

THE ORIGINS OF TOTALITARIANISM: INTERLUDE ON THE COMMONS

Previous posts in this series:

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Introduction.

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The Origins of Totalitarianism Part 3:
Superfluous Capital and Superfluous People

In Part 3, I discussed two problems created by unrestrained capitalism, superfluous wealth and superfluous people. These twin problems are evidence of the damage done to people and societies by capitalism: the creation of large numbers of citizens with no role in the productive system of a nation-state, and the enormous wealth and power of the rich capitalists and the aristocracy. Arendt offers an explanation.

The decisive point about the depressions of [the 1860s and 70s], which initiated the era of imperialism, was that they forced the bourgeoisie to realize for the first time that the original sin of simple robbery, which centuries ago had made possible the “original accumulation of capital” (Marx) and had started all further accumulation, had eventually to be repeated lest the motor of accumulation suddenly die down. In the face of this danger, which threatened not only the bourgeoisie but the whole nation with a catastrophic breakdown in production, capitalist producers understood that the forms and laws of

their production system “from the beginning had been calculated for the whole earth.” P. 148 fn omitted.

The motor of accumulation is a nice image for the idea that capital must move, must be constantly active, or it becomes useless and dangerous. The idea of the constant motion of money is similar to an idea we encounter later in the book, along with the idea of superfluity. The word “bourgeoisie” is slippery as commenter Bevin noted in response to Part 3, and can easily lead to confusion. For the purposes of the above quote, I think Arendt means the richest capitalists and aristocrats, and perhaps their financiers.

This is one of the footnotes I omitted:

According to Rosa Luxemburg’s brilliant insight into the political structure of imperialism {op. cit., pp. 273 ff., pp. 361 ff.}, the “historical process of the accumulation of capital depends in all its aspects upon the existence of non-capitalist social strata.” so that “imperialism is the political expression of the accumulation of capital in its competition for the possession of the remainders of the non-capitalistic world.” This essential dependence of capitalism upon a non-capitalistic world lies at the basis of all other aspects of imperialism, which then may be explained as the results of oversaving and maldistribution (Hobson, op. cit.), as the result of overproduction and the consequent need for new markets (Lenin, *Imperialism, the Last Stage of Capitalism*, 1917), as the result of an undersupply of raw material (Hayes, op. cit.), or as capital export in order to equalize the national profit rate (Hilferding, op. cit.).

Here is the Wikipedia entry on Luxemburg. She

was a revolutionary communist and a Marxist intellectual. Arendt refers to her book, *The Accumulation of Capital*, dated 1923, several years after Luxemburg was executed by the German Freikorps. I think Arendt might be referring to this book, and here's a quote matching her description of Luxemburg's thought.

Accumulation is impossible in an exclusively capitalist environment. Therefore, we find that capital has been driven since its very inception to expand into non-capitalist strata and nations, ruin artisans and peasantry, proletarianize the intermediate strata, the politics of colonialism, the politics of 'opening-up' and the export of capital. The development of capitalism has been possible only through constant expansion into new domains of production and new countries. But the global drive to expand leads to a collision between capital and pre-capitalist forms of society, resulting in violence, war, revolution: in brief, catastrophes from start to finish, the vital element of capitalism.

This analysis springs from Luxemburg's reading of Marx, who, she says, was unable to show how accumulation of capital could occur in a purely capitalist system. Luxemburg says that accumulation of capital is only possible when the capitalist can find some new area to exploit. Arendt agrees.

I did not see any discussion of this issue in Jevons or in the bits and pieces of other 19th and early 20th century economists I have read, and I certainly can't find it in the textbooks of Mankiw or Samuelson. Apparently this is not an issue of interest to economists. But the question does not disappear just because the self-described experts don't want to talk about it. In *The Great Transformation* Polanyi describes the enclosure of the commons in England as a precursor to the Industrial

Revolution. The enclosures were an example of the exploitation of a pre-capitalist strata made up of peasants and smallholders, to accumulate capital in the hands of the rich and vicious. One of the demands of the armed thugs in Oregon is that federal land, our joint land, be given to them for their personal exploitation and profit. They're just more blatant than the Koch Brothers and Exxon.

One of the primary goals of neoliberals is to take over the commons. The medical system and wide swaths of the prison system have been turned over to the profiteers already. They play a huge role in the military state and the national security state. With the help of the rich and powerful, they are working to take over the education system with their charter schools and their for-profit colleges. They are all over the place, always scraping away at things we can do for ourselves cheaply and well through government, and routing taxes (which they don't pay) and profits to themselves at the expense of the people who actually do the work.

The facts today support the views of Arendt and Luxemburg. This is no surprise. The conditions today are similar to the unrestrained capitalism of the late 1800s through the 1920s, with monopolies, oligopolies, vast disparities of income and wealth, and a government responsive only to the demands of the rich.

THE ORIGINS OF TOTALITARIANISM PART 3: SUPERFLUOUS CAPITAL AND

SUPERFLUOUS PEOPLE

Previous posts in this series:

The Origins of Totalitarianism Part 1:
Introduction.

The Origins of Totalitarianism Part 2:
Antisemitism

The Origins of Totalitarianism: Interlude on the
Tea Party

In Part 2 of *The Origins of Totalitarianism* Arendt discusses the history of European Imperialism, primarily focused on England, France and Germany.

“Expansion is everything,” said Cecil Rhodes, and fell into despair, for every night he saw overhead “these stars ... these vast worlds which we can never reach. I would annex the planets if I could.” He had discovered the moving principle of the new, the imperialist ...); and yet in a flash of wisdom Rhodes recognized at the same moment its inherent insanity and its contradiction to the human condition. Naturally, neither insight nor sadness changed his policies. P. 124, fn omitted.

The driving force of imperialism the search for profits, The people pushing it were the bourgeoisie, the principal capitalists. Until the 1870s, the bourgeoisie were content to leave politics to others, and focus on manufacturing and infrastructure in the home country. Politicians were generally wary of the push into foreign countries.

Beginning in the 1870s as the money invested in foreign lands increased, the risks to the bourgeoisie and their money increased, as nations expropriated their assets or refused to cooperate, or threw them out. The bourgeoisie liked the enormous profits of these investments, but were not interested in taking the risks.

They demanded that the nation-state provide the armed forces necessary to protect their profits, and the nation-states complied. Arendt says that this demand for intervention was its assertion of control of the government. She dates the Imperialist period to 1889-1914.

The goal of imperialism was neither assimilation nor integration.

Expansion as a permanent and supreme aim of politics is the central political idea of imperialism. Since it implies neither temporary looting nor the more lasting assimilation of conquest, it is an entirely new concept [T]his concept is not really political at all, but has its origin in the realm of business speculation, where expansion meant the permanent broadening of industrial production and economic transactions characteristic of the nineteenth century. production of goods to be used and consumed. P. 125-6.

The goal was to impose a system of capitalist production on the conquered territories for the enrichment of the capitalists. The power behind this drive for expansion was superfluous capital.

Imperialist expansion had been touched off by a curious kind of economic crisis, the overproduction of capital and the emergence of "superfluous" money, the result of oversaving, which could no longer find productive investment within the national borders.

The money was superfluous in the sense that it had no utility within the nation-states. There were no profitable investments that could absorb it, and there was little to purchase with it. The newly rich wanted income from their wealth even though neither the money nor the investments would provide anything of value to

the nation-state or its citizens. They invested their money abroad and the nation-state protected their investments at enormous cost to the rest of their citizens. Arendt calls the bourgeoisie parasites.

Superfluous capital is not the only problem with unrestrained capitalism.

Older than the superfluous wealth was another by-product of capitalist production: the human debris that every crisis, following invariably upon each period of industrial growth, eliminated permanently from producing society. Men who had become permanently idle were as superfluous to the community as the owners of superfluous wealth. That they were an actual menace to society had been recognized throughout the nineteenth century and their export had helped to populate the dominions of Canada and Australia as well as the United States. P. 150.

Arendt calls these superfluous people the mob. They are not the same as the nascent working class, but were the people who could not find work at all, whether because of disability or some personal defect or just plain bad luck. The mob included refuse from all social classes. Polanyi refers to this as well. There were the working people, and everyone else. The impoverished and the unemployed able-bodied people were both in this group.

Imperialism provided a partial solution to the problem of superfluous men. They could be pushed into the armies and navies needed to protect the wealth of the rich, and they could be used as supervisors and workers in the mines and factories and on the transport ships carrying the investments of the capitalists and the products of those investments.

The mob of the mid to late 1800s is similar to the "masses" that emerged after WWI.

The relationship between the bourgeois-dominated class society and the masses which emerged from its breakdown is not the same as the relationship between the bourgeoisie and the mob which was a by-product of capitalist production. The masses share with the mob only one characteristic, namely, that both stand outside all social ramifications and normal political representation. The masses do not inherit, as the mob does (albeit in a perverted form) the standards and attitudes of the dominating class, but reflect and somehow pervert the standards and attitudes toward public affairs of all classes. The standards of the mass man were determined not only and not even primarily by the specific class to which he had once belonged, but rather by all-pervasive influences and convictions which were tacitly and inarticulately shared by all classes of society alike. P. 314.

The rich, with their superfluous and restless capital, demand profits with no responsibility to the society from which the wealth sprang. The constant movement of capitalism, generated by that demand, destroys the lives of superfluous people, who have no place in that society, and feel no obligation to it. The nihilism that infected the mob and the masses eventually infected the bourgeoisie, destroying any remaining social values. This destructive combination was fertile ground for the rise of the Nazis.

THE ORIGINS OF

TOTALITARIANISM: INTERLUDE ON THE TEA PARTY

As I noted in this post, Arendt says that the great frauds and swindles of the 1870s led to the rise of Antisemitic political parties in Germany, Austria and France. The Grindungsschwindel in Germany and Austria involved public offerings of investments in what we would call start-ups corporations in railroads, mining, steamships, docks, and so on. The perpetrators were capitalists and aristocrats. Jews were implicated only as financial facilitators. The big losers in these scams was the lower middle class, according to Arendt.

However, another group of people besides noblemen, government officials, and Jews were seriously involved in these fantastic investments whose promised profits were matched by incredible losses. This group consisted mainly of the lower middle classes, which now suddenly turned antisemitic [sic]. They had been more seriously hurt than any of the other groups: they had risked small savings and had been permanently ruined. There were important reasons for their gullibility. Capitalist expansion on the domestic scene tended more and more to liquidate small property-holders, to whom it had become a question of life or death to increase quickly the little they had, since they were only too likely to lose all. They were becoming aware that if they did not succeed in climbing upward into the bourgeoisie, they might sink down into the proletariat. Decades of general prosperity slowed down this development so considerably (though it did not change its trend) that their panic

appears rather premature. For the time being, however, the anxiety of the lower middle classes corresponded exactly to Marx's prediction of their rapid dissolution.

The lower middle classes, or petty bourgeoisie, were the descendants of the guilds of artisans and tradesmen who for centuries had been protected against the hazards of life by a closed system which outlawed competition and was in the last instance under the protection of the state. They consequently blamed their misfortune upon the Manchester system, which had exposed them to the hardships of a competitive society and deprived them of all special protection and privileges granted by public authorities. They were, therefore, the first to clamor for the "welfare state," which they expected not only to shield them against emergencies but to keep them in the professions and callings they had inherited from their families. Since an outstanding characteristic of the century of free trade was the access of the Jews to all professions, it was almost a matter of course to think of the Jews as the representatives of the "applied system of Manchester carried out to the extreme," even though nothing was farther from the truth.

This rather derivative resentment, which we find first in certain conservative writers who occasionally combined an attack on the bourgeoisie with an attack on Jews, received a great stimulus when those who had hoped for help from the government or gambled on miracles had to accept rather dubious help of bankers. P 36-7, fn omitted.

The Marxist class analysis doesn't fit our social structure today, but translate the lower middle class to the mid- to upper middle class,

and the parallel couldn't be more clear. The big losers in the Great Crash of 2008 were the top part of the middle class, who were losers in the stock markets, and perhaps even lost their homes, and many of whom, particularly those over 50, lost jobs. The rest of the middle class saw their pensions pounded down by Wall Street. Then the rich led an attack on public pensions, and other pensions, further wounding the middle class. There's one scene in *The Big Short* where one of the characters points this out. Many people I knew referred to their 201K plans, and others talked about the number of years they would have to work to make up for their losses. As a bankruptcy lawyer, I also saw a number of people who had to file to protect whatever they had left. Not all but many people in similar situations were ready to blame someone besides themselves for trusting the stock market and the economy.

The Tea Party manipulators found a scapegoat: the people who took out mortgages from Countrywide, New Century, WaMu, Taylor Whitaker and Bean, and all the rest of the scumballs. They successfully deflected attention from the people who actually caused the Great Crash: the packagers, the rating agencies, the brokers who sold the garbage, the fiduciaries who stuffed the garbage into mutual funds and pension plans, the bankers who loaded up on it. The banks and their servants blamed the poor slobs who bought houses they couldn't afford, the strippers in Las Vegas who had 5 houses and a condo (per *The Big Short*), the families with two jobs and good credit who borrowed to renovate their homes and then lost one or both jobs. You know them, they're your neighbors. The bankers even got one of their own on the Financial Crisis Inquiry Commission, Peter Wallison, whose dissent became the defense of the cheats and frauds. And Obama and his Treasury Secretary Geithner and his Attorney General Holder and the odious Lanny Breuer foamed the runways for the banks with the lives of millions of formerly middle class people, and excused the bankers with their false explanation of the difference between fraud and

greed.

In the DotCom Bubble, the damage fell mostly on upper middle class people who thought they needed to bolster their retirements, or who were sold garbage by sleazy brokers, or for whatever reason. Then they got hammered again by the same people in the Great Crash. Today, their funds are being stuffed with unicorns and other fictional creatures.

On January 2, 2011, I wrote a post titled “What We Lost Because Obama Didn’t Prosecute Banksters”. I argued that people who didn’t know better would believe those lies from the financial empire, and that perp walks and trials would enlighten those who could be enlightened. Obviously that isn’t everyone. But there is no doubt the Tea Party would have had a much harder time getting started if the bankers were being carried off on tumbrils.

Just as the financial scandals of the 1870s started political parties aimed at someone besides the perpetrators, the financial scandals of the 2000s led to the Tea Party, which aims its rancor at people who weren’t the cause of the crisis. History doesn’t repeat itself, but it sure seems self-similar.

THE ORIGINS OF TOTALITARIANISM PART 2: ANTISEMITISM

Previous posts in this series:

The Origins of Totalitarianism Part 1:
Introduction.

In section 1 of *The Origins of Totalitarianism*, titled Antisemitism, Arendt describes the history of the Jews in Europe. Beginning with

the rise of the nation-state in the late 18th and early 19th centuries most, Jews who were long-term residents of nation-states were given the status of citizen, although they never achieved social status, and were always suspected of allegiances outside the nation-state.

Wealthy Jewish bankers historically were treated more or less civilly, because of their utility in providing loans to governments. This group received various privileges, but generally was not admitted to society. They were more interested in remaining part of the Jewish Community, Arendt says, and did not seek assimilation. Many of the sons of the middle class Jews were highly educated. This group, the intellectual Jews, saw themselves as heirs to the traditions of educated Europeans, and sought assimilation. The great masses of poor Jews were isolated in most nations, by choice to enable them to maintain their religious practice, or by custom or by force.

Antisemitic parties grew in Germany, France and Austria beginning around 1880. Arendt attributes the rise of these parties in Germany in part to the creation of the German state by Bismarck who had always maintained working relations with the Jews. The aristocracy hated him because he ended their remaining feudal privileges, and they found it easy to attack him on Antisemitic grounds. Arendt says French Antisemitism is deeply rooted, and even though there was support for citizenship, there was always a great deal of suspicion throughout French society.

Arendt thinks a more important factor in the rise of Antisemitic parties was the massive corruption and fraud that came with the rise of capitalist systems, and which led to a financial crash in 1873 that lingered for years. The frauds were not perpetrated by Jews or by Jewish banks, but were enabled by the financial sector which was dominated by a few Jews. Arendt says that much of the loss fell on the lower middle class, small merchants and artisans. P. 37. The

Jews who made loans to individuals among the lower middle classes were not the wealthy Jews who dealt with the nation-state, but small lenders who lived in local communities. They were thought to have political ambitions, seeking to rise to power on the backs of small, non-Jewish, borrowers. Antisemitic parties were a response to these perceived ambitions.

The essence of the first section may be the title of the second part: "Between Pariah and Parvenu". As noted, some Jews were admitted to society and to roles in the State and intellectual life, but the Jewish people as a whole were excluded. Even social classes prepared to accord those masses a degree of legal, economic and even political equality would not accept Jews into social equality. Most Jewish people of Europe were never fully integrated, and were always on the edge of attack, as the Dreyfus Affair reveals. For those not familiar with this matter, there is a short description of the main facts beginning at P. 89. Arendt doesn't say so, but Dreyfus' granddaughter Madeleine fought in the French Resistance, was captured by the Nazis, and murdered in the Holocaust. Her name is on the family's tombstone in a crowded corner of the Montparnasse Cemetery in Paris. I've seen it.

The Dreyfus Affair split French society between the Anti-Dreyfusards who supported the Army in its quest to punish Dreyfus even after it was established he was framed; and the Dreyfusards, who stood for the rule of law fairly applied. Here's an absolutely fascinating discussion from the New York Times in 1904 of one well-known Anti-Dreyfusard, Madame de Loynes, whose portrait by Amaury-Duval hangs in the d'Orsay in Paris, and is one of my favorites. After Zola produced his *J'accuse*, people were in the streets on both sides. Leading Anti-Dreyfusards organized the Butcher Brigades, largely groups of Parisian butchers, to attack the Dreyfusards wherever they gathered, ostensibly on the grounds that they were opposed to the Army, and thus to the nation. See P. 111. This group is a

precursor to the Brownshirts, who used violence to attack forces arrayed against the economic establishment in Germany, or the Blackshirts in Italy in the early 20s.

Arendt's history is much more complex, and even a bit troubling in its emphasis on the role played by Jewish bankers. This brief discussion is intended to point out two of the ideas that resonate throughout *The Origins of Totalitarianism*. First, it demonstrates the importance of economic issues in creating political movements. The main cause of the financial crash was the unrestrained market organization of the economy, led by the Aristos and the rich Capitalists. The lower middle class supporters of the Antisemitic parties were deflected from identifying the actual cause, in large part because of centuries-old distrust and hatred of the Jews. Thus, the position of the capitalists and the Aristos was never seriously threatened.

It also highlights a crucial point about assimilation. European Jews were always available as a scapegoat in times of crisis. The status of French citizen didn't protect French Jews, even the famous, like the family of Nissim-Camondo, from being deported to Auschwitz by the Vichy Government.

The Butcher Brigades offer a parallel to the Klan and others who attacked and murdered Black people for decades. They're like the Pinkertons and the militias attacking union workers across the US for decades. The dead African-Americans, these dead union members and their families, found that they had no political rights despite their putative status as US citizens. We might even see echoes of the attacks on the antiwar protesters in the 60s and Black Lives Matter today, or gun-toting anti-Muslim morons.

Here's a good example of fear of immigrants from President Wilson's Third Annual Message to Congress in 1915:

I am sorry to say that the gravest

threats against our national peace and safety have been uttered within our own borders. There are citizens of the United States, I blush to admit, born under other flags but welcomed under our generous naturalization laws to the full freedom and opportunity of America, who have poured the poison of disloyalty into the very arteries of our national life; who have sought to bring the authority and good name of our Government into contempt, to destroy our industries wherever they thought it effective for their vindictive purposes to strike at them, and to debase our politics to the uses of foreign intrigue. ... Such creatures of passion, disloyalty, and anarchy must be crushed out. They are not many, but they are infinitely malignant, and the hand of our power should close over them at once. They have formed plots to destroy property, they have entered into conspiracies against the neutrality of the Government, they have sought to pry into every confidential transaction of the Government in order to serve interests alien to our own.

According to Wilson, the crime of participating in politics is at the heart of the damage done by these immigrants. They have no right to object to government policies or to argue for one side or the other in WWI. They have no right to organize as unions and take on the capitalists. These are equally grave crimes to Wilson. And his 1915 speech could easily have been given by any of today's Republican presidential candidate about all immigrants.

And it goes without saying that there is one group of US citizens who have never been assimilated.

THE GREAT TRANSFORMATION PART 9: THE RISE OF FASCISM AND CONCLUSION

Previous posts in this series:

The Great Transformation: Mainstream Economics
and an Introduction to a New Series

The Great Transformation Part 1: The Market

The Great Transformation Part 2: More on Markets

The Great Transformation Part 3: Neoliberalism
Before It Got Its New Name

The Great Transformation Part 4: Reaction and
Counter-Reaction To Self-Regulating Markets

The Great Transformation Part 5: Polanyi on
Marxian Analysis

The Great Transformation Part 6: Labor as a
Fictitious Commodity

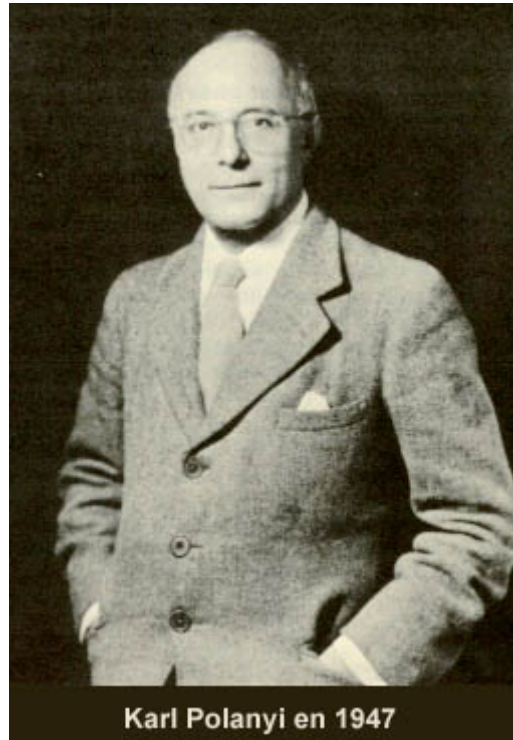
The Great Transformation Part 7: Land as a
Fictitious Commodity

The Great Transformation Part 8: Money as a
Fictitious Commodity

Chapters
17-19 of *The
Great*

*Transformati
on* discuss

the
increasing
strains in
society
brought on
by the self-
regulating
market
through the
1920s. In
the wake of
WWI, the



dominant industrial nations attempted to restore the institutions of the self-regulating market, including the gold standard. The demands of maintaining the gold standard in the face of rapid economic growth in some of those countries culminated in the Great Depression. I won't discuss this part in detail, but two points. First, the central feature of the debacle was the impact of the gold standard, which prevented nations from acting to protect themselves and their citizens from deflation. Second, Polanyi does not discuss one of the most important causes of the debacle, the astonishing level of corruption and fraud in financial markets, levels that were not reached in the US economy again until the George Bush administration.

In Chapter 21 Polanyi tells us:

Fascism, like socialism, was rooted in a market society that refused to function.

Hence, it was worldwide, catholic in scope, universal in application; the issues transcended the economic sphere and begot a general transformation of a distinctively social kind. It radiated into almost every field of human activity whether political or economic, cultural, philosophic, artistic, or

religious. And up to a point it coalesced with local and topical tendencies. No understanding of the history of the period is possible unless we distinguish between the underlying fascist move and the ephemeral tendencies with which that move fused in different countries. P. 248, emphasis added.

The socialist solution was to apply human thought to the organization of society, trying to enact legislation and rules to control some of the worst effects of the self-regulating market, including fraud and corruption, and to increase the power of labor as a counterweight to corporate capitalism. This worked more or less in the US, where eventually the Great Depression wore off, leaving a superstructure of regulatory power that protected society from the worst excesses of capitalism. Of course, the US never adopted socialism, and the elites continued to work to reduce the power of labor and of the working people generally beginning immediately after WWII with the Taft-Hartley Act.

Polanyi says the fascist solution was to restore the market by means of rooting out democracy and democratic institutions and replacing them with totalitarian government. The citizens of fascist countries were stripped of their role in government and society, and became mere tools in the operation of the totalitarian movement.

This reeducation, comprising the tenets of a political religion that denied the idea of the brotherhood of man in all its forms, was achieved through an act of mass conversion enforced against recalcitrants by scientific methods of torture. P. 245.

There were fascist movements in most countries, regardless of religion, wealth, level of industrial development, form of government or

any other factor. Whether they were successful, as in Germany and Italy, or not, as in the US, depended on a number of factors specific to each country. Polanyi says that the first signs of a movement towards fascism were:

... the spread of irrationalistic philosophies, racialist aesthetics, anticapitalistic demagoguery, heterodox currency views, criticism of the party system, widespread disparagement of the "regime," or whatever was the name given to the existing democratic setup. P. 246.

In retrospect, these were symptoms of the crackup of the 19th Century global order and of the damage done to citizens and society through self-regulating markets. Polanyi says that Germany under Hitler was the first to recognize that the global structures created under the banner of the self-regulating market were falling apart, and set about helping in that destruction. Germany armed itself, and rejected all its obligations, both financial and under treaties, created under the previous global system. The other nations of the world, especially England, strangled themselves trying to restore that dead system. Among other things, Polanyi points to cuts to the army and navy, justified in the name of fiscal responsibility. It's a fascinating story.

There is no point in discussing Polanyi's conclusion, that in the wake of WWII there would be a great transformation from the dead structures of the 19th Century into a new form of world relations, one not based on markets. That didn't happen, and we are still living under a system based on what Polanyi called the self-regulating market, Keynes called *Laissez-Faire*, and Milton Friedman called classical liberalism. Today we call it neoliberalism.

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I'll conclude this series with a couple of

thoughts. First, it's easy to compare Polanyi's conditions supporting the rise of fascism in the early 30s to the changes in US society in the last 35 years. Several of the conditions are rampant in the US and other countries, encouraged by a large number of media, religious leaders, and political sources. For those of us who spend too much time reading this stuff, it is unnerving on its own, and Polanyi's theory just adds to the upset.

Second, the neoliberal goal is to reduce citizenship to consumerism. The individual is stripped down from a participant in a society, with a role to play in government and in planning for the future. This is remarkably close to Polanyi's statement about the reeducation of the citizen away from ideas about the brotherhood of man, which in turn bears an elegant but ugly similarity to Margaret Thatcher's assertion that there is no such thing as society. Even in context, Thatcher's denial of the importance of relationships beyond home and family, her denial we citizens bear a joint responsibility for the shape of the future, is just as chilling as Polanyi's description of reeducation into fascism.

Third, in several places in *The Great Transformation* Polanyi acknowledges the material benefits that have come from industrialization, and recognizes that the miseries previously inflicted on humanity as a whole in the frantic transition cannot be undone. That does not mean that we are prisoners of the elites, that we have to accept their demands for specific changes or for immediate change. It does not mean that we have to continue to inflict misery in search of more capitalist growth. We always have the option to choose other paths to the future. For Polanyi, writing in 1944, slowing the pace of change might have sufficed. Today there are more important things than the pace of change, such as global warming, which requires a completely different approach to our production system. It's more important to our interests as a species than the accumulation of more wealth

in the hands of the fabulously wealthy. But finally:

It's hard to miss the optimism in Polanyi's book. He is convinced that society can heal itself, ameliorating the damage done by unrestricted economic growth. It's really hard to feel optimistic today.

OBAMA'S TERRORISM CANCER SPEECH, CARTER'S MALAISE SPEECH

The right wingers who insist on calling any attack by a Muslim "terrorism" – who insist on tying the San Bernardino attack to ISIS, even in the absence of evidence – do it to prioritize the fight against Islamic terrorists over all the other ills facing America: over other gun violence, over climate change, over the persistent economic struggles of most Americans. Theirs is a profoundly unpatriotic effort to put war over every other policy priority, even far more pressing ones. That stance has led to a disinvestment in America, with real consequences for everyone not getting rich off of arms sales.

Last week, President Obama capitulated to these forces, giving a speech designed to give the attack in San Bernardino precedence over all the other mass killings of late, to give its 14 dead victims more importance over all the other dead victims. Most strikingly, Obama called attacks that aren't, legally, terrorism, something his critics have long been demanding.

It is this type of attack that we saw at Fort Hood in 2009; in Chattanooga earlier this year; and now in San Bernardino.

And he lectured Muslims to reject any interpretation of Islam that is “incompatible” with “religious tolerance.”

That does not mean denying the fact that an extremist ideology has spread within some Muslim communities. This is a real problem that Muslims must confront, without excuse. Muslim leaders here and around the globe have to continue working with us to decisively and unequivocally reject the hateful ideology that groups like ISIL and al Qaeda promote; to speak out against not just acts of violence, but also those interpretations of Islam that are incompatible with the values of religious tolerance, mutual respect, and human dignity.

Not only does this give too little credit for the condemnation Muslims have long voiced against terrorist attacks, but it holds Muslims to a standard Obama doesn't demand from Christians spewing intolerance.

It was a horrible speech. But this line struck me.

I know that after so much war, many Americans are asking whether we are confronted by a cancer that has no immediate cure.

In context, it was about terrorism.

I know we see our kids in the faces of the young people killed in Paris. And I know that after so much war, many Americans are asking whether we are confronted by a cancer that has no immediate cure.

Well, here's what I want you to know: The threat from terrorism is real, but we will overcome it

But, particularly coming as it did after invoking dead children, it shouldn't have been. Aside from those whose own kids narrowly missed being in Paris, why should we see our kids in the faces of the young people killed in Paris, rather than in the faces of the young people killed in the Umpqua Community College attack or the over 60 people under the age of 25 shot in Chicago between the Paris attack and Obama's speech? If we were to think of a cancer with no immediate cure, why wouldn't we be thinking of the 20 6-year olds killed in Newtown?

We have a cancer, but it's not terrorism. And it's not just exhibited in all our shootings. It is equally exhibited in our growing addiction rates, in the increasing mortality in some groups. Obama gave the speech, surely, to quiet the calls from those who demand he address terrorism more aggressively than he address the underlying cancer.

Obama's horrible, flatly delivered speech made me think – even as I was watching of it – of that far more famous malaise speech, delivered by Jimmy Carter, 36 years ago.

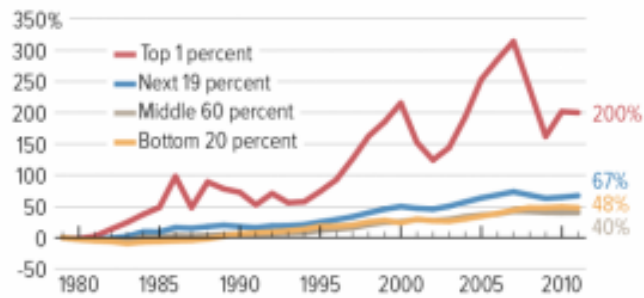
Carter's malaise speech, after all, was offered at the moment so much of the current malaise, the cancer, started. Inflation-adjusted wages for the middle class had already peaked, 6 years earlier. That was the moment when the rich and the super-rich started running off with greater and greater portion of the benefits of America's productivity.

FIGURE 2



Income Gains at the Top Dwarf Those of Low- and Middle-Income Households

Percent change in real after-tax income since 1979



Source: Congressional Budget Office

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And the overthrow of our client dictator in Iran months earlier would set off our decades-long dance with Islamic extremists. Indeed, just 12 days before Carter delivered what would be dubbed the malaise speech, he authorized covert support for what would become the *mujahadeen* in Afghanistan. Our entanglement with the Saudis – and with it our refusal to ditch our oil addiction – has disastrously governed much of our foreign policy since, even while the petrodollar delayed the recognition that our economy isn't working anymore, not for average Americans.

Carter correctly diagnosed his moment. After making an effort to hear from Americans from all walks of life, he recognized that people believed – correctly, we now know – that the future might bring decline, not progress.

The erosion of our confidence in the future is threatening to destroy the social and the political fabric of America.

The confidence that we have always had as a people is not simply some romantic dream or a proverb in a dusty book that we read just on the Fourth of July.

It is the idea which founded our nation and has guided our development as a people. Confidence in the future has

supported everything else – public institutions and private enterprise, our own families, and the very Constitution of the United States. Confidence has defined our course and has served as a link between generations. We've always believed in something called progress. We've always had a faith that the days of our children would be better than our own.

Our people are losing that faith, not only in government itself but in the ability as citizens to serve as the ultimate rulers and shapers of our democracy. As a people we know our past and we are proud of it. Our progress has been part of the living history of America, even the world. We always believed that we were part of a great movement of humanity itself called democracy, involved in the search for freedom, and that belief has always strengthened us in our purpose. But just as we are losing our confidence in the future, we are also beginning to close the door on our past.

In a nation that was proud of hard work, strong families, close-knit communities, and our faith in God, too many of us now tend to worship self-indulgence and consumption. Human identity is no longer defined by what one does, but by what one owns. But we've discovered that owning things and consuming things does not satisfy our longing for meaning. We've learned that piling up material goods cannot fill the emptiness of lives which have no confidence or purpose.

The symptoms of this crisis of the American spirit are all around us. For the first time in the history of our country a majority of our people believe that the next five years will be worse than the past five years.

He saw the gap growing between Washington's policy wonks and the people they purportedly served.

Looking for a way out of this crisis, our people have turned to the Federal government and found it isolated from the mainstream of our nation's life. Washington, D.C., has become an island. The gap between our citizens and our government has never been so wide. The people are looking for honest answers, not easy answers; clear leadership, not false claims and evasiveness and politics as usual.

What you see too often in Washington and elsewhere around the country is a system of government that seems incapable of action. You see a Congress twisted and pulled in every direction by hundreds of well-financed and powerful special interests. You see every extreme position defended to the last vote, almost to the last breath by one unyielding group or another. You often see a balanced and a fair approach that demands sacrifice, a little sacrifice from everyone, abandoned like an orphan without support and without friends.

36 years ago, Carter saw that the nation was at a turning point, a moment where it could choose to continue down the path it was (and remains on) or come together again.

We are at a turning point in our history. There are two paths to choose. One is a path I've warned about tonight, the path that leads to fragmentation and self-interest. Down that road lies a mistaken idea of freedom, the right to grasp for ourselves some advantage over others. That path would be one of constant conflict between narrow interests ending in chaos and immobility. It is a certain route to

failure.

All the traditions of our past, all the lessons of our heritage, all the promises of our future point to another path, the path of common purpose and the restoration of American values. That path leads to true freedom for our nation and ourselves. We can take the first steps down that path as we begin to solve our energy problem.

There are parts of Carter's speech that grate, now. Given his singular focus on energy independence, he pushed hard for coal and shale oil exploitation. Carter's endorsement of saying something nice about America dismisses the possibility some introspection about America's mistakes was in order.

Moreover, some areas of strength, the areas where Carter believed America would endure, have not.

I do not mean our political and civil liberties. They will endure. And I do not refer to the outward strength of America, a nation that is at peace tonight everywhere in the world, with unmatched economic power and military might.

We still have unmatched military might and the largest economy, but that hasn't brought us peace or respect for civil liberties. Instead, the monster Carter and his advisor Zbigniew Brzezinski first unleashed led us to double down on our own malaise, one which led, after many years, to Obama's cancer speech.

And while the initial response to the speech was quite positive, Carter squandered the value of the speech.

Obama was, in my opinion, wrong to capitulate to those who want to focus singularly on terrorism rather than on America's problems more

generally. Because both here and abroad, our failure to address the malaise Carter identified decades ago remains the more critical problem.

THE GREAT TRANSFORMATION PART 8: MONEY AS A FICTITIOUS COMMODITY

Previous posts in this series:

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The Great Transformation Part 6: Labor as a
Fictitious Commodity

The Great Transformation Part 7: Land as a
Fictitious Commodity

Karl Polanyi calls labor, land, and money fictitious commodities. He defines “commodity” as something produced for consumption. Obviously land and labor are not produced, and money is not consumed, and therefore they cannot be commodities. Polanyi says that for the self-regulating market to work its magic and make us all healthy, wealthy and wise, these three, like

everything else that forms part of the production system, must be treated as if they were commodities and subjected to the the “market” without restrictions; hence his description of them as fictitious. In Parts 6 and 7 of this series, I discussed Polanyi’s explanation of the dangers to society and to human life as we know it from this kind of treatment. Chapter 16 of *The Great Transformation* looks at the dangers to society from treating money as a commodity, and specifically at the dangers of the gold standard.

He explains that markets are based on prices and profits, both of which are measured in money. If money is a commodity with a price set in a market for money, then changes in the prices of money will change the prices and profits for other commodities. Polanyi cites David Hume for his theory that if the amount of money in circulation is halved, then prices will fall by half. As Polanyi notes, there is a big lag time in that adjustment, and businesses will fail before the adjustment is complete.

It appears to me Polanyi is relying on an informal version of the quantity theory of money. A somewhat more formal version is set out in this short post from the St. Louis Fed. In monetarist theory, inflation is solely the result of too much money in the economy chasing too few goods. Deflation is the result of not enough money chasing goods. The later problem was rampant in the 19th Century, with booms and busts caused by trade changes and financial frauds, and it is deflation that Polanyi addresses:

But the expansion of production and trade unaccompanied by an increase in the amount of money must cause a fall in the price level—precisely the type of ruinous deflation which we have in mind. Scarcity of money was a permanent, grave complaint with seventeenth-century merchant communities. Token money was

developed at an early date to shelter trade from the enforced deflations that accompanied the use of specie when the volume of business swelled. No market economy was possible without the medium of artificial money. P. 202.

The English economy was heavily dependent on trade in the early 1800s, and maintaining stable prices became crucial to the success of English merchants and the nation. Token money, either specie, bank or fiat money, only circulates within the boundaries of a nation. To deal with international trade, the gold standard became prevalent at about this time. With two types of money in circulation, one based on the gold standard and used in international trade, and one using bank or fiat money in internal transactions, it became necessary to harmonize the workings of the two kinds of money.

Under nineteenth-century conditions foreign trade and the gold standard had undisputed priority over the needs of domestic business. The working of the gold standard required the lowering of domestic prices whenever the exchange was threatened by depreciation. Since deflation happens through credit restrictions, it follows that the working of commodity money interfered with the working of the credit system. P. 203.

That led to the creation of central banks, which could affect the level of credit in a nation's economy. Central banks could adjust the amount of credit in a country's economy to offset the worst of the consequences of sticking to the gold standard, and spreading the burden of sudden changes in the relation between the national currency and the price of gold. Elites supported central banks despite their insistence on maintaining self-regulating markets, because central banks were not thought to interfere with the free market in money, but rather to support

it.

Polanyi says that this system worked as long as the gyrations in prices were slow enough and not too great. But when the changes were large, the activities of the central bank moved from technocratic to political, and people began to demand that government protect them from the dangers created by the gold standard. In the US, this can be recognized in the Free Silver Movement; from Wikipedia:

The debate pitted the pro-gold financial establishment of the Northeast, along with railroads, factories and businessmen, who were creditors who would benefit from disinflation (resulting from demand pressures on the relatively fixed gold money supply against a backdrop of unprecedented economic expansion), against poor farmers who would benefit from higher prices for their crops (resulting from the prospective expansion of the money supply by allowing silver to also circulate as money).

The gold faction won, but the pressure continued as crash after deflationary crash hit the US economy. The Fed was established in partial response to the Panic of 1907. For an interesting history see Nomi Prins, ***All the Presidentts' Bankers***. The goal was to stabilize the economy, a goal both of bankers and politicians though for different reasons. Bankers wanted to make sure they could harness the power of government to save them in times of financial disaster.

In Washington, Republicans and Democrats both concluded that excessive reliance on bankers to stabilize the financial system in times of turbulence was too high a risk to their own influence over the country, and possibly damaging to American status in the world. The axiom that the group that controlled the money

controlled the country remained true. But with the nation struggling economically, such a condition had political implications and had to be navigated accordingly. Id. at 19.

The result of central banking is that government becomes a participant in the market for money. The self-regulating market was thus defeated, even though its supporters claimed otherwise. They continued to see the central bank as a neutral player, one committed to the maintenance of the gold standard.

Several Republican Presidential candidates, including Mike Huckabee, Ted Cruz and Rand Paul, have called for return to the gold standard. Probably a lot of that is their disdain for government, particularly government interference in something as sacred as money. It's an extreme version of the proposal of Milton Friedman that the Fed adopt a firm rule for managing the money supply. After all, according to neoliberals, including Friedman, the market does a brilliant job of managing things if it's just left alone. We saw how that worked out once, in the wake of the 1929 crash. Surely we don't need to repeat the experiment.

THE GREAT TRANSFORMATION PART 7: LAND AS A FICTITIOUS COMMODITY

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The Great Transformation Part 5: Polanyi on
Marxian Analysis

The Great Transformation Part 6: Labor as a
Fictitious Commodity

In Part 6, I discuss labor as one of the three fictitious commodities described by Karl Polanyi in *The Great Transformation*. The other two are land and money. Polanyi explains that these three elements of production do not fit his definition of commodity as something produced for consumption, and that stripping away their social significance and reducing them to the equivalent of potatoes or shoes will be a nightmarish disaster. That should be obvious in the case of labor, which is essentially our lives themselves, and it is perfectly obvious in the case of land, as we can see all around us.

In the melodramatic play *The Little Foxes*, Lillian Hellman has one of her characters say this :

Yeah, they got mighty well off cheating [slur]. Well, there are people who eat the earth and eat all the people on it like in the Bible with the locusts. Then there are people who stand around and watch them eat it.... Sometimes I think it ain't right to stand and watch them do it.

The speaker is the daughter and heir of the eaters of the earth.

THE COSTS OF EQUAL OPPORTUNITY IN A NEOLIBERAL ECONOMY

Eric Loomis has a nice discussion of an article in the WaPo titled "White Americans long for the 1950s, when they didn't face so much discrimination." The article reports these findings:

- 43% of all respondents said discrimination against whites is as much of a problem as discrimination against blacks and other minority groups.
- 60% of the white working class respondents said discrimination against whites is as big a problem today as discrimination against blacks and other minorities.
- White Americans feel put-upon and mistreated – and large shares of non-white Americans do not seem to have any knowledge of the challenges that white Americans say they face.

Loomis concludes that these feelings are the basis of the appeal of Donald Trump:

I will however say that the numbers of the white working class are particularly important because the economic insecurity of an outsourced and automated economy, *the effects of which are swept under the rug by the many proponents of unrestricted globalization*, are very real. I have said for a long time that if you want a stable society you have to have good paying jobs. Without those jobs, racial and religious prejudice becomes even more powerful than it usually is. That is part of what we are seeing in this recent rise of proto-fascism. It's scary and should make us rethink a lot about the society we want to build before it's too late. Emphasis added.

I absolutely agree with Loomis, but there's more to be said. So here's a story. I was accepted at Indiana University Law School in the Summer Session of 1971. My college grades were mediocre, but I got a very good score on the LSAT and had two years in the Army to encourage me to study harder. My law class had 200 people of whom 20 were women, as I recall. I graduated 20th in my class, and 10 of the people ahead of me were women. I assume that all the white guys with better credentials than mine got in, so it's fair to guess that I would have graduated at least 10th if not for those really smart women. As it happened, it didn't affect my ability to get a great job with a brilliant mentor, Stanley Schwartz, who taught me how to be a real lawyer. But that was a good time for lawyers and for hiring in general. And if I had wanted a job in New York City with a big firm, that move down the graduation rank would have made that unlikely.

The same thing happened to athletes when African-American players were allowed to compete. Lots of really good white players lost their scholarships to better players. The same things happened when police forces opened the doors to everyone on more or less equal terms. The number of jobs didn't increase much, so the competition meant that some white men who would have been cops or office administrators or anything else didn't get those jobs. It wasn't a great problem until the decent jobs were disappeared by the rich. With the vast number of good jobs that had cushioned the entry of women and people of color gone, the previously privileged people, mostly white men, didn't automatically win. Instead, they had to deal with the fact that there many previously disqualified people who were smarter and better prepared than they were, and many more were at least as smart and well-prepared as they. Just like me, they lost their previous rank.

That is an actual loss for white men. It isn't just an appearance, or an excuse, it's a genuine loss.

That was bad enough, but it got worse. When the rich started their drive to collect all the money from work in the Reagan years, they explained to the working people that they needed to be better and smarter, and they needed more education, which the workers were expected to pay for. Then college tuition shot through the roof, and states cut support, first for higher education, and then, in the wake of the Great Crash, for all education. But at the same time, Republicans tell workers it's their fault, they need to work harder and longer and better and smarter. It's a horrible double bind. I think the result is that some people respond by blaming themselves, and others respond by blaming the people who beat them out, or the liberals who made equal opportunity more of a real thing.

No one, especially politicians and economists, blames the people who shipped all the good jobs out of the country. Not a single politician or economist points out that if Intel and Apple and IBM don't ship physical, financial and intellectual capital to Taiwan, there won't be any semi-conductor manufacturing low-wage jobs there. No one says out loud that if the heavy equipment used to manufacture washing machines isn't shipped to Mexico, there won't be washing machine plants in Mexico. Economists of all stripes applauded the hollowing out of US industry on the absurd theory that the benefits to some outweighed the costs to society, assuming, of course, that there are economists who think about the interests of society beyond money. Neoliberal policies, specifically the massive support for unrestrained movement of physical, intellectual and money capital, produced the current state of the US economy.

Certainly, restraints on free movement of capital might not have permanently insured that these jobs remained in the US. But the central lesson we learn from Karl Polanyi's *The Great Transformation* is that the pace of change is of crucial importance. See p. 39. The sudden and massive changes in the US economy have produced

unnecessary misery, just as the Industrial Revolution did in the early 1800s in England. Whatever benefits there are in cheap foreign labor haven't gone to the working class in the US, or even to most of the middle class. A government that cared about human beings would have acted to slow down change so society could protect itself. But we had Reagan and a crowd of crappy Democrats.

All this not only explains why people are so angry at both parties, it answers a basic question: why don't the poorest among us vote? These are the people who benefit from the scraps of safety net left after years of efforts by neoliberals of both parties to destroy it. This is from the NYT:

While Mr. Bevin did not win Louisville, a Democratic stronghold, Mr. Conway did not win by nearly as big a margin here as Democrats usually do. William Benton, a Family Health Centers patient who voted for Mr. Conway, said he was not an inspiring candidate even for committed Democrats.

"A lot of people felt really justified not voting," said Mr. Benton, a musician and part-time bakery worker who signed up for Medicaid this month to get help for his depression.

Not inspiring? That barely begins to describe a Democratic Party supporting neoliberalism at the expense of poor and the middle class.

THE GREAT TRANSFORMATION PART

6: LABOR AS A FICTITIOUS COMMODITY

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Marxian Analysis

In Chapter 6, Polanyi says that the theory of the self-regulating market, which is at the heart of laissez-faire and neoliberal economics, requires that all of the elements of production and consumption be subject to the price-setting mechanisms of a market, and that government is not allowed to interfere with those markets in any way. Polanyi defines commodities as things produced for sale; and markets are “contacts between actual buyers and sellers”. Following that definition, commodities are generally subject to market pricing, and that was generally true at the beginning of the Industrial Revolution, say the late 1700s. But three crucial elements of production were not at that time fully subject to markets: labor, land and money. In order for the self-regulating market to function, these three elements had to be brought under market control and freed from government regulation.

In Chapter 6, Polanyi calls these three elements “fictitious commodities”. That’s because they aren’t produced for consumption as the definition requires. Labor is human beings, who are part of society, not some product. Land stands for our natural surroundings, the place

we live, and if we treat it like a cornucopia of goodies we'll foul our own surroundings and make our lives miserable. Money is a social creation, not a commodity produced for sale.

And yet, for the self-regulating market to work, any element of humanity that extends beyond slavery, all efforts to preserve our home planet, and social control over our social creations must be stripped out, and the remains shoved into the same mold of one-dimensional value as potatoes and shoes. Anything less gives the defenders of laissez-faire and today's neoliberals room to argue that the self-regulating market has never been allowed to do its magic and provide us with a material heaven on earth.

Polanyi discusses the impact of bringing the three fictitious commodities into market control in Chapters 14, 15 and 16. We start with the market in labor, which means the market in people's lives. In Chapter 10, *The Discovery of Society*, Polanyi explains the separation of the economic and political spheres, starting with Joseph Townsend's 1786 *A Dissertation on the Poor Laws*. Townsend tells the story of an island populated by dogs and goats. The dogs eat the goats until there are too few to support the number of dogs. Then the dogs die down and the goats thrive. Then the dogs thrive and eat the goats, so the population of goats goes down. Here's Townsend's moral:

The weakest of both species were among the first to pay the debt of nature; the most active and vigorous preserved their lives. It is the quantity of food which regulates the numbers of the human species.

Here's how Adam Smith explains it in Book 1 Chapter 8 of *The Wealth of Nations*:

Every species of animals naturally multiplies in proportion to the means of their subsistence, and no species can

ever multiply beyond it. But in civilized society, it is only among the inferior ranks of people that the scantiness of subsistence can set limits to the further multiplication of the human species; and it can do so in no other way than by destroying a great part of the children which their fruitful marriages produce.

The liberal reward of labour, by enabling them to provide better for their children, and consequently to bring up a greater number, naturally tends to widen and extend those limits. It deserves to be remarked, too, that it necessarily does this as nearly as possible in the proportion which the demand for labour requires. If this demand is continually increasing, the reward of labour must necessarily encourage in such a manner the marriage and multiplication of labourers, as may enable them to supply that continually increasing demand by a continually increasing population. If the reward should at any time be less than what was requisite for this purpose, the deficiency of hands would soon raise it; and if it should at any time be more, their excessive multiplication would soon lower it to this necessary rate. The market would be so much understocked with labour in the one case, and so much overstocked in the other, as would soon force back its price to that proper rate which the circumstances of the society required. It is in this manner that the demand for men, like that for any other commodity, necessarily regulates the production of men, quickens it when it goes on too slowly, and stops it when it advances too fast.

It's an unpleasant picture, but with decent nutrition and good medical care along with birth

control and abortion, it's an accurate description today. Birth rates decline in recessions and increase when the economy is booming. The difference, of course, is the element of choice available today, as this recent Wall Street Journal article explains:

While the uptick in fertility and birthrates is modest and could reverse, it appears the country's improving economy is encouraging more couples to have children. The lingering financial toll of the recession prompted many young and less-educated Americans in particular to delay childbearing.

In Chapter 14, Polanyi describes the technique for bringing labor under market control.

To separate labor from other activities of life and to subject it to the laws of the market was to annihilate all organic forms of existence and to replace them by a different type of organization, an atomistic and individualistic one.

Such a scheme of destruction was best served by the application of the principle of freedom of contract. In practice this meant that the noncontractual organizations of kinship, neighborhood, profession, and creed were to be liquidated since they claimed the allegiance of the individual and thus restrained his freedom. To represent this principle as one of noninterference, as economic liberals were wont to do, was merely the expression of an ingrained prejudice in favor of a definite kind of interference, namely, such as would destroy noncontractual relations between individuals and prevent their spontaneous reformation.

P. 171.

Could that be closer to the neoliberal view of humans? Economic freedom is the only kind that matters, say the neoliberals. And government is to be used to enforce the kinds of contracts the neoliberals want, and strike down all contracts neoliberals don't like. All debts are to be enforced to the letter against human beings and cities. All cooperation among workers is a restraint of trade, and is stopped by courts. All labor is available for consumption by employers, and if you don't want to work, you are free to starve.

Meanwhile, the capitalists will not accept the possibility of any reduction in their take from the system, currently at absurd levels. When Donald Trump, who represents the Republican consensus, says that wages are too high, he means that returns to capital must be kept at the highest possible level. In order for profits to remain high, we have to keep wages low. Then we have to destroy the social safety net so workers will be forced to work for whatever wages are available. The lash of hunger should do the job, along with a militarized police force. This is the society envisioned by the early economists.

And, this is what Polanyi means when he talks about the dangers of treating labor like any other marketable commodity. It means the subordination of every aspect of the lives of workers to the maintenance of the wealth of the filthy rich.