Myths of the Marketplace: The Terrible Violence of Abstraction

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In current media accounts of our present economic crisis, one of the prevailing assumptions is the notion that while we are in a severe decline, the market is cyclical and we will, sooner or later, escape from the crisis in which we find ourselves. Free markets, we are told, are resilient and have built into them mechanisms for righting themselves when they are passing through periods of significant difficulty. In time, we will return to our previous situation, at the very least.

As is the case with the media generally, the more basic the concept employed, the less likely it is to be defined or applied to actual American institutions. The idea of the "free market" is no exception. The prevailing notion of the free market among economists and historians is of an economic arrangement marked by competition among technologically simple and roughly equal participants, the cutting of government down to size ("where we can drown it in the bathtub," according to Grover Norquist), the privatizing of previously state-owned enterprises, the liberalization of trade, the general deregulation of economic life, and the glorification of individual self-interest. This is the prevailing concept of neoliberalism.

Now the men and women who parrot these views are unlikely to have actually read Adam Smith and David Ricardo and are thus most likely ignorant of the foundations of their own positions. They would have difficulty explaining how the current capitalist system of gigantic, technically sophisticated global corporations that totally dominate the economic landscape could possibly be reconciled with the original view of Adam Smith who wrote against a background of predominantly small, technically simple, and roughly equal competitors who populated the theory and practice of the 18th and early 19th century. This lack does not, however, seem an impediment to the commentators I refer to.

The reason is quite simple: the views that litter the media are not at their deepest level designed to illuminate the events they describe and analyze, but to establish a mentality that accepts the current system and regards alternative visions as unnecessary, impossible, or immoral, the more so the more radical the alternative visions are. In short, these media ideologies are not serious accounts of the world, but rather fictions designed to mislead, obfuscate, and establish an illusory legitimacy for a system that is vicious in its irrational destructiveness.

Markets are social constructions and so always bear the imprint of the societies from which they derive. Nothing like an unregulated market exists—nor could exist anywhere or any time in human affairs. This does not, however, mean that the myth of the free market has no function, any more than such notions as "absolute zero" or "a perfect vacuum" have no function in physics simply because they are not exemplified in this world in their pristine form. But fictions play a different role in social theory than they do in the physical sciences, because the concepts that are applied to society alter not only our understanding of society, but society itself. The reason is that our understanding is an aspect of the social world, a self-fulfilling prophecy as it were, and therefore a constituent of the society we intend to understand. In short, our theories contribute to remaking the social world we attempt to comprehend.

One of the advantages that is claimed for the "free market" is rational efficiency, which in capitalism is presumed to operate through a continuing cycle of booms and busts and which as if by an "invisible hand," as Adam Smith had it, returns the system to its point of original equilibrium. The genius of this arrangement according to advocates of laissez-faire is not only that state intervention is not required to maintain balance, but that the well-being of society is best served by the greed of those actors who are most dominated by self-interest. If the price of a given commodity rises too rapidly, more producers of the item will enter the market and in their competition drive the price down. If the wages of the laborer rise too rapidly, new laborers will be drawn to the pool of workers and their competition will drive wages down toward the most efficient point: the point where the price paid by the capitalist and the price received by the worker will be to everyone's ultimate advantage.

This perspective has utilized many metaphors. One that appears in a number of accounts is that of the weather, since sometimes it is balmy and other times stormy, and no one need intervene to introduce the next climatic stage; in fact, nobody could. So, as the weather "corrects" itself, the economy regulates itself when it is temporarily blown off course. Perhaps an even more widespread metaphor was derived from the biological doctrine of homeostasis and appears in theories as diverse as those of Dewey, Freud, Watson, Parsons, and Malinowski. The seminal notion in this perspective is that individuals and systems of all sorts tend to maintain a state of balance, equilibrium, stasis or rest, depending on the particular viewpoint. For Dewey the purpose of thought is to restore an equilibrium that has been disrupted. For Freud, homeostasis referred to a tendency in the organism to move toward a condition of stasis. For Watson, animal existence is directed by a movement which culminates in organic stability. For Parsons and Malinowski, societies are organic systems that function to maintain their enduring tendencies. When a concept like "self-correcting equilibrium" can establish itself in the works of writers so otherwise diverse, we can be sure that it has captured intellectual attention and become a crucial ingredient in the self-understanding of the time. All the more reason to examine this notion carefully.

As one of its advocates maintained, "within definable limits, the relations of individuals are constant … an individual or a group, regarded as a system, returns to these constant values after the impressed force has been removed." There is much we would like to know about the terms employed in this account. What are "definable limits," what are "constant values," and what is an "impressed force?" Whatever is intended, the general sense that arises from this formulation is that constancy is basic in the universe and that when deviations arise, they are fated to disappear as the fundamental relations reassert themselves. Order is good, constancy is good, while impressed forces—that is, deviations—are bad. Of course radical change, significant transformation and revolution, all being deviations, are dangerous and destructive. So the present order is reinforced by a methodology that privileges what is and awaits the disappearance of "impressed forces," which are regarded as dysfunctional and temporary aberrations. It is easy to see that the "constancy" view of social relations is a methodological device for supporting the system in power.

A few additional steps are required to further clarify the post-classical doctrine that came to serve as the basis of neoliberalism. First, the foundation of the classical economic theory of Smith, Ricardo, and Marx, which attributed the value (price) of commodities to the objective fact of the amount of labor that had been necessary to produce them gave way to a new subjective theory that identified the value of commodities with the felt wants of those who desired them. This may seem a technical, obscure, and irrelevant point, but the change from objective to subjective theory is of major importance in history and theory. The basic reason for this change was that the classical theory provided for the notion of surplus and thereby raised the question of who was entitled to this surplus, a question that the new rising socialist movement answered with a resounding cry: "the working class." This was the answer finally provided by Marx, who thereby became the scourge of the bourgeoisie. So the change from objective to subjective theory was a change in the fundamental understanding of social justice, a change marked by the receding importance of the notion of justice in liberal economic theorizing.

The change from an objective theory that regarded labor as the ultimate determinant of the value of economic products and activities to the new subjective theory of value as desire was accompanied by the view that human beings were driven in their economic life by one overriding desire: competition for scarce commodities. To Carl Menger, one of the founders of the new school of marginal utility, the issue was quite clear:

> The endeavor of the individual members of a society to command, to the exclusion of all other members, the right quantity of goods, has …. [i]ts origin in the fact, that the quantity of certain goods at the disposal of society is smaller than the demand…

Simple enough: the basic idea of this new, subjective theory of value, otherwise known as the utility theory, was simply that individuals and the natural competitive nature of their individual psyches, were the basis of society and that society was nothing more than the agglomeration of these individuals. So it was said of Menger by F. Wieser, one quite sympathetic to his position: "Menger sees … in all social formations of economic life nothing more than unintended social resultants of … endeavors of individuals." Whereas Marx produced a dialectic of individual and social life, Menger and the other originators of neo-classical economics derived social life from the pre-existing laws of the individual psyche. So Menger could write: "*the value of goods is … independent … of the existence of society ... and becomes a social category simply by the fact that a nation is '… an aggregate of individuals.'*" (emphasis added.)

It is clear that the idea of the economic individual has changed over time from the meaning it possessed in the 18th century, when the term "individual" referred to distinct persons, to our 21st century interpretation—which assigns the term "individual" to both distinct persons and massive global corporations. The decision of our Supreme Court, which established the corporation as a person makes this transformation obvious. One seeks in vain for the common meaning that binds the various stages of liberalism together, for the relevance of the term in its application to such different entities lies not in what the term asserts as what it denies. And this aversion, simply put, is against the right of the larger society to regulate and direct the economic life of "individuals," however defined, for the sake of a common good. In short, the practical, ideological meaning of the term "individual" defines that being which has the right to stand independent of the state, government, or society, as the case may be.

To post-classical, and later, neoliberal economic theory, it is impersonal natural economic law rather than human judgment that accounts for the viability of an economic system. So it views the attempts of human beings to plan an economic system, however well-intentioned, as portending disaster, capable of producing only chaos and corruption. Neoliberal theory views the scope of human judgment as limited essentially to the realm of personal preference within the limits of one's private experience bound by unalterable principles.

And it is this reliance on "independent law" that is one of the compelling motives behind the gathering force of what I will call, somewhat clumsily, the "mathematization" of economic theory. The founders of neoliberalism realized that if they were going to develop an economic theory based on the calculation of individual wants and satisfactions, they would have to provide a mathematical structure within which those subjective states could be assigned a quantitative method of measurement. So Jevons, another of the founders of neoliberal economics maintained:

> To me it seems that *our science must be mathematical, simply because it deals with quantities.* Wherever the things treated are capable of being *greater or less*, there the laws and relations must be mathematical in nature …. Whether the mathematical laws of Economics are stated in words, or in the usual symbols, x, y, z, p, q, etc. is an accident, or a matter of mere convenience.

A comment or two is in order: first, Jevons is not correct in maintaining that economics must be mathematical simply because it deals with "greater or less," if by that remark he intends that formal principles must replace human judgment and evaluation. For everything depends on what we mean by "quantities," particularly, whether we mean to employ ordinal or cardinal numbers in our calculations. Cardinal numbers are numerals, such as "one," two," "three," etc., as distinguished from ordinal numbers, e.g., "first," "second" and "third." Now while the cardinal numbers seem appropriate vehicles to express sheer homogeneous quantities, which is probably what Jevons had in mind, ordinal numbers seem the appropriate vehicles for ranking, evaluating, and judging the worth of aspects of human life, as would be the case if we were attempting to determine the relative importance of education as against health or a viable judicial system in a good society.

What "mathematics" seems to provide the neoliberals with is a set of principles that are objective and independent of human decision. So, while human wants are obviously subjective, their agglomeration and division would seem to be the result of independent principles that human beings cannot alter. The strategy of imposing mathematics is designed to establish the unalterable permanence of the supposedly fixed laws of economics. As one would not think of attempting to alter the principles of algebra or the differential calculus, according to the neoliberal mentality, it would be equally absurd to attempt a transformation of either the priority of the subjective wants of individuals or the formal principles through which they are structured.

Now a second consideration is in order: the notion of equilibrium, as we have noted, introduces the idea of a system that returns to its initial point of origin. So, if unemployment stands originally at 3 percent and is then, through some set of circumstances, some "impressed force," moves to, say, 5 percent, 8 percent or more, the neoliberal equilibrium model assures us that without state intervention of any kind, the number of unemployed will in time return to the original figure. Not only is that happy return guaranteed, but the significance of the decline and its purported reversal are swallowed up in the abstraction which replaces the realm of human existence, human meaning, and human suffering; for 3 percent, 5 percent, or even 15 percent are bloodless categories. They do not suffer anguish, humiliation, or self-hatred. They do not bleed; they do not live and die.

What happens in a typical downturn of any severity and length is obviously the increase in suffering of large segments of the population. Those of us who do not live in walled luxury know that suffering first hand, either in immediate distress or the fear of its imminent presence. The anguish of the "downturn," a concept that conjures up the shrinking bars and retreating lines of the typical chart or graph, is difficult to decipher, even to the most astute intelligence. Where in the margins of the sophisticated differential equation does terror and humiliation lie hidden? When, in our example, the level of unemployment returns to 3 percent, how is the intervening human misery erased from the experience of time?

If we return to the statistic from which we began, is it now the case that after equilibrium is reestablished, everything is the same as we had left it? The usual "free market" economic accounts are written so that these questions are not so much answered in the negative as never asked. Numerically speaking, the system is clearly back where it began, at least in this one particular dimension. But what shall we say of the rise in divorce rates, mental illness, hospitalization, violence, crime, foreclosure, anomie, and the general though amorphous state of dislocation and powerlessness?

Furthermore, the negative consequences of unemployment, significant as they are, represent only one aspect of the social waste and dehumanization of the society in which they occur. Traditional economics, futile and illusory as it is, can, at least recognize the harm that the economic system has done. However, it has absolutely no criterion by which to judge the potentialities that have been abandoned. Fort life is not lived merely in terms of the actual consequences that we undergo, but as significantly in the invisible shadow of those forsaken realizations that fade from the purview of those whose lives are retrenched in their suffering.

When the world contracts, as it does during times of economic failure, wounds are etched in the spirit, which in time leave only scars behind. Eventually one forgets the radiance of a fuller hope. One aspect of the false consciousness that Marx referred to is derived from the continual abandonment of the ideal and its replacement with that dull alienation in which nothing seems possible beyond the boundaries of our present confinement. What previous generations and their forbears took as their birthright begins to seem to us as nothing more than psychological fantasy to which we give the title of "pathology" and whose most propitious course appears to be manipulated "cure."

In the lives of men and women who have been subordinated and exploited in the maelstrom of capitalist acquisition, social injustice continues to burrow within our being as its hosts. We know as through our lives, darkly, that the world is not right, nor are we. For we cannot escape the practice of recreating the world that alienates us. Beneath the more clearly etched behaviors of the ordinary world, beneath customary forms of normality, we sense the despair that arises from our obscure awareness of our contracted being, our limited existence. And as a body continually exposed to damage is unlikely to recover its full flexibility and grace, so a spirit made to suffer repetitive violation is unlikely to insist on its proper calling, or even recall its very nature. To the question raised by Thomas Frank as to why we act against our own self-interests, the answer does not lie in a disdain of intellect but in the fact that we are constantly engaged in reproducing the world that undoes us.

To undergo the calamities of capitalism is somewhat like receiving a diagnosis of remission from a fatal illness. The next significant break in the economy may, like a terrible diagnosis, return one to the previous terror. To lose a glove, to misplace one's keys, to be ignored by another one finds attractive, these are surely losses. But they are generally more like slights that very soon disappear, as water closes again over the object that disturbs its tranquility, sending diminishing ripples over the surface until the original calm has been reinstated. But to lose a job, a house, a child, a relationship, one's sanity or hope, these are not occurrences at the periphery of the self; beneath the surface they produce a thickness, a lost viability in the self. Something congeals that is difficult to turn fluid again. In a decent society, life is lived forward, and stasis is a prelude to the next stage of existence. The equilibrium that is the hallmark of neoliberal economics is a mode of death; it is the stasis of permanent foreclosure. When deep losses occur, something in one's being is permanently disfigured. The world of economic statistics knows nothing of this decline, for the new number that exactly matches the old knows only the surface and nothing of the human depth of what has been lost.

The marketplace, the "free" marketplace, is the site of an infinite number of such blows to the spirit, the source of an unending series of such attacks, either on what one is or what one might have become in a more nurturing world. Life is movement in which one contracts or expands when measured against the shrinking time that is left for realization. But the mathematics of the marketplace have their being in a platonic world of pristine permanence. That is what makes them so appealing to those who embrace them. The equilibrium of number knows nothing of the fluidity of life.

Of course as I noted when I began these reflections, the market moves through booms and busts. But don't all societies proceed through good times and bad? Don't all economies suffer calamity, pestilence, flood, and famine? They do, of course. But no system, save capitalism, has been so structured as to require the perpetual return of endless cycles of rising and falling fortunes, of the relinquishment of what has been won, the destruction of what has been achieved. It is in the very compulsion to expand and accumulate that the cycles of the system reside. It is time to provide for a more continuous expansion of life and spirit, a larger form of learning to obviate the necessity of the endless repetition of violence and suffering. It is time to replace the irrationality of the market with a system of constructive intelligence that provides for an environment in which human life can flourish.