a greater premium, it can expect a decline in the real wages of its own unskilled workers. As a matter of economic principles, we should expect to see at least some adverse impact of NAFTA on the wages of American manual workers.

All the evidence suggests, however, that this effect will be extremely small. For one thing, since the existing barriers to trade between the United States and Mexico are already quite low, it is hard to see how removing them could have any dramatic effect on wage rates.

At first, the evidence did better, but then the trade explosion with China began. That resulted in enormous job losses directly and indirectly in the US, The rest of what happened is that real wages of both the working class and the middle class stagnated, and substantially all the gains went to a tiny minority of rich people. I don't see that prediction in this or any of Krugman's other writings. In fact, inequality plays no role in any of these early works of Krugman or, for that matter, any other liberal or conservative economists.

As part of his walk-back on free trade, Krugman says this:

Furthermore, as Mark Kleiman sagely observes, the conventional case for trade liberalization relies on the assertion that the government could redistribute income to ensure that everyone wins – but we now have an ideology utterly opposed to such redistribution in full control of one party, and with blocking power against anything but a minor move in that direction by the other.

Here's what Kleiman said:

The Econ-101 case for free trade is straightforward: Trade benefits those who produce exports and those who consume imports (including producers who use imported goods as inputs). It hurts the producers of goods which can be made better or more cheaply abroad. But the gains to the winners exceed the gains to the losers: that is, the winners could make the losers whole and still come out ahead themselves. Therefore, trade passes the Pareto test.

[Yes, this elides a number of issues, including path-dependency in increasing-returns and learning-by-doing markets on the pure-economics side and the salting of actual agreements with provisions that create or protect economic rents on the political-economy side. It also ignores the biggest gainers from trade: workers in low-wage countries, most notably the Chinese factory workers whose parents were barefoot peasants.]

So, the key point in this analysis is the Pareto test. This is the idea that any change in any change in economic allocation that makes one person or group better off without hurting anyone else is good. Suppose the 1% has 90% of the wealth of a society, and the 99% has the rest. If you try to take some of the wealth from the 1% to balance things out a bit, you violate the Pareto test, because the 1% is made worse off by loss of a bit of wealth, even though the bulk of society is better off. That principle sounds like a justification for the way the rich whine about taxation. It also sounds like a lousy way to run a society.

The Pareto test also implies that if a change benefits one group and another group loses, then if the winners pay enough to make the losers whole financially, then it should be just fine. That's what Kleiman means when he talks about

the government redistributing the benefits of trade. So, suppose the allocation of the social goods in a society gives the 1% all the gains but the 99% all lose. Then we redistribute money from the 1% to the 99%. Krugman and the rest of the liberal elites accepted this as a justification for the damage which their models predicted free trade would inflict on the working class. This astonishing idea is common in the economist tribe, even among more conservative economists.

I hardly need point out that neither political party ever contemplated any reallocation of gains either on the expected losses from NAFTA (small decrease in real wages of low-skilled workers), or on the massive losses that arose from trade with China. Krugman didn't mention this argument in his 1993 Foreign Affairs article. Congress did set up a small program to support the hundreds of thousands who lost jobs because of NAFTA, but those funds were quickly exhausted, did little to ameliorate the problem and never reached anyone who didn't get a job because US corporate executives built new advanced manufacturing facilities in China and Taiwan. And there was no compensation for anyone whose job was an indirect casualty of the closing of US factories, and no compensation to communities wrecked by plant closures, or forced to bid tax concessions and more to keep jobs.

So, how did things turn out so badly when the great brains all told us it would all work out on average?

THE PROBLEM OF LIBERAL ELITES PART 2

ON TRADE

Paul Krugman begins his 1993 defense of NAFTA by insulting its opponents gratuitously and wrongly. Then he offers the readers of Foreign Policy the defense of trade treaties they love.

The truth about NAFTA may be summarized in five propositions:

- NAFTA will have no effect on the number of jobs in the United States;
- NAFTA will not hurt and may help the environment;
- NAFTA will, however, produce only a small gain in overall U.S. real income;
- NAFTA will also probably lead to a slight fall in the real wages of unskilled U.S. workers;
- For the United States, NAFTA is essentially a foreign-policy rather than an economic issue.

NAFTA won't affect the number of jobs, says Krugman, because the only important factor driving number of jobs is interest rates set by the Fed.

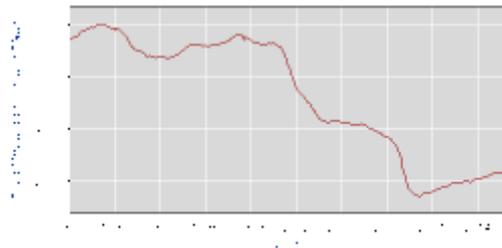
Moreover, it is a choice that responds to economic conditions; the decision to raise or lower interest rates represents a trade-off between the Fed's desire to raise employment (drive somewhere) and its fear of inflation (a speeding ticket). ...

Suppose that NAFTA really does lead to a rise in U.S. imports from Mexico, one that would, other things being the same, reduce U.S. employment by 500,000 over the next ten years. Will other things actually be the same? Of course not. The Fed, faced with the prospect of a weaker economy, will set interest rates lower than it otherwise would have.

Conversely, other things being equal, if NAFTA would add half a million jobs,

interest rates would be higher. The Fed will, without doubt, miss the target-but it is as likely to overshoot as to undershoot, and over the course of a decade there is no reason to suppose that the average level of employment will be any different with NAFTA than without.

How did that work out? It seems to be true that the overall impact of NAFTA on employment was neutral, though not necessarily for the reason Krugman gave. See, for example this chart showing all manufacturing (definition) jobs for the period 1987 to the present, from the Bureau of Labor Statistics:



Formulating the issue in terms of total employment, by sector or otherwise, fails to answer any of the crucial questions. What was the effect of NAFTA on communities where the factories were closed? What kinds of jobs are the new ones? How do those jobs meet the needs of workers for income, financial security and job satisfaction? What happened in specific areas? Were the results the same for Los Angeles and for Celina, Tennessee? What happened to the losers? Who profited? Aggregate studies hide the real impact of trade treaties in exactly the way that they miss the point of the farmers' anger as I discussed in this post.

So, here's a a story. My law partner was a Bankruptcy Trustee in Tennessee; he was assigned to handle all the cases from the area around Cookeville, TN. In the mid to late 1990s, he was called to deal with an emergency bankruptcy of a cut and sew plant in his area. This is a company

that has machines to cut fabric to a pattern and sewing machines; the workers cut the cloth and sew it into clothes. In this case, it was blue jeans. One Friday after work, trucks pulled up to the factory, loaded all the machines and office equipment and moved them to Mexico. They left behind several pallets of completed jeans, which needed to be secured and sold. The workers were not paid. The jeans were "hot goods", and became property of the US Department of Labor, which hired the Trustee to sell them and distribute the funds to the workers so they got partial payment. The secured creditors and general creditors got nothing. It was about that time my partner reported that one of his cases was a 35 year old guy with few teeth, which, his lawyer said privately, was the result of heavy meth use. That was only the first such case.

Perhaps Krugman would be surprised to learn that the Fed did not intervene to create new jobs in the Cookeville area. How exactly would that happen? Workers who lose their jobs burn up their savings or live off their friends and relations and churches, or on credit cards or the safety net until they get back on their feet. Many don't. Trade economists like Krugman don't count these and related losses when they run their computerized models. Most people don't care because they get cheaper jeans. All the discussion, all the studies of NAFTA, ignore these and many more localized effects.

Krugman admits that if the job losses were very large, his model might not work. Even if the impact of NAFTA on manufacturing jobs was small, that isn't so with China. Recent studies say that imports from China might have resulted in 2.4 million jobs lost between 1999 and 2011. Is that enough to upset Krugman's certainty? How many millions of jobs never happened here because US corporate executives exported US-made knowledge, US-generated capital, and frequently entire US factories to other nations. Computer chips and other high-tech equipment weren't invented in Taiwan or China or Japan, but they got the advanced manufacturing jobs, not the

citizens of the US whose hard work laid the groundwork for creating those valuable assets. Worse, the corporate executives arranged to duck US taxes on their profits. Their refusal to pay taxes leads to the further deterioration of conditions in the US.

Krugman knows this. His Nobel Prize was for his demonstration that “national location of specialized production is indeterminate; there will be specialization, but how it is distributed across countries cannot be determined ex ante”, as a correspondent explained it to me in a private email. The policy of Asian nations is to grab those manufacturing operations by any means necessary. The US, dominated by single-minded free marketeers, doesn’t have an industrial policy, or a safety net, for that matter. It relies on some magic and undefined “market” to fix everything.

Congress won’t lift a finger to help the people of Cookeville. Liberal elites, like Krugman, tell us everything will work out fine. On average.

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THE PROBLEM OF THE LIBERAL ELITES PART 1

As I pointed out in this post, conservative elites have completely lost their minds. But liberal elites have problems as well. The problem is more complex with liberals, and it will take several posts of reasonable length to get into it. To make things concrete, I’m going to begin with the liberal approach to trade, which gives me an opportunity to tie together several ideas I’ve raised based on books I’ve discussed here and at Firedoglake:

1. Karl Polanyi's argument in *The Great Transformation* that societies can only handle a certain amount of change before they revolt and demand protection. Social changes will come, but the pace of change dictates how much misery will be inflicted on the losers.
2. The absence of a clear definition of market in standard economics.
3. The failure of economic theory to incorporate the impact of raw economic power, including fraud and corruption.

The text for this post is a 1993 article in Foreign Policy by Paul Krugman titled The Uncomfortable Truth about NAFTA: It's the Foreign Policy Stupid.

Krugman begins by insulting the anti-NAFTA people.

It is as hopeless to try to argue with many of NAFTA's opponents as it would have been to try to convince William Jennings Bryan's followers that free silver was not the answer to farmers' problems.

Indeed, the parallel is quite close. The populism of the 1890s represented a desperate attempt to defend agricultural America against deep economic forces that were changing it into an industrial nation. The choice of a monetary standard had very little to do with the real problems of the farm sector; a burst of inflation might have given some highly indebted farmers a brief respite, but it would have done nothing to reverse or even materially slow the industrializing trend.

Well, as I remember my high school history and related reading, that's just wrong. My sophomore history teacher, a woman whose name I sadly have forgotten, encouraged us to read the muckrakers, and I chose Frank Norris' *The Octopus* and *The*

Pit. They tell an entirely different story, one that revolves around fraudulent financial schemes of a railroad company and traders in the pits of the Chicago Mercantile Exchange. Things haven't changed much.

Norris' stories fit better with this analysis published by a site operated by the Economic History Association, *The Economics of American Farm Unrest, 1865-1900*, written by James I. Stewart of Reed College. He explains that farmers "perceived" that their political and economic status was deteriorating. According to Stewart, farmers had three main complaints: a) farm prices were falling, decreasing their incomes, which they thought was the result of overproduction; b) monopolistic railroads and grain elevators were gouging them; and c) financial conditions, including usury by lenders, an inadequate supply of money and deflation which forced them to repay loans with more expensive dollars. They were not able to get government help for these problems because the legislatures were dominated by financial interests including banks and railroads, the oligarchs and monopolists of the day.

Stewart says that these claims do not match the statistical testing done by economic historians. For what it's worth, I think his explanations are weak, but I'm no expert, and perhaps those silly farmers didn't understand their lived situation as clearly as economic historians reading aggregated data decades later. Perhaps, for example, there were no usurious loans in that mix that resulted in mortgage loans averaging 2-3% above the norm in New England. After reciting the contents of several studies, Stewart explains that the real issue facing farmers was a massive increase in uncertainty and risk. As he puts it, farmers might experience one or more of the problems he discusses, or they knew someone who was affected by them, and this increased their concerns.

What were the sources of risk? First, agriculture had become more commercial

after the Civil War (Mayhew, 1972). Formerly self-sufficient farmers were now dependent on creditors, merchants, and railroads for their livelihoods. These relationships created opportunities for economic gain but also obligations, hardships, and risks that many farmers did not welcome. Second, world grain markets were becoming ever more integrated, creating competition in markets abroad once dominated by U.S. producers and greater price uncertainty (North, 1974). Third, agriculture was now occurring in the semi-arid region of the United States. In Kansas, Nebraska, and the Dakotas, farmers encountered unfamiliar and adverse growing conditions. Recurring but unpredictable droughts caused economic hardship for many Plains farmers. Their plights were made worse because of the greater price elasticity (responsiveness) of world agricultural supply (North, 1974). Drought-stricken farmers with diminished harvests could no longer count on higher domestic prices for their crops.

Stewart uses the passive voice throughout this passage. But except for growing conditions each of the causes he lists is the direct result of the intentional act of specific human beings either in government or business. In particular, the section on railroads makes it clear that managers took every advantage of their monopoly status, as did the owners of grain silos. There is no doubt that the same is true of bankers and merchants in many places. The deepening involvement of the US in international grain dealings was another opportunity to hurt farmers. In bad years, some of the losses from low harvests were made up from higher prices, until the "integration" world markets. In combination, these efforts of government and business effectively dumped all the risk of bad harvests on tens of thousands of farmers, while increasing the profits of a few shippers, grain

merchants and speculators.

In other words, the effect of the policies chosen by the rich and powerful was to make the lives of an important segment of the population worse. Or in Stewart's bloodless words:

Uncertainty or risk can be thought of as an economic force that reduces welfare

In Krugman's world, the forces facing these farmers would have been unstoppable. In the real world, as Stewart reports, the farmers organized themselves and forced legislative changes at the State and Federal level that protected them and enabled them to stay in business, the socially important business of growing food for their fellow citizens. They were able to transform the conditions of the markets they faced, using the power of government. They were able to slow the pace of change to a level that didn't ruin their lives despite the best effort of the powerful. It's a neat demonstration of Polanyi's idea about people demanding protection from violent social change.

There were massive changes in the markets facing farmers as they moved from subsistence farming to commercial farming at the local and state and then federal levels, and then into the world market. There were changes in the markets from lenders, railroad companies and other vendors. There was constant change in the terms of the markets during this period, to the point that it would be unreasonable to compare the grain market in 1865 with the grain market in 1895. And Stewart says nothing about mechanization during that period. Economic historians treat the price of wheat as the outcome of market activity without apparently looking at the changes in the nature of the markets. But, as Stewart points out, the regulation of these markets changed steadily over this period, and the outcomes to farmers were improved by those changes.

Third, the central part of Stewart's story is

international trade in grain. The impetus for that change came from the powerful and wealthy shipowners, railroads, merchants and grain speculators, and not from the farmers. The roles of the people who operate railroad and overseas shipping lines, the merchants who import and export grain, and the grain speculators in Chicago is not even touched by Stewart's account. He does not even discuss the fraud and corruption that dominated the lives of those farmers and all of society. He and other economists neatly hide the power structures that created the problems of farmers and the forces the farmers beat down to protect themselves.

That pattern is repeated over and over in the story of trade.

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THE ORIGINS OF TOTALITARIANISM PART 6: TOTALITARIAN PROPAGANDA

Only the mob and the elite can be attracted by the momentum of totalitarianism itself; the masses have to be won by propaganda. P. 341.

As we saw in Part 5, the elites were neutralized by violence against the Marxists and Communists. That removed a major obstacle to the growth of the totalitarian movement in Germany between the two World Wars. It opened the door to all kinds of crackpot theorizing and ridiculous conspiracy theories. But terror is only available when the totalitarian movement has taken over the state. Before that time, the state monopolizes the instruments of force, and presumably will not

use them to assist a totalitarian movement to replace the existing power structure. Therefore, the connivance of the Social Democratic party was the chief driving force in the crushing of the Marxists and communists. Once that was done, the totalitarian movement began its propaganda assault.

Arendt says that both Nazi and Russian Communist propaganda claim to be rooted in scientific theories that explain the hidden mysteries of human society:

People are threatened by Communist propaganda with missing the train of history, with remaining hopelessly behind their time, with spending their lives uselessly, just as they were threatened by the Nazis with living against the eternal laws of nature and life, with an irreparable and mysterious deterioration of their blood. P. 345,

Propaganda was focused on the mob, the displaced and rootless people with little or no understanding of the actual state of society. The primary criterion for the subjects of propaganda was mysteriousness. The creators used all those subjects that were not part of public discourse. That included the Jews, the Jesuits, the Freemasons, and other secret societies, in general anything that was kept secret for whatever reason. The mob was disposed to believe anything that revealed the workings of secret groups exercising power in ways that made their lives miserable. And there are plenty of events that seem unlikely in life, so the propagandists were able to offer explanations for lots of seemingly random events.

The following paragraph deserves special attention:

In other words, while it is true that the masses are obsessed by a desire to escape from reality because in their essential homelessness they can no

longer bear its accidental, incomprehensible aspects, it is also true that their longing for fiction has some connection with those capacities of the human mind whose structural consistency is superior to mere occurrence. The masses' escape from reality is a verdict against the world in which they are forced to live and in which they cannot exist, since coincidence has become its supreme master and *human beings need the constant transformation of chaotic and accidental conditions into a man-made pattern of relative consistency*. The revolt of the masses against "realism," common sense, ... was the result of their atomization, of their loss of social status along with which they lost the whole sector of communal relationships in whose framework common sense makes sense. In their situation of spiritual and social homelessness, a measured insight into the interdependence of the arbitrary and the planned, the accidental and the necessary, could no longer operate. Totalitarian propaganda can outrageously insult common sense only where common sense has lost its validity. Before the alternative of facing the anarchic growth and total arbitrariness of decay or bowing down before the most rigid, fantastically fictitious consistency of an ideology, the masses probably will always choose the latter and be ready to pay for it with individual sacrifices – and this not because they are stupid or wicked, but because in the general disaster this escape grants them a minimum of self-respect. P. 352, emphasis added.

Our minds seek order. We need a coherent story to explain the way things are. In a functional society, people have social and economic certainties that form the structure in which

common sense can operate, and that structure is closely tied to reality. When those structures break down, as in post-WWI Germany and Austria, people want and accept stories that provide them with a sense of order, and a place in which they can find dignity and self-respect, no matter that these stories are totally bizarre and disconnected from reality.

Totalitarian propagandists provided such stories premised on pseudo-scientific certainties about society, certainties that explained the random events and the damaging experiences that made their lives unbearable. They blame secret forces, mysterious groups that control everything. A modern day equivalent would be the UN's Black Helicopters, the Army's Jade Helm, and the claim that Obama is going to seize your guns. Older examples include the New World Order or the Trilateral Commission, or the fantastical claims of the Communist menace of fluoride. These stories are always present in the minds of a few, and they spread like cancer when the economic and social structure is in disarray. In the case of Hitler, Arendt gives us as a concrete example, his use of the silly Protocols of the Elders of Zion. This nonsense works because the totalitarian movement is able to shut the targets of propaganda off from the real world. In that setting, propagandists

... conjure up a lying world of consistency which is more adequate to the needs of the human mind than reality itself; in which, through sheer imagination, uprooted masses can feel at home and are spared the never-ending shocks which real life and real experiences deal to human beings and their expectations. P. 353.

The elites, as we have seen, did not provide an alternative, but instead participated in these fictions, cheering them on, and through their art and music, provided even more disruption. Today we have conservative elites who deny science and bow down to the chimeras of

religious fanatics.

Of course, today we don't have anything as ham-handed as propaganda. We have endless advertising, whether in the form of paid spots on your TV, or "earned media", as when the four former heads of the Council of Economic Advisers make up stories about a paper they haven't read. We get bombarded with the most awful images and words, using techniques formulated to sell soap:

...there is a certain element of violence in the imaginative exaggerations of publicity men, that behind the assertion that girls who do not use this particular brand of soap may go through life with pimples and without a husband, lies the wild dream of monopoly, the dream that one day the manufacturer of the "only soap that prevents pimples" may have the power to deprive of husbands all girls who do not use his soap. P. 345.

We see this working in the Orwellian language of Frank Luntz. We see it in the crackpot worldview of Trump, who adopted the Fox-supported fantasy that immigrants caused job losses in the US, and not the CEOs of Apple and Intel who built factories in other nations, supplying US built design and capital extracted from US citizens and giving jobs to Taiwanese instead of US citizens. This false view of the world is useful for selling the Trump brand over the Cruz or Rubio brand, and so off it goes to work on the minds of the poorly educated people that Trump loves so much.

There is a huge number of people whose lives are so disrupted that the stories pumped out by Republican presidential candidates sound good. There are millions thrown out of jobs who aren't ever going to have the life they were promised if they worked hard and played by the rules. There are millions who lost everything in the Great Crash, and who now watch as their children shoulder mountains of education debt because

they refused to pay taxes or to tax the rich. There are millions of racists, homophobes and misogynists who found a religious basis and government support for their biases, and who lost that support. There are millions of people whose parents are immigrants who somehow think that today's immigrants are making their lives miserable. There are millions of religious people whose faith has been shaken to its roots by grasping preachers, pedophiles and a hierarchy that covered it up. The WaPo has the evidence. Barrons offers the spectacle of a deeply conservative Thomas Donlan calling the Republican base "losers".

These so-called losers are not stupid people. In their despair, the advertising of the haters offers a bit of self-respect, and a story about the world that doesn't require them to make radical changes.

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THE ORIGINS OF TOTALITARIANISM: INDEX TO ALL POSTS

This post will be updated with all posts on The Origins of Totalitarianism by Hannah Arendt. Here's a copy of this book. All page numbers correspond to that version

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THE ORIGINS OF

TOTALITARIANISM: INTERLUDE ON THE TWILIGHT OF CONSERVATIVE ELITE PUNDITS

The Origins of Totalitarianism: Interlude On the Twilight of Conservative Elites

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The Origins of Totalitarianism Part 5: Artistic and Intellectual Elites and the Rise of Fascism

The Origins of Totalitarianism: Interlude Defining Elites

After defining the term elites (see previous post), Arendt says that the elites did not actively oppose the rise of fascism in Germany and Austria, and in some respects were supportive. One problem I have (and I have

several) is the lack of a direct explanation for the failure of the elites to confront the rise of fascism. The text raises one possibility. I suspect that immediately after WWI, most of the elites were sympathetic to the ideas of the Marxist left, and that many were actively interested. Then they saw that the Social Democrats directed the right-wing violence that killed and imprisoned the revolutionaries. That was enough to keep the fellow-travelers and the sympathizers away from left activism. They retreated to their writing rooms and their ateliers, and left the space of massive change to the right wing. They wanted "to see the ruin of this whole world of fake security, fake culture, and fake life." (P. 328) The elites weren't going to do anything about it, they just pointed and laughed as the mob solidified into the fascist movement.

Among the sins of these elites was their refusal to attack crackpot ideas.

To this aversion of the intellectual elite for official historiography, to its conviction that history, which was a forgery anyway, might as well be the playground of crackpots, must be added the terrible, demoralizing fascination in the possibility that gigantic lies and monstrous falsehoods can eventually be established as unquestioned facts, that man may be free to change his own past at will, and that the difference between truth and falsehood may cease to be objective and become a mere matter of power and cleverness, of pressure and infinite repetition. P. 333

That's uncomfortably close to Karl Rove's "we create new reality".

At the same time the elites were disengaging from the political world, they were pursuing their own esoteric ideas, ideas which further distanced them from the mob. This ended badly for the intellectual elites. Some were driven

out, some fled, and the rest found a way to accommodate themselves to the fascist states.

As I wrote in my previous post, the US has plenty of elites who are conservative, but if we limit ourselves to writers and philosophers, there has never been a serious conservative intellectual class in this country. There have been a few intellectual conservatives, although none spring to mind who would pass Hofstadter's test, including specifically William Buckley. If you disagree, perhaps you could read down Richard Posner's list of 600 or so public intellectuals and identify all the US people listed, living or dead. It is astonishing to think that the likes of Ann Coulter and Erik Erikson are included on Posner's list. And I confess I've never understood why bookstores shelve Ayn Rand among the philosophy books. There is certainly a class of highly conservative economists, but to me they lack any pretense of being intellectuals in Hofstadter's sense. Further, they do not self-criticize, they do not change their minds in the face of contrary evidence. This means they are ideologues, not intellectuals.

Using my definition from the previous post, Buckley and a number of writers and pundits and economists would certainly qualify as a member of the conservative elite. Let's focus on the pundits. Does anyone take them seriously? When was the last time any serious thinker took up an political issue raised by David Brooks in his NYT column, or the conventional nonsense he spouts on PBS? Just take a look, if you can, at this absurd column. It begins with a paean to the US system of capitalism and social welfare, and, of course, our crony capitalism: "nurturing disruptive dynamos like Bell Labs, Walmart, Whole Foods, Google and Apple". Then this:

It's amazing that a large part of the millennial generation has rejected this consensus. In supporting Bernie Sanders they are not just supporting a guy who is mad at Wall Street. They are

supporting a guy who fundamentally wants to reshape the American economic system, and thus reshape American culture and values. As he told ABC's George Stephanopoulos, he wants to make us more like northern Europe.

Why those Millennials are just downright unreasonable in questioning a system that promises that their lives will be much worse than their parents. They should all start businesses and get rich, just like Brooks did, and just like their parents did, or something. Brooks says nothing about the lived reality of Millennials. He refuses to face the fact that his favored Republican policies, tax-cutting, deregulating, war-mongering, and refusal to govern, have saddled them with massive personal debts and a stagnating economy that shipped all the decent jobs out to other countries. In his latest, Brooks has clearly lost it. It's an explainer of this op-ed in the New York Times from two years ago offering three views of marriage. And here I thought glorifying marriage was Ross Douthat's job description.

Douthat is a deeply silly man, mooning on about conservative values and governance in the face of the actual behavior of the Republicans in government. Here he explains how similar Donald Trump and Pope Francis are. Apparently if you want to change something Douthat likes, you are either a vulgar materialist or an intellectual ascetic. I'm waiting for Douthat to explain how Donald Trump has a classy marriage this time, and is therefore fit to be President.

The bizarre Thomas Friedman is shocked that Bernie Sanders said that the business model of Wall Street is fraud, which became obvious after those scumballs wrecked the economy and destroyed our retirement plans. Since the downturn also cost his wife's family a staggeringly large amount of wealth, he might have wondered how that happened.

Not one conservative pundit has called out the

crackpot stupidity of national politicians on climate denial, denial of evolution, tearing down the separation of church and state, denial of pretty much any fact or lesson from science, or their truly insane theory of government, that if you ruin it things will be great. Instead, they embrace every stupid idea, or simply keep quiet. They cannot tell fact from chain emails. Why do these conservative pundits, and by extension the rest of the conservative elites, think this will turn out better for them in the long run than it did for the German elites of the 1920s?

THE ORIGINS OF TOTALITARIANISM: INTERLUDE DEFINING ELITES

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The Origins of Totalitarianism Part 5: Artistic and Intellectual Elites and the Rise of Fascism

In Part 5 I discussed Hannah Arendt's view of the role of the elites in the rise of fascism. She defines the term elites as the artists, composers and intellectuals in Germany and Austria in the late 19th and early 20th Centuries. We use the term "elites" more broadly today. Depending on the context, it might mean some or all of the following:

1) a few very rich people. This group is described by Robert Reich as

...the major corporations, their top executives, and Washington lobbyists and trade associations; the biggest Wall Street banks, their top officers, traders, hedge-fund and private-equity managers, and their lackeys in Washington; the billionaires who invest directly in politics; and the political leaders of both parties, their political operatives, and fundraisers.

2) the people whose views are most respected in some scientific field or some academic area;

3) pundits, writers, media people, and the talking heads and experts who appear in their outlets. The experts themselves fall into two categories. One group comes from academia, and generally are actual experts. The other comes from think tanks, national issue-oriented organizations and other holding pens where they try to influence policy and wait for an opportunity to move into government.

4) top government people, including those in the legislature and their top staffers, top administration officials and of course, the President. This group also includes members of the deep state, the permanent group of military and security officials and bureaucrats who stay

on election to election.

Taking these groups together, we have a working definition of the Establishment, and by separating them along the lines of their political party identifications, we have the Republican and Democratic Establishments.

You'll note there is no mention in my list of artists or composers, and no mention of "intellectuals". We have a complicated relationship with any kind of intellectualism, as Richard Hofstadter explains in *Anti-Intellectualism in American Life*, a book I read in college, reread later, and kept, I thought, until I went to look for it. Nicholas Lemann discussed it in an article in the *Columbia Journalism Review*, from which the following is taken.

It helps in understanding Hofstadter to know what [Hofstadter] takes intellectualism to mean. Here is a passage that comes as close as any in the book to a definition:

It accepts conflict as a central and enduring reality and understands human society as a form of equipoise based upon the continuing process of compromise. It shuns ultimate showdowns and looks upon the ideal of total partisan victory as unattainable, as merely another variety of threat to the kind of balance with which it is familiar. It is sensitive to nuances and sees things in degrees. It is essentially relativist and skeptical, but at the same time circumspect and humane.

I'm not sure how well that definition works with Arendt's general description, but there

certainly was a group of intellectuals in the late 19th and early 20th Century, and I think there would be general agreement on its members. Today, we don't actually have many intellectuals in that sense. Instead, we have experts, people wired into the economic and social structure who are thought to have special expertise in some area of study. Judge Richard Posner of the Seventh Circuit wrote a book about this issue, *Public Intellectuals: A Study in Decline*. This is from a review in the Economist:

He starts off by ruling out what most of us would take as archetypal intellectuals: scientists who explain science to lay people (eg, Steven Weinberg), philosophers with an influential vision of society (eg, John Rawls or Robert Nozick) and literary intellectuals of high Bohemia (eg, Susan Sontag). No, his public intellectuals are really pundits: people who opine about issues of the day on television or in newspaper columns. On the theory that if it's real it must be countable, he ranks what he calls the top 100 on the basis of scholarly citations, media mentions and web hits.

Here's Posner's expanded list of over 600 public intellectuals. Arendt made the list, and it's fun to see the people who are quoted or sought on the internet 15 years ago; for example, David Brooks and David Broder are there, next to each other. Posner says the problem is that the then current crop of pundits (who are a subset of that list) is really bad at opining. As you would expect from the founder of the Law and Economics movement, he explains this with simplistic ideas about supply and demand. He says there are too many commentators, and that they are not held accountable for their errors, which is obviously true.

There have been a number of studies of the ability of experts to predict the future. In this review in the New Yorker Louis Menand (also

on the list, and deservedly) discusses *Expert Political Judgment: How Good Is It? How Can We Know?* by Philip Tetlock, a Berkeley psychologist and researcher. It turns out experts aren't good at predicting the future either in their own fields or in other areas.

Posner is quite right that those who spout what Paul Krugman (on the list) calls zombie ideas are never held accountable for being totally wrong. Instead, their views are considered highly valuable by policy makers. This, of course, shows how badly Posner has missed the real problem. Pundits and experts who shriek about deficits and inflation in today's economy are prized by those who serve the interests of the rich, and who provide their PR.

Until the last few years, the elites have generally agreed on policies on most issues. You can see a good example in the way the New York Times discusses the refusal of the Republicans to govern, as in this astonishing piece by Jennifer Steinhauer. The destruction of institutional norms that once made government work under our ancient Constitution is now perfectly normal for our elites. For another, and more dangerous example, there is nearly universal agreement among the elites that prosecuting bank executives for their crimes that crashed the economy would not be possible. In fact, the elites generally agree that none of them can be held accountable for any of their actions, regardless of the damage done. We can no more punish Rick Snyder for poisoning Flint families than we could punish anyone for Iran-Contra or the top executives of American Water for failing to notice that the water they had privatized and sold to the people of Charleston WV was sickening. It mustn't be done.

That kind of consensus indicates that the large bulk of our public intellectuals are completely indifferent to and unaware of the level of anger at the corruption that affects every aspect of our public lives. Zephyr Teachout explains corruption succinctly: the use of public office

for private gain. Our elites refuse to accept this definition. There is no better proof that we need new elites.

Note: this post was updated by expanding paragraph 1) above.