

RECENT DISCUSSIONS OF NEOLIBERALISM

People seem to have trouble defining neoliberalism adequately, and especially when it comes to labeling Hillary Clinton as a neoliberal. In a recent article at *Jacobin* Corey Robins gives a short history of the neoliberal version of the Democratic Party, specifically aimed at the Clinton/DLC/Third Way. Billmon discussed this article in this storify piece, in which he describes three current factions in the practice of neoliberalism, There is the Neo-Keynesian version, as with Krugman; the Monetarist version, that of Milton Friedman and his many followers;, and the Supply Side version, like Paul Ryan and his economic advisors. Each of the factions has attached itself to a political ideology. Both of these pieces should be read by anyone seeking to clarify their thinking about neoliberalism.

Underlying all of them is the broader program described by Michel Foucault, which turns in large part on the notion of governmentality, a point made by Mike Konzcal in this review of Philip Mirowski's *Never Let a Serious Crisis Go to Waste*. After I read that book, I wrote several pieces at FDL trying to comprehend the idea of governmentality and make it comprehensible. Here are links to several of those posts.

1. How We Govern Our Selves and Ourselves.
2. The Panoptic Effect.
3. Discipline for the Benefit of the Rich.
4. Control of Markets in Foucault's The Birth of Biopolitics.
5. Liberalism and the Neoliberal Reaction.

The idea of governability is present in the texts I've been looking at. In Polanyi, we saw the transformation of the farm-dwelling peasant into the city-dwelling factory worker. Arendt

touches on it with her discussion of people who cannot find a place in the productive sector of society, the superfluous people. Veblen writes about the enormous productivity of machine culture, and the changes it demanded of the worker, about which more later. The great problem is that machine culture required a tremendous amount of self-discipline from the workers to make factories function. The principal institutions of society were remade to enforce that self-discipline, from the Army to the schools to the government. Other tools included prisons and mental institutions.

In one way or another, all of these writers on neoliberalism seem to agree that the goal of neoliberalism is to replace the notion of the self as reasonably free citizen, responsible for the self, the family, the community and the state, with the notion of the self as a buyer and seller engaged in zero-sum competition with all other buyer/sellers. We are consumers of any and all goods and services, and entrepreneurial sellers of the self seen as a bundle of skills on offer to the highest bidder. Each separate transaction, buying and selling, is an opportunity for judgment by the all-knowing market. If we are successful, it's because we are winners. If we are losers, we are superfluous. It's an even harsher transformation of the human being than the one from peasant to factory worker.

UPDATE: The excellent Paul Rosenberg discusses the rise of neoliberalism in the sense used by Robins in this Salon article.

HILLARY IS NOW PICKING AND CHOOSING

WHICH OBAMA ACCOMPLISHMENTS TO TAKE CREDIT FOR

According to Hillary Clinton's latest campaign ploy, she deserves credit for domestic policies passed under Obama – notably, ObamaCare – but not issues – in this case, trade deals – she negotiated as Secretary of State.

She rolled out former Governor and erstwhile Michigan resident Jennifer Granholm (when this story hit, some local folks were talking about how Granholm hasn't been seen in these parts of late) to claim that Hillary can't be held responsible for NAFTA – which she supported when it got passed by her spouse (who is, of course, a key campaign surrogate) – or for the Trans-Pacific Partnership – which she helped negotiate as Secretary of State. It's the latter I find particularly remarkable.

"It's not really fair to ascribe NAFTA to her when it was her husband's administration," Granholm said in an interview with The Detroit News. "And, of course, it's not really fair to ascribe TPP to her when it was her boss's administration. She can't go against somebody who she worked for."

As a U.S. senator from New York, Clinton voted against the Central American Free Trade Agreement (CAFTA) forged by Republican President George W. Bush's administration.

"I think people have to be fair about looking at how she acted when she was on her own," said Granholm, who is supporting Clinton's candidacy.

Sanders has been talking about trade policy in speeches in Michigan this week. His campaign is planning a large rally a 7:30 p.m. Saturday night at

Macomb Community College's southern campus in Warren. Clinton and her husband were stumping for votes Saturday in Detroit.

On Thursday, Sanders highlighted trade policy at a press conference in Lansing, previewing a potential topic of disagreement in Sunday night's debate with Clinton at the University of Michigan-Flint.

"On the issue of trade, Secretary Clinton's views and mine are very different," Sanders said. "She has supported NAFTA, I opposed it. She supported permanent normal trade relations with China, I vigorously opposed the (permanent trade) with China. She supported permanent normal trade relations with Vietnam, I opposed that."

"She supported the Colombia Free Trade Agreement. I opposed that. And she supported the Korean Free Trade Agreement. I opposed that."

It's unclear from Detroit News' reporting whether Granholm includes the Colombian and Korean free trade deals in her absolution of Hillary's responsibility or not. But as David Sirota has shown, Hillary's own emails show some really damning details about her claims and enthusiasm for the former (which makes sense, because she is also an enthusiastic booster of Plan Colombia).

During her 2008 presidential run, Clinton said she opposed the deal because "I am very concerned about the history of violence against trade unionists in Colombia." She later declared, "I oppose the deal. I have spoken out against the deal, I will vote against the deal, and I will do everything I can to urge the Congress to

reject the Colombia Free Trade Agreement.”

But newly released emails show that as secretary of state, Clinton was personally lobbying Democratic members of Congress to support the deal, even promising one senior lawmaker that the deal would extend labor protections to Colombian workers that would be as good or better than those enjoyed by many workers in the United States.

One of the 2011 emails from Clinton to U.S. Trade Representative Michael Froman and Clinton aide Robert Hormats has a subject line “Sandy Levin” – a reference to the Democratic congressman who serves on the House Ways and Means Committee, which oversees U.S. trade policy. In the email detailing her call with Levin, she said the Michigan lawmaker “appreciates the changes that have been made, the national security arguments and Santos’s reforms” – the latter presumably a reference to Colombian President Juan Manuel Santos. She concludes the message about the call with Levin by saying, “I told him that at the rate we were going, Columbian [sic] workers were going to end up w the same or better rights than workers in Wisconsin and Indiana and, maybe even, Michigan.”

Note, too, in that email that there is no exemption claimed for the paragraph that follows on the discussion of KORUS, which has been particularly damaging to Michigan’s economy.

Look, last I checked, Hillary cleaned up on Super Tuesday claiming she is running on a continuation of Obama’s policies. While I recognize she mostly means the domestic policies she had a less direct role in, at some point we get to hold her accountable for the things she did in her actual job, which included negotiating trade deals that hurt American

workers, *especially* while she's claiming she'll be Obama's third term. Her role in trade deals – and her likely dishonesty about TPP (see this Larry Summers piece that assumes if Trump wins, TPP will be dismantled, which suggests he expects it to be fully implemented if Hillary wins) is part of who she is. Yes, she voted against a trade deal once. Yes, she also had an affirmative role in a lot more trade deals. That's a shitty record to run on in MI (and it will be a shitty record that Trump will hammer her on mercilessly if they end up being the nominees), but it is her record, part of the extensive experience that she points to as making her best qualified to be President.

EUROPEAN NEOLIBERALS CRUSHED THE LEFTIST PARTY IN GREECE

Two of the most depressing interviews I have ever seen are the Jacobin interview with Stathis Kouvelakis and the New Statesman interview with Yanis Varoufakis in the wake of the Greek referendum and the capitulation of Prime Minister Alexis Tsipras of the Syriza party. Kouvelakis is a member of the Left Platform in Syriza, Tsipras' governing party. Until shortly after the referendum, Varoufakis was the finance minister, charged with leading the negotiations with the Troika. I thought Tsipras was trying to fulfill his promises during the elections that he would be able to get an acceptable deal from the Troika and remove the burden of austerity from the Greek economy, while rationalizing Greece's weak governmental institutions. Varoufakis confirms this. But then came

capitulation.

Varoufakis says that he prepared for the negotiations like an academic. He worked out his theoretical position and the data that supports his view that Greece would never be able to recover from under the strain of the austerity and other demands of the Troika. He claims that the Troika knows that is true, though they won't admit it, and at least initially there was personal sympathy with the problems of Greece and the positions he was taking. This is his major point:

HL: You've said creditors objected to you because "I try and talk economics in the Eurogroup, which nobody does." What happened when you did?

YV: It's not that it didn't go down well – it's that there was point blank refusal to engage in economic arguments. Point blank. ... You put forward an argument that you've really worked on – to make sure it's logically coherent – and you're just faced with blank stares. It is as if you haven't spoken. What you say is independent of what they say. You might as well have sung the Swedish national anthem – you'd have got the same reply. And that's startling, for somebody who's used to academic debate. ... The other side always engages. Well there was no engagement at all. It was not even annoyance, it was as if one had not spoken.

He says that Wolfgang Schauble, the German Finance Minister, took the position that the previous government had agreed to the austerity program, and the Greeks were stuck with it. When Varoufakis asked if debtor countries should just dispense with elections, Schauble was silent, which Varoufakis interprets to mean it would be great if that could be done. Then came the referendum, a smashing win for rejecting the austerity demands of the Troika. Varoufakis says he had a plan ready to get ready to exit the

Euro, but Tsipras rejected it, and moved to capitulation.

So from this we can conclude that what we thought about Europe is true: it is a purely neoliberal state, one in which creditors cannot suffer losses. Either the debtor pays or the taxpayers pay, but the creditors do not lose money. And, of course, by taxpayers, I mean the working class and any remaining middle class. The elites use their control over governments to make sure they don't pay.

The interview with Kouvelakis makes it clear that this was purposeful. He tells us how it looked from the standpoint of the Left Platform, the leftist element of Syriza. He thinks that in June it became clear that the Troika was not negotiating in good faith, and were out to humiliate the people of Greece. Tsipras used the referendum to get himself out of the negotiating trap. He expected the referendum to win, not, as it did, to lose. The decisive factor was the decision by the ECB to force closure of Greek banks, which panicked people.

Kouvelakis says that the rightist wing of Syriza argued that the referendum would be perceived as a serious provocation by the Troika, and they were right. Syriza lost all its leverage, and was forced into humiliating surrender. Even so, Kouvelakis doesn't have harsh words for Tsipras.

What I think actually happened was that Tsipras honestly believed that he could get a positive outcome by putting forward an approach centered on negotiations and displaying good will, and this also why he constantly said he had no alternative plan.

In this Kouvelakis agrees with Varoufakis. He also agrees that their approach was logical and lucid, to use his words. The weakness was their belief in Left Europeanism. Tsipras and Varoufakis both thought that this was a negotiation between partners in the European

project.

But what actually happened was akin to a fight between two people, where one person risks the pain and damage of losing a toe and the other their two legs.

So it is true that there was a lack of elementary realism and that this was directly connected with the major problem that the Left has to face today – namely, our own impotence.

Kouvelakis tells us that this was a class vote. The working class supported the no vote, and the wealthy supported the yes side. The age group 18-24 voted no overwhelmingly. These groups see the EU as hostile, and they are anti-European. They were betrayed by the people they elected.

Kouvelakis says that the yes supporters, the old guard in Greek politics, collapsed in the wake of the loss. But then Tsipras revived them with his call for a council of political leaders. These people decided to treat the referendum as a vote to continue negotiations, even for capitulation. Kouvelakis feels betrayed by this reversal. After a discussion of internal Greek procedures, Kouvelakis says that the Left Platform will leave Syriza, and that the rightist wing and the rest of the group will more or less unite with those rejected parties to form a party of national unity.

That's so depressing it's hard to write. One of the EU demands was replacement of the elected government of Greece. It is a direct rejection of democracy. The EU refuses to work with anyone outside the neoliberal consensus, meaning leftist parties. Syriza was never a revolutionary leftist party, more of a highly reform oriented leftist group, and that's how Kouvelakis sees the Left Platform. So, by removing the Left Platform, Syriza is now nothing more than the Third Way Democrats: economic destruction of human beings with a nice

smile. Large groups of Greeks were willing to do battle with the neoliberals, but they were betrayed, and their misery will go on indefinitely. The destruction of human lives is just the way things are in neoliberal lands. Greece's young people and its working class are losers, the markets have spoken, and they will be sacrificed. It's enough to gag a maggot.

EUROS, DOLLARS AND MORALS

The Greek people overwhelmingly rejected the austerity demanded by the European Elites on Sunday, and the media filled up with opinions about what should happen, and predictions for what will happen, none of which is worth a bucket of spit. What we do know is that whatever happens next will mean more misery for the people of Greece. There are two lines of thinking that seem sensible to me.

First, there is the historical line. Steve Randy Waldman at Interfluidity writes about the history of and rationale for European Unification, including currency unification. In the wake of the last war, the leaders of Europe wanted to avoid more wars. Unification was a long-term project. All such projects face tremendous hurdles and should expect huge problems. The projects succeed or fail based on the skill with which the problems are managed.

Everyone has always known that Greece has weak governmental institutions, but once the Euro was rolling, private lenders poured money into the country. That was stupid. These lenders would be punished if they were operating in a capitalist economy. They would have taken huge haircuts, their managements would have been fired, their shareholders would have lost money. But in neoliberal land, the debtor is required to pay.

If the nation has to sell its assets, its ports, water supplies, gas companies, whatever, so be it. If the people are condemned to misery for years, with unemployment among the young at 50%, so be it. If the government has to be replaced with one acceptable to the lenders, so be it. Democracy and the individual lives must be sacrificed to the demands of the creditors.

If the debtor still cannot pay, then the money has to come from taxpayers in other countries, or so the neoliberals tell them. There are no circumstances in which the creditors can lose money in a neoliberal society.

The leader of this tribe is Germany, with strong assistance from Finland and the Netherlands. None of these countries are explicitly neoliberal. Foucault calls the German system of governance Ordoliberalism in *The Birth of Biopolitics*. Ordoliberalism is a market system where the government has a powerful role in assuring functioning competitive markets through regulation, and through steps to insure that the interests of workers are considered in the operation of businesses, among other things. This system can work in a state with strong institutions, a strong central bank, and a general acceptance by the citizenry. That's the opposite of Greece as Waldman describes it.

If things had worked according to plan, the failure of Greece would just be one of the obstacles in the progression to a unified state of some kind. Lenders to Greece would take their losses and would be recapitalized or bailed out, and life would go on. That would impose losses on the rich. As Waldman puts it:

And explicit bank bailouts are humiliations of elites, moments when the mask comes off and the usually tacit means by which states preserve and enhance the comfort of the comfortable must give way to very visible, very unpopular, direct cash flows.

The choice Europe's leaders faced was to

preserve the union or preserve the wealth, prestige, and status of the community of people who were their acquaintances and friends and selves but who are entirely unrepresentative of the European public. They chose themselves. The formal institutions of the EU endure, but European community is now failing fast.

In a similar historical vein, we find Thomas Piketty, in an interview with Die Zeit. There was a nice translation up, but apparently it ran afoul of German copyright law and was taken down. Here's a link to the article in German, and google translate is your friend. Piketty is famous for his long-term historical approach to economic matters. The interviewer is blunt; his questions come from the overt position that German intransigence with Greece is just. Piketty is his usual calm self, secure in his knowledge of history. Here's the money quote, with some of my feeble German in the last sentence:

Piketty: When I hear the Germans now say that they maintain a very moral dealing with debt and firmly believe that debts must be repaid, then I think: That's a big joke! Germany is the country that has never paid his debts. It has no lessons to teach other countries.

He is referring to the reparations demanded of Germany after the two world wars. Germany did not pay either time. In both cases, the reparations were substantially reduced and forgiven because they were deemed to be unpayable and unreasonable. In the second case, the elites thought that the reparations in the Treaty of Versailles contributed to the rise of Hitler and to WWII, and they didn't want that.

Piketty compares that to the British Government's payment of bonds incurred to fight the Napoleonic Wars. As he explains it in

Capital in the Twenty-First Century, Britain ran a primary budget surplus to pay those bonds which were all held by the rich. In other words, the British could have taxed the rich to pay for those wars, which, after all, were fought solely for their benefit. Instead, they borrowed from their richest citizens, and repaid those bonds with enormous interest, mainly with taxes on the poor. The French and the British incurred enormous war debts themselves in both world wars, and paid those with a judicious combination of inflation, taxes on wealth and something unrecognizable, maybe haircuts.

The German interviewer agrees that the debts of Germany were slashed in 1953, saying it was the desire of the creditors to forgive the Germans for their sins. Piketty says it's nonsense to talk of morals. It was a practical decision. It's not right to punish the children of Germany for the sins of their parents, and it's not right to punish the children of Greece for their parent's (lesser) sins. The interviewer claims that the German people think the Greeks are bad and just want to continue high government spending. Piketty points out that it would have been easy for Europe to make a similar argument against Germany in 1953, and as a side note, a bit of research shows that many historians think Germany could have made the payments at that time.

More importantly, like Waldman, Piketty points out that the German stance threatens the European Union. People must have a future. Piketty suggests a debt conference like the one that ended German reparations, and thinks it should include all of the nations still facing financial problems.

The worst part of this is that this punitive attitude towards debtors is everywhere. The comment sections and the twitter are full of people fulminating about how they pay their debts, so why doesn't Greece? Here's one from @JustinWolfers who ought to know better.

Hey @WellsFargo, what gives? This

morning my family voted 60-40 to stop making mortgage payments but you still haven't restructured our debt

This is one of the milder forms of the morality about money that we see in every context of debtors who can't pay, whether it's homeowners with underwater mortgages, students with heavy debt, or citizens of Ferguson going to jail because they can't pay ridiculous traffic fines. The notion that not paying debts is a Sin pervades the public discourse.

I'm used to it: I practiced bankruptcy law for 25 years. When I counseled people, I always told them that their duties, their responsibilities, ran first to themselves, because if you can't take care of yourself, you can't take care of anyone else. Then their duties run to their families. Only then should they consider the interests of their creditors, and only to the extent that it would not interfere with their primary duties.

That's how I understand this situation. First take care of yourself. Then take care of your family. Tsipras and Syriza understand that. They are taking care of themselves by keeping their electoral promises. Then they are working to take care of their Greek families.

The Troika practices the morality of a leg breaker for a loan shark.

THE TWO PRONGS OF THE NEOLIBERAL PROJECT

It may seem odd that a site focused on national security, domestic spying, and US foreign policy should have a secondary focus on the economy and

on neoliberal economic theory. As I see it, these are the two prongs of the overall neoliberal project. That project is to free up the entire globe for the profit-making activities of a few gigantic corporations and their billionaire owners, with minimal interference from governments or any other social institution.

That is obviously the goal of the Trans-Pacific Partnership deal, particularly the provisions on Investor State Dispute Settlement. Senator Warren explains it in this WaPo op-ed. The examples she gives are fascinating:

Recent cases include a French company that sued Egypt because Egypt raised its minimum wage, a Swedish company that sued Germany because Germany decided to phase out nuclear power after Japan's Fukushima disaster, and a Dutch company that sued the Czech Republic because the Czechs didn't bail out a bank that the company partially owned. U.S. corporations have also gotten in on the action: Philip Morris is trying to use ISDS to stop Uruguay from implementing new tobacco regulations intended to cut smoking rates.

The US Trade Representative has an explanation of the benefits:

- *Freedom from discrimination: An assurance that Americans doing business abroad will face a level playing field and will not be treated less favorably than local investors or competitors from third*

countries.

- *Protection against uncompensated expropriation of property: An assurance that the property of investors will not be seized by the government without the payment of just compensation.*
- *Protection against denial of justice: An assurance that investors will not be denied justice in criminal, civil, or administrative adjudicatory proceedings.*
- *Right to transfer capital: An assurance that investors will be able to move capital relating to their investments freely, subject to safeguards to provide governments flexibility, including to respond to financial crises and to ensure the integrity and stability of the financial system.*

Obviously this benefits the rich and their profit-making corporations, but it doesn't

benefit the rest of us. That is the legacy President Obama sees for himself: cementing the rights of the rich at the expense of the rest of us. Obama wants to insure that this part of the neoliberal project is in place to cut deals that only benefit the rich and their corporations.

The neoliberal project has always had a special place for disciplining the proles. Prison, parole, draconian court systems, all are directed at keeping the proles from interfering with the ability of the rich and their corporations to make lots of money. The legal system has completely broken down when it comes to disciplining Wall Street thieves, but it's great at wrecking the lives of the poor and near poor. This is not an accident. Here's the explanation written by the soi-disant public intellectual and Judge on the Seventh Circuit Court of Appeals Richard Posner:

The major function of criminal law in a capitalist society is to prevent people from bypassing the system of voluntary, compensated exchange – the “market,” explicit or implicit – in situations where, because transaction costs are low, the market is a more efficient method of allocating resources than forced exchange. Market bypassing in such situations is inefficient – in the sense in which economists equate efficiency with wealth maximization – no matter how much utility it may confer on the offender. ... (P. 1195, footnote omitted)

Posner says that the rich are to be disciplined by tort law, after the fact court enforcement of laws, but the poor, having nothing, need jail for discipline. He concludes:

I contend, in short, that most of the distinctive doctrines of the criminal law can be explained as if the objective of that law were to promote economic efficiency. Ibid.

There's a fine statement of neoliberal economic theory. Posner is himself a member of the neoliberal front group, the Mont Pelerin Society, and his theories of law and economics are an integral part of their project.

Domestic spying and collection of all our information are tools to enforce discipline against the citizenry. Marcy documents those activities. Regular readers know that the collection efforts are prodigious, far more than conceivably useful in hunting for terrorists. But these ideas can be traced a long way back, as Michel Foucault explains in *Discipline and Punish*. Here's an extended (and slightly angry) discussion.

As the US continues to sink into third world status, it will be more necessary to plan for disruptions from those left behind. This isn't going to change by itself. The first step is recognizing the situation. That's just as true of National Security/Domestic Spying as it is of neoliberal economic theory. That's why I write here, next to the best analyst in the country. With Marcy on a well-deserved vacation, I'll be putting up more posts than usual, and I hope they help in the counter-project.

WILL ECONOMISTS REPLACE LAWYERS AS FIRST AGAINST THE WALL?

The field [economics] is filled with anxious introspection, prompted by economists' feeling that they are powerful but unloved, and by robust empirical evidence that they are different.

In this post at Naked Capitalism, I explain that one big reason normal people don't love economists is that they refuse to take any blame for causing the Great Crash. As a group, economists insisted that it would be great to tear down the New Deal financial regulatory system, without ever considering the potential costs of a crash. It wasn't just that their models didn't predict the Great Crash, it's that their models won't ever predict crashes. Until someone got around to tweaking them, their models did not even predict the damage a crash might cause. They had no way to evaluate the costs of crashes, but they ignored those costs, mostly on ideological grounds. They insisted to policy makers, legislators, regulators and politicians, and not least, their wealthy supporters, that things would be great if we just got rid of regulation. They were proven absolutely wrong. Then they insisted that more of the same garbage was the right solution, and their supporters agreed. And so it came to pass that we got a lousy recovery that only benefited their patrons. But that's hardly the only reason people don't love economists.

You'd expect some self-criticism from even the most narcissistic economists in the wake of their utter failure, but that didn't happen. Here's an interview of Gary Becker of the University of Chicago in December 2010 by economist Catherine Herfeld who begins by asking him whether the economics profession is in crisis. No, says Becker. Economists might begin to consider some mildly different problems, maybe, but no. Models can't be expected to predict crashes, he says, and people respond to incentives. Economists already knew those things, so the Great Crash has no lessons for them.

Almost all economists agree with Becker's two points. Their models and their methodology are not a problem, and do not require major changes.

One crucial assumption of economists is that consumers are rational actors. When Herfeld presses Becker on the issue of the validity of that assumption and the risks that assumption entails, Becker explains so what? What's your theory? "You need a theory to beat a theory," he says. Policy advice based on Becker's theories has been tried out. That advice sucks. We'd have been better off doing nothing than crashing the economy as an empirical test of his assumptions and the theories based on them. So, no. You don't need a theory to beat a theory. Adults change their minds when their ideas fail. That's another reason people despise these guys.

But that kind of intellectual arrogance is typical of economists, as we learn from *The Superiority of Economists*, by Marion Fourcade, Etienne Ollion and Yan Algan. The authors show that as a group economists are known for their absolute confidence in their ability to understand the economy and prescribe for us lesser mortals. They also show that economists are an insular group, not much interested in the work done in other fields of study. Here's a demonstration of that. Herfeld asks Gary Becker this question:

[R]ationality is a concept that originated in philosophy and its various economic formulations and uses have been discussed extensively in the philosophical literature on the methodology of economics, such as by Alexander Rosenberg, Philip Mirowski, D. Wade Hands, and Mark Blaug. Were you ever interested in that literature? Or where did you get inspiration from when thinking about improving how rationality is conceived of in economics?

[Becker] Primarily, I get inspiration from my own discipline, economics. For example, I wrote my doctoral dissertation on racial discrimination. ...

Becker can't see any reason to learn what

scholars in other fields think of rationality, or, apparently, racial discrimination, or anything else, for that matter, because, you know, he was a student of Milton Friedman, and he read Popper and Carnap. The rest of this answer and the next few show how Becker conceives of the intellectual life. It is exactly what Fourcade et al. describe, insular, hierarchical and to me at least, undeservedly arrogant. They describe the influence of economists in a lengthy section including this:

The upshot of economists' confident attitude toward their own interventions in the world is that economics, unlike sociology or political science, has become a powerful transformative force. Economists do not simply depict a reality out there, they also make it happen by disseminating their advice and tools. In sociological terms, they "perform" reality. Aspects of economic theories and techniques become embedded in real-life economic processes, and become part of the equipment that economic actors and ordinary citizens use in their day-to-day economic interactions. In some cases, the practical use of economic technologies may actually align people's behavior with its depiction by economic models. By changing the nature of economic processes from within, economics then has the power to make economic theories truer. Cites omitted.

So, there's a third reason to loathe economists. They think human nature can and should change to match their models and their value systems, which are based on economic efficiency and unfettered markets. I don't agree. Among other things, as I discuss in detail here, markets deal only with short run decisions, not with the long-term consequences of those decisions, which can easily lead to disastrous results. Just ask yourself how markets will allocate precious

ground water in California, and ask how many almonds and how much cheap oil today are worth the end of the water supply that grows much of our food.

Here's the fourth reason. Of course people respond to incentives, though that's just one of a large number of influences on decisions. The question is who comes up with the incentives. Becker points out that people who took out subprime loans were responding to incentives, as if those borrowers caused the Great Crash. Who set those incentives up? Was it the poor people who got clobbered by those loans? Of course not. It was the lenders who were freed from all restraints by economists and their enablers among the rich and the politicians. Those economists who provided the policy justifications had no conception of the risks they were encouraging others to take while they pocketed their consulting fees. And after the crash, they, and specifically Becker, defended themselves by blaming the victim.

No wonder normal people don't care for these people.

NEOLIBERAL MARKETS DELIVER FOR THE RICH

This is a cross-post with some modifications from Naked Capitalism.

It is a truth universally acknowledged by all good citizens that markets are the only way to organize a society. The implication is that the role of government is to support and protect the operations of markets, and little else. I've been looking at this in a series of posts here; you can find them on my author page. It turns out that the claims about markets reach back to neoclassical analysis by William Stanley Jevons,

and mirrored by other neoclassical writers. In his book *The Theory of Political Economy*, available online here, Jevons claims to prove that markets maximize utility for all participants. Economists generally, and especially neoliberal economists, take that proof at face value and have exalted it into a principle for the organization of society. The proof doesn't stand up to close examination.

Jevons restricts his efforts to what we would identify as a perfectly competitive market. He defines utility using the definition of Jeremy Bentham:

"By utility is meant that property in any object, whereby it tends to produce benefit, advantage, pleasure, good, or happiness (all this, in the present case, comes to the same thing), or (what comes again to the same thing) to prevent the happening of mischief, pain, evil, or unhappiness to the party whose interest is considered."

This perfectly expresses the meaning of the word in Economics, provided that the will or inclination of the person immediately concerned is taken as the sole criterion, *for the time*, of what is or is not useful. III. 2,3, my emphasis.

He uses these definitions to prove that in a perfect market with no constraints people will trade in commodities until any further trades would reduce their personal total utility. That is all there is to the proof for the superiority of markets.

Now whatever the case may have been in the second half of the 19th Century when Jevons wrote, it's ludicrous to suggest that all markets are competitive. It's doubtful that many markets for specific goods and services would meet Jevons' definition.

I examine the definition of utility in this post, following Philip Mirowski. It turns out

that the math produces nonsense results. This is known to economists, but ignored. Samuelson and Nordhaus in their basic economics textbook, *Economics* (2005 ed.) just tell their readers that utility is a “scientific construct”, not something subject to measurement or observation. They don’t seem to see the oddity of using a term in general use for a completely different purpose. They seem equally indifferent to the oddity of the basic assumption that each of us would know what would improve our total utility if we had an infinitesimal increase of money. Despite the best efforts of decades of economists, the proof for the theory of the superiority of markets hasn’t been improved.

Jevons thought that the only valid proofs were mathematical, but there are other ways to derive correct answers. For example, there is little math in Keynes’ *General Theory*, and it has held up quite well, better than the infallibility of markets. Perhaps there is something behind Jevons’ argument that would support his claim that markets are superior to other ways of allocating resources.

In this post I look at several definitions of markets. The thing that leaps out is that they are all based on point transactions: each takes place at a specific time and place, and has nothing in common with the next transaction at the same place, or at some other place or at some other instant. If two people are buying something at the same time in different places, there is no connection. The information in any specific transaction only involves the parties to the transaction. Their motives, the benefits they seek, and the satisfactions or lack of satisfactions, are known only to them. Nothing about the last transaction tells anyone or anything about the future.

And Jevons doesn’t claim anything to the contrary. Here’s how he describes his result:

But so far as is consistent with the inequality of wealth in every community, all commodities are distributed by

exchange so as to produce the maximum of benefit. Every person whose wish for a certain thing exceeds his wish for other things, acquires what he wants provided he can make a sufficient sacrifice in other respects. IV.98

Jevons concludes that markets facilitate the distribution of commodities (which he defines to include services) from moment to moment. He makes no claims about the future. And he specifically acknowledges that the answers he gets from his markets will give benefit the richest most, and the poorer you are, the worse your outcome. In Jevons' conception, money rules, and the rich get what they want. None of the other definitions offers any other outcome.

There is always someone with a system for beating the stock market. Some are technical analysts, who talk of resistance levels, support levels and such; here's an interesting example discussing oil prices. But there isn't any reason to think this is more than throwing darts. So, believe if you want to. The plain fact is that no analysis predicts the future, and neither do markets.

The proponents of market theory tell us that out of this disconnected series of point transactions, we get the perfect allocation of resources for any situation. Problems with air pollution? Drought? Peak oil? Health care? Answer: Markets.

How is that supposed to happen? Even for Jevons markets are the wrong answer. He would agree that the rich get clean air, water, oil and health care, and the rest of us don't. Let's put this to the test. California is experiencing a horrible drought. In response, business interests are busy sucking up the ground water and using it for agriculture and for fracking. If nothing changes we can expect an Easter Island outcome, and it won't matter which is the main cause, as Gaius Publius explains at Digby. Do you really want decisions about the future of

California made by markets in water, as this guy at Forbes wants from his home in Portugal or his armchair theorists in the comment section?

We already have a method for organizing ourselves other than the market. It's called government. The theory was that the majority of voters would run government, but the "marketplace of ideas" has been overwhelmed by huge piles of money devoted to obfuscation and lies and clutter that makes it impossible to think rationally, and power is controlled by the people we want government to control. But when it comes to planning for a future, government is the only way non-rich people can play a part in deciding whether or how to prevent the disasters staring us in the face, including water vultures.

THE NEOLIBERAL INHABITANTS OF MONT PELERIN

In this post, I talked about the intersection of neoliberalism and neoclassical economics. There is a lot of talk on the left about neoliberalism, and a number of ideas about what it is. For me, neoliberalism refers to the general program of a group of economists, lawyers and others loosely grouped around the Mont Pelerin Society. This description is used by Philip Mirowski in his book, *Never Let a Serious Crisis go to Waste*. Mirowski did a Book Salon at FDL, [here](#); the introduction gives a good overview of the book, and Mirowski answers a number of interesting questions.

The writer Gaius Publius provides an historical

perspective here. Classical liberalism is based on the idea that property rights are central to the freedom of the individual, an idea espoused by John Locke, as the Theologian Elizabeth Bruenig explains here.

John Locke's 1689 discussion of property in his Second Treatise on Civil Government establishes ownership as a fundamental relationship between the self and the outside world, with important implications for governance. In Locke's thought, the justification for private property hinges upon one's self-ownership, which is then applied to other objects. "Every man," Locke writes in the Second Treatise, "has a property in his own person: this no body has any right to but himself." Through labor, Locke continues, the individual mixes a piece of herself with the outside world. Primordial self-ownership commingles with material objects to transform them into property.

In this view, property is the central element that structures individual lives and then society as a whole. Those who have it are entitled to total control over it, just as they are over their own person. Perhaps they should even be in charge of operating the state. When you think about that era, you can see why that formulation would be popular: it solved the problem facing newly rich merchants and others under a monarchy. They were in constant danger that royalty would seize their property from them without fair compensation. Locke's argument provides a framework to limit the power of the monarch. It also explains the relation between slaves and owners, and women and men. And, as Bruenig points out, it can be extended to justify protection of property with the same force allowed in self-protection.

The defense of property from interference by the State leads directly to the idea of small government. Government shouldn't interfere with

markets any more than it should interfere with any other use of property. The combination of these ideas leads to the principles of classical liberalism: nearly absolute personal freedom for those with property, and a tightly limited sphere of government action. This is the classical formulation of liberalism.

It lasted until the Great Depression and the New Deal. Franklin Roosevelt was faced with the rich on one side, and with angry and miserable workers on the other. These workers and unemployed people, and most of the citizenry were looking at the massive damage done by capitalists and their capitalist system, and saw that the system did not work for them. They were listening to the leftists of the day, socialists and communists; independent smart people like Francis Townsend; and powerful speakers and populists like Huey Long and Father Coughlin. The elites were frightened of the power of these people to inform and structure the rage of the average citizen, and FDR was able to force them to capitulate to modest regulation of the rich and powerful and their corporations, including highly progressive tax rates.

FDR and the Democrats embraced the term liberalism, and the meaning of the term changed to include a more active state, to some extent guided by Keynesian economic theory. In this version of liberalism, the government becomes a tool used by a society to achieve the goals of that society. People who stuck with the old definition of small government coupled with massive force in the protection of property and rejected all Keynesian ideas were labeled conservatives.

The reformulation of the definition of liberal did not sit well with a segment of the conservatives. Friedrich Hayek and his rich supporters launched the Mont Pelerin Society in 1947. The point of the MPS is to preserve and extend classical liberalism, in an effort to prevent FDR-style liberalism from turning the US and other countries to socialism or something

even worse. It is a diffuse group, not secretive, but it doesn't seek publicity. It seems to content itself with publishing papers and having meetings at which like-minded people can talk to each other and feel good about their brilliance.

The name neoliberal comes from their desire to recapture the glory of small government capitalism. This is from a speech delivered by Edwin J. Feulner, the outgoing president of the group, in 1998:

But with the onset of Progressivism and the New Deal, many Americans became attracted to a political philosophy that was diametrically opposed to Jefferson's. The new statist philosophy had great faith in public man, but was deeply distrustful of private man. It maintained, quite incorrectly, that the uncoordinated activities of ordinary individuals were bound to culminate in economic catastrophes like the Great Depression, and it looked to an all-good, all-wise and increasingly all-powerful central government to set things right. In the view of these statistes – who brazenly hijacked the term "liberal" to describe their very illiberal philosophy – what we Americans needed was more government, not less.

The FDR socialists and communists brazenly hijacked the term "liberal" to cover their assault on the principles of small state property protection. That gives you some idea of the resentment of the neoliberals. They have a strong sense of entitlement, and they cling to grudges for decades. Hayek was perhaps most famous for his book *The Road to Serfdom*, written in the wake of World War II, a screed warning against socialism. That wasn't going to happen, but it fit neatly with the resentment of the filthy rich capitalists who never forgave the Class Traitor FDR.

The Statement of Aims of the MPS is here. It describes a limited choice: Communism or Free Market Capitalism This stark choice has

... been fostered by the growth of a view of history which denies all absolute moral standards and by the growth of theories which question the desirability of the rule of law. It holds further that they have been fostered by a decline of belief in private property and the competitive market; for without the diffused power and initiative associated with these institutions it is difficult to imagine a society in which freedom may be effectively preserved.

This statement shows why the filthy rich love neoliberalism: it feeds there sense of self-glorification. That it lends itself to exploitation for their cash benefit is a lovely side benefit.