

Exploring Capitalism

The History and Nature of Capitalism

Faith consists in believing
when it is beyond the power of reason to believe
(Voltaire)
(It **will** trickle down...)



The History and Nature of Capitalism

An Evolving EBook

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This is an evolving EBook - updated regularly to reflect recent developments in our understanding of capitalism and its exponentially growing impact on the social and natural environments which have sustained humanity through the past 10,000 years.

Minor revisions/additions occur regularly as new relevant studies appear and are integrated into the text - often as footnotes.¹

All versions are regularly updated to reflect these changes.

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Chapter 1: Introduction

It is said that the aphorism 'Know Yourself' was inscribed in the forecourt of the Temple of Apollo at Delphi. Finding out who we are can be an unsettling experience.

Not only do human beings gild memories of experiences in their own lifetimes, they are extremely adept at reinventing those of their historical past. It can be an educative experience to strip away what the French philosopher Voltaire called the 'fable upon which we are all agreed'.

It's time we, living in capitalist countries, got ourselves into perspective.

Over the past three centuries, people living in Western (capitalist) countries have increasingly imposed their understanding of reality on others. Now, they are becoming aware of a growing antipathy toward 'The West' around the world. Henry Hyde's view of the problems facing Western countries is not isolated,

Let us begin by accepting there is no single enemy to be defeated, no one network to be eliminated. Al-Qa'eda is but our most prominent opponent, but its outlook is shared by many others who are equally committed to our destruction... we know now that we have permanent, mortal enemies who will seize upon our vulnerabilities to bloody us, to murder our citizens, to commit horror for the purpose of forcing horror upon us...

*(US House of Representatives Committee on International Relations
October 3 2001)*

For the past decades the West has confronted what it perceives as a growing 'climate of terror' around the world. While estimates vary, it is reasonable to say that thousands of lives have been lost and billions of dollars have been spent in pursuing, capturing and killing those deemed a threat to the security of Western nations.

It is time to take stock. Before continuing to pursue phantoms and shoot at shadows (and, in the process, alienate thousands caught in the crossfire) we need to understand what is producing this apparently burgeoning antipathy toward Western capitalist countries.

Western capitalist nations, over the past several centuries, have attempted to re-organize the world to reflect their understanding of reality. Although we often fail to recognize it, this requires a far-reaching reorganization of people's lives in non-Western countries. It would be surprising if there was not, sooner or later, a reaction against such activity.

So, what is capitalism? What gives people living by capitalist understandings of the world such a determination to reorganize the rest of the world to their understanding? And, what impact does this attempt to reorganize the world have on people living in non-Western regions?

People living by capitalist understandings of the world have, over the past four centuries, felt driven to compel those who do not think and live as they do, to change. They have committed their lives to a refashioned world, to a capitalist world. So, what is it that has produced in Western people such a deep need to dominate and change the world?

Human beings (including members of Western capitalist nations) believe that they interact with 'objective reality', that is, a reality that exists independently of themselves and is perceived in the same way by all human beings. In every community, models are built from that assumed objective reality which, in the opinion of those who order their lives by them, provide the best ways of organizing life to make the most of the reality in which they live.

Western people hold a peculiar understanding of objective reality and believe they have a duty, a responsibility, to reorganize other people and communities to live by the understandings they hold. When people in other communities are subjected to Western capitalist demands for change, based on very different presumptions about 'objective reality', their understanding of their environment and of themselves in terms of their environment decreasingly 'makes sense'. They lose their sense of identity and self-worth as their indigenous status and prestige systems break down and brutality, despotism and corruption escalate in their communities.

Over time, people begin to realize that the problems they face and the disorientation they experience are connected to Western activity within their regions. Inevitably anti-Western sentiment grows.

We need to understand the nature of this very Western understanding of objective reality. To do so, we need to trace its emergence over the past thousand years of western European history.

Unless we do, not knowing our history, we might well, as Edmund Burke suggested, unwittingly repeat it.

This is the age of Capitalism.

In the following chapters I attempt dispassionately to explore the nature and history of capitalism ². I leave it to you to decide whether it heralds a future of blessings or cursings.

The book starts with an examination of the nature of ideology and, more specifically, capitalist ideology. It is essential to start by examining the nature of ideological frameworks in human thought, interaction and action. This will enable us to get capitalism into contextual perspective.

With questions of the nature of primary and secondary ideology dealt with in Chapter 2, in chapter 3 we launch into an explanation and history of the emergence of capitalism in western Europe. We pose and attempt to answer the question:

★ How have the most basic presumptions which underpin Western understandings of life been shaped by history, becoming seen as features of the real world, the unfocused backdrop to secondary ideological disputes?

This exploration takes us from the 10th century to the start of the 18th century; the century when, in western European thought, 'the economy' became clearly differentiated from 'the social', a distinct environment with its own laws and interests.

In chapter 4 we explore the century in Western European history when the turmoil of previous centuries had distilled into a new version of 'objective

reality' for those who held the reins of power.

Most importantly, it was the century when capitalism gained its evangelical fervor as millions of people, threatened with economic and social ruin, became 'born-again' Christians, the 'moral majority' of Western communities.

This was the century in which they would take responsibility for transforming the rest of the world to live by the reality they now lived in - starting with their own, home grown 'savages'. It was also the century in which the justification for natural laws shifted from divine decree to the innate characteristics of environments in a self-existent natural world.

In chapter 5 we investigate how capitalism became 'virtuous'. The 18th was the century when the merchant, trader and banker moved to center stage, the period when the newly respectable, and often 'born-again', capitalist became morally and socially respectable. As Adam Ferguson, a Scottish gentleman, explained,

... in the progress and advanced state of his art, his views are enlarged, his maxims are established: he becomes punctual, liberal, faithful, and enterprising; and in the period of general corruption, he alone has every virtue, except the force to defend his acquisitions. He needs no aid from the state, but its protection; and is often in himself its most intelligent and respectable member.

Adam Ferguson (1767 Pt 3, Section 4)

It was also the century in which, as Thomas Jefferson claimed, Western Europe,

...divided their nations into two classes, wolves and sheep. I do not exaggerate. This is a true picture of Europe. ...man is the only animal which devours his own kind; for I can apply no milder term to the governments of Europe, and to the general prey of the rich on the poor.

(Thomas Jefferson, 1787)

With the distillation of a new objective reality for Western Europeans - now recognized as 'capitalism', in Chapter 6 we examine the ways in which Western European responsible people set out to ensure that the indolent, the 'lazy poor', pulled their weight and learned to work. As Western Europeans gained control of the rest of the world, it would also be time to teach 'natives' the same lesson.

In the 19th century, it was time for Western Europe, in search of resources to feed its rapidly expanding industries and needs and wants, to invade the rest of the world. By 1914 it controlled more than 80% of the earth's surface.

This was the time of European empire. The time when Western European nation-states would attempt to become global in extent. In Chapter 7 we examine the establishment of 'nation states'. Western Europe's colonies were assumed to be the 'overseas' extension of its nation states. Their acquisition and reorganization enabled Western people to continue and increase their accumulation of material wealth and expand consumption.

Finally, we arrive at the 20th century, the century of electricity, of streamlined industrial production, of capitalist control of the world. In

Chapter 8 we examine the experiences of Western communities and nations as they moved from:

- free markets, patchy welfare capitalism and piecemeal welfare legislation;
- to protectionism, regulation, and welfare states and then back
- to neoliberal free markets, scaling back of state welfare provision, and globalization of economic activity.

Following this exploration of Western economic realities in the 20th and 21st centuries, Chapter 9 turns the focus back to non-Western nations and communities and examines their experiences over the past seventy years. In the era of global capitalism, why are there so many 'failing states'?

The final five chapters deal with core issues in understanding the nature of Western capitalism in the early 21st century.

Chapter 10 examines the nature and importance of 'credit' in democratically organized and in *laissez faire* Western capitalist societies.

Chapter 11 examines the prerequisites for a truly democratic capitalist nation.

Chapter 12 focuses on the relationships which have developed, within the 21st century United States of America, between its president, Pentagon and the increasingly 'Western' military industrial complex.

Chapter 13 examines the nature of commoditization. It suggests that capitalism is the process of commoditizing reality. The world becomes a global marketplace where commoditized objects take pride of place. Everything can be bought and sold, and the driving force behind this buying and selling is the commoditized value of the objects, rather than their inherent use values.

Finally, Chapter 14 examines the peculiar definition of exchange which lies at the core of Western capitalism. It concludes that the economic models of capitalism are ideological models which incorporate all the most basic presumptions about the world and about human beings which are extant in Western communities.

Chapter 2: Ideology, the World Economic System, and Revitalization Movements 🌱

Introduction

Human Beings organize Life using Historically Constructed Models

- Categorizational Models are Unique to Each Community
- Models Have Unique Combinations and Qualities of Relationships
- Primary ideology
- Secondary ideology
 - World economic system
 - Imposition of Western secondary models: The breakdown and revitalization of communities

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- Revitalization and dissident groups
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Conclusion



Introduction 🐼

Those who live in capitalist communities have, over the past century, introduced their ways of organizing and interacting with the environment to people throughout the world. In doing so, they have set about re-organizing other communities to conform to the requirements of life in a capitalist world.

Vast amounts of 'aid money' ³ have been spent in other communities assisting them to develop capitalist institutions and practices. Development experts, trained in Western ⁴ universities, have dedicated their lives to improving the lot of 'under-developed' and 'less-developed' communities ⁵. Yet, the consequences of all the dedication, effort and resources committed to 'Third World development' seem to have produced very mixed results around the world.

To understand the process of 'development' and its consequences in non-Western communities, we need to understand the ways in which people organize themselves and their surroundings.

Human Beings organize Life using Historically Constructed Models 🐼

Human beings are natural model builders. Before they can begin to interact with their world it must be imbued with meaning and that requires a set of criteria for categorizing and classifying experiences ⁶, and for connecting the classified experiences with each other.

If every individual had, from birth, to invent his or her own categorizational criteria, human beings would forever be trapped at the dawning of sentience. Meaningful communication between people would be severely limited. So it should be no surprise that newborn babies are not left to develop their own criteria for categorizing experiences.

{§} (23/12/17) Just as human beings teach their young to speak their native language, so they teach them, from birth, the indigenous criteria for categorizing their experiences and interconnecting those categorized experiences.

The criteria used in building a community's categorizational models are historically determined. So, to the extent that the community is isolated from other communities, its categorizational models will be unique to the community (just as a community's language is unique).

This is one of the reasons why anthropologists recognize that they should handle apparent similarities between communities with extreme caution. One should never assume that 'models of kinship' or any other forms of social organization and structure can be applied across communities.

Categorizational Models are Unique to Each Community 🐼

Consider, for example, the kinship categorization (or 'definition') of the 'elder brother' and 'younger brother' in Confucian Chinese families. The categorizational criteria that produce these related categories of persons are quite different from those that determine the definitions of older and younger brothers in, say, Anglo-Celtic Australia.

Few people in Anglo-Celtic Australia recognize the kinship elements 'elder brother' and 'younger brother' as categorically distinctive, carrying their own prescribed characteristics and sharing formalized rights and responsibilities (or reciprocal duties) that are distinctive to those two categories of persons.

Both sets of communities recognize the existence of older and younger brothers. After all, brothers, as male siblings of the same parents, exist in all communities. However, the characteristics they recognize and the relationships they presume between them are very different.

Kalman Applbaum (1998) sums up the Western understanding of 'horizontal' ⁷ relationships:

... [Western] individuals may be seen in relation to other individuals as free actors, free choice makers, whose unfailing goal of satisfying primordial needs and achieving the construction of self-identity are not compromised by such interferences as filial duty or custom.
(Applbaum 1998)

The chief characteristics of such persons are that they are autonomous and independent. They recognize rights and responsibilities as incentives and constraints channeling the pursuit of their independent 'needs and wants'.

The focus is on individuals attaining 'needs and wants' and the regulatory structures defining legitimate attainment of them (i.e. in economic terms - or is it ^{CE} *Star Trek terminology*? - the 'rules of acquisition'). The focus is only secondarily on other persons (whatever their kinship relationships might be) with whom one might or might not interact in achieving one's needs and wants.

The consequences of accepting the centrality of filial and other forms of reciprocal duty, as in Confucian China, may however, (as Confucius 500 BC ⁸ suggested) require that individuals are not seen as *free actors* pursuing individual needs and wants. Rather, they should be seen as *interdependent members* of a community who can only understand themselves and ensure their needs and wants through understanding and accepting their kinship and other communal responsibilities.

Confucius summed up the major formal focuses of reciprocal responsibility (which provide templates for other focuses of reciprocal responsibility⁹) in traditional China like this:

The duties of universal obligation are five and the virtues wherewith they are practiced are three. The duties are those

- between sovereign and minister,
- between father and son,
- between husband and wife,
- between elder brother and younger,
- and those belonging to the intercourse of friends.

Those five are the duties of universal obligation.

Knowledge, magnanimity, and energy, these three, are the virtues universally binding. And the means by which they carry the duties into

practice is singleness.

Some are born with the knowledge of those duties; some know them by study; and some acquire the knowledge after a painful feeling of their ignorance. But the knowledge being possessed, it comes to the same thing. Some practice them with a natural ease; some from a desire for their advantages; and some by strenuous effort. But the achievement being made, it comes to the same thing.

(Confucius 1893)

If a Western person is not aware of the very different relational presumptions built into Confucian ideas of reciprocal duty, he or she is likely to presume that the independent pursuit of needs and wants is central to involvement in such relationships.

Robert Westwood does this when he sums up the Confucian position from a Western perspective. He assumes that all individuals are 'free actors' who 'lose freedom' when they are required to accept super-ordinate or subordinate hierarchical status. It is this that allows him to speak about relative 'power' in hierarchical, interdependent relationships:

Challenges to authority and the 'natural' order are not countenanced. This is encapsulated in the Confucian precepts of the so-called 'Five Cardinal Relationships' or wu lun, which delineate a hierarchical power structure over key societal relationships. The wu lun are dyadic sets of unequal, mostly hierarchical relationships between emperor - minister, father - son, husband - wife, older brother - younger brother, friend - friend.

Although the power structure is differentiated and unequal (except for the latter), mutual obligations and reciprocities are inherent in the relationships. The person in the dominant position expects and receives obedience, deference and compliance, but in return should respect the dignity of the lower party and provide appropriate care and concern.

(Westwood 1997, p. 459)

Tsui, Farh and Lih, however, sum up the differences in the following way:

... Chinese often view themselves interdependent with the surrounding social context, and it is the 'self in relation to other' that becomes the focal individual experience. This view of an interdependent self is in sharp contrast to the Western view of an independent self.

The latter sees each human being as an independent, self-contained, autonomous entity who (a) comprises a unique configuration of internal attributes (e.g. traits, abilities, motives, and values) and (b) behaves primarily as a consequence of these internal attributes (Markus & Kitayama, 1991).

This divergent view of self has implications for a variety of basic psychological processes (e.g. cognition, emotion and motivation) and may be one of the most fundamental differences between the East and the West in social relations.

(Tsui et al. 1997, p. 59)

The categorizational models held in different communities not only have distinctive sets of categories and idiosyncratic placement of elements within categories, they also have unique combinations and qualities of relationships through which categories and their elements are interconnected.

It is very easy for a researcher or commentator to apply his or her own understandings of the nature of relationships to those observed in other communities. Westwood (1997) does this when he assumes that hierarchical relationships must involve dominance and subservience, relative power and powerlessness.

These are features of relationships between individuals who define themselves as 'free actors'. They see relationships of dependence in terms of costs and benefits and degrees of loss of independence¹⁰.

The independent self is quintessentially Western. The interdependent self, in one guise or another, is found in communities where individuals know who they are through the forms of relationship they recognize between themselves and other members of the community. They perceive rights and responsibilities as *qualities of the interactants* rather than inhering in the 'objects' of interaction (as rules of acquisition).

In such communities the rights and obligations of individuals in exchange relationships remain with the interactants rather than being attached to the objects of exchange. So, the other party in an exchange is the focus, rather than the needs and wants of the interactants.

In one case, the process of exchange (or interaction) tends to emphasize the separate identities (and, therefore, motivations) of the exchangers (leading to a stress on *independence*). In the other, it tends to emphasize their relatedness and reciprocal responsibilities (stressing *interdependence*). The qualities of the relationships invoked in exchange in the two orientations are very different.

Such interactional orientations tend not only to 'flavor' recognized relationships between people but permeate relationships connecting both elements within categories and categories themselves throughout the primary ideological frames (see 'Primary ideology' - below) of the communities. Not only are perceived relationships specific to communities, so too are the perceived qualities that inhere in relationships.

By definition, two individuals living in different communities will, therefore, have quite distinctive 'understandings' from each other. How similar their understandings are will largely depend on the nature of the historical connections that have existed between their communities and the degree to which the hegemonies¹¹ of their communities have interacted over time¹².

Throughout their lives, people in communities are constantly corrected and disciplined whenever their interactions or their understandings do not conform to those considered accurate in their community. To quote Confucius, 'some acquire the knowledge after a painful feeling of their ignorance' through a process of 'teaching and learning'.

In order to understand the ways in which communities build their categorizational models and then from them construct models of community organization and individual interaction, we are going to address two related

sets of structures. These determine how human beings, in any community, see 'reality' and then organize their communities in the 'best possible ways' to make the most of the reality they live in.

Primary ideology 🐼

The first set of structures is the set of categorizational models that all members of a community (or set of related communities) hold in common. If they did not hold these models in common they would find it very difficult to make sense of each other's organization, interaction, behavior and communication. We are going to call these fundamental organizational models *primary ideology*.

Processes of categorization require frameworks of categories and rules (in language these would be called 'grammars') for both the placement of elements of experience in those categories and the interconnection of the categories and of the elements of experience contained in them. The interconnections are, of course, 'relationships'.

Not only are the categories and the framework of those categories unique to a community (or set of related communities), so are the sets of interactional relations and the 'qualities' that are invested in those relations.

The criteria that produce both the categorizational framework and its internal categories and relations are *primary ideological presumptions*. These are the most basic understandings people have of their worlds, in terms of which categorization proceeds. Any attempt to alter these understandings attacks the ability of people who hold them to think, and therefore to interact meaningfully with their environments.

Most people, when asked to explain their understanding of primary ideological presumptions, find it very difficult (just as they find it difficult to explain why they place words in a particular order in their sentences or why certain words should always, never or only in certain contexts appear together).

One of the features of the presumptions is that they are taken for granted. Those who hold them often find it difficult to identify their features and usually presume that they are so 'self-evident' that they need no explanation or justification.

This makes it very difficult to research primary presumptions since people, anywhere, will consider questions related to the definition of the assumptions to be inane. One should not question the obvious, particularly when the people being questioned find it difficult to express their understandings or even focus on the issues being raised.

It needs to be remembered, however, that primary ideological presumptions are not universally held understandings of the world. They are the understandings that are required by the most basic categorizational models of the community. So, not only should they not be questioned, they cannot easily be altered. Changes in such assumptions occur over hundreds of years and produce strains and tensions in communities experiencing the changes ¹³.

People in any community inherit the primary ideology of their community in the same way that they inherit the language of their community. It is taught to them from birth or as Confucius put it 'some are born with the knowledge...'.

¹³

Every time a child makes inappropriate connections between objects, people or experiences, those around the child, who feel responsible for its upbringing, correct the child. They are ensuring that its 'understanding' (i.e. its sets of categories, categorization within those sets and their inter-relationships) of the world approximates the understanding of the world held by the responsible people in the community (members of the hegemony).

All communities develop a range of acculturative processes and structures squarely aimed at ensuring that the primary ideology of the community is learned. People, throughout their lives, live by and conform to the presumptions of the fundamental categorizational models of their community. Even trivial deviations will be subjected to correction, in much the same way as people are corrected when their speech patterns deviate from accepted practice in their community.

Where the models are not held consistently or life is not organized in ways required by the primary ideology of the community, those involved are usually defined as socially or mentally defective in some way. They are, to one extent or another, in need of re-education or 'correction'.

Those who do not readily respond to correction are often considered dangerous - very often isolated from the rest of the community, or even killed (especially when community cognitive models are under attack and people feel a need to reassert the fundamental certainties of life, as in the *revitalization movements* we will consider shortly).

For some three to four hundred years Western Europeans became increasingly aware and fearful of the effects of madness as the fundamental presumptions of their primary ideologies were challenged and altered¹⁴. As Laura Nader put it:

Foucault (1967) demonstrates how changes in the concept of madness led to changes in diagnosis and treatment of the insane and of social attitudes toward them. He describes how changing perceptions of madness in parts of Western Europe from the medieval times to the end of the 19th century led to the separation of 'mad' persons from the rest of society, their classification as deviants, and finally their subjection to social control. He focuses on the cultural controls that led to the social controls; ideas about madness led to asylums for the mad.

(Nader 1997, p. 719)

In any community, members are certain that their primary ideology is not simply a set of categorizational models but is, in fact, the way the external world is ordered. After all, they have viewed and interacted with their world through that model since birth. Whenever something in the 'real' world seems not to fit their models (i.e. their understanding) they, usually subconsciously, change it so that it does. (This is what Westwood (1997) does in his description of relationships in Confucian Chinese communities.)

There is a continuous, but subliminal *ideological management of reality*. So, whenever people in a community investigate the 'real world' to see whether it fits their most basic understandings of life, they, inevitably, find that it does. As Nader says of the ways in which people understand 'the body' in different communities:

Images of the body appear natural within their specific cultural milieus.
(Nader 1997, p. 719)

The primary ideology of individuals and communities is fundamental to the way they think and understand themselves and their worlds. They instinctively apply their primary ideological presumptions in classifying new experiences and objects. Human beings, in applying their primary presumptions to new phenomena, inevitably reorganize 'reality' to fit their models rather than reorganizing their models to fit 'reality' (i.e. they act to *conserve* their understanding of their world and themselves) ¹⁵.

Secondary ideology 🐦

The second set of structures is derived from the common primary ideology of members of a community. These structures start from the presumption that the primary ideology is not a subjective set of categorizational models held by members of the community. It is the way the external world is organized, it is 'objective reality'.

The purpose of this second set of structures, which we will call *secondary ideology*, is to spell out the best possible ways of organizing community life, given the constraints of 'objective reality'.

There can be any number of secondary models in a community. What they all have in common is that they take the primary ideology and its presumptions, from which they are built, for granted. It is the unquestioned, *organized*, backdrop to life.

This second level of model building, as Claude Levi-Strauss explained, is not only designed to ensure that communities are organized and individuals interact in the 'best possible ways'. It is also designed to reinforce and perpetuate the fundamental features of their primary ideologies. According to Levi-Strauss:

[C]onscious models... are by definition very poor ones since they are not intended to explain the phenomena but to perpetuate them. Therefore structural analysis is confronted with a strange paradox well known to the linguist, that is: the more obvious structural organization is, the more difficult it becomes to reach it because of the inaccurate models lying across the path which leads to it.
(Levi-Strauss 1963, p. 282)

Many of the 'explanatory' models of communities confirm Levi-Strauss' observation. They affirm and reinforce the central presumptions of the primary ideologies of the communities in which they are built ¹⁶.

Community members 'instinctively' understand, and are cognitively committed to the basic presumptions upon which the secondary models in their community are built. They can readily weigh up the advantages and disadvantages of the secondary models available to them and so choose which of the models they will support and which they will oppose.

This, in Western communities, is known as 'political', 'social', 'economic' or 'religious' (or any mixture of these) deliberation, debate or activity. These are the models of which community members are conscious and about which they enter into dispute with and support one another.

It is taken for granted by those who espouse a model and organize life by it that their model is all about organizing the real world to maximize benefits to community members and protect the most important basic principles of life in their communities (the fundamental presumptions of their primary ideology). It is the other models, those they do not endorse, which are defined by them as 'ideology'. As Philip Williamson explains of the British conservative movement of the late 20th century:

Conservative politicians, intellectuals and publicists confused matters by denying they had any such thing, whether ideology, creed or doctrine; their concern was the real and the practical, 'ideology' being

an infection among their opponents which it was their task to resist.
(Williamson 2003, p. 270)

In Western communities, since the collapse of the Soviet Union in the late 1980s and early 1990s, there is one dominant secondary ideology - capitalism, with a variety of derived models that offer variations on the major themes of capitalism ¹⁷.

People in Western communities, convinced that their dominant secondary ideologies are not ideologies but are the best ways of organizing objective reality, have imposed and continue to impose them, often with considerable force, on the rest of the world. This set of imposed Western secondary ideological models underpins and constitutes the world economy, perpetuated and reinforced by the almost irresistible hegemonic forces of globalization.

This imposition of Western secondary ideological models on non-Western communities (which have very different primary ideologies) leads almost inevitably to their disruption. Since human beings require a primary ideology in order to think and interact with their worlds, the imposition of secondary models which do not fit their primary ideological understandings, leads to mental and social confusion.

However, both those imposing the new models and those on whom they are being imposed do not recognize the existence of primary ideological models. Both assume that the dominant and apparently 'successful' Western secondary models are the most efficient and 'practical' ways of organizing a shared objective reality.

So, it is assumed, the problem for the victims of this hegemonic imposition is one of lack of 'education' and/or lack of 'discipline'. They, therefore, sponsor and accept educational and restructuring programs (which are based on the primary ideological understandings of the hegemonic powers) to tackle the burgeoning chaos. This exacerbates the problems of social and mental confusion in the receiving communities.

Many communities around the world, suffering the consequences of enforced reorganization of their worlds to fit the requirements of capitalism, are in various stages of disintegration - victims of the globalizing forces of international capitalism. As ¹⁸Wallerstein (1991) claimed, the imposition of economic organization and activity on the rest of the world by Western nations is not new.

Since the 16th century Western Europeans (and those First World countries that have their hegemonic roots in Western Europe) have become increasingly militarily dominant around the world. They have required the rest of the world to accept reorganization of their models and understandings. In doing so they have established and maintained a 'world economic system'.

World economic system 🌐

To understand the ways in which people live and organize their lives in the early 21st century we need to understand the nature of this world economic system. Unless we do, many of the most important influences on the lives of people in communities will be missed or misinterpreted.

Over the past fifty years there have been many attempts to explain the presence of this system. As Immanuel Wallerstein (1991) has said:

its peculiar feature is that it has shown itself strong enough to destroy all other [world-systems] contemporaneous to it.

In this article, Wallerstein provides a brief discussion of the nature of the 'world-system' as he understands it. His article is a response to an earlier article by Andre Gunder Frank, which was, itself, a critical response to a 1990 article by Wallerstein.

Wallerstein says that his 1990 article ^{CE} 'L'Occident, le capitalisme, et le systeme-monde moderne' was written as a rebuttal of the belief that the world-system is an 'economic miracle' of Western industrialism. He says, those who claim this:

believe two things simultaneously: (a) something distinctive occurred in (western) Europe which was radically new somewhere in early modern times; (b) this 'something' was a highly positive or 'progressive' happening in world history. My position is that (a) was true but that (b) was distinctly not true.
(Wallerstein 1991)

Capitalism is based on an individualized, status-driven, open-ended accumulation and consumption of goods and services, requiring open-ended production. The basis for social status and self-definition in Western communities is peculiar. Systems of status and self-definition in other communities are equally peculiar to them.

Imposition of Western secondary models: The breakdown and revitalization of communities 📖

Feudalism, while unique to medieval Europe, shares many of the characteristics of patron - client forms of communal organization and interaction around the world. It was a territory-based, patron - client system in which those higher in the hierarchy took responsibility for those below them. They 'parented' those who depended on them.

Feudal communities presumed an 'interdependent self' rather than an 'independent self'. The political organization directly mirrored the social system, and councils of people of similar hierarchical position met to determine affairs of their dependents ¹⁸.

On the other hand, capitalism is based on individual independence; the acquisition of an ever-expanding set of needs and wants and promotion of the individual rather than his or her responsibility for dependents. Its political frame, therefore, is democracy.

If one insisted on a feudally organized community accepting democracy as its political frame, this would directly undermine the 'parenting' responsibilities of hierarchically superior members of the community.

Democracy requires communities to be organized in terms of an 'independent self', not an 'interdependent self'. It is no more a universally applicable model of governance than is feudalism, and when communities are compelled to reorganize in 'democratic' ways, all their other understandings of life are automatically challenged.

If, in patron - client organized communities, those in superior hierarchical positions were freed from their parenting responsibilities, those who depend on them would find the world a very insecure and inhospitable place. Far from improving the lot of the poor, the imposition of democracy can disenfranchise them and strip them of those supports that have protected them in the past. Interdependent relationships are disrupted, redistributive processes dismantled, and poverty, anomie and violence escalate in their communities.

Thomas More (1516), in his book [Ⓔ] *Utopia*, described the consequences of such disenfranchising of the peasantry of England in the early 16th century, during the shift from feudalism to capitalism. The hero of his book, Raphael, was the guest of the 'Archbishop of Canterbury, Cardinal, and Chancellor of England':

One day when I was dining with him there happened to be at table one of the English lawyers, who took occasion to run out in a high commendation of the severe execution of justice upon thieves, who, as he said, were then hanged so fast that there were sometimes twenty on one gibbet; and upon that he said he could not wonder enough how it came to pass, that since so few escaped, there were yet so many thieves left who were still robbing in all places.

Upon this, I who took the boldness to speak freely before the cardinal, said there was no reason to wonder at the matter since... 'The increase of pasture,' said I, 'by which your sheep, which are naturally mild, and easily kept in order, may be said now to devour men, and unpeople,

not only villages, but towns; for wherever it is found that the sheep of any soil yield a softer and richer wool than ordinary, there the nobility and gentry, and even those holy men the abbots, not contented with the old rents which their farms yielded, nor thinking it enough that they, living at their ease, do no good to the public, resolve to do it hurt instead of good.

They stop the course of agriculture, destroying houses and towns, reserving only the churches, and enclose grounds that they may lodge their sheep in them. As if forests and parks had swallowed up too little of the land, those worthy countrymen turn the best inhabited places into solitudes, for when an insatiable wretch, who is a plague to his country, resolves to enclose many thousand acres of ground, the owners as well as tenants are turned out of their possessions, by tricks, or by main force, or being wearied out with ill-usage, they are forced to sell them.

By which means those miserable people, both men and women, married and unmarried, old and young, with their poor but numerous families (since country business requires many hands), are all forced to change their seats, not knowing whither to go; and they must sell almost for nothing their household stuff, which could not bring them much money, even though they might stay for a buyer.

When that little money is at an end, for it will be soon spent, what is left for them to do, but either to steal and so to be hanged (God knows how justly), or to go about and beg? And if they do this, they are put in prison as idle vagabonds; while they would willingly work, but can find none that will hire them; for there is no more occasion for country labor, to which they have been bred, when there is no arable ground left.

One shepherd can look after a flock which will stock an extent of ground that would require many hands if it were to be ploughed and reaped. This likewise in many places raises the price of corn.'
(More 1516)

A major problem in Third World (and, increasingly, in 'developed') countries is now not simply the grinding poverty of the poor, but the continuing costs of the conspicuous consumption of the rich. The imposition of forms of democracy (based on presumed independence rather than interdependence) and economic organization required by the world economic system have reduced increasing numbers of people in Third World countries to penury, with diminishing political, economic and social protection.

The imposition of democracy has been responsible for dismantling traditional forms of land tenure and utilization. It has eroded and disrupted social organization and communal support mechanisms.

In patron - client systems of governance it has disrupted the parenting responsibilities of hierarchically superior members of the community. This, in turn, has allowed those in positions of responsibility to accumulate wealth with less and less acceptance of patron - client responsibilities for former dependents (i.e. for *redistribution* of goods and services). ¹⁹

There has been a considerable inflation of expectations and a very great increase in conspicuous consumption amongst some groupings in non-Western communities. This inflation of the material requirements of status

positions is in many ways, though not all, similar to that which occurred in Western Europe from the late 15th century with the denial of hierarchical feudal responsibilities by those who controlled resources ²⁰.

The effects of the 'trickle down' development policies of the 1960s and 1970s show how readily the requirements of status positions can be inflated. Particularly those which are primarily determined through non-economic criteria but reinforced by the acquisition and/or consumption of material goods and services.

One of the unfortunate consequences of the 'trickle down' policies of Third World Development projects and programs and the 'globalization' activities of the past 50 years has been that high-status people in many Third World communities have had the material requirements of their positions greatly inflated by the massive injection of capital into their countries.

Since they were not primarily geared to Western forms of open-ended production ²¹, the injected capital was diverted into existing social template activity and those of high status found themselves able to buy Mercedes Benz cars, live in mansions, have overseas assets, and engage in many other forms of excessive conspicuous consumption. Over the past half century the ownership and consumption of these luxury goods has become institutionalized.

As the injection of outside funds dried up with the failure of 'trickle down' policies, those who require these possessions to underscore status have had to find other sources of funds to obtain them. This has resulted in a 'trickle up' effect. Those of low status, dependent on high-status people in a variety of ways, have, through lowered wages, decreased returns on produce, decreased welfare support, and increased pressure on land and other income generating possessions, borne the brunt of the inflated expectations of elites.

In many non-Western communities and countries, as a result of the 'development' activities of the past half century, the relationships between lower and higher ranks of hierarchically ordered systems of status and community organization have become severely distorted. By insisting on the 'democratization' of communities run by 'dictators', the lowest ranks of hierarchical systems have effectively been disenfranchised ²².

In almost all traditional patron - client systems wealth initially flows from the base (the peasantry in feudal Europe) upward through the hierarchy, creating concentrations of wealth in the higher reaches of the pyramid. Patrons, having accumulated wealth, take responsibility for the well-being of those below them, redistributing goods and services as needed and, in doing so, ensuring the continued and strengthened interdependence of patrons and clients in the hierarchy.

When such communities are 'emancipated' by Western development enthusiasts, the land and resources, having been vested in the upper reaches of the hierarchy, become their possessions and clients find themselves no longer entitled to the land and resources on which they have always relied. The lowest rankings of status hierarchies therefore find themselves facing very similar problems to those faced by the peasantry of Western Europe during the transition from feudalism to capitalism ²³.

Revitalization movements and fundamentalism

The consequences of this impoverishing distortion of status requirements and erosion of communities have been profound. The primary ideological presumptions of many non-Western communities have been challenged and organizational features of their secondary models dismantled.

Increasing numbers of people see the growing problems of their communities and uncertainties of their individual lives as stemming from Western-based activities in their countries and involvement of national leaders in Western forms of organization, activity and consumption. Eqbal Ahmad, in 1996, gave vent to his opinion of Western involvement in Muslim regions:

Our first encounter with democracy was oppressive. Democracy came to us as oppressors, as colonizers, as violators. As violators, they spoke in the language of the Enlightenment and engaged in the activities of barbarians

Historically the United States has spoken of democracy and has supported Somozas, Trujillos, Mobutu Sese Seko, Suharto of Indonesia, the Shah of Iran, Zia ul Haq of Pakistan

Therefore, our first experience with democracy was one of outright oppression, and our second experience with democracy was one in which [the West] promoted fascism, global fascism in some cases ²⁴.

They perceive the breakdown of law and order and the escalating violence that surrounds them largely as a consequence of Western intrusion and influence in their countries and communities.

Inevitably, as the perceptions crystallize, resentment of and resistance to Western forms of organization and activity mount. This, in turn, is reflected in Western attitudes and Western peoples become increasingly aware of a world of:

mortal enemies who will seize upon our vulnerabilities to bloody us, to murder our citizens...
(Hyde 2001).

Having lived through the second half of the 20th century in Western countries, with their increasingly hedonistic biases, I am impressed by the mounting fundamentalism of both Western and many non-Western communities. When life becomes increasingly difficult and apparently dangerous, then communities and individuals search for the reasons and for ways of reasserting order and security in their worlds.

People in the later medieval period in Western Europe became aware of, and increasingly vociferously denounced corruption and simony in their communities ²⁵, leading to the 16th century reformation wars. Similarly, very commonly, the problem in non-Western communities is seen as 'corruption': the loss of morality and/or commitment to the central principles of life in their communities.

The answer is seen to lie in determination to 'reform' their communities, to reaffirm and recommit themselves to the most important fundamental understandings of life, the central presumptions that underpin and give

coherence to their primary ideologies, spelt out in one or more sets of secondary ideological models.

When those presumptions that are central to people's lives are perceived as being threatened, people everywhere reaffirm their commitment to the values which they know are necessary to ensure that life remains secure and ordered. They very readily become involved in activity aimed at reinforcing the forms of organization, interaction and understanding that are required by the fundamental presumptions of their primary ideologies.

They attempt to *revitalize* both communal and individual life. Inevitably, they do so through commitment to and enforcement of secondary ideological models derived from their primary ideological presumptions. These models are usually developed and promoted by a charismatic leadership, which demands and obtains from the bulk of the population unswerving loyalty to the principles of the espoused secondary ideology.

In writings on the late medieval world of Western Europe, the revitalization models and the movements associated with them have been referred to as 'The Reformation'. Their leaders were, almost without exception, identified with religious causes.

In the late 20th and early 21st centuries, examples of such movements abound in both Western and non-Western communities and countries: from the Ayatollah Khomeini and the Taliban (identified as religiously motivated); to George Bush in the United States in its early 21st century commitment to rooting out terrorism around the world and reaffirming and reasserting Western values wherever they appear to be under challenge.

Revitalization and dissident groups 🐞

The fact that the revitalization leadership promotes a particular secondary ideological model means that, however committed the bulk of the population might be to that leadership and the requirements of the model it promotes and protects, there will always be opposition from community members holding alternative secondary ideological frames.

Outside forces can, and do, exploit those minority groups in attacking the legitimacy of the movement. This, in turn, can result in the oppositional groups being considered in league with immoral, corrupting external forces.

Khomeini (1979) provided an excellent illustration of this when he described the emergence of factions within Iran, promoted and supported, he claimed, by foreigners:

[U]nfortunately we see that some differences are created within the opposition, that is between the secular and the Islamic factions. I must point out that the origin of these parties which have appeared in Iran since the beginning of the constitutional revolution, as one understands it, is that they were, without themselves knowing it, founded by foreigners, and some of them have served the foreigners...

When the foreigners see that there are people who are useful (for the country), people who, it is hoped, will be able to reform the country, they use all their energies to set them against each other; consequently, these people quarrel with one another, each one's writings oppose the other's, and they reject one another's ideas.

Some of them have done such things knowingly and were the primary agents of the foreigners, while others were not aware of what was happening, were not aware that they were being dragged down a road which went against the interests of their own country.

([Ⓔ] [Khomeini 1979](#) - accessed 26th July, 2010)

The 'Coalition of the Willing', comprising the United States, Great Britain and sundry camp followers, in its war against the Taliban in Afghanistan and the regime of Saddam Hussein in Iraq (2003 - ...), and in its fomenting of opposition to the fundamentalist leadership in Iran, has exploited such dissident groups.

However, to conclude that these dissenting groups are committed to Western secondary ideological principles, as many commentators in both the United States and other Western countries have, leads to unrealistic presumptions about the consequences of backing their overthrow of fundamentalist regimes ²⁶.

They also build their secondary ideological models from the basic presumptions of the common primary ideological frame which informs the models of the revitalization movement they oppose. They might, in order to win and maintain support from outside forces, speak the language of those forces from which they want support. However, it is foolish and naive to believe that the rhetoric employed for this purpose is indicative of the principles and models they are committed to promoting.

This failure to realize that the motivations of opposed factions within a country are derived from their particular understandings of themselves and the world is not recent in Western engagements with the rest of the world. It underlies most Western support of particular warring factions against others since the dissolution of Western empires following World War II.

A great deal of the Western literature on the Western invasions of both Afghanistan and Iraq demonstrates this continued presumption by commentators. They assume the commitment of dissident groups within those countries to the fundamental capitalist principles of the countries they are courting for support.

Non-Western revitalization movements

Among the many non-Western revitalization movements of the past fifty years one must include both the fundamentalist movement led by Ayatollah Khomeini in Iran from 1979 and the Taliban movement of Afghanistan in the 1990s. In one of his 1979 speeches Khomeini described those who supported the Shah and would try to reintroduce Western ideas to Iran:

Xenomaniacs, people infatuated with the West, empty people, people with no content! Come to your senses; do not try to Westernize everything you have!

Look at the West, and see who the people are in the West that present themselves as champions of human rights and what their aims are. Is it human rights they really care about, or the rights of the superpowers?

What they really want to secure are the rights of the superpowers.

([Ⓔ] [Khomeini 1979](#) - accessed 26th July, 2010)

Revolutionary Iran became an enemy of nations and communities that have their hegemonic roots in Western European history.

The United States, with Western European and Soviet support, fomented a war between Iran and Iraq, and supplied both weaponry and military training to Iraqi forces. For ten years revolutionary Iran endured a prolonged and savage war with Saddam Hussein's Iraq in which deaths, on both sides, numbered more than a million people.

It is the nature of revitalization movements that they often go to extremes. Those involved feel deeply threatened by 'corruption' within and by outside forces that promote immoral values and threaten their security and well-being.

They root out immorality among their own people and introduce often draconian measures to ensure compliance with the central presumptions of their moral code. They look for traitors - the enemy inside the walls - and attempt to weed them out. In the process there is, all too often, great human suffering.

So long as the threat of outside intervention continues to be perceived as real, hard-line fundamentalists gain a ready audience and strong support from the populations they lead.

Western leaders are as driven by their understandings of reality as are the leaders of non-Western revitalization movements. They are just as committed to protecting and reinforcing what they see as the most important fundamental principles of life. These Western understandings are often identified by non-Western revitalization leaders as forms of corruption against which they must fight.

All-too-often, Western leaders react to the resulting extremes and make the perceived threat a reality - as happened to Iran from 1980 to 1989 (and is now happening again) and as happened to the Taliban in Afghanistan in the first decade (and more) of the 21st century.

When they do so they ensure that the fundamental extremism they oppose is prolonged and strengthened. As the perceived threat from outside forces diminishes and the revitalization leaders become increasingly secure in their leadership, fundamentalist movements tend toward moderation ²⁷. Max Weber (1947) described this process as the *routinization of charisma*.

Western commentators all-too-often misread that moderation as Westernization and trumpet the downfall of 'extremist leaders'. The ultimate democratization of Iran is an almost universal theme in Western literature dealing with the liberalizing tendencies in Iranian society (i.e. the processes of *routinization*) ²⁸.

Western revitalization movements 🇺🇸

{§} (23/04/17) The Western preoccupation with terrorism in the early 21st century is a fundamentalist reassertion of basic Western values. So is the declared determination to stamp out terrorism and reimpose democratic principles of social and political life on those countries and communities that display or encourage anti-Western sentiments.

As with all such movements, the leadership demands loyalty not only from its followers but from all within the boundaries of its control. Alisa Solomon described the domestic climate of the 'war on terror' in the United States:

Like any avalanche, this one started at the top, and likely dates back to the moment after 9/11 when President Bush warned the world's nations, 'Either you are with us or you are with the terrorists'. From Bush on down, in the months that followed, government officials drew limits around acceptable speech.

White House spokesperson Ari Fleischer told Americans to 'watch what they say'. Such words gained force when the Patriot Act gave the government extensive new powers to spy, interrogate and detain. When civil libertarians began to protest the curbing of constitutional rights, Attorney General John Ashcroft offered a forbidding rejoinder:

To those who scare peace-loving people with phantoms of lost liberty, my message is this: Your tactics only aid terrorists.

These kinds of remarks from our government's top leaders, says Anthony Romero, executive director of the ACLU, have granted ordinary people license 'to shut down alternative views'. The Administration has fashioned a domestic arm of its new doctrine of pre-emption.

(^{CE} [Solomon 2003](#) - accessed 27 July 2010)

An editorial in *The Economist* (2003) described the mindset of the neo-conservatives who wielded considerable clout in the second George Bush presidency,

They see the world in terms of good and evil. They think America should be willing to use military power to defeat the forces of chaos.

Martin Sieff, in a *United Press International* (2003) commentary on the aftermath of the Iraq invasion of 2003, explained the ambition of those who championed the 'war on terror',

[S]o confident were Office of the Secretary of Defense planners and their neo-conservative allies of the coming oil bonanza from Iraq that they openly advocated using it, as Judis wrote in *The New Republic* 'to remake the Middle East in our democratic, capitalist image...'

(Sieff, United Press International 2003)

John Judis explained their ambitions clearly:

...the neoconservatives inside and outside the administration take a radical, even revolutionary, view of what is possible and desirable in the region; they see turmoil as inevitable and desirable. Says one senior administration official, "Upheaval is on its way. We might as well get in front of it." They see Saddam's ouster not just as a means of preventing a future nuclear threat but of remaking the entire region along democratic, free-market lines....

The neoconservatives don't worry about offending potential critics in Iran, Saudi Arabia, or Syria because they think of them as enemies who should eventually be swept aside by the installation of a democratic, free-market Iraq on their borders. They reject U.N. or multilateral participation in a post- Saddam transition.

Says one senior official,

This is the moment where our ideas will be vindicated, or we can walk away. You can't count on the international community to establish a new democratic or political order.

The way it would work is that the reigning power would distribute power and businesses, and which people it chooses to deal with are automatically made into kings. Do we want to be the kingmaker, or do we want to default that over to the U.N.? I am not sure we want to cede it.

I would bet the U.N. would seek the acquiescence of Iraq's neighbors—all of which have vested interests. There are three that would be problematic: Riyadh, Tehran, and Damascus. And the U.N. would work through them.

(^{CE} [Judis 2003](#) - accessed 27 July 2010)

{§} (25/04/17) Fifteen years later, the problems posed by neoconservative [hijacking of US instruments of power](#) remain potent. As Judis explained, 'neoconservatives inside and outside the administration take a radical, even revolutionary, view of what is possible and desirable' around the world. And, with weak, seemingly rudderless leadership in Washington²⁹, they have, once again, moved to assert their influence and ambitions on those who seem incapable of formulating coherent plans of their own. The Project for a New American Century has been superseded by the ^{CE} [Foreign Policy Initiative](#), but, as its website has explained, its stated aims remain unaltered.

William Rivers Pitt has summed it up bleakly:

...The ragged remnants of the neo-conservative cabal that came together under George W. Bush is still out there, plotting and scheming, concocting novel new ways to light the world on fire for power and profit.

The Project for a New American Century (PNAC), think-tank mothership for every bad neocon idea that led us into Iraq and a wider conflict in the Middle East, never died; it just got new offices down the block. Unlike their counterparts in the current administration, the neocons know how the gears of government work, where the levers are, and how to actually get things done.

Combine the wild fervor of Trump's band of wreckers with the ice-eyed competence of the neocon assassins, and the result could be horrific beyond any known measure.

(William Rivers Pitt, ^{CE} [The Looming Neocon Invasion of Trumpland](#), *Truthout*, Op-Ed, April 22, 2017)

Neo-conservative leaders of the United States of America, and their allies in other Western countries, *know* that capitalism and democracy are not ideological models, but the way the objective world is (or must be) organized. They have a duty to ensure that wherever dark, dangerous and irrational forces are at work, attacking democracy and capitalism, those forces are challenged, their supporters eliminated ³⁰.

{§} (18/01/16) As Western communities feel themselves threatened by the growing influence of what the United States' President George W Bush

called 'the axis of evil' they know that, at all costs, the evils of anti-capitalism and anti-democracy must be challenged and beaten back³¹.

Henry Hyde, Chairman of the US House of Representatives Committee on International Relations spelt it out, on October 3 2001, weeks after the destruction of the twin towers of the World Trade Center in New York:

Let us begin by accepting there is no single enemy to be defeated, no one network to be eliminated. Al-Qa'eda is but our most prominent opponent, but its outlook is shared by many others who are equally committed to our destruction.

If we believe that our safety can be secured by destroying any one organization or any single person, we will only ensure that we will remain unsafe and unprepared once again. For we know now that we have permanent, mortal enemies who will seize upon our vulnerabilities to bloody us, to murder our citizens, to commit horror for the purpose of forcing horror upon us....

Our strategy, plans, and actions must be comprehensive, deliberate and formulated for the long-term. We must be prepared not only to protect ourselves from new assaults, not only to intercept and frustrate them, but to eliminate new threats at their source. This must be a permanent campaign, similar to the ancient one humanity has waged against disease and its never-ending assault upon our defenses.

(^{CE} [Hyde, October 3 2001](#) - accessed 27 July 2010)

{§} (29/02/16) In such times, human beings feel the need to reassert and reinforce those principles that they instinctively know to be central to a properly ordered and secure world. Equally, they know, beyond any doubt, that unless they resolutely and uncompromisingly confront the enemy, intent on destroying it, it will destroy them.

As Henry Hyde (2001) claimed, one of the major terrorist threats against Western nations at the start of the 21st century has been perceived as coming from Al-Qa'eda ³². For Hyde and most other Western leaders the organization is a network of terror and evil, master-minded by a Saudi Arabian, Sheikh Usamah Bin-Muhammad Bin-Ladin.

Bin-Ladin spelt out his reasons for seeing the activities of the United States (and Western countries in general) as a plague, destructively consuming the resources of his country, undermining the most important central understandings of life, and threatening the unity, security and well-being of his people and his world:

The Arabian Peninsula has never - since God made it flat, created its desert, and encircled it with seas - been stormed by any forces like the crusader armies now spreading in it like locusts, consuming its riches and destroying its plantations. All this is happening at a time when nations are attacking Muslims like people fighting over a plate of food.

(Bin-Ladin, ^{CE} [Text of Fatwa Urging Jihad Against Americans](#), 1998 - accessed 20/03/2016)

Just as Henry Hyde insisted that the enemies of democracy and capitalism must be eliminated, so Bin-Ladin insists that those who threaten the existence of his world must be eliminated.

The more threatened people feel, the more strongly they recommit themselves to those fundamental primary ideological principles, which they *know* will reassert order and security within their communities and lives.

In the West, people during the threatening years of the 1970s and 1980s recommitted themselves to fundamental economic doctrines. In the early years of the 21st century, under the fundamentalist leadership of the second George Bush and his coterie of 'born again' believers in the efficacy of 'Western democratic principles', Western communities remained committed to globalization, privatization, economic growth; reducing public expenditure; re-imposing democracy (the political frame of Western capitalism) wherever it has been weakened or displaced and to eliminating those who most vociferously oppose their activities.

Because Western people organize their lives through economically focused social templates, the forms they re-emphasize in times of stress and threat focus on economic issues and are aimed at rectifying economic processes and bolstering economic performance on the presumption that this will alleviate the perceived problems.

In the last decades of the 20th century Western countries and communities recommitted themselves to the fundamental principles underpinning free-market capitalism. Since that time they have also recommitted themselves to ensuring that the fundamental principles of capitalism and its political frame - democracy - are enforced and reinforced wherever 'anti-Western' sentiments seem to be mounting and capitalism seems to be losing its influence.

In 2016, a newcomer has joined the pantheon of evil-doers against which the West must wage relentless war. Al-Qa'eda, still active in the continuing destabilization of both Iraq and Syria, has become an 'almost moderate' insurgency, paling into the background as ISIS, the 'Islamic State of Iraq and Syria', has become the new face of international terrorism.

Now, the West, and The United States of America, as champion of 'Western values', is preoccupied with 'home grown' terrorists, inspired by or belonging to the new 'Islamic State'. The 'war on terror' has become domesticated within Western territories. As Henry Giroux has explained,

The United States is now addicted to violence because the "war on terror" relies on an extreme fear and hatred of those considered enemies. As a result, it feeds the machinery of permanent warfare by constantly inventing a demonized Other. I think basically that terror is now such a central part of the political nervous system in the United States that it's become the major organizing principle of society.

The discourse of war, violence and fear now largely mold our conception of ourselves, our relations to others and the larger world. The defining vocabularies of American life undercut the possibility of challenging the assumption that violence is the most important tool for addressing social problems.

In this instance, the "war on terrorism" has created a war culture that works through various cultural apparatuses from the schools to the mainstream media to produce what amounts to a society steeped in violence. The United States is a country saturated in the discourse of war and violence, and this is partly evident in the widespread use of

metaphors of war, extending from the wars on drugs and crime, to the "war on terror" and the so-called war on Christmas.

(Leslie Thatcher, interview with Henry A. Giroux, ^{CE} [Henry Giroux on State Terrorism and the Ideological Weapons of Neoliberalism](#), *Truthout*, 28 February 2016)

The first Western leader in the second half of the 20th century to steer her country determinedly toward a Western fundamentalist future as a means of arresting and reversing the moral decline of the nation was the [British Prime Minister, Margaret Thatcher](#).

As a prime minister representing the newly energetic right wing of the Conservative Party (the 'Dries', as they later called themselves, as opposed to the old-style moderate Tories, or 'Wets'), Thatcher advocated greater independence of the individual from the state; an end to allegedly excessive government interference in the economy, including privatization of state-owned enterprises and the sale of public housing to tenants; reductions in expenditures on social services such as health care, education, and housing; limitations on the printing of money in accord with the economic doctrine of monetarism; and legal restrictions on trade unions.

The term Thatcherism came to refer not just to these policies but also to certain aspects of her ethical outlook and personal style, including moral absolutism, fierce nationalism, a zealous regard for the interests of the individual, and a combative, uncompromising approach to achieving political goals.

(^{CE} [Encyclopedia Britannica](#) [accessed 27 May, 2018])

The following readings provide an insight into the kinds of social reorganization that Western people felt they had to undertake in order to ensure that life was secure and that the world remained 'sane' in the latter part of the 20th century.

Milton Friedman (with Rose Friedman) (1980), the theoretical mind behind a great many of Margaret Thatcher's policies in the early years of her British government (1979 - 1990), provided an explanation of the essential requirements for:

... building a society that relies primarily on voluntary cooperation to organize both economic and other activity, a society that preserves and expands human freedom, that keeps government in its place, keeping it our servant and not letting it become our master.

(^{CE} [Friedman & Friedman 1980](#))

^{CE} [Stelzer \(1992\)](#) described the 'decline' of Britain between 1945 and 1979 and gives a very positive summing up of the achievements of the Thatcher Government in reversing that decline. As Irwin Stelzer says:

It was individual responsibility, rather than reliance on government, that now became the accepted standard against which to measure policy initiatives.... Thatcher restored to the UK a sense that appropriate policies and driving entrepreneurialism can produce steady increases in material well-being.

(Stelzer 1992)

☞ Stuart Hall's (1988) analysis of Thatcherism provided a Marxist perspective on the precursors and consequences of Margaret Thatcher's privatization policies.

As we suggested earlier, within any community of people who share a common primary ideology, there will be a range of secondary ideological models. Friedman and Stelzer provide explanation of how the world should be organized and people interact with each other from the perspective of one set of Western secondary ideological models. Hall presents an alternative, dissident way of organizing the world.

Both perspectives share a common set of primary ideological understandings. Underlying both neo-conservative (right) and Marxist (left) emphases and perspectives is a level of common understanding:

- ★ All share similar understandings of the nature of time and of the ways in which it should or should not be 'used'.
- ★ All accept that there is an economic sphere or domain or environment within which people interact in order to achieve greater personal well-being.
- ★ All accept that the aim of government is to organize the 'public arena' to ensure improved economic organization and performance.
- ★ All assume that there is a 'private' realm or environment within which individuals interact. The disagreements concern the relative duties and responsibilities of private and public spheres.
- ★ All assume that human beings are 'free actors' and that human relationships are based on independence not interdependence.
- ★ All assume that prime aims in life include earning a cash income; improving one's material position; 'developing' oneself.
- ★ All assume that there is a 'formal' economy and that, necessarily, people will interact in terms of that economy in the ways which are spelt out as 'legitimate' and 'appropriate'.
- ★ All presume the 'rule of law'.

Conclusion 🇧🇪

Commentators on life in non-Western communities and countries always have been, and always will be faced with the problem of disentangling themselves from their own primary and secondary ideological commitments in order better to understand the primary and secondary ideological presumptions and commitments of the people amongst whom they are undertaking research.

This has never been more important than it is in the early 21st century. Despite (or, more likely, because of) the driving commitment of Western communities to globalization and democratization in countries and communities around the world, increasing numbers of people in non-Western communities are seeing people of the West not as harbingers of good, but as exploitative, immoral, and intent on destroying the most important fundamental understandings of life in their communities.

People in the West are certain that their understandings and forms of organization and interaction are derived from the nature of objective reality and provide the most efficient, equitable means of ensuring individual (and therefore communal) development and well-being. Forces that oppose Western forms and understandings are therefore irrational and dangerous to the well-being of human beings everywhere.

So, they are determined, wherever they find 'fundamentalism' and its associated 'terrorist' activity to oppose them and finally displace these evils by those forms of organization and interaction to which they are committed. That Western determination to impose their own fundamentalist agenda on the rest of the world, if the reasoning contained within this chapter is valid, ensures the perpetuation and deepening of the forces they oppose.

Like it or not, Western people live in a world of diverse primary and secondary ideologies (which only make sense in terms of the primary ideologies from which they are derived). Every attempt to impose Western secondary ideological models on people who do not share Western primary ideological understandings guarantees the disruption of their communities and ultimately the emergence of revitalization movements aimed at reasserting and reinforcing their own understandings of life.

Chapter 3: An Explanation and History of the Emergence of Capitalism †

The emergence of Capitalism

People and recognized 'environments'

- The 'economic' environment

The development of systems of law

- The Feudal 'Secular Domain '
- The Feudal 'Spiritual Domain'
- The Investiture Conflict
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'Money-making' patron-client networks and an emerging emphasis on quantification

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- They should Become "Habituated to Labor and Fatigue"

Conclusion

In a way which is common to people in all societies, people in Western communities, when considering the fundamental rights and responsibilities of community members towards one another, speak in ideological terms.³³

While each Western secondary ideological frame spells out a particular version of 'reality', they all presume certain fundamental understandings about the nature of individuals, communities, the environment, and the metaphysical realm, and about the forms of relationship found in and between them.³⁴

It is from these less than consciously held basic presumptions that individuals and communities construct their own particular variants of 'ideal realities' (or secondary ideologies) ³⁵ .

To communities which do not share Western primary ideological presumptions, the confrontations among competing Western secondary ideologies will appear less than rational. Because their own forms of secondary ideology are based on their own primary ideological presumptions about life, which are likely to be very different from the basic presumptions contained within Western primary ideology, it is very difficult for them to enter into a dialogue with Western people.

Rather, as has happened during the last half century, people become opposed on the basis of subconsciously held basic presumptions about life, rather than on the basis of variant secondary ideologies. So, we speak of the confrontation between 'Islam and the West', rather than about a confrontation between Shiites and capitalists. What we have is a confrontation between primary rather than secondary ideologies.

Through this century, as non-Western communities become increasingly self-assertive, we are likely to find that confrontations will occur between communities holding variant primary ideologies - variant sets of basic presumptions about the meaning, purpose and organization of life ³⁶. These presumptions, being reflections of the basic cognitive frames of communities, will be poorly expressed. Those who attempt dialogue based upon such confrontations will find the explanations and basic positions of their adversaries rationally and logically unconvincing.

Before we can grapple with the confrontations which are already occurring and will repeatedly re-occur throughout this century, we need to comprehend the basic presumptions underpinning Western capitalist understandings of life. In this discussion we will attempt to do this through exploring the historical experiences which shaped and molded Western European communities over the past thousand years as they moved from feudalism to capitalism.

How have some of the most basic presumptions which underpin Western understandings of life been shaped by history, becoming seen as features of the real world, the unfocused backdrop to secondary ideological disputes? ³⁷

Here I will examine:

- ★ the ways in which 'the economy' became separated from other 'environments' in Western thinking ³⁸ ;
- ★ the emergence of an emphasis on 'market exchange' as the 'correct' form of exchange between individuals and groups;
- ★ the reasons why formal economies are so strongly bound by legal frames and supported by both legal and fiscal bureaucracies;
- ★ the nature of 'consumerism' and its historical underpinnings;
- ★ and why those who became committed to Western ideologies became so missionary-oriented, focused on the material world and convinced of the need for the whole world to be organized according to their ideological understanding ³⁹.

In the examination of these issues I am going to look at some of the historical experiences of Western Europeans which have, over more than eight hundred years, produced the consumer culture of today. To understand the present we have to know the experiences of the past which shaped and molded Western European thinking and action and produced the primary ideological presumptions which underpin interaction, meaning and organization in Western communities.

People and recognized 'environments' 🐦

Fundamental to understanding Western primary ideological presumptions is an understanding of the ways in which people conceive of and interact with their *environments*. In order to grapple with the ways in which Western Europeans conceive of themselves in relation to their environments, we need to understand several important fundamental assumptions⁴⁰ from which they operate.

- ★ First, all human beings are *individuals* who *independently* interact with the various environments within which they live, and develop their own unique personas through that interaction.
- ★ Second, these independent individuals are autonomous fashioners of their environments, which are passive, being molded by, and reflecting, human activity.
- ★ Third, individuals interact with a number of quite distinct environments:
 - ✴ There is the *physical* or *material* environment, bound by *natural* laws. For Western people, the 'natural world' can be controlled and directed by mastering sets of laws which relate to its various aspects - those of physics, chemistry, geology, botany, and so on.
 - ✴ There is the *social* environment bound by *social* laws, again controlled and directed through understanding and applying sets of laws - the economic, political and social. The search for, and outlining of, such sets of laws has produced a reification of these aspects of social life, so that most Western people think of each area as a self-existent whole, as an environment with its own *raison d'être*, and, its own logic.
 - ✴ And there is, for many Western people, approximately eighty per cent of the population in most Western national censuses, a spiritual, or religious, or *metaphysical* environment bound by its own quite distinctive sets of laws.

The set of laws ordering each environment is self-contained. The rules for interaction with, and in, each environment can be spelt out, providing people with all the necessary information for interacting in the best possible ways with each of those environments.

This belief has led Western people to assume that the sets of laws can be 'discovered', understood and mastered through research and education. Through mastering the principles and rule requirements for interaction with each environment, the best possible forms of behavior, attitude, organization and interaction for individuals and groups can be determined. Once those best possibilities have been outlined and people commit themselves to living in accord with those possibilities, both individuals and communities become 'developed'.

Once Western researchers have determined the fundamental laws for interaction with each recognized environment, they are able to *prescribe* the *best* forms of activity and organization for any community. They are therefore able to evaluate the performance of any community in terms of their prescriptions.

The sets of prescriptions reflect, of course, the secondary ideologies of Western communities. The presumption of the existence of a range of separate environments with which people interact is, however, a *primary* ideological presumption, one which is basic to the ways in which Western people think and organize their lives, no matter what secondary ideology they might subscribe to.

So, the keys to *development* ⁴¹ are:

- research to ascertain the principles underlying human interaction with each Western environment, together with the ways in which the environments might be reorganized for individual and community advantage;
- establishment of the bureaucratic frameworks through which the activities of individuals can be focused and channeled to the requirements of those prescriptions; ⁴²
- and education of people to live by those principles, so ensuring physical, social, political, economic and spiritual well-being.

Rathbone Gregg, in the 1870s, put the need for education very clearly:

The lot of man ... is in his own hands, from his being surrounded by *fixed laws*, on knowledge of which, and conformity to which, his wellbeing depends. The study of these and obedience to them form, therefore, the great aim of public instruction. Men must be taught:

1The *physical laws* on which *health* depends.

2The *moral laws* on which *happiness* depends.

3The *intellectual laws* on which *knowledge* depends.

4The *social and political laws* on which *national prosperity and advancement* depend.

5The *economic laws* on which *wealth* depends.

(quoted in ^{CE} Holyoake 1896, p. 85)

Western people find it *natural* ⁴³ that all activity should be circumscribed by rules and regulations. Rarely, if ever, has there been such an acceptance of and compliance with systems of rules and regulations as exists in Western communities ⁴⁴. But, because those rules are applied by impersonal bureaucracies, they are not seen as intrusive.

Western people regard rules and regulations as necessary for the protection of their individuality and a guarantee of their right to interact with their environments for their private ends ⁴⁵. Since the 12th century, Western Europeans have increasingly committed themselves to uncovering *systems of law* governing the various environments, and to educating people to live in accordance with them once they have been uncovered.

Among the reasons for the phenomenal success of Western Europeans in imposing their world views on others throughout the 19th and 20th centuries is their absolute certainty of the superiority of their 'knowledge' of how the physical, social and spiritual worlds 'really work', and their ability to impose

on others well-organized systems of law and government, centered not on individual personalities but on impersonal bureaucracies.

Western people have come to believe that, whereas all other people live in the mists of superstition and dubious rationality, governed by the whim of their rulers, they have discovered the 'laws' of the physical, social and spiritual worlds. So, they can act 'rationally', ensuring that all their behavior, interaction and organization conform to those principles which underpin the rule-bound systems they are in the process of uncovering.

When Europeans imposed themselves upon the rest of the world during the 19th and 20th centuries they took with them the 'best' ways of using the physical environment, of organizing communities, and of ensuring individual 'development' and a successful life in the next world. They therefore set about changing the worlds they encountered in terms of their understandings.

The physical environment could (and should) be dominated, managed and organized to 'realize its potential', that is ensure high yields, whether of minerals, crops or anything else which Western people might consider a 'potential' for that environment (e.g. 'tourism').

The social environment could (and should) be managed and organized to 'realize its potential', to ensure individual development (defined, of course, in terms of the particular secondary ideology of those holding the power).

And the spiritual environment could (and should) be managed and reorganized to ensure high rates of conversion and commitment to the religious forms and beliefs of Europe (which would not only ensure life in the next world, but also orient people to be responsible citizens in this ⁴⁶).

Not only were Western Europeans committed to systems of laws, rules and regulations, they also strongly emphasized the use of mathematics to measure success by quantifying results. This emphasis on quantification coincided with yet another emphasis, that on material possessions, on the accumulation of goods and the generation of material wealth.

Industry and frugality would inevitably produce riches. The demonstration of these virtues, in turn, would inevitably bring respect and status. So, in order to attain and maintain status and respect, one needed to demonstrate that one had gained wealth *by one's own efforts - that one had realized one's own potential and the potential of the environments within which one lived.*

One's material *worth* is most easily ascertained by giving cash values to possessions so that a total value can readily be calculated by interested others. This led 'naturally' to conspicuous consumption and ownership, demonstrating the wealth of the person. And so there emerged, in Western Europe, apparently paradoxical emphases on hard work and frugality on the one hand, and increasing conspicuous ownership and consumption on the other.

Of course, Western Europeans are convinced that these emphases are 'logical', and necessary for the 'rational' direction and control of the environments within which they live.

Whereas almost all other people are bound by 'tradition', by forms of organization, interaction and behavior which have their roots in the

historical experiences of their forebears, Western people believe that they organize life in terms of *rational* constructs, derived not from tradition but from scientific investigation of their environments. As they uncover the principles governing their natural and social environments, they gain control of them and are able to manage them to produce the best possible returns for people.

We need to confront this belief.

Do the constructs and understandings of Western Europeans come from their scientific investigation of substantive environments, or is the nature and form of those 'environments' the result of reification of aspects of the natural and social worlds, required by the historical experiences of Western people?

Are the environments with which Western people interact objective features of the world which are recognized as such by all people everywhere, or are they only real to Western Europeans?

In the following historical sketches I suggest that the environments which are recognized are consequences of the historical tensions and confrontations of Western Europe. They are, in fact, understandings which are derived from, and required by, Western historical experience. They are as shaped and determined by 'tradition' as any other system of knowledge and understanding in other communities. The presumption that there are sets of laws waiting to be uncovered for the control of each environment is, equally, a consequence of particular historical experience.

The Western European conviction that they have 'got it right', while others have not, is based in their certainty of the validity of their view of the world, and the effectiveness with which it allows them to manipulate their environments in engaging in forms of activity and organization which are required by Western industrial social templates.

Western communities, no less than any other communities, have *inherited* their understanding of how their world is organized and the ways in which they relate to the environments in which they live.

A key and fundamental difference between Western communities and most other communities lies in the Western presumption of the existence of *separate environments*, each of which operates in terms of its own logic and its own set of operational principles or laws. Before any such sets of laws can even be anticipated, one must recognize the existence of the separate environments to which they relate.

For people not brought up in Western communities, and therefore not thinking in terms of Western presumptions, the existence of the identified environments, let alone the rules for interaction with them, is unlikely to be recognized.

In the same way that Western people take the existence of separate environments as a subconscious given, something which needs no justification, other people take their own understanding of the environment within which they live for granted, together with their understanding of their interaction with it.

When they are required to organize life in terms of Western European understandings, they inevitably warp the organized environments within

which they are required to operate towards their own, quite different presumptions about their environment. This effect is most clearly seen in what, for Western people, is the dominant social environment, the economy.

Before I begin an examination of the historical emergence of this Western view of environments governed by systems of law, a few qualifiers are necessary. When investigating historical trends one has to start somewhere. The important primary understandings of any community do not suddenly appear. They are shaped over hundreds of years and through a multitude of interacting variables and circumstances. So, one has somewhat arbitrarily to decide on a starting point in time and on the variables which one will investigate. What is described in one century will have its roots in preceding centuries.

The influences on community understanding which I highlight are, themselves, modified and focused through a wide range of other variables and circumstances on which I have chosen not to dwell. However, for our purposes here, those issues I investigate do seem to be central to understanding how Western Europeans came to conceive of life as being lived in a number of distinct environments, governed by systems of law, and subject to quantification and evaluation in terms of material returns for individual endeavor.

The 'economic' environment 🐦

Elsewhere I have suggested that many people in non-Western communities make no clear distinction between their 'economic' and their 'social' (or any other) environments ⁴⁷. So, when they engage in 'economic' activity, they, quite naturally, without needing to think about it, integrate their activity with social responsibilities and concerns. This integration produces a very different form of activity from that presumed to be 'economic' by Western people.

Because of this 'confusion' (in Western terms) of environments, the presumptions in terms of which they organize activity are also very different (and they are highly unlikely to have developed detailed sets of economic rules and regulations defining and governing activity and impartially applied across communities ⁴⁸).

Their economic activity does not match that anticipated and required by Western people. They seem to be indulging in 'informal', or even 'illegal', economic activity, that is, activity which falls outside the scope of 'legitimate' economic activity for Western people.

Even when they have attended the West's best teaching institutions, through which the 'necessary' forms of legislation, organization and activity are inculcated, all too often, once back in their home countries, they seem to 'warp' and 'distort' the forms they have learned.

In order to sketch the emergence of primary ideological presumptions underpinning economic organization and activity in Western communities I am going to have to examine the ways in which those presumptions became established in late medieval Europe. As will become clear, the understandings and organizational forms of the period were very different from those of Western communities in the 20th century.

Unfortunately, given the constraints of this discussion, the sketches must necessarily be brief and therefore inadequate. The focus will also have to be limited, bypassing the emergence of particular metaphysical understandings, and the emergence and establishment of the various 'disciplines' for uncovering systems of law operating within the recognized environments.

The development of systems of law 🐦

{§} (07/03/17) In the feudal period of the 10th to the 12th centuries, western Europeans saw the world as divided into two domains: a spiritual domain and a secular one, which included political, economic, social and material environments as now understood in Western communities. These were hierarchically interrelated, with the spiritual domain dominant and the secular domain subject to spiritual oversight and direction.

The spiritual domain was dominated by the Roman Church, with the pope at its head and bishops as representatives of the pope within territorial districts. In their own districts, in all normal matters, bishops took final responsibility, only referring to Rome when something out of the ordinary needed definition, or when they needed support in the face of challenges to their authority.

The Feudal 'Secular Domain' 🐦

The secular domain was the arena within which the Church exercised authority. In the secular domain, feudal princes held political power within hierarchically organized territories. As Maitland has described, feudalism was:

... a state of society in which the main bond is the relation between lord and man, a relation implying on the lord's part protection and defence; on the man's part protection, service and reverence ...

The national organization is a system of these relationships: at the head there stands the king as lord of all, below him are his immediate vassals, or tenants in chief, who again are lords of tenants, who again may be lords of tenants, and so on, down to the lowest possessor of land.

Lastly, as every other court consists of the lord's tenants, so the king's court consists of his tenants in chief, and so far as there is any constitutional control over the king it is exercised by the body of these tenants.

(quoted in Macfarlane 1987, pp. 182-3)

Although Western capitalism depends on a division of the world into private and public arenas, feudal Europe did not require such a division. As Macfarlane, quoting Maitland, says:

The English lawyer Bracton [in the mid-13th century] knew of the distinction of 'private' and 'public', yet 'he makes little use of it. This was because

feudalism ... is a denial of this distinction. Just in so far as the ideal of feudalism is perfectly realized, all that we call public law is merged in private law: jurisdiction is property, office is property, the

kingship itself is property; the same word *dominium* has to stand now for *ownership* and now for *lordship*.

(Macfarlane 1987, p. 182)

While the distinction between public and private made little sense in the feudal world, it was during the feudal period that the Western European emphasis on the importance of publicly formulated law, governing private interactions, developed. As Tay and Kamenka explain:

The feudal compact, in keeping with Germanic tradition, was not an act of authority but a voluntary agreement between independent legal persons - one agreeing to serve, the other to provide and protect. It was an enforceable contract which bound the king or lord as much as it bound the subject or leigeman.

In a very important sense, it brought the whole basis of political authority and obedience into the area of private law, of relations between individuals capable, for the purposes of law, of abstract equality and of rationally and freely seeking their individual well-being and subordinating themselves voluntarily. Those not capable of such freedom, e.g. serfs, were not fully legal persons.

(Tay & Kamenka 1983, p. 69)

Although feudal relationships did not require a distinction between public and private realms, the concept of '*free*' *legally defined* individuals entering into *contracts* with one another was born in the feudal period. It became greatly expanded and provided a basis for understanding the nature of the relationship between the individual and society during the 17th century, but it underpinned the development of feudal law.

It also provided one of the rationales for the emergence of a wide range of common-interest groupings during the medieval period. During this period numerous 'associations', 'unions', 'guilds', 'fraternities', 'communities', 'colleges', 'leagues', 'nations' ⁴⁹ and other forms of common-interest grouping developed, managed by those who constituted the group and designed for mutual protection and self-help ⁵⁰. Interaction among individuals within these groups was fraternal, with most exchanges being based on cooperation rather than competition.

This form of egalitarian, common-interest grouping is usual in hierarchically organized communities. It allows those who see themselves as being in a similar relationship within a hierarchy to join with others of like mind in promoting and protecting their interests.

As feudal organization became increasingly distorted during the medieval centuries ⁵¹, these groups became increasingly important. Amongst the most important were those which brought educated people together to protect their interests against others, and those which emerged amongst the 'money-making' people of western Europe.

Together, these two groups were to challenge and finally displace feudal leaders, and, with their displacement, introduce an entirely different rationale for the organization of society, new forms of interpersonal relationship, and new understandings of the meaning and purpose of life. And, for a variety of reasons, some of which will be sketched here, these forms of reorganization required a very different set of primary ideological presumptions.

Western Europe, over a period of eight hundred years, with enormous difficulty, learned to think in ways which were foreign to people who lived in the feudal communities of the 10th to 13th centuries.

While the sense of legitimate, approved feudal hierarchy within the society was strong, the dominance of hierarchically determined social position over membership of such groupings ensured the subordination of group interests to those of the wider society. Whenever, for whatever reason, the cohesion of the wider society was suspect, these common-interest groupings became more demanding, leading to strikes, riots and other forms of social challenge.

So, in the period when we begin our story, people lived in hierarchically organized communities, with their primary social and political status defined by their relationship to land. Those of similar status within the society recognized egalitarian bonds of common interest, and tended to support one another and make demands of each other on the basis of their shared identity. But, equally, they recognized those who were hierarchically superior as leaders who both required and deserved their allegiance. In fact, they recognized common-interest association only in terms of these hierarchical responsibilities.

At the base of the hierarchical pyramid of feudal communities were the peasants who, though they held some land, usually held too little to ensure their livelihood. Few peasants could have lived off the land they held within an estate alone. As Ganshof has described for the later medieval period:

... However great its contribution to livelihood, agriculture had by no means altogether displaced the very ancient practices of pastoral life, hunting, and food collecting. By his fields alone the peasant literally could not have lived. All about the area more or less permanently cultivated and, when under crops, held in strict individual or family possession, he required access to immense stretches of common waste left in its natural condition.

These moors and marshes and forests did not merely furnish necessary food for his cattle. His own nourishment depended on them; for wild vegetables and fruits were even more important in his dietary than wild game ...

In villages where there was no lord, or where the lord's power was a late growth, the village community sometimes retained absolute control of these common lands; it owned them, in feudal phrase, *en alleux*... But throughout the greater part of Europe, where common was essential but still only a sort of annexe to the arable, the lord almost always extended his power over commons as well as over fields ...

[However] it is no doubt vain to look for the true medieval 'owner' of the commons.

(Ganshof 1971, pp. 281, 282)⁵²

Land was held by families who owed allegiance to those above them who provided not only access to land but also political and other forms of protection and a sense of community to those under their jurisdiction. And a great deal of the land in an area was 'common'; that is, it had no legal owner.

European feudal organization was not based on the need to ascribe individual ownership to all existing land. In this feature, it has a lot in common with many non-Western communities before the imposition of Western forms of organization in the 19th and 20th centuries. When land is not primarily seen as a wealth-creating resource, and people are not primarily geared to the 'wealth-creating' use of their environment, there is no strong compulsion to claim ownership of 'un-owned' land.

The West, as a result of experiences to be sketched here, came strongly to believe in the necessity for all land to be legally and exclusively held by identifiable 'real' or 'artificial' individuals, and used to generate increasing cash income for its owners.⁵³

The Feudal 'Spiritual Domain'

The communities in which medieval people lived were serviced by clergy who belonged to a hierarchically organized Church and claimed very important rights and responsibilities within the communities they serviced.

The metaphor which emerged to describe the relation between pope and emperor, between clergy and laity, was that of the soul and the body. The body without the soul is of no consequence. It is the soul which animates the body. Equally, the Church ensured the spiritual life of the secular world. The Church was, therefore, central to life in the medieval world. It therefore claimed authority over the secular world and reinforced its claims with legal statutes based upon written, historical evidence accumulated over the centuries ⁵⁴.

This assumption of the superiority of the soul over the body, of that which is life over that which is a 'container' for that life, was to become significant in the emerging belief in the independence of self-contained, pre-social individuals from the 17th century onwards.

Then, with the material and the spiritual thoroughly separated, a similar separation was to be assumed between human beings and the material environments they controlled. Individuals were to be perceived as separate from and superior to the material world, over which they rightfully exercised dominion. Just as the Church believed it had a mandate from God to direct the medieval world, so Western individuals came to believe that they had a mandate to 'realize the potential' of the resources of the material world wherever they might be found.

The Church's power came from two sources. It held large tracts of land controlled by bishops and abbots who, as feudal lords, had authority in the secular domain, and it was also perceived to hold a very real power to condemn people to hell.

If one could, as the Roman Church after Augustine (354 - 430 AD) claimed (cf. Warfield 1970, p. 122ff), be saved only by belonging to the Church, then to be excommunicated was to be consigned to eternal damnation. In an age when people were convinced of the existence and potency of a spiritual realm, one placed the destiny of one's soul at risk by challenging the Church.

However, there were long periods, particularly following the disintegration of the ninth-century Carolingian empire, when the papacy was politically weak,

dominated by local Roman families, and unable to assert its claimed authority.

{§} (06/10/17) During the 10th and 11th centuries increasing numbers of the secular rulers of western Europe extended their authority over bishops within their territories. This situation came to a head with the accession of the Duke of Saxony, Otto the Great (912-973), to the German throne in 936. Otto, ostensibly to rescue Pope John XII, conquered Italy and received an imperial coronation from the pope.

As part of his strategy for securing his reign, Otto had made an alliance with the German Church. Bishops and archbishops were given lands and immunity from some of the royal claims on landlords in return for full support of Otto's reign. With the papacy very weak, another way of ensuring support from the ecclesiastical hierarchy was to appoint it (cf. Hayes, Baldwin & Cole 1962, p. 142ff).

The Investiture Conflict ¶

{§} (12/03/17) The situation was similar throughout northern and western Europe during the 10th and 11th centuries. It was brought to a head by Pope Gregory VII in 1075 when he prohibited any form of lay investiture of the clergy. Gregory, calling on legal precedent as established within the Church canons (laws), denied the right of secular leaders to appoint ecclesiastical office holders. He argued that, on the contrary, the pope had the right both to anoint and to depose secular leaders.

Henry IV (1050-1106), King of Germany from 1056 and Holy Roman Emperor from 1084, opposed the decree and called on the pope,

...now not pope, but false monk, [to]... relinquish the Apostolic See which you have arrogated.
(Koenigsberger 1987, p. 166)

The pope responded by excommunicating him, and, faced with resultant challenges to his authority, Henry was forced personally to petition the pope for absolution and reinstatement to his position as emperor.

An entry in the *Encyclopaedia Britannica* (1902) described it:

...There [at the castle of Canossa, where Gregory was residing] occurred the famous scene in which Henry, the highest of secular potentates, stood for three days in the courtyard of the castle, clad in the shirt of a penitent, and entreating to be admitted to the pope's presence. No historical incident has more profoundly impressed the imagination of the Western world. It marked the highest point reached by papal authority, and presents a vivid picture of the awe inspired during the Middle Ages by the supernatural powers supposed to be wielded by the church.
(*Encyclopaedia Britannica* (1902), 10th ed, vol. XXVIII, Henry IV, Holy Roman Emperor (1050-1106))

The pope had demonstrated that he held very real political power within western European territories. Secular leaders, very aware of the way in which Henry had been humiliated, felt a need to counter this power in some way. This confrontation marked the start of growing conflict between the papacy and secular rulers throughout western Europe, a confrontation

which has come to be known as the *Investiture Conflict*, which finally climaxed in the 16th century Reformation.

The Roman Church argued that, since kings were established in their kingdoms through the Church's administration of the ritual of Unction⁵⁵, religious authority was superior to secular authority. As Ullman (1965, p. 86) says, 'It was that act alone which made the king'. The stage was set in the 10th and 11th centuries for mounting conflict between secular and religious leaders. The political history of this period is that of fluctuating but constantly increasing papal fortunes and claims to ascendancy and authority over secular rulers.

The Roman Church underwrote its political dominance through appeals to canon law, established over the centuries, and taking its form from Roman law, defined by the legal works of Justinian, compiled in the sixth century. Such appeals depended on the maintenance of a strong legal framework and of people schooled in interpreting both the canons and the legal prescriptions of Roman law as defined by Justinian.

From the 11th century onwards, as Murray points out,

popes, legates and councils saw the evils of their age as "contempt for the canons". They sought to revive the Church's ancient legal framework, with a few surreptitious accretions (Murray 1978, p. 214).

This revival of the Church's legal framework, coupled with its use as a justification for political claims, led to legal expertise, and the development of legal frameworks, being widely perceived as of great practical importance within both secular and religious spheres. For the Church,⁵⁶

Mankind is ruled by two laws: Natural Law and Custom. Natural Law is that which is contained in the Scriptures and the Gospel. (d'Entreves 1965, p. 33)

Natural law was canonical law; all other law was of suspect quality and should be altered to conform to the canons of the Church. Secular leaders, ruling by custom, should, themselves, be subject to the natural law of the Church. All legal statutes of states and nations should conform to canonical law.

The clash between Henry II, King of England, and Thomas a Becket, Archbishop of Canterbury (1163 - 1170 AD), resulting in Thomas's death, was a product of this conflict:

... when the king had drawn up sixteen "Constitutions", which he said embodied the "Customs of the Realm", the archbishop denounced them as contrary to canon law, and refused to seal them. (Ward 1905, p. 47)

With the Church's legal framework revived and a new stress placed on legal training within the Church, increasing numbers of legally trained scholars passed out of the schools and universities of medieval Europe.

One paradoxical result of the canonical revival and the burst of education which followed it, was that kings could now lay their hands on learned officials. (Murray 1978, p. 217)

What followed, with many slips for kings who were initially forced to rely on scholars who had been dedicated to and trained for the Church, was a burgeoning emphasis on the study of Roman law throughout the late 12th century.

The Need for Written, Centralized, Secular Systems of Law

The Investiture Conflict underscored a need for secular rulers to have alternative legal frameworks to those employed by the Church. One way to do this was to develop alternative interpretations of Roman law, based on scholarship, countering the interpretations of the Church.

However, if they were to break the shackles of the Church by challenging canonical law, they had, first, to give the concept of 'natural law' a new meaning. It had to be something other than simply 'the laws of the Church'. The study of law had begun in earnest.

William Blackstone would explain this new justification for secular law-making in the 18th century:

... [A]s man depends absolutely upon his maker for every thing, it is necessary that he should in all points conform to his maker's will. This will of his maker is called the law of nature.
(Blackstone, 1765, *Commentaries on the Laws of England*, Introduction, Section 2 pp. 39-40)

During the following three centuries secular bureaucracies were developed which were firmly anchored in written legal decrees and statutes. If anything was not legally defined, it was suspect. The basis for legitimacy was to be found in *written statutes*.

The Investiture Conflict convinced the people of western Europe of the need for the independent development of centralized, secular legal systems, maintained, refined and applied by state bureaucrats and bureaucracies, with all documentation stored within state archives, to protect and assert the interests of rulers. They needed to be able to beat The Church at its own game.

F. W. Maitland, in a 1902 contribution to the *Encyclopaedia Britannica*, explained it well:

In English jurisprudence 'legal memory' is said to extend as far as, but no further than the coronation of Richard I (3 September 1189). This is a technical doctrine concerning prescriptive rights, but is capable of expressing an important truth.

For the last seven centuries, little more or less, the English law, which is now overshadowing a large share of the earth, has had not only an extremely continuous, but a matchlessly well-attested history, and, moreover, has been the subject matter of rational exposition.

Already in 1194 the daily doings of a tribunal which was controlling and moulding the whole system were being punctually recorded in letters yet legible, and from that time onwards it is rather the enormous bulk than any dearth of available materials that prevents us from tracing the transformation of every old doctrine and the emergence and expansion of every new idea.

If we are content to look no further than the text-books - the books written by lawyers for lawyers - we may read our way backwards to Blackstone (d. 1780), Hale (d. 1676), Coke (d. 1634), Fitzherbert (d. 1538), Littleton (d. 1481), Bracton (d. 1268), Glanvill (d. 1190), until we are in the reign of Henry of Anjou [Henry II], and yet shall perceive that we are always reading of one and the same body of law, though the little body has become great, and the ideas that were few and indefinite have become many and explicit.

Beyond these seven lucid centuries lies a darker period. Nearly six centuries will still divide us from the dooms of Aethelberht (c. 600), and nearly seven from the Lex Salica (c. 500)...

(*Encyclopaedia Britannica*, 10th ed., supplement (1902), vol. XXVIII, pp. 246-53; 11th ed. vol. IX, pp. 600-7.)

As such legal systems became elaborated, they inevitably affected the lives of people throughout Europe. Génicot described some of the effects:

... the local and traditional tribunals were more and more replaced by superior courts run by *doctores* who were not known and whose integrity (not without reason) was suspect, and who practised a new, the Roman, law, rather than the ancient customary one.

The state now advanced a claim, mainly under cover of this *jus*, to the entire ownership of waste, forest and water, and to their exclusive use, or at any rate the right to regulate arbitrarily their utilization. The villages also had to submit to orders from above and from distant places, and to officials sent from outside ...

(Génicot 1971, p. 701)

As states developed legal systems to protect the interests of rulers against the claims of the Church, those involved in developing statutes extended the legal rights of rulers over more and more of the activities and properties of their subjects.⁵⁷ So, in succeeding centuries, conflict was to develop not only between Church and state, but also between the state and its people. As a result, emphasis was to be placed on the legal rights of individuals within the state against the state itself.

Increasingly, people and state were to become defined in *oppositional* terms.⁵⁸ This change in emphasis was brought to a head in the 17th century in the writings of the Protestant jurist-theologians, chiefly by Hugo Grotius, whose principal work, [Ⓔ] *On The Law of War and Peace*, appeared in 1625. As Roscoe Pound (1921, pp. 89, 90) put it:

Grotius and those who followed him made reason the measure of all obligation. They conceived that the end for which law exists is to produce conformity to the nature of rational creatures

... at the very time that a victory of the courts in the contests between the common law courts and the Stuart kings had established that there were fundamental common-law rights of Englishmen which Englishmen must maintain in courts and in which courts would secure them even against the king, a juristic theory of fundamental human rights, independent of and running back of all states, which states might secure and ought to secure, but could not alter or abridge, had sprung up independently and was at hand to furnish a scientific explanation when the next century called for one.

By a natural transition, the common-law limitations upon royal authority became natural limitations upon all authority; the common-law rights of Englishmen became the natural rights of man.
(quoted in Grotius 1957, p. xiv)

Increasingly, during the medieval centuries, *customary* obligations and rights between people, not supported by written, legally acceptable documentation, could successfully be challenged by appeal to this developing system of legal statutes.

Of course, the experiences of various western European regions differed. In England there was no 'violent breach between folk-law and jurist law' (Cam 1957, p. 13) as experienced in some other areas of Europe with the establishment of Roman law as the law of the land and the supervention of customary law.

There seems to have been a stronger sense of independence amongst English law makers and practitioners, with the result that, by the reign of Henry VIII, common law had become separated from both Roman law and the canons. As Maitland observes,

Roman law was by this time an unintelligible, outlandish thing, perhaps a good enough law for half-starved Frenchmen. Legal education was no longer academic - the universities had nothing to do with it.
(see Cam 1957, p. 125)

English law had accommodated the 'customs of the realm'. In doing so, it provided rulers with a centralized, bureaucratically developed legal system which differed widely from the Roman law upon which Church authority and canons were established.

Henry II had set England on a legal course which resulted in an alternative base for legal authority to that used by the pope and by many of the monarchs of Europe. By the reign of Henry VIII, the king was able to appeal to this body of law as legal justification for independence from the Church. Common law had incorporated customary law, and in doing so had become immediately relevant to people at all levels of society.

For the English, to a degree found in few other regions of western Europe, both formal and informal mechanisms of dispute settlement involved attorneys and recourse to courts of law. Justices of the Peace were accessible to all or most members of society, and

...the total impression is that the multitude of overlapping courts and laws penetrated right down to the level of the lowest inhabitants, and that ordinary people had a good working knowledge of the national system of criminal law...
(Macfarlane 1987, p. 74)

and their own legal rights. Macfarlane claims that in Westmoreland, between 1550 and 1720, large numbers of villagers personally initiated complex legal actions against their fellows, which were heard in the central courts of England. 'English society was based on, and integrated by, two principal mechanisms - money and the law'.

The continuing conflict between Church and state in western Europe produced:

- ★ strong emphasis on the development of centralized legal systems spelling out the rights and responsibilities of individuals towards each other and to the state, and greatly expanding the state's powers over its members;
- ★ a growing sense of the need to separate Church and state: each with its own independent set of laws and regulations governing life within the secular and spiritual domains; its own bureaucracy to promulgate and administer legal statutes; and its own set of archives to preserve the documentation upon which the developing systems of law were predicated;
- ★ an expansion of the concept of law to cover an ever-increasing spectrum of daily life;
- ★ a recognized need to separate the rights of the state over its members, and the separate rights of those members, independent of the state;
- ★ and a burgeoning emphasis upon the importance of education.

Education became an alternative avenue to status attainment. Feudal lords became increasingly dependent on educated people to run their bureaucratic machinery, and citizens increasingly needed access to legal expertise to protect themselves from the claims of both the state and fellow citizens.⁵⁹ And with this emerging means of status attainment came an increasing emphasis on money income.

Since western Europe in this period was feudally organized, it was inevitable that key positions in the emerging bureaucracies were filled in the feudal manner, through the patronage of the royal household, rather than on the basis of educational training or legal expertise. So, within bureaucracies one had 'political' appointments to key positions, and people employed for their expertise and training under them.

Over succeeding centuries this arrangement was to produce increasing tension between educated 'experts' and feudally appointed principals. By the 17th century this tension had hardened into a strong conviction on the part of the educated (who, by allying themselves with various other protesters of the period, gained increasing power) that principal positions within state bureaucracies and private enterprise should be filled on the basis of educational achievement and demonstrated 'expertise', not on the basis of patronage.

In later years placement on the basis of education was to be regarded as *achieved*; placement on the basis of patronage was to be considered *ascribed*. Of course, feudal appointments were just as 'achieved' as those of the modern period within the capitalist framework; only the kind of activity through which one achieved was very different.⁶⁰

The Aquinas Solution: Natural Law Distilled from Secular Experience

As seems common at crisis points in western European history, at the time when Church and state confronted each other most directly, a person

emerged who provided a philosophical construct from which both Church and state could argue.

Thomas of Aquinas (1225?-1274) was able to focus the debate and provide a logical construct which appeared to sum up and resolve the problem of the relationship between Church and state in the Church's favor. However, it was not long before princes, and those who worked for them, found in Aquinas's construct a justification for a separation of Church and state, each with its own set of laws, and each with its own independent rationale for existence.

Western Europe experienced a growing fascination with the work of Aristotle from the mid-12th century onwards. Aristotle's focus upon categorization of the particular within the sensible world was to result in the re-emergence of a focus on human beings as part of the natural world. As Ullman has suggested:

It was as if a new continent had been discovered - the discovery of man's real nature - and a new subject-matter was revealed. With every justification has it been said that there was a Renaissance, a rebirth of the long-forgotten natural man.
(Ullman 1965, p. 167)

This was a natural man firmly placed in his supernatural context. The medieval fascination with Aristotle received impetus when scholars recognized that he offered a means of defining a new kind of law - *natural law* - law which God had established as the principles through which the natural world was organized and sustained.

This new definition of natural law directly challenged the traditional understanding of natural law as canonical law. It seemed that a confrontation was brewing between Church and state. If Aristotle could be seen as inspired, as spelling out the natural laws of God in the natural world, then people who sought bases for secular law which were different from those underpinning Church, or supernatural, law could appeal to him.

Aquinas's new model and definition of natural law would provide a way of resolving the looming confrontation. Both were legitimate. The emerging definition of natural law referred to a subset of God's laws, those relating to material existence.

The term 'supernatural' was coined in the 13th century, at the time when there arose a strong need to differentiate clearly between two separate realms (cf. Murray 1978, p. 12). The spiritual realm was governed by spiritual laws, and the natural realm, and people, as creatures within that realm, were governed by natural laws. Human beings within society were governed, or ought to be governed, by laws which reflected those laws of nature.

God makes everything perfect. He had established laws for the governance of the spiritual realm, *canonical law*. He had also established laws for the governance of the secular world, *natural law*. Each set of laws would be found to be self-contained and perfect in its organization and functioning ⁶¹.

So, it was the responsibility of people in the secular realm to uncover the *laws of nature*, established by God for the smooth running of the secular realm, just as it was the responsibility of the Church to uncover and apply

the laws God had established for the running of the Church and the spiritual realm. So Aquinas argued:

Now in human affairs a thing is said to be just from being right according to the rule of reason. But the first rule of reason is the law of nature ...

Consequently every human law has just so much of the character of law as it is derived from the law of nature. But if in any point it differs from the law of nature, it is no longer a law but a corruption of law.

(Aquinas 1952, Pt 1: 2, Q. 95:2)[⁶²]

Whereas the Church had defined 'natural law' as a set of rules spelt out in Scripture and Church canons, Aquinas affirmed the validity of the emerging definition of natural law which came from Roman jurisprudence ⁶³ and Greek philosophy. To develop legal systems which reflected natural law, it was necessary to understand the 'nature' of human beings.

The claim by Aristotle, that civilization is based on people ordering their lives by instincts implanted in each individual, ⁶⁴ resurfaced in the high Middle Ages. But the definition of those instincts reflected the recognized needs of medieval society. ⁶⁵

In Aquinas's model we have a melding of the concepts of Roman jurisprudence and orthodox theology. The laws of nature should be sought, but, when found, would be discovered to be a coherent, immutable whole. If natural laws could be uncovered by examining the material world, the material world, in turn, would be found to be governed by sets of immutable laws established by God. By conforming to the laws established by God for the optimal performance of his creation, people could reasonably expect burgeoning prosperity. ⁶⁶

Human beings bridged the natural and spiritual realms. Spiritually, they were governed by laws of the spirit, and, naturally, they were governed by laws of nature. As Aquinas put it,

To the natural law belongs everything to which a man is inclined according to his nature.

(Aquinas 1952, Pt 1: 2, Q. 94:4)

An understanding of natural law required comprehension of the nature of human beings, and the nature of human beings could be determined by observing them within their social setting.

Aquinas's construct made Church law 'supernatural law' and laws of the state 'natural law'. According to Aquinas, there were natural laws to which all creation conformed, which were implanted in human beings and in a subservient relationship to divine law. Those who conformed to natural law conformed also to the will of God, as expressed in the natural order.

Natural and divine law were hierarchically related, not opposed to each other. And it was possible for people to live according to the dictates of natural law, with a this-worldly, secular focus to their lives, and yet be living in tune with the will and purpose of God. For the natural world was a law-directed whole, composed of parts which were perfectly placed within the whole through the operation of that law. ⁶⁷ So, Aquinas observed:

... natural processes develop from simple to compound things, so much so that the highly developed organism is the completion, integration, and purpose of the elements. Such indeed is the case with any whole in comparison with its parts.

(^{CE} Gilby 1960, p. 369)

The natural and supernatural wholes were logically prior to their elements, which only existed as parts of the whole. Without the whole, there is no point or purpose in the existence of its elements. The parts were created because they were necessary to the whole. Individuals did not exist in or for themselves. They only existed as members of a society.

A perfect creation required perfect parts. It was, therefore, the responsibility of all people to live as God had intended they should. Otherwise, they could be held accountable for the trials and troubles visited upon people in this life. And the perfect society was that which, in all its forms and functions, conformed most closely to natural and spiritual law.

Aquinas set western Europe on the search for natural laws governing every area of life in this world. From this time onwards, western Europeans increasingly accepted that if a natural law was discovered, people had a moral and spiritual duty to live by it.

It was this quest which set western Europeans on a path which led to the eventual change from natural laws legitimized by God, to natural laws legitimized by rational logic ⁶⁸, a move already prefigured in Aquinas's model. And, finally, as the secularism of the 18th and 19th centuries unfolded, to natural laws legitimized statistically ⁶⁹. This made the elements primary and the characteristics of the wholes constructed from them determined by the characteristics of the elements⁷⁰.

By the 17th century, although it was still accepted that natural law had been established by God, it was increasingly accepted that any phenomenon in the sensible world could be explained by reference to natural laws. The natural realm was a self-contained, self defining whole. So, one could 'explain' phenomena in the natural world without recourse to the divine. There were no exceptions.

Understanding of natural laws, coupled with rational extrapolation from those laws would provide a full understanding of the possibilities and potential of the natural realm. One could also, by rationally extrapolating from known laws, determine the likely existence and character of associated natural laws.

And all the while, western Europeans became increasingly aware that individuals had a moral duty to 'make the most' of themselves, to fulfill their lives, to 'develop their potential'.

With devout people proving their sincerity and morality through a life focused within this world, the responsibility of each person to strive for perfection through self-development became the prime obligation of life. They had to 'fulfill their potential' - as defined by 17th century 'responsible people'.

It was, equally, and for the same reason, their responsibility to ensure that they realized the potential of the resources placed in their hands. People who misused the 'talents' given to them by God could expect the fate of the

indolent servant in Jesus' parable of the talents ⁷¹. Richard Baxter, in 1678, spelt this out very clearly:

If God show you a way in which you may lawfully get more than in another way (without wrong to your soul or to any other), if you refuse this and choose the less gainful way, you cross one of the ends of your Calling, and you refuse to be God's steward, and to accept his gifts, and use them for him when he requireth it; you may labor to be rich for God, though not for the flesh and sin.
(1838, p. 377)

Then the greatest of all sins became, as Foucault has eloquently described, the sin of Sloth. To waste the life which God had given, or the resources he had placed in your hands, was not only a sin against oneself; it was a sin against society.

Initially, given the concerns of the age, the focus on natural law was a focus on social organization and activity. Natural was social, and the focus of intellectual inquiry, strongly influenced by the Investiture Conflict, was political.

Within a generation of Aquinas's teaching, those who had been seeking legal and philosophical foundations for the independent rights of kings from popes succeeded in separating natural law from canonical law and arguing for their entirely independent legitimacy and efficacy.

God had created separate, self-consistent, natural and supernatural worlds, each with its own set of laws defining the correct interrelations among the parts. It was in the interests of civil powers to insist on, and to provide philosophical justification for, the entirely separate development and efficacy of civil law.⁷²

Over succeeding centuries this process was to produce recognition of a whole range of separately existing bodies of law relating to specific areas of the natural realm. Western Europe became convinced of the importance of written law as sets of basic principles through which elements in any whole could be perfected and combined and through which the whole gained its identity. To control the natural world, one needed to discover the sets of laws for such control. Knowledge of laws was power.

The search for systems of laws defining the correct interrelations among parts of logically constructed wholes had begun in earnest. And, because in the medieval world all law was enshrined within a guardian bureaucracy, the search for laws assumed such bureaucratic underpinning. Where a body of laws was uncovered there should be a bureaucratic body to safeguard, preserve and apply those laws.⁷³

By the end of the 12th century western Europeans were already becoming aware of the potential political value of an understanding of the natural world. Alexander Neckham (1157-1217) claimed that when

the subtle truths that lurk in the very bosom of nature' had been uncovered, 'what enemies could withstand the kingdom that was able to triumph over [i.e. master] the sciences?'
(quoted in Murray 1978, p. 124).

With Aquinas's new interpretation of 'natural law', Western Europe quickly came to believe that, by uncovering the laws for the organization of the

material environment, people could gain power to manipulate it in their own interests.

From the outset the recognized importance of establishing secular law as an independent, self-contained system was based on a pragmatic determination to use it in establishing secular independence, empowering the state. Knowledge of laws, and the ability to manipulate them, was power. The search for natural laws was, from the outset, accompanied by a belief that those who found them and learned to master them empowered people to exploit to the full the domains or environments governed by them.

During the later medieval period people became increasingly aware of both religious and secular corruption, as those with access to legal expertise used their power to disinherit those who had no access to it.

People felt less constrained by social obligation as hierarchical relationships became challenged with the growing abuse of power and authority in the medieval world. They therefore felt free to pursue private gain without the need for social justification. In fact, if one could gain an advantage through appeal to law, one could claim 'legitimacy' in making the most of that advantage.

Over succeeding centuries people increasingly learned to manipulate legal statutes to increase their private wealth, accepting fewer and fewer social responsibilities which were not required by written law. By the 17th century, people were able to challenge many of the customary responsibilities of earlier centuries in this way. Joseph Lee, a succinct spokesman for the cause of enclosure and independence espoused by new landowners in that century, could say:

Let it be granted that our land and businesse lying nearer together fewer servants will be kept; are any bound to keep more servants than are needful for their businesse; or may they not cast how to do the same businesse with least labor ... Is a man bound to keep servants to pill strawes or labor in vain? By what law? ...
(quoted in Appleby 1978, p. 61)⁷⁴

'Money-making' patron-client networks and an emerging emphasis on quantification

{§} (12/03/18) Prior to the 13th century, merchants were constantly on the move in an unending pursuit of profit. They were fringe dwellers, outside normal society, who challenged many of the central moral presumptions of the feudal period and were regarded with suspicion by upright citizens⁷⁵. In an endeavor to contain them and yet, at the same time, attract them to establish their bases in their territories, states established rules and regulations both governing their activities and defining the necessary obligations of people who interacted with them.

They formed a common-interest group who regulated their affairs amongst themselves on the basis of cooperative rather than competitive exchange. Because of their exclusion from feudal society, they formed parallel, informal networks of patron-client relationships among themselves. Over time, there emerged an informal ranking of the 'money makers' of western Europe and an intermeshing of their interests. They then used their wealth

and collective power increasingly to subvert the feudal system. (Eight hundred years later, financial deregulation and 'globalization' of capitalism are similarly [subverting national sovereignty and Democracy](#).)

By the 13th century the relationship between feudal leaders and the wealth holders of western Europe was increasingly based on transfers of wealth in return for feudal position.⁷⁶ Those who gained wealth were able, from the outset, to use it to purchase position and recognition within feudal society. As they increasingly gained the upper hand, they were finally, in many regions of western Europe, to displace the feudal hierarchies with their own, alternative networks based on patron-client relationships.

Of course, as they gained political power, they increasingly influenced the exercise of government and the formation and implementation of law. By the 17th century, the foundations had been laid for the transformation of feudal structures into those which we now realize are required by capitalism.

The intermeshed patron-client networks of those engaged in wealth-accumulating activities remained important throughout Western Europe during the succeeding seven hundred years. Muldrew (1993: 163) has shown that during the early modern period, those who identified each other as engaged in similar activity within the marketplace 'stressed credit relations, trust, obligation and contracts' amongst themselves rather than unbridled individualistic profit making. They acted as common-interest groupings within patron-client networks.

Western European merchants travelled throughout the Mediterranean, into Egypt, through central Asia, and throughout western and northern Europe. They were not scholars. They were morally suspect adventurers, willing to incorporate any ideas or practices which might increase the profitability of their ventures.

Above all, what they needed was a clear, simple method of accounting and calculation. During their travels they encountered Muslim traders, who had gained a new form of calculation from northern India, based on the abacus. The abacus required a base-ten number calculation system which employed the zero to retain all place columns throughout calculation. Traders who accepted this new system gained great advantages in bargaining and exchange.

The ponderous Roman numbering system, enshrined in the literary, legal and political worlds, was cumbersome, made any attempts at either multiplication or division extremely complex, and was inappropriate to the use of the abacus. It was, however, for a variety of reasons, strongly supported by scholars.

Scholars, remaining wedded to the Roman system, had great difficulty in mastering the principles of the new mathematics - principles which required the use of the zero as a place holder. This produced a clear divergence between money makers and scholars, with the money makers of Europe gaining increasingly independent control over financial matters as their expertise outstripped that of people tied to the use of the Roman numbering system.

The new mathematics of the late medieval period was important in driving a wedge between scholarship and practical bookkeeping which has been

reflected in the Western separation of the humanities from the sciences and commerce, ever since. It was also to mark the beginning of a developing interest in numeracy as a prime means of expressing the quantitative evaluation of individuals and groups (required by the emerging 'modern' social template which needed means for comparing the material worth of individuals).

While scholars depended on the existence of feudal society for their success, since scholarship was a means of upward mobility, merchants gained greater freedom of activity as feudal society weakened.

These developments occurred at the time when secular rulers were seeking increased independence from religious domination and were looking for people with the necessary skills to help them to become truly independent. High on the list of those who were most valued were those who had developed successful mercantile ventures. They were able to support secular rulers financially and to provide the kinds of skills necessary for the more efficient development of taxation and other forms of revenue earning and accounting. As Murray claims,

Authorities needed arithmetic because they, like merchants, had counting houses.
(Murray 1978, p. 195)

In western European capitals the expansion of legal bureaucracy was paralleled by the expansion of fiscal bureaucracies, and an area of law emerged, focusing on commercial activity.

By the reign of Henry II the English administration of finances was already being formally systematized, with its own sets of laws and regulations. This organization was spelt out in a descriptive handbook entitled the *Dialogue of the Exchequer*.

Similar developments occurred in both France and Germany, while in Italy a range of very sophisticated commercial techniques were developed, supported by handbooks of commercial practice. Those from the rest of Europe who wished to master the intricacies of double entry bookkeeping or buying and selling on credit travelled to Italy, where they were able either to enter employment in established business firms or to study the new methods of accounting and banking at schools and universities.

Regionally based administrations became stronger as the hierarchical interrelationships of feudalism weakened. They also became more formally organized and economically viable as the political structures supported by the administrations increased in stability.

The development of legal and fiscal institutions provided a base for bureaucratic government which had not existed in medieval feudal Europe. Over time, a rationale for government emerged which was different from that of feudalism, based on control of legal and fiscal bureaucracies and systems of law rather than on the personal allegiances of land holders.⁷⁷

Autonomy and systems of law

Through the later medieval period, towns arose as centers of commerce and trade. Europe was being reorganized to serve the patron-client interests of increasingly politically dominant 'money-makers'. This provided people (who

were being displaced by the subversion of feudalism to serve money-making interests) with new means of livelihood. Merchants needed bases, markets, merchandise and security. They were to find all these in the newly forming urban areas.

As trade increased, the need for artisans grew to provide the merchandise for trading. Towns, gaining their prosperity from trading, consciously provided support to their traders and encouragement to merchants to relocate to their districts. Rural dwellers from estates near towns gravitated to them and became involved in the production of goods or in the provision of various services to other urban dwellers.

Most larger towns managed to distance themselves from feudal lords and laws, developing their own sets of laws and bureaucracies to administer them. The legal statutes of towns spelt out the rights and responsibilities of citizens, the legal relationships between towns and rural land holders, and the 'freedom' of citizens from the claims of rural lords and statutes.

In most towns there was a gradual evolution towards equality before the law and this equality came to be extended to unfree persons who settled in towns. "Town air makes free" became an important principle in medieval law.

(Koenigsberger 1987, p. 146)

In most towns of western Europe it became accepted that residence for a year and a day set serfs free from their obligations to the estate owners under whom they formerly served. In the minds of the inhabitants of western European towns, freedom and 'progress' became closely associated. Equally, rural laboring, servitude and domination by 'tradition' became conflated. For a laborer to better himself, he should do what the fabled Dick Whittington did in ^{CE} the folktale - go to town to seek his fortune⁷⁸.

Since urban areas became identified with freedom from servitude and increased material wealth, and towns emphasized the importance of merchant activity, the merchant, from the mid-13th century onwards, slowly emerged as more of a hero than a rogue. In the minds of western Europeans, country life became equated with serfdom and tradition, town life with freedom and self-improvement.⁷⁹

As Hertz observed,

the feudal disintegration of the central government ., gave many towns the opportunity of winning an almost republican independence.
(Hertz 1972, p. 57)

Where any region, however small in territorial extent, could successfully establish and maintain autonomous legal and fiscal bureaucracies for the government of the people, it could claim autonomy on the basis of the existence of these structures. The state became identified with control of bureaucracies which applied systems of laws and regulations. Those who controlled the bureaucracies controlled the state. Any territory which could successfully establish such bureaucracies and legal systems could claim autonomy.

The weakening of feudal institutions resulted in a range of demands on kings as pressures for self-government of regions within their territories

mounted. Not only were regions within kingdoms claiming limited autonomy, they were also insistently demanding the limitation of legal prerogatives of the Crown.

While the Magna Carta was an unusually sweeping charter, similar limitations on the rights of rulers were being negotiated throughout western Europe.

Nearly everywhere in Europe kings acceded to such demands for the sake of peace at home and support for their foreign wars ...
Everywhere rulers granted charters to cities in their territories, allowing them varying degrees of self-government.
(Koenigsberger 1987, p. 233)

The separation of states and commerce 🐼

During the 13th and 14th centuries there arose, in western Europe, as in England, groups of well-to-do merchants, wealthy professionals and rural property holders. Either through direct purchase or through the judicious use of credit, they were able to gain control over increasing areas of land. Over time they developed into a country gentry with resources of their own on which they might call.

Landlords, where they claimed power over common lands, could see in them sources of revenue through sale which would in no way diminish the size of their domains. They increasingly claimed title to these lands and sold them to the highest bidders. Rural small holders, who required access to common land in order to supplement the inadequate returns from their holdings, found their access being denied, and increasing numbers were forced from their lands.

From personalized, cooperative hierarchical relationships to object-oriented, competitive oppositional relationships 🐼

One could no longer, in the later medieval centuries, speak of any simplistic division of rural society into lords and peasants. Rather, there were some large landlords who controlled estates of considerable extent, with large numbers of resident villeins, and there were landowners with very small holdings, working for themselves and eking out a living which was little different from that of the feudal villein.

Between these extremes there was a large group of landlords who controlled estates of varying size, with varying numbers of dependent land holders, and with varying degrees of acceptability by those tenants.

Not only were there large and small property holders, there was also a growing number of property holders whose wealth came from commercial activity and who had strong links with towns. These land holders were 'owners' rather than holders. They had not acquired rights to property through feudal favor but through purchase.⁸⁰ They therefore felt under less obligation to accept feudal responsibilities, either towards those who were hierarchically superior or towards those inferior to themselves.

Most lived in the country but conducted their business activities in towns. Gaining status from their rural addresses and wealth from their town pursuits, they were in a position to play one off against the other to their

own advantage. In the process they became defined as separate from both town and country, an independent group who became increasingly aware that they could, by manipulating various systems of law, gain an advantage for themselves.

This group, in succeeding centuries, became identified as a common-interest group, an incipient 'class' with interests of their own which they should pursue.⁸¹ Their success in manipulating legal statutes to their own advantage made them a major force in western Europe and provided a class of 'owners', 'employers' and 'directors' as the emerging economic concerns of Europe became increasingly dominant.

Acting as the 'unions' and 'nations' of medieval Europe had acted, those who identified with the 'country gentry' saw themselves as having common interests, as sharing cooperative relationships with each other against opposing groups - the workers, the poor, the Crown, the 'idle rich'.

There was also a constantly expanding population of itinerant laborers who had lost access to land, or whose lands, without access to common land, were inadequate to meet their needs⁸². They moved with the crops and seasons, employed, as needed, by land holders. They were coming to understand the world in terms which directly reflect the experience of those employed by others. As Thompson argues:

Those who are employed experience a distinction between their employer's time and their 'own' time. And the employer must *use* the time of his labor, and see that it is not wasted: not the task but the value of time when reduced to money is dominant. Time is now currency: it is not passed but spent.
(Thompson 1967, p. 61)

The relationship between the growing population of employed people and those who employed them was being transformed from one of hierarchical responsibility into one based on wage labor, with employers and employed, landowners and tenants being increasingly seen as opposed groups.

With decreasing populations in the later 14th and early 15th centuries, and opportunities abounding for material advancement for those who wished it, the emphasis on material returns for labor input greatly increased:

The Black Death ... brought a sense of urgency, especially in urban areas. The work day was extended and night work became common as merchants sought greater profits and workers, higher wages ...

Clocks and the rhythmic chimes of bells became more important than ever ...

By the end of the century, 'merchant's time', rather than 'the traditional conception of time in Christian theology', became the rule.
(Gottfried 1983, p. 81)⁸³

In the process, there developed a need for the determination of starting and finishing times in work.⁸⁴ It became a common practice, perpetuated over several hundred years, for early morning and curfew bells to be sounded to alert people to the start and end of the working day.

As one, by-lined P.Q., wrote in an item in the February 17th, 1838 edition of *The Mirror* : in 1644, Richard Palmer of Workingham had left a bequest to

the town ensuring that in future the great bell of the Workingham Church was to be rung for half an hour daily at 4am and again at 8pm:

... that as many as might live within the sound might be thereby induced to a timely going to rest in the evening, and early arising in the morning to the labors and duties of their several callings, (things ordinarily attended and rewarded with thrift and proficiency) ... the same being done in most of the cities and market towns, and many other places in the kingdom.

(^{CE} [The Mirror](#) No. 879, 17th February, 1838, p. 98)

During this period of feudal decay the peasants of Europe, in the words of Blum, threw off:

... the bonds that held them in serfdom. Nonetheless, they still owed servile obligations to seigniors, and they were still subject, to a greater or lesser extent depending on the locality, to the jurisdiction and punitive authority of seigniors.

Some historians have made much of the fact that the dependence or servility of these peasants was not attached to their persons (as it was to the person of a serf). Rather, they argue that the dependence adhered to the land. It became part of the price the peasant paid for the use of his holding to the seignior who had the superior ownership of the land.

(Blum 1978, p. 33)

This progressive transference of rights and responsibilities from person - person *hierarchical* relationships ⁸⁵ to person - property - person *oppositional* relationships, often confused and ambiguous during the 14th to 16th centuries in western Europe (and during the 17th to 19th centuries in much of eastern Europe), removed direct responsibility for the welfare of tenants from landlords and resulted in an increasing sense of alienation.

Landlords were increasingly able to demand servility as a cost to the tenant, and the land holder or rural laborer increasingly objectified such costs as the *price* of the land or of employment. This social distancing of rural poor and landlord distorted recognized social relationships, emphasizing the *differences* and decreasing the recognized *commonalities* between them. *Cooperative, interdependent* relationships were being displaced by *oppositional, independent* relationships, mediated through legal statutes governing the ownership and use of property.

During the 19th century Marx was to comment on these developments, arguing that, over time, the dependence of the serf on the lord of the manor became increasingly transformed into apparent independence with the individual 'hemmed in on all sides by material relations' (Fischer & Marek 1973, p. 57). Increasingly, the rights and responsibilities of individuals to each other became *legally spelt out* and *materially measurable*, objectified. These obligations could then be traded in the same way as other objects.

That is, the rights and responsibilities implicit in social relations could be treated as rewards and costs and the potential labor input of the obligation could be evaluated against labor inputs into commodities. One could calculate the money worth of social obligations. This development did not do away with the obligations; it only made the individual who owed them

appear to be independent of those to whom the obligations were owed. As Marx perceptively observed of the production of commodities:

... it is a definite social relation between men, that assumes, in their eyes, the fantastic form of a relation between things ...

This I call the Fetishism which attaches itself to the products of labor, so soon as they are produced as commodities, and which is therefore inseparable from the production of commodities.

(Marx 1887, p. 43)

Since the obligations were costs attached to the land worked by the tenant, the tenant could be seen as independent of the landlord to whom the obligations were owed. Previously hierarchical obligations and responsibilities were transformed into 'terms of rent' and attached to the property rather than to the people involved.

A social relation between individuals had assumed 'in their eyes, the fantastic form of a relation between things'. The focus of Europeans was being fixed on the *legal obligations* and *quantifiable costs* of social interaction, attached to or incorporated into the *object* of any exchange, rather than the persons involved in the interaction.⁸⁶

Increasingly, over succeeding centuries, people were to see all social relationships in terms of costs and rewards within a legalized framework of obligations and rights. What was *gained* and what was *lost* through social interaction became the determinants of social exchange.

The focus of interaction was on the *products* rather than the *participants*. One could now aim to minimize costs and maximize personal gains with less and less consideration of social responsibilities not spelt out in legislation. Social relationships were being reduced in form to commercial transactions.⁸⁷

The alienation of property and stress on legally bounded confrontation

The focus of life was increasingly on the gains and losses of interactions. This competitive calculation of costs and rewards was coupled with an emerging belief in the morality of 'realizing the potential' of one's resources; and with burgeoning possibilities of both attaining and enhancing status by accumulating wealth with which to purchase estates.

Business people and country gentry therefore saw it as more and more important to use their assets to generate increased wealth. In order for landlords to increase their personal incomes from their holdings it was necessary to rationalize land holding and land use practices.

This focus on reducing costs and increasing profits resulted in permanent reductions in the number of people living off the land, the consolidation of land holdings, and increasing farm size, together with alterations in land use practices. In turn, these developments could only lead to increasing tension between landlords and tenants and increasing alienation (see [16th Century Land Alienation](#) for a contemporary account of this alienation).

During the 15th century, as population increased again, increasing numbers of rural dwellers were displaced from their holdings. The number of itinerant

laborers moving with the seasons, crops and availability of work escalated, and towns' populations rapidly expanded.

Increasingly, it became a fact of life that the person without an *inalienable legally recognized right* to property was at the mercy of those who controlled the means of livelihood. Any person who was *materially or socially dependent* on another gave that person material power over him or her. One needed to *own property* (that is, have written, legal entitlement to exclusive possession) in order to maintain social and material independence.

The small holders and laborers of western Europe were forced, by bitter experience, to re-evaluate their relationship to feudal hierarchies and find alternative bases for social and economic security. The natural direction in which this took them was towards the *personal legal ownership* of land and other means of livelihood, with all the rights and responsibilities of ownership spelt out in legislation and attached to the property.

Using Law to Rob the Poor and Dispossess the Weak 🐼

Europe was passing through a period of profound political, social, religious and intellectual change. And, as with all such fundamental change, affecting and being affected by alterations in the primary presumptions of thought and organization, people became less and less sure of themselves and those around them.

From the 15th century onwards, as Foucault so graphically describes,

...the face of madness has haunted the imagination of Western man.
(Foucault 1971, pp. 15) ⁸⁸

Nothing made any sense.

A contemporary comment from the 1350s paints a graphic picture:

justice and pity were powerless, so soon as it appeared advantageous to murder or poison rivals in power at the hospitable board. The science of finance was reduced to robbery, politics to perjury ...
(quoted in Nohl 1961, p. 96)

The miracle play of Theophil included sentiments which summed up the mood of the age:

O Thou thoroughly wicked God, if I could but lay hands on Thee! Truly I would tear Thee to pieces. I deny Thee, deny Thy faith and Thy power. I will go to the Orient, turn Mussulman, and live according to the law of Mahomet. He is a fool who puts his trust in Thee!
(quoted in Nohl 1961, p. 97)

People seemed able to apply the laws, established by God for the more perfect organization and functioning of society, to personal gain, to robbing the poor, to dispossessing the weak, to denying long-established social responsibilities. And the justifications they gave for their actions did not make sense in terms of the understandings of the feudal world.

While their actions could be justified by law, they contravened all the sensibilities of medieval people. They had long assumed that society was organized in terms of complementary, cooperative hierarchies, with the

hierarchically superior taking responsibility for the welfare of those under their protection.

With the fundamental assumptions of communities in a state of change and disarray, people found it difficult to keep control of reality. There were too many conflicting and contradictory understandings of life, and it was increasingly difficult to know who or what to believe. Europeans became increasingly aware, and fearful, of the effects of madness, of people whose view of the world did not 'make sense', who flirted with 'forbidden wisdom'.

As Foucault says:

What does it presage, this wisdom of fools? Doubtless, since it is a forbidden wisdom, it presages both the reign of Satan and the end of the world ...

Apocalyptic dreams are not new, it is true, in the 15th century; they are, however, very different in nature from what they had been earlier. The delicately fantastic iconography of the 14th century ... where the order of God and its imminent victory are always apparent, gives way to a vision of the world where all wisdom is annihilated ...

Victory is neither God's nor the Devil's: it belongs to Madness ... On all sides, madness fascinates man.
(Foucault 1971, pp. 22,23)

During this period the movement towards the enclosure of common land and the rationalization of land holding and land use produced severe social distortions. As Polanyi has described:

Enclosures have appropriately been called a revolution of the rich against the poor. The lords and nobles were upsetting the social order, breaking down ancient law and custom, sometimes by means of violence, often by pressure and intimidation. They were literally robbing the poor of their share in the common, tearing down the houses which by the hitherto unbreakable force of custom, the poor had long regarded as theirs and their heirs'.

The fabric of society was being disrupted, desolate villages and the ruins of human dwellings testified to the fierceness with which the revolution raged, endangering the defences of the country, wasting its towns, decimating its population, turning its overburdened soil into dust, harassing its people and turning them from decent husbandmen into a mob of beggars and thieves.
(Polanyi 1957, p. 35)

Monarchies of the Reformation period, increasingly despotic, looked for support from the common population against an increasingly independent rural gentry who were challenging feudal responsibilities and insisting on the logic of what we now call 'economic rationality'. As Polanyi claims, the Tudors and Stuarts of England used the power of central government to relieve the victims of this transformation in property rights and, in the process, gained the increasingly vociferous opposition of those who stood to benefit from enclosure, the rural gentry.

The monarchies of western Europe and their bureaucracies were essentially feudal, not business-oriented. Political power in the 16th century still rested with hierarchies whose positions were legitimized by their relationship to the Crown, not by their control of material resources.

The 'money-making' gentry and the feudally oriented political hierarchies of Europe were increasingly seeing their interests in *oppositional* rather than *hierarchical* terms. This confrontation produced an expansion and elaboration of the centralized legal system, developed through preceding centuries, to incorporate rules and regulations governing relationships between state and rural gentry and commercial interests. Another elaboration spelt out the relationships between landowners and tenants and between employers and employees.

The state, through its legal bureaucracies, became an intermediary between tenant and landowner, between employer and employee. Legal systems therefore became more detailed, spelling out the rights and obligations between subjects as well as those between subjects and princes.

Blum (1978, p. 60ff) has succinctly spelled out the consequences of this movement for peasants and seigniors on the European continent. Over time the obligations of tenant and landowner, employer and employee, became standardized, with labor commitment, tithe of produce, and cash payments becoming increasingly objectified by statute. Peasants or workers - who dared - could appeal to the courts if they considered themselves unfairly treated.

In England the scene was a little different. During the 15th century legal developments resulted in the spelling out of a comprehensive law of *contract*. According to Maitland, the bonds of family settlements through which land had been tied up within kin groups were loosened, so that each inheritor gained alienable title, and villein tenure was converted into the secure copyhold tenure of modern times (see Cam 1957, p. 126).

This removal of responsibility for the tenant's welfare from landlord to state, from the feudal *person - person hierarchical relationship* of the lord and tenant, to a *person - state bureaucracy - person oppositional* relationship profoundly affected medieval understandings of the world. It was part of a general movement towards the interpolation of a non-personal, apparently objective legal framework in terms of which interpersonal relationships (increasingly being identified as a body of interactions relating to a particular 'environment' - the economic) could be assessed and limited.

As the rights and responsibilities of interactants were legally objectified, knowledge of the law became a means of maximizing profits. One needed to know the statutes. Prest explained it well:

the Elizabethan and early Stuart gentry learnt their law ... from the various manuals and texts designed specifically to meet the needs of landlords and J. P.s.
(Prest 1967, p. 21)

Strong emphasis was placed on legal knowledge as a means of protecting one's interests against opposing groups.

Inns of Court, the principal legal schools of the period in England,

attracted two classes of students: those who sought to become lawyers, and those whose parents "do not desire them to be trained in the science of the laws, or to live by its practice, but only by their patrimonies".
(Prest 1967, p. 22)

Those who owned estates needed to know the law in relation to estate ownership. The Inns of Court had become 'the nurserie of the greater part of the gentry of the realme' (Prest 1967, p. 22).

While the poor had to hire the services of lawyers - whose fees, as we have already seen, were considered exorbitant - the gentry were being trained to defend their legal rights to property. Legal power was on the side of landlords and employers. And they were being trained to view relationships as based on legal definition and confrontation.

The 'modern' world would be one in which people identified themselves in terms of classes, hierarchically ranked through their former statuses within feudal society, with the 'higher' having access to legal expertise not available to the 'lower', and considering themselves the 'natural' directors of 'lower' classes. Society was becoming divided into *competing* common-interest groups, into embryonic classes, whose confrontations would be framed by state legislation.⁸⁹

Private ownership, consumption and accumulation 🐞

As previously feudal relationships became legally objectified, the possibility of making demands of tenants and rural laborers without considering them as people became increasingly conceivable. With landlords and employers decreasingly needing to confront tenants and employees as persons with whom they shared direct social relationships, it became possible to whittle away the rights of the poor.

Jurists steadily reduced the tenants' right of freedom and movement; allowed landlords to raise their demands for labor service beyond long-accepted norms; and steadily weakened the security that attached to customary rural tenures. And employers successfully argued for state legislation compelling the poor to work.

This attenuation of recognized social obligation deepened the emphasis on freeholding and private enterprise so that, by the 16th century, as Christopher Hill observed,

when the business man of ... Geneva, Amsterdam or London looked into his inmost heart, he found that God had planted there a deep respect for the principle of private property.
(Hill 1966, p. 46)

Increasingly, to ensure social and physical well-being, people had to own what they needed. This requirement placed mounting demands on production, fuelling a growth in commodity output.

Demonstrating to others that one was materially independent or self-sufficient gave one increased status and prestige. It became increasingly 'obvious' that property *should* be privately owned, and that such ownership was ownership of the thing itself, not merely of socially approved rights to its use. The principle of private property was undeniably a *natural law* principle. Those who could demonstrate such ownership, demonstrated their moral and therefore social worth.

During the 16th century in much of western Europe (and a century or two later in most eastern areas), as Blum argues:

... monarchs had managed to divest the nobility of much of its political power as a corporate entity. Yet the nobles not only continued but were strengthened in their social position and in their claim to special privilege, and they retained and broadened their claim to the land, labor, dues, and subservience of the peasantry.
(Blum 1978, p. 197)

Monarchies managed to secure their own political positions and emasculate the political authority of the nobility and powerful landowners by granting legally sanctioned privilege to them at the expense of the poor.

The reduction of political responsibilities and the reaffirmation of legal and economic entitlements led in turn to the development of absentee landlords. They left their estates in the hands of managers and lived in an increasingly profligate manner. This required excessive borrowing, often against either the future production of estates or the value of the estate itself. As McCracken described:

In the last quarter of the 16th century, a spectacular consumer boom occurred. The noblemen of Elizabethan England began to spend with a new enthusiasm, on a new scale. In the process they dramatically transformed their world of goods and the nature of Western consumption ...

They changed their patterns of hospitality as well, vastly inflating its ceremonial character and costs. Elizabethan noblemen entertained one another, their subordinates, and, occasionally, their monarch at ruinous expense.

(McCracken 1988, p.11)

This situation was tailor-made for the mercantile capitalists of the 15th and 16th centuries. Having inherited the entrepreneurial skills and the structures of medieval capitalism and mobile capital, they were able to relocate their enterprises and take advantage of the profligacy of nobility to accumulate sizeable fortunes. Yet, once having accumulated their fortunes and having purchased the rundown estates of those whose profligacy had been their undoing, they found themselves expected to live in the same extravagant manner.

There developed a tension between increasing consumption and conserving one's gains for further expansion of one's holding which required increased stress on the material productivity of estates. As Mukerji says:

... the hedonistic culture of mass consumption was probably as crucial in shaping early patterns of capital development in Europe as the asceticism usually associated with this era. Hedonism was to consumers what asceticism was to entrepreneurs: it provided the cultural rationale for increased interest and participation in economic activities.

(Mukerji 1983, p. 2)

The new emphasis on conspicuous consumption coincided with a strong expansion in commodity output, which provided burgeoning incomes to those who controlled commerce. In a period of rapid economic expansion, entrepreneurs could both indulge in the hedonistic consumerism of the age and greatly expand their mercantile interests, funded by the new wealth.

The rise of Antwerp as the financial capital of Europe in the late 15th and early 16th century coincided with the opening up of the Portuguese spice trade and the conquest of the Americas by Spain. These developments stimulated entrepreneurial activities throughout most of western Europe and further fuelled the growth of commercial activity. Western Europe entered into a prolonged economic boom which coincided with the growing emphases on conspicuous consumption, material independence, and the use of holdings to generate increasing surpluses.

This was an age of merchant houses, acting across territorial boundaries and developing their own sense of identity as semi-independent political, as well as economic, enterprises.⁹⁰ Princes, seeing in the granting of monopolies to merchant houses another way of raising revenue and of tying merchant houses into the political structure, granted to them exclusive rights to trade in certain goods. Joyce Appleby described the process:

... the king had long had the power to grant monopolies, which took the form of issuing licenses for the exclusive public control of a product, a trade, or even a government service like the inspection of tobacco. James found the granting of monopolies a particularly facile way of increasing his income.

A typical Englishman, as Christopher Hill noted, lived 'in a house built with monopoly bricks ... heated by monopoly coal ... His clothes were held up by monopoly belts, monopoly buttons, monopoly pins ... he ate monopoly butter, monopoly currants, monopoly red herrings, monopoly salmon, monopoly lobsters' ...

With the growth of both the internal and external markets, monopolies distorted the whole pattern of trade.
(Appleby 1978, p. 33)

What started out as being to the advantage of mercantile entrepreneurs became another means of revenue collection, a further drain on business houses which already saw themselves as separate from, and using, the state in which they operated. As Appleby pointed out, increasing numbers of traders, who found their activities severely curtailed by monopolies, began insisting that the right to *free trade* (that is, the abolition of state controls on production and sale) was a basic human right, a *natural law* right which, since Aquinas, made it a legally required right.

Over a period of more than a century the money makers of western Europe came to oppose the granting of monopolies. They argued increasingly forcefully for the separation of political and economic activity and increased autonomy for merchant houses to act on their own, in their own interests without government prohibitions.

Free trade was to imply not only the right of traders to trade, but also the reduction of government restrictions on trade. Traders should not be subject to political or social restrictions on their activities. Rather, laws and regulations should be passed which guaranteed individuals and businesses freedom to pursue their own independent interests without interference from the state.

Increasingly, what we now unhesitatingly define as *economic concerns* became distinguished from the political and social concerns of the period, the province of a common-interest grouping which included country gentry,

traders, merchants, financiers and manufacturers. They demanded greater *autonomy*, and government interests demanded greater *control* of this newly emerging environment.

The role of government was being redefined by this common-interest group as the provision of a secure fiscal, legal and social background to commercial activity, not the regulation of business. Business should operate under its own laws and regulations, those which applied to the economic world.

By arguing for the existence of a separate environment, a realm which was governed by its own internal principles and logic, those who saw themselves as operating within that environment could advocate its independence from state control. It should conform to its own laws. And such laws would necessarily facilitate business activity, providing a dependable set of rules governing business transactions which would ensure the consistency of economic decisions and planning. Inevitably, those rules and regulations reflected the emerging relationships of the period.

Many members of this business-oriented group looked with some contempt on those whose self-indulgence led to the dissipation of their inherited wealth.⁹¹ It was clearly not in their interests to support monarchical regimes of similar temper which saw them as sources of ready income through taxation. Most either applied pressure on regimes for reform of business regulation and control or moved their centers of operation to areas where such reform was already occurring.

The Renaissance state of the 16th century supported bureaucracies which, from the 20th century perspective, would be considered very corrupt. No clear distinction was made between the office and the office holder, and the expenses of office were not clearly distinguished from those unconnected with the office.

The rulers of western Europe were not business people; they were traditional rulers, supported by a nobility which was feudally justified. While the emerging nations of Europe supported bureaucracies, those bureaucracies were organized in ways which facilitated patron-client access to the wealth, information and influence which they focused. The personalized bureaucracies of patron-client states are organized and operate on very different principles from those of Western industrialized states.

Bureaucratic posts were tied into the traditional systems of leadership and patronage. Those who identified with the business and new property interests of the period found themselves in conflict with the traditional, non-business-oriented claims and requirements of the bureaucracies with which they were forced to deal. It became increasingly 'obvious' to money makers that those appointed to bureaucratic offices were a drain on their resources, not there to facilitate their activities but to put obstacles in their way.

This belief led to an increasing insistence that the roles of bureaucratic offices should be clearly defined and limited, and that a clear distinction should be made between the bureaucratic office and the office holder. Holders of offices should be trained for their posts and paid stipends, and should not assume that they could use their offices as means of generating income.⁹² As Trevor-Roper claimed:

To cut down the oppressive, costly sinecures of Church and State, and to revert, *mutatis mutandis*, to the mercantilist policy of the cities, based on the economic interest of society - such were the two essential methods of avoiding revolution in the 17th century.
(Trevor-Roper 1972, p. 77)

During the 16th century religious demands for reform of the Roman Church changed into demands for independence and for the removal of Church authority. By the 17th century there was a strong belief amongst Protestants, property holders and business people that 'responsible' people, primarily those who belonged to the educated and business communities, should be freed from state and Church interference. They should be able to 'develop' themselves, both spiritually and materially, unhindered by state and Church bureaucratic demands.

Entrepreneurs favored the decentralization of political control for business reasons and found themselves in accord with Protestant groups advocating decentralization for other reasons. Inevitably, the arguments of the various groupings became intermixed, with Protestants making claims which could more easily be understood from a mercantile position, and mercantile entrepreneurs supporting arguments which seemed primarily religious in character.

The growth of mercantile power coincided with the decay of feudal structures and a decreasing acceptance of responsibility for the welfare of their tenants by landowners. By the turn of the 17th century increasing wealth, flowing from imperial expansion, coupled with expanded trade between regions of western Europe, provided a buffer against the unfolding effects of land enclosure and the appropriation of peasant holdings by landowners.

As rural people became displaced, many of them drifted into towns where they could obtain some form of employment. Movement into towns was traditionally linked with the freedom of the individual from obligation to landowners. A presumption of independence accompanied this movement, which naturally allied these displaced rural-urban migrants with a pragmatic Puritanism which emphasized the independent, private rights of individuals against both Church and state.

This sense of independence was coupled with a strong sense of injustice at being displaced from rural holdings which had long been their means of livelihood and identity. Those who should have provided feudal protection had failed them. Traditional authorities could no longer be trusted to protect the rights of the poor and, increasingly, they would be prepared to align themselves with those who opposed such authority.⁹³

From the subversion of tradition to plotting the future 🗨️

{S} (05/02/18) By the turn of the 17th century there was a growing sense among business people, Puritans and the dispossessed that those who claimed authority on the basis of tradition, whether prelates, princes or bureaucrats, should be displaced by those better fitted to govern, who complied with the natural law requirements of the age.

They too should have the law applied to them, and people should be protected by law from the excesses of a leadership which seemed out of

step with the pragmatic business concerns of the age. The 'property-owning, money-making' people of western Europe became increasingly aware that their interests did not coincide with the interests of those who controlled the state bureaucracies of Europe.

There was a feeling in western Europe that life was improving. The terrible uncertainties of the 15th and 16th centuries were being replaced by a dawning sense that the future would be better than the past. The awareness of an uncontrolled madness in the air, which Foucault described, was being displaced by a sense that Europeans, by devoting themselves to the reform of society, could take control of their own destinies.

But, as we have seen, the reform of society required, first, the reform of the person. Those who wanted to reform society recognized that such a change required the reformation of individuals. Individuals should apply themselves to self-development, to self-improvement. Then society would indeed be reformed.⁹⁴

While the world was still in turmoil, the primary ideological assumptions of the emerging dominant groups in western Europe were becoming more certain. Amongst 'responsible' people ⁹⁵, those who were demanding increasing freedom and control in western Europe, the feudal thinking of the past was being displaced by what we now term 'modern' ways of understanding the world. Now, if western Europeans could ensure that people lived by the laws being uncovered in the natural and social worlds they would surely usher in a golden age of prosperity.

Thinkers of the 17th century applied themselves to utopian schemes and dreams. Whether in the writings of Bacon or Campanella, Comenius or Dury, of Hartlib or Hobbes, social philosophy became the discernment of necessary alterations in the present to ensure the realization of a better future. And, it was assumed, the necessary alterations could be ascertained through reasoned consideration of the natural laws which underwrote all valid human activity and organization. The protesters of western Europe became increasingly sure of themselves, aware that they had a destiny to fulfill.

Samuel Hartlib (or possibly Gabriel Plattes), author of a treatise on the requirements of the 'perfect society', *A Description of the Famous Kingdom of Macaria* (1641), ^{CE} quoting Petty (1649), claimed that the whole world should be reformed:

[T]hat ... the whole World may bee enhappined and all at last come to live in plenty and peace etc. and all warr's cease.

Such reformation could only happen, however, if those who were determined to ensure it had the political authority to set the necessary changes in place.

There was indeed a tide in the affairs of men which taken at its flood would lead to the millennium. The future would be better than the present - provided that society was reorganized to allow people to fulfill their own private destinies and, in the process, bring into being a perfect society based upon the natural laws established by God and being spelt out by Hugo Grotius⁹⁶ and other jurists.

If Aquinas was correct, and each person had a place and purpose in society, then society could only be reformed if individual people were reformed, 'realizing their potential' by living their lives in accordance with the natural laws which God had established.⁹⁷ 'Responsible' Western Europeans (those who were becoming recognized as the 'middle ranks') were becoming conscious of the goal-oriented nature of life in this world. The individual life should demonstrate *progress*. An individual should aim at *self-improvement*, and self-improvement could only be judged through increasing mastery over the material world around one.

Over a period of more than three hundred years, economically oriented western Europeans moved to a focus on the future, a condemnation of tradition as a validation of action or organization, and an assumption that *progress in this world was inevitable for those who obeyed the laws of God*. Therefore, those who did not progress could be assumed to have not been obedient to the laws of God. As Gellner put it:

The consequence of a belief in progress ... is that time ceases to be morally neutral ... there is, at the very least, some predisposition to tie up *past* with *bad* (in one word: *backward*), and *future* with *good* (*progressive*).

(Gellner 1978, p. 3)

From the late 15th century onwards, with the writing of Erasmus and More, the responsibility of western Europeans for securing the future had become a preoccupation of western Europe. Europe was alive with millenarian speculation and interpretations of the apocalypse. This time of turmoil and madness was surely the time preceding the return of Christ, and that would herald the arrival of the perfect age.

Before that day, the events spelt out in the Revelation of John⁹⁸ would be fulfilled. The Anti-Christ would be bound and cast into a pit which would be shut and sealed over him for a thousand years. The Beast would be captured and cast into the 'lake of fire that burns with brimstone'. And those who had not worshipped the beast or its image and had not received its mark on their foreheads or their hands would reign with Christ in a perfect society of the blest for a thousand years.

For the subsequent four hundred years the social philosophers of western Europe were to focus on the required precursors of the millennial age which was surely almost upon the world. So institutionalized did this focus become that philosophers were to forget its origins, were to accept its societal assumptions, with their implicit religious underpinnings, without acknowledging them. Europe engaged in a quest for utopia - assumed to be attainable - and in a discovery of the necessary social alterations which must occur to ensure its arrival.

Europe became focused on the future - a real and yet, at the same time, an ideal future towards which the present should be molded. And, because people were now becoming recognized as self-developing, independent and opposed to one another, the attainment of the ideal depended on the diligence with which individuals ensured that they fulfilled the potential of their separate lives.

In the political arena, no less than the philosophical, there was an air of expectancy and of duty. As Trevor-Roper has eloquently put it:

[Oliver Cromwell] believed that a new heaven and a new earth were coming ... and that Christian men had a duty, while reforming the society around them, and gathering up their strength to beat back the temporarily triumphant Anti-Christ, to seek the key to the Scriptures, which were now being fulfilled: the vials that were being poured out, the trumps that were being sounded, and the inscrutable number of the Beast.

(Trevor-Roper 1972, p. 282)

As Hartlib claimed, Europeans were in the process of uncovering 'that model by which the whole world should be reformed' and of ensuring its practical outworking in this world.

Since the millennium was within reach of western Europeans, people had a duty to apply themselves to ensuring its arrival. For the next three hundred years the 'responsible' people of western Europe undertook to organize those who were 'not responsible', ensuring that they lived moral, productive lives. As Polanyi explained,

under Elizabethan law the poor were forced to work at whatever wages they could get and only those who could [demonstrably] obtain no work were entitled to relief.

(Polanyi 1957, p. 79)

The view that the able-bodied poor should be put to work reinforced an emerging belief in the need for employment as both an obligation and a duty. Those who were gaining political and economic control of western Europe were becoming convinced that the promised utopia would be realized only if people diligently applied themselves to whatever work was available. The state should ensure that employment was available for those without work, and there should be no charity in the form of unearned hand-outs.

Yet, in the early 17th century, this was more easily said than done. As Foucault described:

Despite all the measures taken to avoid unemployment and the reduction of wages, poverty continued to spread in the nation. In 1622 appeared a pamphlet, *Grievous Groan for the Poor*, attributed to Thomas Dekker, which ... condemns the general negligence:

Though the number of the poor do daily increase, all things yet worketh for the worst in their behalf; ... many of these parishes turneth forth their poor, yea, and their lusty laborers that will not work ... to beg, filch, and steal for their maintenance, so that the country is pitifully pestered with them.

It was feared that they would overrun the country, and since they could not, as on the Continent, cross the border into another nation, it was proposed that they be 'banished and conveyed to the New-found Land, the East and West Indies'.

In 1630, the King established a commission to assure the rigorous observance of the Poor Laws ... it recommended prosecuting beggars and vagabonds, as well as 'all those who live in idleness and will not work for reasonable wages or who spend what they have in taverns'. They must be punished according to law and placed in houses of

correction.

(Foucault 1971, pp. 49-50)

The necessity to work had become recognized either as a requirement of natural law which, of course, made it an inescapable obligation, or as a requirement of sanctification. As Foucault put it:

If it is true that labor is not inscribed among the laws of nature, it is enveloped in the order of the fallen world. This is why idleness is rebellion - the worst form of all ... the sin of idleness is the supreme pride of man once he has fallen, the absurd pride of poverty ...

In the Middle Ages, the great sin ... was pride ... All the 17th century texts, on the contrary, announced the infernal triumph of Sloth: it was sloth which led the round of vices and swept them on.

(Foucault 1971, pp. 56-7)

Joyce Appleby claimed that

laws were not seen as coming down from authority; rather they worked up from the propensities of people. Policy makers could best realize their aims by working with the known nature of man.

(1978, p. 96)

All people were ruled by the same natural tendencies and biases, so it was possible to formulate legislation which could be applied to everyone, no matter what their status or position. Good law was universally applicable.

Of course, since, as Roscoe Pound (1921) observed, the natural laws sprang from the common law rights of 17th century society, in fact they closely reflected the social circumstances in which they were formulated. Louis Dumont has said of this focus on the propensities of human beings as the basis for law that:

For the moderns, under the influence of Christian and Stoic individualism, natural law, as opposed to positive law, does not involve social beings but individuals, i.e. men each of whom is self-sufficient, as made in the image of God and as the repository of reason.

This is to say that, in the idea of jurists in the first place, first principles regarding the constitution of the state (and of society) have to be extracted, or deduced, from the inherent qualities of man taken as an autonomous being independently of any social or political attachment.

... in short, the hierarchical Christian Commonwealth was atomised at two levels: it was replaced by a number of individual states, themselves made up of individual men.

(Dumont 1965, pp. 29-30)

Those who were morally upright disciplined themselves, living by the natural laws which underwrote all reasonable human endeavor.

This emerging focus on independent individuals was strongly supported by Puritanical insistence on the independent rights of individuals to approach their God directly without relying on mediation by a professional hierarchy. However, the apparent consequences of this insistence on separate rights seemed to be social chaos.

Many people became disturbed by the apparent civil consequences of Puritanical insistence on the rights of independent individuals. Bertrand

Russell has neatly summed up the fears of the mid-17th century:

Every community is faced with two dangers, anarchy and despotism.

The Puritans, especially the Independents, were most impressed by the danger of despotism.

Hobbes, on the contrary having experienced the conflict of rival fanaticisms, was obsessed by the fear of anarchy.

(Russell 1979, p. 539)

If one emphasized independent individual rights, one had, simultaneously, to spell out independent individual responsibilities.

Moral people abided by the terms of the social contract. Their lives conformed to the natural law requirements of all members of society. And those natural laws could not be challenged. They had been established by God. If, as Newton was to demonstrate and Galileo had already described, the planets obeyed natural laws when orbiting the sun, equally, members of society obeyed natural laws when they conformed to the moral rules of society.

By the mid-17th century, with the English revolution, political power in England passed into the hands of property owners. For almost two hundred years they had been arguing for the curtailment of power derived from tradition. Laws which stemmed from 'traditional' authority were increasingly regarded as suspect.

The legal systems of western Europe, but particularly of Britain, were being refashioned to reflect the basic assumptions underpinning what we now call 'democracy'. Protestant jurist-theologians provided the theoretical charter based upon the natural rights of human beings. This gave legitimacy to the individualism of Protestant and merchant groups and to an increasingly insistent demand for economic and political freedom to pursue one's own interests.

In the Europe of decaying feudalism, land ownership had become increasingly seen as ownership of the thing itself, with particular social and material costs and prices attaching to it. Not only was there an emerging recognition of the differences between government and people, there was a parallel recognition of the difference between people and their physical environments.

It was becoming increasingly certain to most western European landowners that people *used* land rather than being identified with and defined in terms of locality. It was becoming equally clear that the poor were potential labor and that, just as property owners had a duty to use their land resources productively, so government should ensure that this labor resource was prepared and able to be employed productively.

Sir William Coventry, somewhere round 1670, put it most clearly when he argued for the repeal of the Poor Laws and the development of workhouses 'where such as will not work for themselves may be compelled to work for others'.

★ ...there is, at the very least, some predisposition to tie up *past* with *bad* (in one word: *backward*), and *future* with *good* (*progressive*). (Gellner 1978, p. 3)

Appleby has summed up the new mood well:

The emancipation of property owners from most forms of political control over the use of their land and money had shifted the source of economic planning from regulations shaped by the past to private decisions oriented toward the future.

Where earlier the disposal of a harvest or the pursuit of a trade had been conditional upon the likely social impact, the acceptance of near-absolute property rights had driven a wedge between society and the economy.

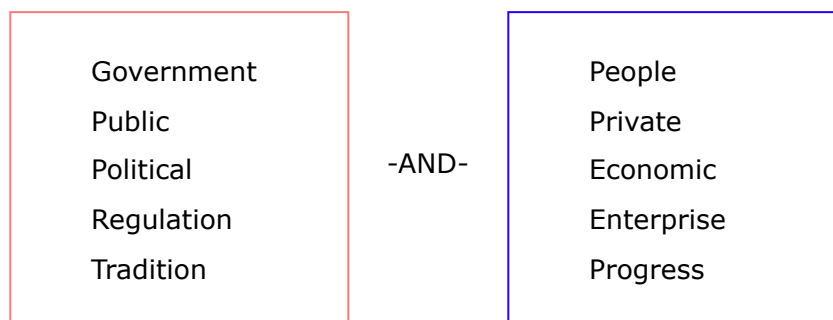
With the curtailment of political oversight over economic life, the formal link between the material resources of the country and the people to be sustained by them had been cut. The commonwealth had become an aggregation of private wealth.
(Appleby 1978, p. 151)

In western Europe, decentralization of political authority, reassertion of individual rights and responsibilities, and demand for deregulation of economic activity became interfused. These became increasingly seen in terms of oppositional couplets:

- ★ Government versus People;
- ★ Public versus Private;
- ★ Political versus Economic;
- ★ Regulation versus Enterprise;
- ★ Tradition versus Progress.

And, as perceptions matured, demands for clear separation between the social expressions of those oppositions became more forceful.

This separation was not simply a matter of recognizing and spelling out social oppositions. Not only were there oppositional pairs, there were also conceptual categories of likeness:



It became difficult to assert the need for the clear separation of one oppositional pair without, by implication, asserting the need for the rest.

Entrepreneurs became religiously and socially respectable. But they did not, for these reasons, become any less earthly-minded. It was their individualistic pragmatism which had brought them into alignment with religious protest groups. Each party in the alignment simply assumed their own orientation in those with whom they associated.

They should Become "Habituated to Labor and Fatigue" 🐦

The consequences of this new-found respectability and assumption of religious morality were not to the advantage of less fortunate members of society. Yet, as Wilson argues in focusing on the 18th century poor law,

The social legislators of the Restoration aimed at nothing less than making the poor a source of profit to the state by forcing them to work for reduced wages [but]

...what came to be regarded by later critics as a system of calculated brutality and repression arose in the first place not from unconcern or harshness, but out of a desire to protect the efforts of those local authorities who were trying hardest to improvise remedies.

(Wilson 1969, pp. 119, 134)

As property owners and their allies took control of government, they became increasingly insistent that the 'natural laws' which underwrote their activities should be applied to all people. So important did it appear to be to ensure that the poor became involved in productive activity that otherwise moral and upright people could entertain extreme measures to ensure that this happened.

A major problem among the poor was that there appeared little desire on their part to increase their material possessions or to indulge in work for work's sake. There was therefore little incentive to engage in continued labor beyond that which was required to supply their perceived needs⁹⁹. This attitude made labor inefficient and the laboring poor unreliable workers. They needed external stimulus to labor. In 1700, in setting out labor laws for the Crawley Iron Works, Crawley spells out his problem:

Some have pretended a sort of right to loyter, thinking by their readiness and ability to do sufficient in less time than others. Others have been so foolish to think bare attendance without being employed in business is sufficient ... Others so impudent as to glory in their villany and upbraid others for their diligence.

(quoted in Thompson 1967, p. 81)

The poor felt that they were being employed for a particular set of tasks. Crawley felt that he had hired their *potential to labor*, and that they should 'put in a good day's work'. His solution was to provide external checks on the punctuality and performance of laborers:

Every morning at 5 a clock the Warden is to ring the bell for the beginning to work, at eight a clock for breakfast, at half an hour after for work again, at twelve a clock for dinner, at one to work and at eight to ring for leaving work and all to be lock'd up.

(quoted in Thompson 1967, p. 82)

Since there was no internalized discipline in these laborers, they had to be regimented and checked by those who could supply such discipline.

Over succeeding decades this problem of ensuring greater reliability and effort from the laboring poor was a perennial concern of those who wanted to harness the productive possibilities of the century. In order to ensure consistency, those in charge seemed to need to be constantly vigilant against a population apparently determined to impair their constitutions by laziness and dull their spirits by indolence (Thompson 1967, p.83).

Employers were looking for ways in which consistent effort could be guaranteed. One of the best seemed, initially, to compel laborers to conform to clock time. Factories had clocks built into their facades, which chimed the time so that laborers would know when to start work.

Schooling was quickly seen as one of the prime means by which people could be taught the importance of punctuality and sustained labor so that,

by the time the child reached six or seven it should become
"habituated, not to say naturalized to labor and fatigue".
(Thompson 1965, p. 84)

Inevitably, over time, less scrupulous employers started to manipulate their clocks, starting early and finishing late by altering the time shown:

... in reality there were no regular hours; masters and managers did with us as they like. The clocks at the factories were often put forward in the morning and back at night, and instead of being instruments for the measurement of time, they were used as cloaks for cheaterly and oppression.
(quoted in Thompson 1965, p. 86)

This practice, far from undermining people's reliance on measured time, made people increasingly conscious of 'correct' clock time, of working 'to the clock'.

However, all the measures adopted during the 18th century to retrain people to 'use their time productively' were of mixed success, and on into the 19th century employers and reformers continued to lament the indolence of the laboring poor ¹⁰⁰.

In the second half of the 18th century, Townsend provided one of the more extreme solutions to the problem of compelling people to diligent work, which was to be taken up in the early 19th century:

...hunger is not only a peaceable, silent, unremitted pressure, but, as the most natural motive to industry and labor, it calls forth the most powerful exertions; and, when satisfied by the free bounty of another, lays a lasting and sure foundation for good will and gratitude ...
(^{CE} Joseph Townsend 1786)

To the bridle of time discipline was to be added the spur of necessity. If people's needs could be kept at a high level, then their efforts to supply their needs would ensure consistent long-term 'habits of industry'. The silent, unrelenting pressure of a constant threat of starvation, which could only be countered by engaging in wage labor, could be relied on to channel people into 'adopting those habits of industry, which always tend to steadiness and sobriety of conduct, and to consequent material wealth and prosperity' (Codere 1950, p. 24).

These means were to be reinforced by developing education for the poor. From John Bellers who, in 1696, suggested the establishment of 'colleges of industry' in which the 'involuntary leisure of the poor could be turned to good account' (quoted in Polanyi 1957, p. 105), to increasingly frequent attempts at the social education of the poor during the 18th and early 19th centuries. It became a recognized social responsibility of mature people to re-educate the morally suspect poor and to ensure, in the meantime, that they were gainfully employed.

By the middle of the 18th century, the primary ideological assumptions of modernity had become well established. Now, it seemed, to most well-educated, well-enculturated western Europeans that people were (or should be) undeniably separate, private, self-developing, acquisitive individuals whose moral and social worth could be calculated by observing the extent and nature of their private property.

It seemed equally certain that economic enterprise should be undertaken by private individuals and corporations, not by the state, but that the state had responsibility to ensure that the workforce was properly trained and that those who would not work were put to work.

Perhaps the most successful of the 18th century social philosophers was Adam Smith ¹⁰¹ - not because he had anything particularly new or revolutionary to say - but precisely because what he had to say expressed the emerging primary ideological assumptions of western European industrialism when increasing numbers of British people were already organizing their lives and thinking in terms of them.

He made explicit, in an organized form, what people already unconsciously 'knew'. And, of course, he is recognized as the father of economics. He also, in a way which may now be difficult to understand if one reads his writings, became an immensely popular author. His work, particularly *The Wealth of Nations* (Smith 1974), which was first published in 1776, became the topic of drawing room discussion. People easily identified with his description of how the world was, or should be, organized, but that description was novel in the literature of the time.

Western Europeans did not become economically oriented because Adam Smith provided a systematized account of rational economic behavior. Those in control were already economically oriented. Adam Smith systematically described what was happening around him. The primary assumptions of those in control in the mid-18th century already assumed the existence of independent, self-interested, competitive, acquisitive, rational beings, focused on life within an economic environment.

Adam Smith made the inevitable, *moral*, by spelling out the system of laws which underwrote economic behavior. Since economic behavior was governed by rational conformity to natural laws it could scarcely be otherwise than morally acceptable.

By the late 18th century, at the outset of what we now refer to as the *industrial revolution*, prosperous western Europeans *knew* that life should be lived in an economic environment, that they were private, self-promoting individuals whose lives were oriented to use of the material world, with the correct forms of relationship and organization spelt out in the 'economy'.

Moral people worked hard. The evidence of their morality was their increasing prosperity. Their increasing prosperity could best be demonstrated by increased accumulation of possessions and by increased consumption. The ways in which they should engage in economic activity were all spelt out by the 'principles' through which they could guarantee both individual prosperity and the wealth of the nation. Those principles had been distilled through five hundred years of history.

Moral western Europeans 'knew' that there were *natural laws*, and that, whether they had been established by God or not, conformity to them would lead to a better world. On the other hand, failure to live by them would bring chaos and poverty. Western Europeans had a moral duty to transform the world by reorganizing it to conform to the rules and regulations which guaranteed successful economic endeavor and burgeoning material prosperity.

Conclusion 🐼

The past two hundred years have seen the primary ideological presumptions of Western Europe become those of more and more of her people, whether in Europe or in colonized lands. And, as Western Europeans have become increasingly convinced that these presumptions are features of the real world, they have increasingly devoted their time to defining and particularizing the rules and principles of economic activity and organization.

The past fifty have been years in which Western 'experts' have increasingly insisted on reorganizing the rest of the world to engage in 'correct' economic activity and organization. This reorganization requires:

- ★ the establishment of institutions and bureaucracies to govern economic enterprise;
- ★ the reorientation of government to guarantee a secure fiscal, legal and social background appropriate to the self-interested, contractual activities of private individuals in pursuit of wealth and independence;
- ★ and the establishment of the statutes and regulations governing 'formal economic activity'.

One of the continuing problems for Western Europeans, who are as convinced of the need to transform the world as their forebears were, is that so little of the economic activity in Third World countries conforms to the prescriptions of formal economics. People seem, all too easily, to engage in forms of activity and develop forms of organization which are clearly 'informal' and 'illegitimate'.

As was said at the start of this discussion, the primary ideological assumptions of any community change through time. They both reflect experiences of the past and modify those of the future. The primary ideological assumptions of Western Europeans have given birth to a number of competing secondary ideologies, and to a felt compulsion on the part of Europeans to refashion the rest of the world to participate in 'economic development'.

Both the Western assumption of the independent existence of an 'economic environment' and the equally accepted belief that there is an objective set of laws governing behavior in that environment come from, and reflect, the particular historical experiences of Western Europeans over a thousand years.

Every community has such a history, whether written or not. And all communities think and act on the basis of primary ideological presumptions which stem from their own unique history. It is as difficult to change the forms of organization and behavior of other communities which are based on their primary ideological assumptions as it would be for Western Europeans to live their lives in terms of the understandings of another society.

To the extent that Western 'experts' demand that other communities deny those basic features of their world which they 'know' to be true, and that they, instead, live by Western presumptions, they bring confusion and disorientation to individual lives and to communities. If these communities need to 'develop', that development must be on their own terms, based upon their own primary assumptions and filtered through their own secondary ideologies. Otherwise, advisers bring not 'development' but confusion to the lives of other people.

If there are increasing numbers of people who are becoming marginalized in non-Western communities, they are being marginalized by forms of organization, interaction and understanding which come from Western Europe's historical experiences. Only by allowing them to reorganize the world from their own perspectives can that marginalization be countered. Then, of course, Western Europeans will find themselves marginalized, unable to come to grips with the forms of organization and interaction which they experience when living in those communities.

If other communities, organizing life in terms of their own primary assumptions, become industrially organized, it may well be that some will prove to be better at the game of competitive profit making than the West. But the West is likely to find it difficult to understand what gives them their edge ¹⁰². They are also likely to argue that the competitive advantage of those communities comes from their engaging in illegitimate forms of economic organization and activity.

Chapter 4: How Born Again Christians Rescued Capitalism †

They have divided their nations...

In Search of the 'Greatest Good' - The *Summum Bonum*

- *The Economy* : a new 'Environment'

The Need to separate Government and Commerce

A Deeply Religious Capitalist Revival

- Born-Again to Industry: the Conversion of the little gentry
- Born Again Manufacturers and Retailers

A New Moral Leadership and Support Network

- First The Savages at home, then the rest of the World!

★ ...they have divided their nations into two classes, wolves and sheep. I do not exaggerate. This is a true picture of Europe. ...man is the only animal which devours his own kind; for I can apply no milder term to the governments of Europe, and to the general prey of the rich on the poor. (Thomas Jefferson, 1787) ¹⁰³

The 18th century saw the crystallization of what, in later centuries, would be considered 'modern' forms of understanding and action ¹⁰⁴. This was the century of 'the enlightenment':

- ★ the time when western European educated and wealthy 'middle sorts' ¹⁰⁵ became increasingly convinced of the *material* nature of life in this world;
- ★ the time when they began to live life by truly 'rational' principles as independent, autonomous, self-interested individuals whose activities would inexorably produce both individual and social well-being;
- ★ the time when they took increasing responsibility for mastering and profitably 'using' the natural world;
- ★ the time when most of the remaining rural laborers and small farmers were dispossessed of their livelihoods and robbed of their access to land;
- ★ the time when the activities of Protestant evangelists, coupled with the catastrophic failure of small businesses and impoverishment of trades people (the 'little gentry'), dependent on the patronage of the 'poor', kick-started capitalism into an industrial revolution;
- ★ and the time when the 'middle sorts' finally took full responsibility for re-educating the 'indolent poor' ¹⁰⁶.

This was the century in Western European history when the turmoil of previous centuries had distilled into a new version of 'objective reality' for those who held the reins of power. It was the century in which they would

take responsibility for transforming the rest of the world to live by the reality they now lived in - starting with their own, home grown 'savages'. It was also the century in which the justification for natural laws shifted from divine decree to the innate characteristics of environments in a self-existent natural world ¹⁰⁷.

In social thought, independent, autonomous individuals became the 'atoms' of human interaction and society. As Louis Dumont put it,

the hierarchical Christian Commonwealth was atomised at two levels: it was replaced by a number of individual states, themselves made up of individual men.

(1965, pp. 30)

The material realm, also, would be found to be comprised of independent 'atoms' - the building blocks of a new reality resulting from the new understanding of the world. And a new 'environment' would be conceived, to contain and explain the newly apprehended natural laws found to be driving human ambition and the wealth of nations.

In Search of the 'Greatest Good' - The *Summum Bonum* 🐝

All the presumptions of the past concerning the nature and purpose of natural laws remained intact. It seemed absurd to question the *Summum Bonum* consequences of employing them in furthering human control of the material world ¹⁰⁸. By conforming to and employing the principles being uncovered in daily life, human beings could look forward to living in the best of all possible worlds.

Immanuel Kant would explain this at the end of the century,

The realization of the *Summum Bonum* in the world is the necessary object of a will determinable by the moral law. But in this will the perfect accordance of the mind with the moral law is the supreme condition of the *Summum Bonum*.

(1788 Bk 2, Ch. 2, pt. 4)

For increasing numbers of the 'middle sorts' in the 18th century, individuals were self-existent, self-developing beings. The presumption of previous centuries, that "the state is by nature clearly prior to the family and to the individual, since the whole is of necessity prior to the part" (Aristotle, *Politics* Bk 1, Part 2) ¹⁰⁹ now seemed under attack.

To the intellectual protagonists of the century, the controversy between atomism and holism was a real one, perceived as a confrontation between materialism and spirituality, between atheism and godliness. It was, however, the logical outcome of [Aquinas's model](#) in an age when life within this world became the dominant focus, with religion secondary in importance to material prosperity for those who held the reins of power.

Now, one did not start from a presumption of perfect wholes and distill the laws which enabled them and determined the nature of their parts. One started with the 'atoms' from which the wholes were extrapolated and determined the innate characteristics of those atoms. One then extrapolated from that information to ways in which the atoms could best be 'developed' and combined to yield their *potential* ¹¹⁰.

For those 'on the side of God', human beings reaped the rewards of their morality. And that morality was summed up in obedience to the 'will of God' spelt out in the natural laws he had established to ensure the perfection of the natural world.

For those 'on the side of nature', human beings exercised their innate talents, pursued their own 'natural' interests, and reaped the rewards of successfully doing so. Conformity to the 'real' nature of human beings, it was assumed, must necessarily result in the *Summum Bonum*.

It is this implicit presumption of collective good being a necessary outcome of individual self-interest ¹¹¹ which is the inconsistent heart of utilitarian philosophies of the period and of the gamut of utilitarian and economic models which have flowed from them.

☞ [Bernard Mandeville's acerbic verse](#) on the ways in which the private vices of the bees of a hive produced prosperity for the whole, set the scene for confrontation between the two perspectives,

... every Part was full of Vice,
Yet the whole Mass a Paradise;
Flatter'd in Peace, and fear'd in Wars
They were th'Esteem of Foreigners,
And lavish of their Wealth and Lives,
The Ballance of all other Hives.

Such were the Blessings of that State;
Their Crimes conspired to make 'em Great;
And Vertue, who from Politicks
Had learn'd a Thousand cunning Tricks,
Was, by their happy Influence,
Made Friends with Vice: And ever since
The worst of all the Multitude
Did something for the common Good.
(1705, lines 155-168)

By the 1720s Mandeville's verses, together with a range of similar writings, were provoking a storm of protest from those who knew that the material gains of prudence and industry came not from self-interested greed but from correct application of and adherence to the laws of God which underwrote the natural world.

It seemed that the very basis for morality was being undermined. If Mandeville's assertions were right, then morality was a chain about the neck of society, and immorality was virtue well disguised. The fundamental principles underpinning the natural rights of human beings seemed to be under challenge as these thinkers pointed to greed and self-interest as the fundamental motivational factors leading to material success and the consequent *Summum Bonum*.

By the 18th century, there were a number of fundamental presumptions which 'responsible' western Europeans subconsciously employed in 'making sense' of their world ¹¹² :

- ★ *order* was built into the 'structure' of the universe;
- ★ the material and sensible world was separate from and independent of the supernatural, governed by its own ordering principles;
- ★ human beings were separate from, and should control and 'develop' their material environments which, when developed, would yield their 'potential';
- ★ entities within any environment could be separated into their constituents which could then be recombined in a range of ways, limited only by human ingenuity and the laws governing form and process in each environment.
- ★ the principles upon which 'natural order' rested were not only explicable and immutable, but also, in their correct utilization, would inexorably produce social and individual well-being. Even if, in the short term, this did not appear to be the case.
- ★ there could be 'no gain without pain' ¹¹³. Not only did the responsible people of western Europe believe in the existence, and positive

consequences of employing natural laws, they also firmly believed that short term hardship is usually necessary in order to secure long term well being ¹¹⁴.

The Economy : a new 'Environment'

The search for natural laws, and determination to live by them, had been a preoccupation of western Europeans over several centuries. That search focused on phenomena which were identified as belonging within recognized 'environments' of the natural world. Sets of natural laws were derived from and legitimate within the domains within which they had been distilled.

By the 18th century, a number of distinct environments had been identified in the non-human material realm ¹¹⁵. However, in the realm of human existence in the natural world, no distinct environments had been identified. All human activity was considered contained within the 'social' domain, interconnected and subject to the same set of 'moral' laws.

At the start of the 18th century, the money-makers moved to center stage. Their behaviors became accepted as important to the well-being of all members of society and the nature of their activities became the focus of serious deliberation. Mandeville's observations might have been delivered with sardonic humor, but he meant what he said.

Natural laws were not merely important in explaining the operation of the natural world, they also justified what they explained. They provided legitimate, indeed, necessary means for successfully manipulating (for the common good) those areas of the natural world which western Europeans recognized as having objective existence. Now, however, it seemed as though the area of natural law which applied to human behavior was flawed. How could it be that the self-interested 'unsocial' behavior of those engaged in trade could contribute to the *Summum Bonum* ?

Attempts to explain this, were to produce recognition of the first social 'environment', anticipated in the 17th, but formally outlined in the 18th century - *The Economy*. Since its 'discovery', this new environment, through the laws and associated structures formulated and reformulated within it, has increasingly dominated and controlled life in Western European communities.

In the first half of the 18th century, the money-makers of Europe were in relatively secure political control. Their activities were accepted as fundamental to social and individual wellbeing by those who now dominated political life in Britain and Western Europe.

However, it became increasingly obvious that there were certain fundamental human behaviors which seemed to underwrite economic success, which were not in harmony with the moral laws which western European jurists had identified and spelt out in the 17th century ¹¹⁶. These behaviors had not been incorporated within the moral law structures developed in the 17th century and seemed, once they were identified, to challenge and often invalidate them.

Bernard Mandeville (1718) directly focused on this problem in his *Fable of the Bees*. As Harold Cook explained,

The book seemed to argue that what most people recognized as human vices were the main engines of the collective good.

Mandeville's critics,

correctly detected a view of reason that made it largely into a device for calculating ends rather than for developing inner moral wisdom. The essay began with a meditation on whether people really did act out of charity, defined as

that sincere Love we have for our selves ... transferr'd pure and unmix'd to others, not tied to us by Bonds of Friendship or Consanguinity.

Acts on behalf of friends and family, or to gain honor and public respect, were not counted as truly charitable by this definition. Nor were any actions arising from the passions of pity or compassion, which make us feel better when we indulge them.

Pride and Vanity have built more Hospitals than all the Virtues together,

Mandeville declared, referring sarcastically to the recent munificent gifts in the will of Dr. John Radcliffe.

Mandeville went on to declare that

Charity, where it is too extensive, seldom fails of promoting Sloth and Idleness, and is good for little in the Commonwealth but to breed Drones and destroy Industry.

He urged that while the helpless needed relief, most seeking charity should be put to work.

(1999, pp. 101, 104)

For the next fifty years controversy was to rage in gentry circles as to whether the recognized virtues of a social conscience *did* undermine sound economic management and promote sloth, or whether the apparent logic of Mandeville's assertions was nothing more than well phrased sophistry.

For those who believed that the moral virtues were primary and that life should conform to them, it was necessary to actively address the social problems of the age through education and a variety of forms of welfare. For those who saw the virtues of the age as undermining sound economic management, well-meaning people simply compounded the difficulties they sought to ameliorate. This was to be a theme which grew louder as the century passed, producing a range of policies aimed at ensuring that the gentry were freed to disciplined self-interest. ¹¹⁷

In the intellectual climate of the 18th century, it is scarcely surprising that someone should finally conclude that such behavior related to a particular realm of social life, an environment with its own internal logic and operational principles or laws. The necessary behaviors which underpinned success in this environment really did seem to conflict with the recognized moral virtues which applied to the rest of life.

Of course, if an environment was discovered, it would be found to be governed by its own set of natural laws, essential to successful endeavor in that environment, but illegitimate in other environmental contexts. Behaviors and attitudes which seemed to threaten the moral values of social

and spiritual life, could be contained, insulated within the bounds of this new environment.

Appropriately, the nature of this new environment was to be distilled and explained by someone who had trained for the Anglican clergy and could be considered a morally responsible gentleman. As Adam Smith (1723-1790) explained, in a hugely popular text entitled *An Inquiry Into the Nature and Causes of the Wealth of Nations* (1776), the apparent contradiction between moral virtue and the requirements of successful economic activity was due to a confusion of environments.

It could be traced to a failure to recognize that all *economic* activity conformed to sets of principles which were appropriate to *economic* behavior. There was a confusion of environments implicit in the observed contradiction.

Just as all other environments in the world were governed by natural laws which determined their characteristics, so was 'the economy' governed by a set of natural laws. These laws determined not only its characteristics, but also the kinds of behavior appropriate for individuals and groups *when engaged in economic activity*.

So, behavior which was highly appropriate in economic activity could still be regarded as entirely inappropriate in other spheres of life. On the other hand, to apply those values which related to non-economic activity within an economic setting would produce economic malaise.

'The economy' was a self-existent, self-sustaining environment, with its own peculiar characteristics and principles of organization and behavior. And, of course, if natural laws were found within this newly described environment, human beings had a moral responsibility to live by them. ¹¹⁸

The movement of the money-makers of western Europe from the demonized periphery of the 10th and 11th century medieval world ¹¹⁹ to the sanctified center of the new modern world was complete. They not only could be considered moral by association with religious reformers, now they were moral because of the very behaviors and attitudes in which they engaged in making money.

Indeed, a new kind of immorality was to emerge, that demonstrated by people who, when engaging in economic activity, did not conform to the necessary behaviors and attitudes and so jeopardized not only their own activity, but the activity of all those with whom they associated. What Kant was to assert concerning moral law could be asserted with equal certainty of economic law, 'the perfect accordance of the mind with the [economic] law is the supreme condition of the *Summum Bonum*.' As Adam Smith explained, considering the activities of merchants,

... he intends only his own gain, and he is in this, ... led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it.

I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in

dissuading them from it.
(1776, Book 4 Ch. 2)

Here was a solution which rescued moral virtue, while establishing the appropriateness, indeed, the *necessity* of self-interested behavior in economic activity.

In keeping with the times, Smith claimed to have distilled the laws of economics through an examination of the actual economic behavior of people ¹²⁰. In doing so he seemed to satisfy both sides of the controversy. He had distilled his laws from the 'real' world, but he had, at the same time, rescued moral virtue from the materialist assault. Both camps could accept the laws he presented without seeming to betray their own positions ¹²¹.

The capitalist could, quite reasonably, be a self-interested individual intent on his own gain on Friday and a public spirited philanthropist on Sunday (or even at the same time in different contexts!) and remain a truly moral, consistent person throughout.

Inevitably, Adam Smith became the 'father of economics', the person who first spelt out the natural laws which underwrote economic organization and activity. At the same time, his writing reaffirmed, for Western European 'responsible' people, the correctness of both their understandings of the world and their preoccupation with economic activity.

Of course, when one distills the fundamental attributes of human beings from the current behaviors of oneself and one's compatriots, inevitably, those behaviors which stem from the primary ideological presumptions of one's own community become accepted as the fundamental attributes of all people.

Adam Smith did for economics what Pound (1921) claimed Grotius did for the "natural rights" of human beings ¹²². Just as the common law rights of the English became the natural rights of all people in the 17th century, so the economic predilections of 18th century British gentry became the instinctive behaviors and economic motivations of human beings ¹²³.

From that time to the present, western Europeans, whether in their homelands or in their colonized worlds, have assiduously applied themselves to refining and expanding the 'natural laws' which underwrite economic activity and organization. Of course, the task is not yet, and never will be, complete. As we've already seen, the primary ideological presumptions upon which human understanding is founded are in long-term flux through a Heraclitean¹²⁴ dialectical interaction with the environments which human beings define and within which they live.

Over the last two hundred years western Europeans have attempted to reach a consistent and coherent explanation of the positive consequences of the exercise of both economic self-interest and moral virtue.

- Could it be that the apparently contradictory requirements of economic and moral law might, in some less than obvious way, or at some 'deeper' level of congruence, work together for good?
- Might human beings achieve much more in life through holding the requirements of moral and economic law in tension?

If this could be shown then, indeed, economic activity would receive its final validation ¹²⁵ .

It was, perhaps, inevitable, that it would be the foremost Western European philosophical thinker of the late 18th century who would first convincingly draw the threads together. John Locke's philosophical validation and justification of modern primary ideological presumptions had established the early credentials of modern business ¹²⁶. Immanuel Kant, a century later, would explain why the apparently contradictory sets of economic and moral laws were *both* essential in reaching toward the *Summum Bonum*.

There is an innate antagonism between opposed human capacities which is mediated in human nature. Through a dialectical tension, or 'antagonism', between self-interest and sociability, all the finest qualities of human society and achievement are generated.

By antagonism, I here mean the unsocial sociability of mankind - that is, the combination in them of an impulse to enter into society, with a thorough spirit of opposition which constantly threatens to break up this society.

The ground of this lies in human nature. Man has an inclination to enter into society, because in that state he feels that he becomes more a man, or, in other words, that his natural faculties develop. But he has also a great tendency to isolate himself, because he is, at the same time, aware of the unsocial peculiarity of desiring to have everything his own way; and thus, being conscious of an inclination to oppose others, he is naturally led to expect opposition from them...

All the culture and art which adorn humanity, the most refined social order, are produced by that unsociability which is compelled by its own existence to discipline itself, and so by enforced art to bring the seeds implanted by Nature into full flower.

(Kant 1784 p. 147)

Human beings are 'compelled' by their unsociability to *discipline* themselves and from that discipline flow the enhancements and benefits of 'all the culture and art which adorn humanity'. *The corollary, of course, is that lack of self-discipline threatens the 'refined social order'.*

Human beings who wished 'to bring the seeds implanted by Nature into full flower' had a responsibility not only to be self-disciplined, but also to discipline those who seemed unable or unwilling to discipline themselves. Stifle that urge to unsociability, and one stifles human progress. At the heart of human progress lies disciplined independent individualism. The manure of competitive self-interest grows beautiful flowers! ¹²⁷

By the middle of the 19th century Kant's explanation had grown into a belief ¹²⁸ in the innate propensity of human beings, allowed to indulge in unfettered self-interest and self-promotion, to produce the common good. The moral virtues of an earlier age were to be displaced, for many western Europeans, by a belief that all things work together for good - provided self-disciplined individuals are freed to pursue their own self-interested ends.

Life was to be considered an evolutionary adaptation of individuals to their environments. Provided it was not distorted and choked by government

regulation and direction, this would result in the best possible adaptation of not only individuals but of human societies to their environments ¹²⁹.

The Need to separate Government and Commerce 🇬🇧

Increasingly, as the 19th century unfolded, it was to be argued that social and political controls, regulations, and 'interference' in individual lives produced only social ill. The only role for government was that of ensuring that no-one and nothing interfered with the right of each self-disciplined individual to pursue his or her own self-interest uninhibited by social and political rules and regulations. The role of government would become seen as that of a 'watchdog' of private liberty and a stern school-master to those who threatened disciplined self-interest.

For those who took the new doctrine to extreme, and there were many very influential people in this camp by the latter half of the 19th century, governments should not get involved in trying to 'improve' society. Such attempts were doomed to long-term failure. The role of the state was the *protection* of those who, through their disciplined self-interest, had acquired the wealth which was its sure reward ¹³⁰. The 'free market' would sort out everything else!

Thomas Huxley (1871) described the position of those who opposed legislative attempts at improving the lot of the poor in the second-half of the 19th century:

... the Education Act is only one of a number of pieces of legislation to which they object on principle;

and they include under like condemnation:

- the Vaccination Act, the Contagious Diseases Act, and all other sanitary Acts;
- all attempts on the part of the State to prevent adulteration, or to regulate injurious trades;
- all legislative interference with anything that bears directly or indirectly on commerce, such as shipping, harbours, railways, roads, cab-fares, and the carriage of letters;
- and all attempts to promote the spread of knowledge by the establishment of teaching bodies, examining bodies, libraries, or museums, or by the sending out of scientific expeditions;
- all endeavors to advance art by the establishment of schools of design, or picture galleries;
- or by spending money upon an architectural public building when a brick box would answer the purpose.

According to their views, not a shilling of public money must be bestowed upon a public park or pleasure ground;

not sixpence upon the relief of starvation, or the cure of disease.

Those who hold these views support them by two lines of argument.

They enforce them deductively by arguing from an assumed axiom, that the State has no right to do anything but protect its subjects from aggression. ...

These views are supported *a posteriori*, by an induction from observation, which professes to show that whatever is done by a Government beyond these negative limits, is not only sure to be done badly, but to be done much worse than private enterprise would have done the same thing.

(^{CE} [Administrative Nihilism \(1871\)](#) in *Collected Essays*, 1893, p. 258-9)

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In order to understand how these views could become so dominant one needs to understand the social and political tensions of the preceding century. The 18th century saw the flowering of the assertion of near-absolute property rights and the private aggregation of wealth, which had matured in the previous century. Self-interested pursuit of wealth and accumulation of property had become socially approved.

Over the next 150 years, the gentry pursued their own interests at the expense of all those who lacked the political or economic power to resist them. They dispossessed most of the small holders of Britain and completed the alienation of the commons ¹³² from those who had for centuries relied on access to it for survival.

In the process, millions lost access to rural resources and were forced into relying on parish welfare support ¹³³. Then, because the burden became too great for the parishes to sustain in the long-term, the dispossessed were compelled to move to the emerging industrial towns of Britain. As the process compounded the problems of the poor, many were compelled to move to the 'New Found' lands which were rapidly becoming a destination for people who felt or found themselves disenfranchised by developments in the 'Home Country' ¹³⁴.

By the start of the 18th century, Britain, with most of the rest of western Europe to one extent or another, had in place all the necessary primary ideological understandings, motivations and organizational processes and practices which would produce both the discipline of economics and the 'industrial revolution'. What it lacked, was a deep religious commitment to capitalism.

The 'middle sorts' now thought and organized life as capitalists. However, their earthly-minded materialism, self-satisfied complacency and self-interested stripping of the livelihoods and entitlements from more than half the population could very easily have produced not an industrial revolution but a 'revolution of the proletariat'. Without the continued religious dedication and commitment to 17th century morality of a small minority of the gentry, the self-interested greed of the 'middle sorts' in the early 18th century might well have reduced capitalism to a footnote in European history.

A Deeply Religious Capitalist Revival 🇺🇸

{§} (18/03/16) But for the peculiar consequences of the dispossession of small landholders and the consequent undermining of small business through much of Britain, capitalism might well have faltered in the 18th century, another 'blind alley' of history ¹³⁵. Those who held the purse-strings of Britain, in their self-interested drive to accumulate property and wealth, not only dispossessed 'the poor', they threatened the livelihoods and wellbeing of less affluent members of the middle ranks. Less wealthy households and individuals, who held to the same understandings and were motivated by much the same impulses as the financiers, stock-holders and large property owners, were being threatened by their activities with both social ruin and material destitution. ¹³⁶

These 'little-gentry' found themselves victims of policies and practices geared to enhancing the wealth and increasing the property of those with political clout. And, as they either lost their livelihoods or became fearfully aware of the possibility of becoming destitute, they found themselves being treated as though they were members of those 'lower ranks' who 'ought' to be subjected to the disciplines of the century. ¹³⁷

It would be easy to see battle lines drawn in 18th century Western Europe between the reforming 'middle ranks' and the oppressed 'lower ranks' of the century. But this would be a distortion of reality. Those consigned to the lower ranks of society had lived through the same centuries as the middle rank reformers. The growing influence and authority of the money makers of western Europe had not left them untouched.

While the broad rankings of society included the aristocracy, gentry and 'the poor', there were, between each ranking, large numbers of people who did not quite fit the stereotypes of the age:

- There were aristocracy who more properly seemed to be middle ranking in their behavior and in their fortunes, and middle ranking people who moved easily in the ranks of the nobility.
- There were middle ranking people who, in their behavior and fortunes could easily be ranked with the poor, and people who might be considered peasants or yeomen but who moved easily in the ranks of the gentry.
- In particular, there was a substantial grouping which comprised small landholders, artisans, tradespeople and other small business people who certainly considered themselves separate from 'the poor', and, in their own minds, were ranked as 'almost gentry'.

The 'almost gentry' and those who identified with them as employees and neighbors - in England, who had fought with the forces of Oliver Cromwell - very often held the opinions of the gentry toward the 'idle poor' as strongly, or more strongly than those whose lifestyles seldom brought them into direct contact with such people. They had long ceased to consider themselves members of 'the poor'. They were, in their own minds, closely allied with the gentry and, through their networks of associates and friends this perception was continuously reinforced.

As is all-too-often true in such situations, those who subconsciously sensed that they could easily be lumped together with people they considered hierarchically inferior to themselves, strongly emphasized the differences, emphasizing the negative stereotypes of those from whom they wished to be separated ¹³⁸.

The 'little gentry' of the 18th century were strong in their denunciations of people who seemed to expect the parish to support them. Why should the parishes, and therefore, people who provided the parishes with their income, support the lazy poor who were, in growing numbers, relying on parish support for their subsistence?

Paradoxically, as these people found their own livelihoods under threat they more strongly resented the costs of supporting the indigent. They were not presuming that some day they also might need parish help - the specter of being forced into the ranks of the poor was, for these people, one they could scarcely contemplate. Rather, their own difficulties were best addressed through minimizing the demands of the parish on their own incomes.

As the reformers set about rationalizing land ownership and use, these people found themselves caught up in the consequences of the policies. Rural laborers and small holders were dispossessed and driven from the land and the infrastructural supports sustained by them collapsed.

As is true in the present in countries all around the world, as rural communities disintegrated, both those directly affected by the reformist policies of the century and all those who depended on them for their subsistence, found their livelihoods collapsing and found themselves no longer able to subsist in the countryside. As they lost their means of livelihood they found themselves defined with the poor by the authorities, rather than recognized as members of a disenfranchised 'lower middle' ranking in society. Toynbee (1884) described it all:

at the conclusion of the 17th century it was estimated by Gregory King that there were 180,000 freeholders in England,... less than a hundred years later, the pamphleteers of the time, and even careful writers like Arthur Young, speak of the small freeholders as practically gone...

'The able and substantial freeholders,' described by Whitelock, 'the freeholders and freeholders' sons, well armed within with the satisfaction of their own good consciences, and without by iron arms, who stood firmly and charged desperately,' - this devoted class, who had broken the power of the king and the squires in the Civil Wars, were themselves, within a hundred years from that time, being broken, dispersed, and driven off the land.

The 18th century was a century of wealth and well-being for the middle and upper ranks of society but, as Toynbee (1884) says, in the midst of all the wealth and prosperity which began in the 18th century, there were vast numbers of destitute people. The later 18th and 19th centuries were to demonstrate that unfettered competitive self-interest does not necessarily produce the *Summum Bonum* ¹³⁹.

Wendeborn, a German living in England during the second half of the 18th century described what he saw,

In no other country are more poor to be seen than in England, and in no city a greater number of beggars than in London. A foreigner who hears of many millions annually raised for the benefit of the poor... will find himself unable to explain how it happens, that in his walk he is, almost every hundred yards, disturbed by the lamentations of unfortunate persons who demand his charity.
(quoted in Simon 1908 p.60)

As the 18th century unfolded, those people in the lower-middle ranks of British communities ¹⁴⁰ looked for support and help from those whom they had long considered their superiors and community leaders. All-too-often, they found not only no support, but an active rejection of them and the difficulties they faced. They seemed to have been condemned by those they sought to emulate to a life of fear and possible destitution.

These 'almost poor', 'almost middle ranking' people knew that their only hope of avoiding the destitution which was all around them lay in being accepted, and so being supported by the middle ranks who seemed to be escaping the worst consequences of the reforms of the era. They both deeply wanted to be accepted by them and, at the same time, felt a deep need to be identified as *not* belonging to the pernicious ranks of the slothful.

They were not vagabonds and wastrels. They took life seriously and wanted nothing more than to be recognized as morally upright, desirous of owning and conserving property and willing to engage in work to that end. They had already adopted, or were more than willing, if they could find employment, to adopt "those habits of industry, which always tend to steadiness and sobriety of conduct, and to consequent material wealth and prosperity" (Codere 1950, p. 24).

They found the means of achieving both of these heartfelt longings in the religious revivals which swept Britain and the American colonies (soon to become the United States) through the 18th and on into the 19th century. The religious revivals were to provide a means for lower-middle ranking people to demonstrate and reaffirm their respectability.

Nothing reduces human beings to greater despair and distress than threat of the imminent loss of not only the means of livelihood but of self-esteem and status. The lower middle ranks of the 18th century found themselves facing possible destitution and treatment as though they belonged with those who, as Joseph Townsend (1786) described them later in the century, had

by their improvidence, by their prodigality... drunkenness and vices, ... dissipated all their substance... by their debaucheries... ruined their constitutions, and reduced themselves to such a deplorable condition that they have neither inclination nor ability to work. ¹⁴¹

There seemed no way out, no way in which they could reassert their status and respectability and demonstrate their commitment to industry and to all the associated 'middle sort' moral virtues of the century.

Then, seemingly out of nowhere, they were thrown a lifeline. Preachers, clearly members of the gentry, began travelling the country, offering them acceptance, legitimacy, and the possibility of banding together into societies of disciplined, industrious, moral people. They flocked to hear them and to

commit their lives to their causes in the hundreds of thousands. At meeting after meeting, they expressed their heartfelt relief at the possibility of redemption, of committing themselves, unreservedly, to a life of industry and frugality, of religious and moral discipline and virtue ¹⁴².

Born-Again to Industry: the Conversion of the Little Gentry

The preachers were bemused both by their own success in attracting such crowds to hear them speak, and by the depth of the emotional response to their message. Time and again, to messages as prosaic as many of the ^{CE} [sermons of John Wesley](#), people lost emotional control, falling to the ground, crying uncontrollably, losing control of their faculties. And the fervor with which they sang the songs of the revival was a testimony to the depth of their despair and their revived hope for the future.

In the early to mid 18th century the middle ranks increasingly confused money-making and religious ideals. More and more of them justified themselves through involvement in money-making activities and the churches, which had been so strong in the 17th century, found it difficult to attract and hold members ¹⁴³.

At the same time, the minority who took their religion seriously felt increasingly ill at ease with the worldliness and materialism of the age and felt themselves burdened with a responsibility of their own to maintain their spiritual focus. John Wesley, as a young man in 1734, expressed it well in writing to his father,

I take religion to be, not the bare saying of so many prayers, morning and evening, in public or in private; nor anything superadded now and then to a careless or worldly life; but a constant ruling habit of the soul; a renewal of our minds in the image of God; a recovery of the Divine likeness; a still increasing conformity of heart and life to the pattern of our most Holy Redeemer.
(quoted in Harrison, 1942, p. 17)

Through the 18th century, in the face of what such people saw as a constantly increasing hedonistic materialism among the affluent middle ranks, they held to their faith and brought it to those who were prepared to listen. But, of course, they carried within them the understandings of their time and of their social ranking.

As historians have stressed over the years ¹⁴⁴, the religious revivals of the 18th century were conservative, not radical in orientation. The disciplines imposed on and accepted by the converts have been viewed as repressive and restrictive. Yet, as we will see, these were the very features which resulted in its enormous influence over the subsequent three hundred years in, first, English speaking countries and communities, and then, through the subsequent efflorescence of capitalism, in much of the rest of western Europe.

It was one of the early concerns of the Wesley brothers and other members of the 'Holy Club' at Oxford (from which many of the preachers came) that they too easily succumbed to laziness, a great 'weakness of the flesh', when God wanted them to 'employ their time profitably'. Industry and frugality, as John Wesley was to repeat time and again, are the inevitable outcomes of true godliness.

The following advice to his followers, in a tract published in 1762, providing instructions for daily living to those who belonged to Methodist Societies, is typical of his views on the subject,

Be active. Give no place to indolence or sloth; give no occasion to say, 'Ye are idle, ye are idle.' Many will say so still; but let your whole spirit and behavior refute the slander. Be always employed; lose no shred of time; gather up the fragments, that nothing be lost. And whatsoever thy hand findeth to do, do it with thy might. ¹⁴⁵

If human beings found themselves destitute, if they felt that God had abandoned them, they had only to commit their lives to Him and live as He had intended them to live. This would inevitably result in God's blessing. The demonstration of one's commitment to God was the diligence with which one applied oneself to 'one's calling'. If one was called to preach, then preach one must. If one was called to ply one's trade, then ply one's trade 'as unto God'. As Wesley put it, "Religion must necessarily produce both industry and frugality, and these cannot but produce riches." (quoted in Thompson 1980, p. 391)

In the 18th century, for both the religiously committed and for the majority of more loosely religious people of the middle ranks, progress was closely tied to God's plan for the world. Those who lived by his precepts, through their commitment and dedication, would ensure that the future would be that which He had planned. To show weakness in the face of unrepentant immorality was to endorse such behavior. One rejoiced 'with the Angels at one sinner brought to repentance', but one thundered the wrath of God to those who willfully refused His grace.

The century saw many very successful evangelists carrying this message to the 'lost'. It was, however, John Wesley, a man who knew that God had a plan for the world and that His plan could only be worked out through people who dedicated themselves to ensuring it, who was to fashion the doctrinal base for evangelical Protestantism over the next two hundred years. He was, in their hundreds of thousands, to 'convert' the deeply threatened lower-middle ranks to 'Methodism' ¹⁴⁶. In doing so, he was also to set the scene for the 'Victorian morality' of the next century.

In the 16th and 17th centuries, emphasis on the freedom of the individual from domination by both political and religious bureaucracies had led, in some instances, to anarchy, to an *anti-law* (antinomian) view of the rights of the individual. Since the individual was saved by grace, any attempt to merit God's favor through 'works' countered the grace of God. So, it was, in the most extreme forms of antinomianism, argued that the individual could display the depth of the grace of God through ignoring or contravening both moral and social rules and regulations.

In reaction to this, Luther, Calvin and other protest leaders of the 16th century emphasized the importance of civil law and order, and required their followers to live closely regulated lives. Nonetheless, the evils of the centuries were commonly believed to be a consequence of this lawless strain in extreme forms of Protestantism.

By the turn of the 18th century the common teaching was that, while individuals were saved by grace through faith, this salvation was demonstrated in the life of the individual through the Christian's 'blameless' life - as Jesus had said, "By their fruit you will recognize them" (Matthew Ch. 7 Verse 16). Wesley, as a consequence both of his family's experiences while growing up and of his own disputes with antinomian pietists and Calvinist dissenters, developed a theology which, while perhaps not as

consistent as those of earlier protestant leaders, nonetheless directly addressed what he perceived to be fundamental weaknesses of both antinomianism and Calvinism.

Calvinists stressed the Divine prerogative in salvation. Since people were saved by grace, not works, no person could *do* anything to gain salvation, it was a 'free gift of God'. If people had to believe in order to be saved, they had to perform a 'work', that of actively believing. To get around this problem, Calvin had argued that God had, from the time of creation, 'elected' those to be saved. All that happened when people became religiously 'awakened' was that they became aware of what had already happened.

This awakening did not bring about their salvation, they simply became conscious of the salvation which God had accomplished 'before the foundation of the world'. Because they now knew they were among the elect, they delighted to do the will of God. Any person who was truly one of the elect, once he or she realized this, would, in thankfulness to God, want to live to please him. By their lives they would show that they really were among the elect. Of course, the flaw in this was that if people were destined to be saved, no matter what they did, then the door was always open to antinomianism.

Wesley, as a confirmed high church Anglican, was brought up in a religious environment in which faith and works went hand in hand. One showed one's faith through membership of the church, and one 'worked out one's salvation with fear and trembling'. The danger of this approach was, of course, the one which the Calvinists sought to avoid through the doctrine of election. People could be seen as 'earning' salvation through their works - the papist doctrine which Protestants claimed had brought about the Reformation in the first place.

Wesley's solution, while perhaps logically flawed, was nonetheless persuasive for ordinary people not embroiled in the intricacies of theology. First, people were saved by God's grace, through the active exercise of their free will. This was the only 'work' that any person could do to merit salvation. No form of morality, no form of legal rectitude, no membership of any religious body could bring a person to salvation. They merely exercised their 'free-will' in deciding whether or not they wanted to be saved.

When the person approached God in this way, He always accepted them. As a hymn of the period put it - "Only Believe, Only Believe, all things are possible, Only Believe". So, there were no 'elect', with the rest of humanity damned whether they liked it or not.

When people, aware of their utter helplessness and sinfulness, approached God, He gave them a 'new life', they were 'born again'. It was no longer them, but 'Christ in them'. They were given the 'Spirit of Christ' and from that point on *could* please God by their works, since they were not their own works, but the works of 'Christ in them, the hope of glory'. They were on the path to sanctification. Their hearts having been reoriented to God, they were being "transformed by the renewing of their minds".

As Kathryn Long has put it, speaking of attitudes reflected in the religious revivals of that century in 19th Century United States,

the stress on personal piety confirmed long-standing convictions that the only true path to social change came through individual conversions.

(1998 p. 107)

However, Wesley felt the need for some stronger reason for living lives 'acceptable to God' than an individual desire to be sanctified. Not only were people saved through an act of faith, they could also be lost through an act of will. The person who did not live to God, lived to self and, therefore, gave room to evil. This was why one had to 'work out one's salvation with fear and trembling'.

Wesley was to teach, for more than half a century, that while individuals were saved by grace through faith, and could not begin to please God until they had been 'born again', they could also commit spiritual suicide by failing to live as God intended them to. Such people had 'the form of godliness but denied the power of it'. When these people who were 'neither hot nor cold' were found within a community of Christians they should be expelled. Christians had a duty to discipline one another.

Those who were not "pressing on toward the goal" of the renewing of their minds, were 'backsliding'. And Christians could recognize such people. As Jesus had said,

By their fruit you will recognize them... Not everyone who says to me 'Lord, Lord', will enter into the kingdom of heaven, but only he who does the will of my Father who is in heaven.

(Matthew 7: 16, 21)

So, one either pressed toward the goal, or one was in danger of being rejected by God - and, if by God, then also by Wesleyan Christians.

The theology might have been shaky, but the motivational message was forceful. It proved hugely successful in motivating those who accepted the message on both sides of the Atlantic over the next two hundred years.

By the end of the 18th century they would become a major religious, economic and political force within Britain and the emerging United States of America, deeply dedicated to industry and frugality, to the principle of "whatever your hand finds to do, do it with all your might". And it was they, not the financiers, bankers, and landowners of the country, who provided the engine for what was, indeed, to be an 'industrial revolution' which would set Britain and her transatlantic offspring on course to world empire and economic domination in the next centuries.

In a century when the moral commitment of the gentry to industry and frugality faltered, and might well have died, a new kind of 'gentleman' emerged, religiously dedicated to the unending pursuit of wealth and property, and to innovative production.

Born Again Manufacturers and Retailers 🐦

The religious organizations which grew from the revivals or were transformed to accommodate them, provided these people with an ongoing means of deeply reaffirming the values which their 'conversions' had affirmed. Through them, they could re-establish the networks of

respectability in which they had been brought up, and promote those values as essential to salvation for all human beings.

They *knew* that 'but for the grace of God', they too would have found themselves counted among the destitute of the century. They also quickly learned, through the preaching and teaching of the itinerant evangelists who were their leaders and mentors, that, having been saved by grace, through faith, they had begun lives of discipline and commitment to all the virtues of the century.

The Wesleyan Methodist societies, classes and bands provided the clearest model, but what John Wesley built up over more than fifty years in England was replicated with modification by many other evangelists not only in England but through Ireland, Wales, Scotland and the American colonies¹⁴⁷. The religious revivals of the time were, largely as a result of Wesley's vision, strongly organized, with the redeemed encouraged to long-term discipline and direction by their peers and leaders.

The deep, emotional nature of their conversion, based on a commitment to the moral values of those who brought the possibility of redemption to them, resulted in them being far more committed and determined to live by the understandings of the century than those who, till this time, had been the major promoters of modern values. By the mid 19th century, the religious revivals of Britain and the United States were overtly focused within the newly successful middle ranks of the population.

The 1858 revival in New York sprang from "a weekly prayer meeting for businessmen" (Long 1998, p. 13). Those involved in the religious 'awakenings' which recurred over more than a century on both sides of the Atlantic from the early 1730s onwards, became, over the next two centuries, the moral center, the 'moral majority' of the western communities in which they lived.

They were convinced that only through faith and reliance on 'the grace of God' had they escaped catastrophe, committed to living by both moral and economic laws and convinced, as Kant explained, that

All the culture and art which adorn humanity, the most refined social order, are produced by that unsociability which is compelled by its own existence to discipline itself, and so by enforced art to bring the seeds implanted by Nature into full flower.

When they sang "Amazing grace! How sweet the sound that saved a wretch like me", they meant it with every fiber of their being.

The 18th century had launched a new, emotionally committed, community of capitalists. The driving force of the 'industrial revolution' was to come, not from the financiers and well-established gentry of the era, but from those who had been redeemed to be productive.

The term 'Methodist industrialist' was, by the early 19th century, a common descriptor for those who took both their religion and their productive enterprise seriously. They established factory towns and day schools and were concerned not only with money-making, but also with the moral development of those they employed.

Andrew Ure, in 1835, speaking of Richard Arkwright's ¹⁴⁸ contribution to the emergence of the industrial factory explained this:

What his judgment so clearly led him to perceive, his energy of will enabled him to realize with such rapidity and success, as would have done honour to the most influential individuals, but were truly wonderful in that obscure and indigent artisan...

The main difficulty did not, to my apprehension, lie so much in the invention of a proper self-acting mechanism for drawing out and twisting cotton into a continuous thread, as in the distribution of the different members of the apparatus into one cooperative body, in impelling each organ with its appropriate delicacy and speed, and above all, in training human beings to renounce their desultory habits of work, and to identify themselves with the unvarying regularity of the complex automation.

To devise and administer a successful code of factory discipline, suited to the necessities of factory diligence, was the Herculean enterprise, the noble achievement of Arkwright.

(The Philosophy of Manufactures, 1835)

The revivals of the 18th century shared little with the cerebral, theological drive for religious reform which had brought 16th and 17th century protestant groups into being. They were 'charismatic', as that term has come to be used of similar movements in the 20th and 21st centuries.

Those who were 'saved', displayed all the passion for salvation and for recognition one might expect from people who felt themselves trapped and destined to be treated as what they were not. And they accepted and determined to live by the precepts and directives of their spiritual mentors.

Their mentors reaffirmed the presumptions of capitalism. As Whitefield, one of the very successful evangelists of the century on both sides of the Atlantic explained,

Nothing tries my temper more than to see any about me idle; an idle person tempts the devil to tempt him... if anybody says the Methodists [followers of the Wesley brothers] teach to be idle, they injure them. We tell people to be at their work early and late, that they may redeem time to attend the word. If all that speak against the Methodists were as diligent, it would be better for their wives and families. What, do you think a true Methodist will be idle?
(quoted in Armstrong 1973, p. 123)

A New Moral Leadership and Support Network

The Methodist movement of the 18th century found its leadership, not in the dissenting churches, descendants of the puritanical, protestant movements of the 16th and 17th centuries, but in the established Church of England. And, although the hierarchy of the state church seemed reluctant to be associated with such enthusiastic Christianity, the leaders of the movement were, largely, committed to ensuring that their converts remained within the Church. So, for more than fifty years, the tightly organized and disciplined Methodist societies remained religious communities connected to the parishes of the state church.

This prolonged association did more to convince dedicated Methodists of the worldliness and lack of moral leadership in higher levels of society than almost anything else could have. Since the Anglican clergy were appointed by the Anglican hierarchy, local communities had little influence over those selected to lead them. Very often, they found themselves having to endure leadership which seemed almost inimical to the lives they had committed themselves to leading. As Archibald Harrison put it,

The Methodists themselves were increasingly reluctant to attend services conducted by clergy with no apparent interest in spiritual religion, and, too frequently, with reputations far below the standards of the gospel it was their business to proclaim.
(1942, p. 169)

They became increasingly convinced that they, themselves, would have to provide the moral leadership they sought. They could not look to their social superiors for moral direction. Rather, they could expect that those above them would, at best, display a lukewarm attitude to the moral virtues.

For these 'born again' Christians, the 'upper middle ranks', together with the aristocracy, were largely composed of people who, as Paul had explained to Timothy (2 Tim. 3:5), held "the form of religion but denied the power of it." Wesley had no hesitation in endorsing Paul's advice, "Avoid such people". He provided his own description of their shallowness, "So much paint and affectation, so many unmeaning words and senseless customs among people of rank" (quoted in Armstrong 1973, p. 88).

Those 'born again' in the 18th century revivals became the guardians of morality and prosperity. So dominant did they become that the virtues they espoused and promoted became the virtues of more than a century of middle ranking people. Even those who were, in truth, part of the earlier gentry, largely untouched by the religious revivals, found themselves having to publicly endorse the virtues. And born-again Methodists knew, with a conviction confirmed by experience, that if they did not hold the moral center, no one would.

The stern nature of the discipline they imposed on each other was tempered by social responsibility for those who repented and joined their ranks. The societies and classes of Methodism were not just religious groupings, they took moral, social and economic responsibility for each other. In doing so, they formed strong support networks, providing a social and economic refuge for people who saw the world closing in on them. As Armstrong described,

The societies helped the poor among their members - it was one of the duties of the stewards to arrange such relief. The maintenance of a 'lending stock' by the societies meant that loans of from one to five pounds could be made to poor members on the recommendation of the borrower's class leader.
(1973, p. 88)

This approach to the problems of the poor in their ranks is very similar to some of the 'pump priming' activities of 'credit banks' over the last forty years in 'developing' areas. The primary difference is that the pump priming lending of Methodist societies went to people who were already oriented to capitalist endeavor and whose activities were overseen by others of similar bent.

The lending did not produce the capitalist orientation, as some credit societies seem to presume will happen in Third World communities. Rather, it facilitated small business activity for people already aware of the need for frugal industry, the deferment of short term rewards for long term gain, and intent on the accumulation of capital as a means of demonstrating their inherent morality ¹⁴⁹.

Methodists did not develop small scale credit societies among the unredeemed poor as a means of stimulating small business among them. They knew that money lent to such people would be spent on present needs and wants, not used to make more money.

In fact, many of those who were 'saved' from the ranks of 'the poor', failed to remain within the societies. They quickly proved themselves unreliable borrowers, who could not be trusted to use the money given them 'wisely' and, consequently, fell short of the moral requirements of the communities in which they found themselves.

The Methodists, quite unconsciously, selected people of like temper, those who were already committed to the middle ranking virtues of the century. Those whose background was among the 'poor' seldom demonstrated the long term 'habits of industry' which ensured acceptance.

Not only was this kind of support given within Methodist societies to help members out of poverty, it was also seen as a means of ensuring that they remained committed to Methodism. The networks of Methodism provided strong business support to small business people. Those who found themselves expelled from a society because they failed to measure up to the spiritual and moral requirements of the group, often found that their businesses suffered once they no longer had access to the networks through which their business activity had been established.

John Wesley, ever a practical leader, realized the power which such support had in ensuring that people remained committed to the cause, or were drawn back to commitment through being helped in this way. In a letter to the Methodist Society at Keighley, London, in 1779, he describes the financial difficulties into which a former member of the Society had fallen.

The person concerned, one William Shent, had for many years been a faithful member of the Society, but had been disciplined some time earlier and expelled for not living up to the moral requirements of membership. With support from the group removed, his business activities fell apart and

he and his family were now in danger of being evicted from their home. Wesley wrote,

Who is he that is ready now to be broken up and turned into the street? William Shent. And does nobody care for this? William Shent fell into sin and was publicly expelled from the Society; but must he also starve? Must he with his grey hairs and with all his children be without a place to lay his head?...

Who is wise among you? Who is concerned for the Gospel? Who has put on the bowels of mercy? Let him arise and exert himself in this matter. You here all arise as one man and roll away the reproach. Let us set him on his feet at once. It may save both him and his family. (Brash 1928, p. 105)

It is in this group of religiously committed capitalists that one must look to find the capitalist spirit of the 19th century, that spirit to which the British prime minister Margaret Thatcher referred when she claimed, in the late 1970s, that British people should revive the moral values of the previous century.

The superficial charge laid against 19th century middle ranking people, that their morality was largely hypocritical, only holds if one fails to recognize the large number of fellow travelers who came under the influence of Methodists and members of those dissenting Churches which were reinvigorated through participation in the 18th century religious revivals. It is a testament to the social force of the movement, that the values of those saved by grace in the 18th century, became the values of an age.

Of course, although the religious revivals of the 18th century produced a morally committed middle class of capitalists, *they brought their values with them* into the revival. The revival preachers and teachers of the 18th century strongly reaffirmed the important moral values of the middle ranks of western European communities. Those from the lower middle ranks, who found themselves most directly threatened by the reforms of the period, were drawn to leaders who offered them both recognition and practical support.

In a time when little distinction was being drawn between the poor and the lower middle ranks, reformers set out to teach the lower ranks the importance of work. In the process, those who were converted developed strong, religiously reinforced support networks which enabled them to succeed in business in a way that had not been possible in earlier times.

Wesley summed up the impact of Methodism on the lives of his followers in a sermon toward the end of his life,

The Methodists grow more and more self-indulgent, because they grow rich. Although many of them are still deplorably poor... yet many others, in the space of twenty, thirty or forty years, are twenty, thirty, yea, a hundred times richer than they were when they first entered the society. And it is an observation which admits of few exceptions, than nine in ten of these decreased in grace, in the same proportion as they increased in wealth. Does it not seem (and yet this cannot be) that Christianity, true scriptural Christianity, has a tendency to destroy itself?

(quoted in Armstrong 1973, p. 95)

While the Methodists took their religion seriously, all their energies were focused on life within this world. The religious virtues they promoted were capitalist virtues from the 17th century, shaped by the understandings of the 18th. They lived in an age when self-interest and the private accumulation of wealth and property were assumed to result in the *Summum Bonum*. As Appleby has explained,

Where earlier the disposal of a harvest or the pursuit of a trade had been conditional upon the likely social impact, the acceptance of near-absolute property rights had driven a wedge between society and the economy. With the curtailment of political oversight over economic life, the formal link between the material resources of the country and the people to be sustained by them had been cut. The commonwealth had become an aggregation of private wealth.

(Appleby 1978, p. 151)

Good Methodists knew that self-interested private enterprise, driven by a deep commitment to industry and frugality, and resulting in the private accumulation of wealth, were virtuous. As Harrison says,

The Wesleyans were particularly numerous among the shopkeepers, farmers, and better-class artisans... In some cathedral cities nearly all the shops in the High Street would be Methodist shops and a great Wesleyan congregation would gather under the very shadow of the Cathedral... In big business and in Northern factories, too, Wesleyan Methodism was prominent and grew in wealth in the prosperous years. (1942, p. 180)

As Methodists grew wealthy they found themselves able to emulate the lifestyles and become accepted by the middle sorts with whom they had long desired to be identified. Methodism provided a moral leavening to the 19th century. In the process, the 'old money' middle ranking families took on a veneer of 'morality' which enabled the 'new money' Methodists to interact with them without seeming to betray their Methodist values. The values of the two groupings slowly merged. In business one emphasized disciplined self-interest. In social life one accepted philanthropic responsibility for the 'improvement' of the poor.

By the 19th century, Methodists and others belonging to communities which came out of the 18th century revivals were dominant in both manufacturing and retailing. Those who were the descendants of 17th and 18th century gentry very often provided the finance for the more extensive of their activities. As Andrew Ure (1835, pp. 20,1) described, while explaining the emergence of factories in the late 18th century,

In its precise acceptation, the Factory system is of recent origin, and may claim England for its birthplace. The mills for throwing silk, or making organzine, which were mounted centuries ago in several of the Italian states, and furtively transferred to this country by Sir Thomas Lombe in 1718, contained indeed certain elements of a factory, and probably suggested some hints of those grander and more complex combinations of self-acting machines, which were first embodied half a century later in our cotton manufacture by Richard Arkwright, assisted by gentlemen of Derby, well acquainted with its celebrated silk establishment.

From the outset, as Brash (1928, p. 179) says, "Methodism was an army of missionaries". Every convert was a potential evangelist, every society and class accepted an evangelical mission to 'the lost'. Those who were at the forefront of the religious revival movements in Wales, England, Ireland, Scotland and in the various American colonies, believed they had been directly chosen by God. They had His mandate to "bring sinners to repentance", and if they failed, the damnation of those they had failed to reach would be their responsibility. They *knew* that the warning God had given Ezekiel was theirs also,

... if the watchman sees the sword coming and does not blow the trumpet to warn the people and the sword comes and takes the life of one of them, that man will be taken away because of his sin, but I will hold the watchman accountable for his blood.
(Ezekiel 33:6)

Equally, they accepted the responsibility that Wesley had made his own. They not only 'saved' the lost, they *organized* them into churches and communities, and they introduced the disciplines of 18th and 19th century Methodist Christianity and economic rationality to those they organized in these ways. They had the responsibility not only to bring salvation to the lost, but, in the process, to bring them civilization and consequent material prosperity.

Richard Whateley, Archbishop of Dublin, in 1854, explained the problem,

Men, left in the lowest, or even anything approaching the lowest, degree of barbarism, in which they can possibly subsist at all, never did, and never can raise themselves, unaided, into a higher condition
150.

Because all human beings were sinners, and because 'enlightenment' depended on the grace of God, not only were people 'saved' from perdition, they were also, inevitably, saved to a new way of life, to a higher level of civilization than they could ever reach on their own. They were, by God's grace, and by the disciplines of their churches, delivered from lives of sloth and indigence into lives of industry and prosperity. Through this they would

overcome the present disposition either to sloth or to enjoyment. This habit is slowly acquired, and is in reality a principal distinction of nations in the advanced state of mechanic and commercial arts.
(Ferguson 1767 Part 2, Section 2)

As Herbert Schlossberg described,

In 1837 a clergyman in Leeds remarked that

the most established religion in Leeds is Methodism, and it is Methodism that all the most pious among the Churchmen unconsciously talk,

That is, Methodism, which by then had separated from the Church of England, had come to dominate the thinking of the city to the extent that even Anglicans had been swallowed up in its spirit, albeit without realizing it...

The "secular" 18th century, when we look beneath the surface, turns out to be the start of a profound spiritual revival. As it spread from the Church of England throughout the society, it affected the life of non-

Anglican, or Dissenting, congregations. The chapels in which the dissenters worshiped increasingly rang with the ideas and hymns of the evangelical movement.
(2000, pp. 8, 10)

By the mid 19th century, Methodism would become the leavening of Victorian Britain. From the high, to the lower-middle, to the artisanal 'working class' (but seldom to the 'idle poor'), the British increasingly committed themselves to the understandings of Methodism, to a religiously invigorated capitalism.

The American War of Independence resulted in a hiatus in direct influences from Britain to the American colonies. The revival in Britain preceded a similar movement in the colonies by some thirty to forty years. The missionaries of the British 'Awakening' proved most effective as the colonies settled down and law and order were reimposed under the new United States administration.

As Mary Cayton (1997) explained, between 1794 and 1832 thousands of converts streamed into the non-conformist churches of British North America, and, as in Britain, the bulk of those who committed themselves to an active religious life were involved in petty-business. As Cayton said,

Especially in the Northeast, then rapidly being drawn into a net of complex market relationships, those entering upon the responsibilities of adulthood but also many of other life stages, and members of an emerging entrepreneurial class but also those of other stations and callings, were caught up in intensified religious expression.

They experienced conversions, joined organizations designed to promote a host of benevolent causes, and swelled church rolls. They were Congregationalists and Presbyterians, Baptists and Methodists, and together they comprised a movement that historians in retrospect have called the Second Great Awakening.

First The Poor, Then The World! 🌍

What started in Britain, very quickly reached outward to the whole world. Those who entered the movement in the 18th century knew that there were no geographical boundaries to bringing sinners to repentance. With Wesley, they asserted that the world was their parish.

Out of the 18th century religious revivals came the evangelical missionary movement of the 19th and 20th centuries. And, as they moved into the world, they took their Western European lower middle class values with them. As Cairns has described of missionary attitudes in central Africa in the 19th century,

The proper attitude was indicated by Carson of the L. M. S. [London Missionary Society] who, after noting that African men spent 'much time in indolence', remarked that it was inconceivable 'how the practice of that vice in the African race can be supposed to conduce to happiness in them when it makes us so miserable'.
(1965, p. 80)

Those who were 'born again' should, in the minds of these missionaries, be born into frugal, self-disciplined industry, into conserving possessions, into

accumulating wealth, and into using the wealth they accumulated 'wisely'.

They took capitalism to the world. And, since people in other communities seemed to have so little internalized discipline, so little regard for prudent, productive endeavor, they realized they had a responsibility to discipline and train them.

Out of missionary endeavor among the poor, among the destitute in western Europe, and out of similar activity among the 'benighted' of other regions, came a strong belief in the need for practical education to teach converts to live as 'God had intended them to live'.

But, despite all its success in the Anglo-speaking world, and the extensive network of societies and churches which sprang from the movement, very few of those on the lowest rungs of the social order were drawn into the revival movement. The redemption of the lower middle rankings of British and North American communities still left large numbers of poor dispossessed and cast adrift in the century, relatively untouched by the revivals which had swept their countries.

The redemption of the artisans, tradespeople and small holders of the century did not predispose them to accepting the irreligion and laziness of the poor. It made them resolute in doing something about 'the problem'. They did not have to look far to find those who constituted it. They were on their own door step, a group of people who defied all law and morality. James Kay (1832) described the lower classes inhabiting a district in Manchester,

This district has sometimes been the haunt of hordes of thieves and desperados who defied the law, and is always inhabited by a class resembling savages in their appetites and habits. It is surrounded on every side by some of the largest factories of the town, whose chimneys vomit forth dense clouds of smoke, which hang heavily over this insalubrious region.

Capitalism was in full bloom! It was time for the new moral capitalist leaders of Britain to tame and civilize the hordes of thieves and desperadoes which lived on their own doorsteps. And they set about it with all the determination they had employed in building their new industrializing world.

Chapter 5: The Virtuous Capitalist, The Poor and the Wasteland †

[Factory Workers] pamper themselves into nervous ailments by a diet too rich and exciting for their in-door occupations
(Andrew Ure 1835, p. 298)

Bubbles and Wasteland

Who were 'The Poor'?

- Who's to blame for their poverty and degrading circumstances?

What shall we do with The Poor?

- The Poor are lazy with no desire to 'Better Themselves'!
- Born Again or Not - They need to Learn Discipline!
- They'll work if they're hungry!
- We'll Compel Them through Laws and Regulations!
- Let's Train their Young
- And ... No Charity!!

Don't allow them to organize - it's Bad for Them!

- Organizations of Artisans
- Organizing the 'Working Poor'

Conclusion

Bubbles and Wasteland

The trader, in rude ages, is short-sighted, fraudulent, and mercenary; but in the progress and advanced state of his art, his views are enlarged, his maxims are established: he becomes punctual, liberal, faithful, and enterprising; and in the period of general corruption, he alone has every virtue, except the force to defend his acquisitions. He needs no aid from the state, but its protection; and is often in himself its most intelligent and respectable member.

Adam Ferguson (1767 Pt 3, Section 4)

Ferguson's description of 18th century Western European gentry in the 2nd half of the 18th century is in stark contrast to Thomas Jefferson's description,

...they have divided their nations into two classes, wolves and sheep. I do not exaggerate. This is a true picture of Europe. ...man is the only animal which devours his own kind; for I can apply no milder term to the governments of Europe, and to the general prey of the rich on the poor.

(Thomas Jefferson, 1787 ¹⁵¹)

Jefferson was a visitor to Europe and his reaction is that of a relatively detached outsider witnessing the consequences of the enlightened self-interest of the gentry: injustice and oppression of those least able to defend themselves - the poor.

Ferguson was a Scottish gentleman. He had lived inside the bubble of middle class Western European society all his life and saw everything outside that bubble as a wasteland which needed to be reclaimed.

If that wasteland was to be reclaimed, its inhabitants rescued from poverty, moral depravity and sloth, it would be because the gentry set the example and took responsibility both for 'developing' their environments and for re-educating the indolent poor. Those who practised enlightened self-interest did so for the most moral of reasons. They were securing the future for everyone. They needed protection from the state to ensure that all the benefits which flowed from enlightened self-interest were realized ¹⁵².

The wasteland was a 'nursery for thieves and villains'. They were poor because they were indisciplined and lazy, not because of the rapacious greed of the gentry! ¹⁵³ The poor lacked the virtues that had become natural to the gentry.

When middle ranking people looked at a gentleman they saw a virtuous man. Adam Smith, in a book appropriately entitled *The Theory of Moral Sentiments*, explained it well. It was from the realization that such people were securing the future for everyone in society that there,

arises that eminent esteem with which all men naturally regard a steady perseverance in the practice of frugality, industry, and application, though directed to no other purpose than the acquisition of fortune. The resolute firmness of the person who acts in this manner, and in order to obtain a great though remote advantage, not only gives up all present pleasures, but endures the greatest labor both of mind

and body, necessarily commands our approbation. ¹⁵⁴
(1759 Part 4 Ch. 2)

Such people did not merely pursue prudent self-interest for their own gain or because others insisted they should. They knew, in their own hearts, that prudent, self-interested industry and frugality were amongst the most important of the virtues:

In the steadiness of his industry and frugality, in his steadily sacrificing the ease and enjoyment of the present moment for the probable expectation of the still greater ease and enjoyment of a more distant but more lasting period of time, the prudent man is always both supported and rewarded by the entire approbation of the impartial spectator, and of the representative of the impartial spectator, the man within the breast.

(Smith 1759, Part 6 Section 1)

The 18th and 19th centuries were the centuries in which capitalism was to flourish, unfettered by laws and regulations. It was to be the period when the long-term impact of unregulated capitalism on the living conditions of the poor would become obvious.

What would happen to the least fortunate, to the inhabitants of the wastelands, when the 'steady perseverance in the practice of frugality, industry, and application, though directed to no other purpose than the acquisition of fortune' was allowed full play?

Who were 'The Poor'?

They were the dispossessed, inhabitants of the wastelands of Western Europe. They were the rubble of feudal society. For them, feudal understandings¹⁵⁵, inevitably warped and altered by the centuries of turmoil, confrontation and change in western Europe, were still central.

But, the patron-client structures of the feudal past were gone. There were no patrons on whom they could rely, no institutional supports which might protect their rights. They had lost those over more than three hundred years of feudal decay and collapse. They had become

hordes of thieves and desperados who defied the law ... a class resembling savages in their appetites and habits
(James Kay (1832)).

Thomas More had described their plight two centuries earlier, when their patrons resolved 'to enclose many thousand acres of ground'.

... [T]he owners as well as tenants are turned out of their possessions, by tricks, or by main force, or being wearied out with ill-usage, they are forced to sell them.

By which means those miserable people, both men and women, married and unmarried, old and young, with their poor but numerous families (since country business requires many hands), are all forced to change their seats, not knowing whither to go; and they must sell almost for nothing their household stuff, which could not bring them much money, even though they might stay for a buyer.

When that little money is at an end, for it will be soon spent, what is left for them to do, but either to steal and so to be hanged (God knows how justly), or to go about and beg? And if they do this, they are put in prison as idle vagabonds

(1516, [Ⓔ] *Utopia* , Book 1)

Not much had changed in two centuries!

They were the dispossessed of Western Europe, the weak who could not defend themselves against patrons turned capitalist (or, as Jefferson put it, 'turned wolf'). They constituted separate communities from the gentry, money makers and aristocracy of Europe, only connecting with them as menials, laborers, vagabonds and thieves. They had not socialized with or shared the [interests and understandings of the middle ranks](#). The gentry, with their distinctive ways of living, moved in social spheres beyond their vision, and, largely, beyond their interest.

Among the more intemperate descriptions of these people is that given by [Ⓔ] [Daniel Defoe \(1725?\)](#), son of a tallow chandler (a member of the *Worshipful Company of Butchers*) and aspiring member of the gentry. His writings grew in popularity through the 19th century:

How many frequent robberies are committed by these jannners? And to how many more are they confederates? Silver spoons, spurs, and other small pieces of plate, are every day missing, and very often found upon these sort of gentlemen; yet are they permitted, to the shame of all our good laws, and the scandal of our most excellent

government, to lurk about our streets, to debauch our servants and apprentices, and support an infinite number of scandalous, shameless trulls, yet more wicked than themselves, for not a Jack among them but must have his Gill.

By whom such indecencies are daily acted, even in our open streets, as are very offensive to the eyes and ears of all sober persons, and even abominable in a Christian country.

In any riot, or other disturbance, these sparks are always the foremost; for most among them can turn their hands to picking of pockets, to run away with goods from a fire, or other public confusion, to snatch anything from a woman or child, to strip a house when the door is open, or any other branch of a thief's profession.

In short, it is a nursery for thieves and villains; modest women are every day insulted by them and their strumpets; and such children who run about the streets, or those servants who go on errands, do but too frequently bring home some scraps of their beastly profane wit; insomuch, that the conversation of our lower rank of people runs only upon bawdy and blasphemy, notwithstanding our societies for reformation, and our laws in force against profaneness; for this lazy life gets them many proselytes, their numbers daily increasing from runaway apprentices and footboys, insomuch that it is a very hard matter for a gentleman to get him a servant, or for a tradesman to find an apprentice ¹⁵⁶.

Innumerable other mischiefs accrue, and others will spring up from this race of caterpillars, who must be swept from out our streets, or we shall be overrun with all manner of wickedness.

Who's to blame for their poverty and degrading circumstances? 🐝

They were childish ingrates, who expected something for nothing, who refused to take life seriously and suffered the consequences of their indisciplined laziness. It was time for them to grow up, to accept responsibility for life, not live on unearned handouts.

Bernard Mandeville expressed it well. If one supported people through offering them unearned handouts they would become lazy and dependent on welfare.

Charity, where it is too extensive, seldom fails of promoting Sloth and Idleness, and is good for little in the Commonwealth but to breed Drones and destroy Industry.

(Appendix to 1724 edition of *Fable of the Bees* entitled 'An Essay on Charity and Charity-Schools')

Samuel Smiles (1859), in a popular book of the mid 19th century, entitled '*Self-Help*', provided the reasons why, after one hundred and fifty years of unregulated capitalism, the poor were still poor, all-too-often living and working in sub-human conditions. They were 'the extravagant', who 'wasted their resources'. It was their own fault if they were poor!

...the lesson of self-denial - the sacrificing of a present gratification for a future good - is one of the last that is learnt. Those classes which work the hardest might naturally be expected to value the most money which they earn. Yet the readiness with which so many are accustomed

to eat up and drink up their earnings as they go, renders them to a great extent helpless and dependent upon the frugal.

Any class of men that lives from hand to mouth will ever be an inferior class. They will necessarily remain impotent and helpless, hanging on to the skirts of society, the sport of times and seasons. Having no respect for themselves, they will fail in securing the respect of others. In commercial crises, such men must inevitably "go to the wall." Wanting that husband power which a store of savings, no matter how small, invariably gives them, they will be at every man's mercy, and, if possessed of right feelings, they cannot but regard with fear and trembling the future possible fate of their wives and children.

"The world," once said Mr. Cobden to the working men of Huddersfield, has always been divided into two classes - those who have saved, and those who have spent - the thrifty and the extravagant.

The building of all the houses, the mills, the bridges, and the ships, and the accomplishment of all other great works which have rendered man civilized and happy, has been done by the savers, the thrifty; and those who have wasted their resources have always been their slaves.

It has been the law of nature and of Providence that this should be so; and I were an imposter if I promised any class that they would advance themselves if they were improvident, thoughtless, and idle.

(^{CE} 1859, Chapter 9 Para.5)

^{CE} Samuel Scriven's 1842 report to the House of Commons on factory conditions in 'Mines and Manufactories', outlined the problems in dealing with the poor. No matter what good, virtuous gentlemen did, nothing could be improved so long as the poor behaved as they now did.

To contextualize Scriven's views, one needs to remember the contemporary situation in which he was writing.

The Speenhamland decrees ¹⁵⁷ in the late 18th century allowed employers to pay "market rates" for labor, which soon drove wages below what was necessary to maintain subsistence. Parishes were required to make up the shortfall from their rates. The significance of this is that wages really did fall below what was considered necessary to ensure subsistence. It was not possible to live on the wages of just one or two members of the family without parish support.

In 1834 the Poor Laws were amended to remove this 'burden' from the parishes, transferring it to the poor. After all, what had they to complain about? All they had to do was 'get a job'.

Parents, in 1840, did not send children to work because they were 'proverbially improvident'. They desperately needed every penny they could get. As William Booth could still explain at the end of the century,

... the want of money is the cause of an immensity of evil and trouble. The moment you begin practically to alleviate the miseries of the people, you discover that the eternal want of pence is one of their greatest difficulties.

(^{CE} William Booth (1890))

This, however, is clearly not the view of Samuel Scriven:

The manufacturers are gentlemen who 'evinced a warm-hearted sympathy for those about them in difficulty or distress, contribute as much as possible to their happiness, and are never known to inflict punishments on the children, or to allow others to do so':

The manufacturers are a highly influential, wealthy, and intelligent class of men: they evince a warm-hearted sympathy for those about them in difficulty or distress, contribute as much as possible to their happiness, and are never known to inflict punishments on the children, or to allow others to do so.

It, would be invidious to particularise individuals, but I should do them injustice as a body if I did not acknowledge their liberality in allowing me unrestrained admission to every department of their works, as well as the desire they have shown to render me every assistance and co-operation, with the view of carrying out the objects of the Commission ...

They can hardly be held responsible for the consequences of the lifestyles of their proverbially improvident employees.

The processes being such as to admit of the employment of whole families father, mother, and some two, three, or more children - their united earnings are sometimes 3l. or 4l. per week: but, proverbially improvident, and adopting the adage, - "sufficient unto the day is the evil thereof", they squander the proceeds of their labor in gaudy dress, or at the skittle-ground and ale-house; so that, when overtaken by illness or other casualty, and thrown for a few days out of work, they resort to their masters for a loan, or to the parish workhouse for relief.

Thoughtless and improvident parents, showing no regard for the consequences to their offspring, permit them to continue working in sub-standard conditions. So long as they can reap the advantages of their labor they encourage them to work in conditions like these:

The processes and departments to which I beg leave to direct your especial attention are the dipping, scouring, throwing, plate, saucer, and dish making, and printing, as those in which very young children are found. The effects I have observed in the first and second, on many of the older hands, and the evidence I have recorded from all, have satisfied me that they are the most pernicious and destructive in the whole process of potting.

It is true that in many instances persons have been known to have worked as dippers many years without any material consequences resulting, or being perceptible, and they will tell you "'tis not so bad now as formerly, when a greater proportion of the poisonous metal entered into the composition of the liquid;" but even in them, whose constitutions may have been less susceptible of its influences, I have been able to trace in their dull and cadaverous countenances its insidious workings.

In most of the rooms there are one or two adults, with their attendant boys, whose business it is to bring the ware in its rough, or, in the phraseology of the potter, in its biscuit state, from the warehouse or painting-room to the tub. By constant handling, the fingers become so

smooth and delicate that they sometimes bleed, and thereby render the process of absorption more certain and rapid. The dipping itself; performed by the man, is momentary, and, when completed, the article is passed on to the boys for shelving and drying; the liquid consists of borax, soda, potash, with whiting, stone, and carbonate of lead, finely ground and mixed together with water; for coarse goods a large proportion of lead is used, and in some cases arsenic.

The workers seem to have a complete disregard of the dangers around them. They recklessly eat their meals in the most unhygienic of surroundings.

Both men and boys have their hands and cloths almost always saturated with it; and reckless of the danger they incur, seldom or ever change, or use precautionary measures, frequently taking their meals in the same room, sufficiently satisfied to wipe their hands on their aprons. I have never seen rooms provided for cleansing, although it appear in some of the returned schedules that there is plenty of water and at their command.

From their disregard of prophylactic measures; you will not be surprised that paralysis, colica pictonum, epilepsy, and a host of other nervous diseases; are to be met with in all their aggravated forms. The most constant, however, is that of partial paralysis of the extensors of the hands in men, and of epilepsy in children, accompanied at all times with obstinate constipation of the bowels and derangement of the alimentary canal.

But the strongest assurance that can be adduced of the deleterious effect that this process has on children, to be found in the evidence of the men themselves, who, when their affections have been appealed to as fathers of families, have invariably, to the question " Would bring your own son to the dipping-tub ?" replied " No: " and in the instance of John Cooper he continued because I love my child, and would rather that should live."

The average amount of weekly wages for men in this department is 30s., for boys 5s., which is higher than in many others, and obtained as an equivalent for " the risk they run." This pay is a strong temptation to the thoughtless and improvident parent, who, regardless of consequences to their offspring, permit them, so long as they reap the advantages of their labor, to continue in this pest-house.

The parents seem to have no interest in educating their children, sending them at too early a period of life to labor from morning till night.

The masters show the concern one would expect from socially aware gentlemen. They acknowledge and lament the children's low and degraded condition.

The problem really is the total indifference of the parents.

I almost tremble, however, when I contemplate the fearful deficiency of knowledge existing throughout the district, and the consequences likely to result to this increased and increasing population, and would willingly leave the evidence to speak for itself, did I not feel that I should ill discharge my duty were I to shrink from the task; on an examination of the minutes of evidence which I have the honour to

forward from Cobridge, Burslem, &c &c, it will appear that more than three-fourths of the persons therein named can neither read nor write.

An internee may be possibly drawn that I may have been partial in my selection of them, but I beg distinctly to be understood as having on all occasions had them before me irrespective of any educational competency they may have possessed. But it is not from my own knowledge that I proclaim their utter, their absolute ignorance. I would respectfully refer you to the evidence of their own pastors and masters, and it will appear that as one man they acknowledge and lament their low and degraded condition.

My experience has satisfied me that this state of things is attributable to the three following causes:

30) The first, and perhaps most prominent, I conceive to be that of sending children at too early a period of life to labor from morning till night, in hundreds of cases for 15 or 16 hours consecutively, with the intermission of only a few minutes to eat their humble food of "tatees" and "stir pudding", and where they acquire little else than vice, for the wages of 1s. or 2s. per week, whereby they are necessarily deprived of every opportunity of attending a day or evening school.

31) Another is the total indifference of parents, who, although in numberless instances earning from 2s. to 3s. or 4s. per week, and not requiring the early labor of their offspring, nevertheless care so little about their immediate or future welfare, as to be equally satisfied whether they continue in ignorance or not.

32) A third is doubtless the poverty of others unemployed.

The workers appear to have no self-respect. They live in disgusting, squalid conditions,

The position of the town being elevated, and upon the brow of a hill, it is consequently exposed to the winds from all quarters, but more especially to the north-east, for a valley approaches the town in this direction, and serves to give force and increased effect to the cold winds which prevail from that quarter.

It is to this elevated position and free ventilation that I am disposed to attribute our comparative exemption from epidemic and certain endemic diseases, especially to the common fever of the country, which in the summer and autumn more particularly prevails in the surrounding towns of Burslem, Newcastle, and Stoke; whilst Hanley and Shelton suffer much less from the disease. But owing to this position and particular exposure to the most ungenial wind of the heavens, the north-east, I conceive a peculiar character is, to a certain extent, given to the diseases of the town-pulmonary affections prevailing very extensively.

The direction in which the streets are built might have slightly counteracted this unfavorable exposure, but unfortunately the inhabitants have, no doubt in ignorance and without design, given it increased effect by arranging most of the streets on the north-east and eastern side of the town in a direction parallel to the current of the wind when it blows from this quarter.

There is a small closely-built district near the centre of Hanley, called Chapel Field, and a series of blind streets branching off from the main street in Shelton, both which places are crowded with inhabitants living in squalid poverty. Many of the inhabitants of these spots, but especially the children, have a peculiarly sickly aspect, most probably from the poor and improper food they take, conjoined with the impure air they breathe. Numbers of children die during infancy in these quarters of the town, and fevers and other epidemic diseases prevail there most extensively and in their most virulent forms.

In different parts of the town and on its outskirts there are many stagnant pools in which vegetable matter is constantly undergoing a process of putrefaction, for they are used for the purpose of steeping hazel-rods in, to render them more pliant in the use to which they are applied, that of forming crates, in which the earthenware of the neighbourhood is packed.

They are very well paid in comparison with workers in other manufacturing districts but their improvidence is their undoing!

The wages paid in this neighbourhood are good, better than those of most other manufacturing districts. Habits of improvidence prevail notwithstanding extensively; and it not unfrequently happens that men who draw 3s. a-week for their own work and that of their children, suffer some of the evils and many of the irregularities of poverty.

Intemperance in intoxicating drinks is a serious evil among the working class. Many of them allowing their families almost to starve to beg in order that they may indulge in this vice. The numbers of public-houses, beer, and spirit shops being great, and the latter appearing to enjoy a very prosperous trade ...

The women do not acquire those domestic habits which would best fit them for housewives and mothers. They continue to work while they are pregnant and then send out their infants to nurse during the day.

The females, from being employed from an early age in the manufactories as transferrers painters, burnishers, &c, do not acquire those domestic habits which would best fit them for housewives and mothers: and it frequently happens that when they are bearing children they continue to labor in the manufactories, and send out their infants to nurse during the day, This is a source of great mortality amongst infants, for they are fed by their nurses chiefly with bread steeped in water, and they early become sickly, and die of various diseases of the digestive organs, those of the chest, or head ...

One could continue with this report, but it is simply more of the same: atrocious conditions, and improvident, irresponsible inhabitants who seem to disregard both their own and their children's wellbeing.

The Report concludes with a set of appendices in which both responsible people of the towns and employees in the various factories are given a voice. The conclusions to the first and last of these is given below.

Scriven Report: Doctors report on health conditions: Appendix No. 1. A few REMARKS on the GENERAL and sanatory condition of the town of HANLEY and SHELTON, and its Inhabitants, more especially with respect to the Health of the Children of the Working Classes:

...In conclusion I may add, as the result of my observation from a residence of 17 years in this town, during which time I have practised as a surgeon, that children are sometimes cruelly overworked, in the process of plate-making especially, and that in other labors, and in the collieries, they are exposed to very unhealthy occupations. They also suffer greatly from the improvident and intemperate habits of their parents. In such cases their clothing is defective, and especially towards the end of each week their food very scanty. Their education is exceedingly imperfect, and the religious instruction they receive ought to be much more contemplate in the department of morals.

(Signed) J. B. DAVIS, Surgeon

Perhaps we should allow the Reverend Aitken to have the final comment.
Scriven Report: Teachers & Clergy reports: Appendix No. 119. LETTER from the Rev. R. E. Aitkens, incumbent of Hanley:

Sir;

To the inquiries which you have been pleased to submit to me respecting the moral condition of the children employed in the manufactories in this place, I cannot give any additional evidence to that which you have received from the worthy master of the National School, which you read in my presence before him, and which with some slight alterations, in which he concurred, I confirmed viva voce. I am not sure whether it was expressed in your notes that the school is under the superintendence of the incumbent of Hanley.

Respecting the two subjects of inquiry (at the bottom of p.10 and the top of p.11) to which, by your marginal mark, you have directed my especial attention, I beg to offer the following observations, which are the result of considerable experience.

I have almost invariably found that the habits invariably acquired by women, rendering them more or less fit to perform their duties as wives and mothers, depend infinitely less on the occupations by which they procure their maintenance, than in their domestic training by the instructions and examples of their mothers. Let the mother be industrious, notable, decorous, and devout, and generally you will find her daughters of the same character, whether they continue to reside at home and earn their livelihood by the use of the needle, or whether they are employed in the manufactories. I have uniformly found the case in this rank of life similar to the oft-debated and endless question of the respective advantages of public or private schools among the higher and middle classes of society. In both cases the eventual moral habits of individuals will depend more on the dispositions which they bring from home than what they acquire in the school or manufactory.

{§} (15/01/16) No reference is made to the consequences of changes in the Poor Laws. [Wages are assumed to be more than adequate](#) for the legitimate needs of the inhabitants. And adverse conditions are largely of their own making.

These were the conditions of 'the poor' in Britain after one hundred and fifty years of politically dominant capitalist development.

We need to ask how conditions like these emerged.

What shall we do with The Poor? 🐼

In the 18th and 19th centuries, 'the poor' were to find that it was time for them to be re-educated. They were to become the 'mission field' for morally upright, responsible Western Europeans. And for the good of both 'decent society' and their immortal souls, they were to be taught discipline and obedience, they were to be taught to work. It would be a long, drawn-out and painful process, and those being re-educated would endure much misery and heartache, but they were going to be taught.

Although it might seem a cruel policy, the only reasonable way of dealing with those who needed help was to compel them to work. There were times in life when one had to be cruel to be kind. As James argued,

the social legislators of the Restoration aimed at nothing less than making the poor a source of profit to the state by forcing them to work for reduced wages.

(in Wilson 1969, p. 119)

But they did not do so vindictively. This was not a 'class war', it was a class-focused re-education program. As Wilson says,

what came to be regarded by later critics as a system of calculated brutality and repression arose in the first place not from unconcern or harshness, but out of a desire to protect the efforts of those local authorities who were trying hardest to improvise remedies.

(1969, p. 134)

The Poor are lazy with no desire to Better Themselves! 🐼

A major problem encountered in dealing with 'the poor' was that they seemed to have little desire either to accumulate possessions or to save for the future ¹⁵⁸. And, perhaps more importantly for those who now held the reins of power in Britain, and, increasingly, in the rest of western Europe, the poor did not seem to understand or appreciate the vital importance of work, for its own sake, that is, for its character building potential ¹⁵⁹. This was not merely a concern of the 18th century. It had become an increasingly important concern of 'responsible' people over the previous two hundred years.

☞ [Edmond Fitzmaurice](#) explained that Sir William Petty, writing in 1665, recognized how intractable the problem was of getting 'The Poor' to work consistently. They seemed content "to live in a condition little above that of animals".

His own observations of the habits of the cloth-workers in England and of the Irish peasantry compelled him, however reluctantly, to the opinion that the general standard of living was as yet too low to make high daily wages of any advantage to the laborer, because of their tendency at once to reduce their hours and be content with wages just sufficient to support existence at a very low level of material civilization.

"It was observed," he says,

by clothiers and others who employ great numbers of poor people, that when corn is extremely plentiful that the labor of the poor is proportionately dear and scarce to be had at all, so licentious are they who labor only to eat, or rather to drink.

It was the same in Ireland, especially since the introduction of that breadlike root, the potato. A day of two hours labor was there sufficient to make men to live after their present fashion, and the cheapness of food was the excuse for the people to live in a condition little above that of animals.

(1895, p. 220)

Sir Josiah Child, in 1668, put his finger on the problem,

And for our own Poor in England, it is observed, that they live better in the dearest Countries for Provisions, than in the cheapest, and better in a dear year than in a cheap, (especially in relation to the Publique Good) for that in a cheap year they will not work above two days in a week; their humor being such, that they will not provide for a hard time; but just work so much and no more, as may maintain them in that mean condition to which they have been accustomed.

(Josiah Child, ^{CE} [Brief Observations Concerning Trade and Interest of Money](#), London, Printed for Elizabeth Calvert at the Black-spread Eagle in Barbican, and Henry Mortlock at the Sign of the White-Heart in Westminster Hall. 1668)

The poor seemed focused on the present, unaware of the future, living from hand to mouth.

Sir Henry Pollexfen pronounced in 1697 that

the advances of wages hath proved an inducement to idleness; for many are for being idle the oftener because they can get so much in a little time;

and Bernard Mandeville in 1714 asserted that

Every Body knows that there is a vast number of Journey-men ... who, if by Four Days labor in a Week they can maintain themselves, will hardly be persuaded to work the fifth; and that there are Thousands of Laboring Men of all sorts, who will ... put themselves to fifty Inconveniences ... to make Holiday.

(Hatcher 1998, p. 68)

Ferguson identified the problem as one of being 'uncivilized'. In straying from speaking of the poor to speaking of the barbarian, Ferguson, in common with most other writers of the 18th century, betrayed his view of the poor in his own country. It was as though they belonged to another society, alien and devoid of the moral virtues of the civilized; impetuous, artful, rapacious, violent, deceitful and slothful,

Actuated by great passions, the love of glory, and the desire of victory, roused by the menaces of an enemy, or stung with revenge; in suspense between the prospects of ruin or conquest, the barbarian spends every moment of relaxation in the indulgence of sloth.

He cannot descend to the pursuits of industry or mechanical labor: the beast of prey is a sluggard; the hunter and the warrior sleeps, while

women or slaves are made to toil for his bread.

But shew him a quarry at a distance, he is bold, impetuous, artful, and rapacious: no bar can withstand his violence, and no fatigue can allay his activity.

([☞ 1767 Part 2, Section 3](#))

As Foucault (1971) claimed, for 'responsible' western Europeans of the 17th and 18th centuries, sloth had become the worst of all sins, and productive labor the best of all disciplines and virtues, having its own, inevitable rewards.

'The poor', like the barbarians, appeared unable to understand why this should be so. Consequently, they labored for only so long as was necessary to supply their meager wants and needs and then focused on other activities, more often than not, various forms of 'time wasting' such as socializing and 'loitering'.

For 18th and 19th century reformers, 'loitering' was a pernicious past-time of those who were 'slothful', those who seemed content with their miserable lot and who clearly lacked all motivation to 'better themselves' ¹⁶⁰. [☞ John Marshall \(1698\)](#), in a commentary on John Bunyan's writings, put it well,

Bunyan well knew that idleness engenders poverty and crime, and is the parent of every evil; and he exhorts his runner to the greatest diligence, not to 'fool away his soul' in slothfulness, which induces carelessness, until the sinner is remediless ...¹⁶¹

Born Again or Not - They need to Learn Discipline!

The nature of the activity in which 18th century responsible people were to engage in getting the poor to commit to consistent work was strongly influenced by their religious predisposition. For those less religiously inclined, the poor could be disciplined to work through legal compulsions; for those who saw religious commitment as central, no amount of discipline, no depth of punishment could bring about the needed transformation until the heart and soul of the individual had been *reborn* ¹⁶².

For the great majority of middle ranking people, the answer lay in laws and regulations, in disciplining and directing the activity of those who threatened the prosperity of the age. But, for a significant minority, those who still strongly identified with the religious longings and ambitions of the 17th century, the problems of the age could not be overcome simply through compulsion and legislation. Before people could even contemplate such transforming changes in their lifestyles they needed to be empowered by God. People needed to be 'born again', starting out on a new life empowered by God to become sanctified in mind and body.

They would still have to yield to discipline, and they would still have to show that perseverance and industry which marked the truly moral person, but the transformation could not begin until they had been made into new people, saved to serve God in the way He chose (and Responsible Western Europeans knew) they should. Having yielded their lives to God, they should focus on the life before them, determined to "work out their salvation with fear and trembling".

☞ John Wesley, in 1762, adjured his followers,

Be always employed; lose no shred of time; gather up the fragments, that nothing be lost. And whatsoever thy hand findeth to do, do it with thy might.

Only God could perform the miraculous transformation which was needed in the lives of those who were trapped in sloth and its consequences. Unless there was true repentance, born of clear understanding of the depths of depravity in which they were sunk, there could be no redemption.

The redeemed, in gratitude to God, would apply themselves unstintingly to virtuous, productive lives. As Charles Wesley, in a popular hymn of the period, wrote,

Depth of mercy, can there be, mercy still reserved for me? Can my God his wrath forbear, me the chief of sinners spare?

Isaac Watts put it equally eloquently,

Amazing grace, how sweet the sound that saved a wretch like me! I once was lost, but now I'm found, was blind, but now I see!

Once that transformation had been made, it was the responsibility of the redeemed to make the most of the new lives they had received at God's hand.

Over the next two hundred years these alternative focuses were to produce very different determinations in those who held them.

Those who saw the future as one of discipline and punishment *knew* that attempting to relieve the sufferings of the poor would be counter-productive.

☞ Herbert Spencer (1884), in the late 19th century, was still wrestling with how best to ensure that 'The Poor' acquired 'the capacities needful for civilized life'. This had exercised the minds of 17th and 18th century writers like Petty, Child, Pollexfen, Marshall, Mandeville, Defoe, Ferguson and Townsend. Yet, at the end of the 19th century, it had still not been resolved.

Spencer explained what he believed was required to make the lower classes 'fit for the social state'. Those who felt sorry for the poor, who wanted to rescue them from the harshness of their lives, were working against the tide of human evolution. All the evils of the age; the poverty, degradation, maltreatment of the lower classes 'are unavoidable attendants on the adaptation now in progress':

To become fit for the social state, man has not only to lose his savageness, but he has to acquire the capacities needful for civilized life. Power of application must be developed; such modification of the intellect as shall qualify it for its new tasks must take place; and, above all, there must be gained the ability to sacrifice a small mediate gratification for a future great one.

The state of transition will of course be an unhappy state. Misery inevitably results from incongruity between constitutions and conditions. All these evils which afflict us, and seem to the uninitiated the obvious consequences of this or that removable cause, are unavoidable attendants on the adaptation now in progress.

Humanity is being pressed against the inexorable necessities of its new position - is being molded into harmony with them, and has to bear the resulting unhappiness as best it can. The process must be undergone, and the sufferings must be endured.

No power on earth, no cunningly-devised laws of statesmen, no world-rectifying schemes of the humane, no communist panaceas, no reforms that men ever did broach or ever will broach, can diminish them one jot.

Intensified they may be, and are; and in preventing their intensification, the philanthropic will find ample scope for exertion. But there is bound up with the changes a normal amount of suffering, which cannot be lessened without altering the very laws of life.
(1884 Ch. 3, p. 40)

For Spencer, as for the vast majority of 'responsible' Western Europeans of the 18th, 19th, and 20th centuries, human beings were on a millenarian evolutionary journey. There was [a direction to social change](#) and that direction, provided people took their responsibilities seriously, was upwards, into a future of growing material prosperity and well-being.

The utopian presumptions of the previous two centuries ¹⁶³ had become a part of the background of understanding for the 'middle sorts' of western Europe. And, with the absorption of these presumptions into the unconscious substrate of reasoning, the implied dangers of not pressing toward that goal of the 'upward call of God' became similarly internalized, no longer a matter of belief but one of certainty, no longer religiously justified, but now materially certified.

The progress of humanity was written into the material constitution of human beings, just as the changes in the earth's surface and in the heavens were increasingly being seen as consequences of inescapable and unstoppable 'forces of nature'.

The attitudes of western European employers in the 18th and 19th centuries toward the poor were hundreds of years in the making. By the 15th century, employers and landowners were already convinced that 'the poor' would only work consistently if compelled to do so. Their experiences following the Black Death of the mid 14th century ¹⁶⁴, when labor became very scarce while the tasks to be done remained about the same as they had been when there was a much larger workforce, convinced them that they could not rely on the goodwill of those they employed.

Of course, if one sees the situation from the laborers' point of view, the demands made of them from the early 1350s onwards were entirely unreasonable. The presumption that those who remained would meet all the laboring demands previously met by as much as double their number five years earlier, resulted in them being required to work for very long hours, for very little more reward.

Since they were geared to labor as a means of meeting needs and wants rather than as a means to the open ended accumulation of money and possessions, once they obtained the cash they needed it seemed pointless to continue working. There were better things to do than work when the product was no longer needed.

How deep-seated such understandings and motivations in life are, and how difficult it is to retrain people to new perspectives. 'Responsible' western Europeans had been passing laws and organizing processes of retraining for 'the poor' for more than three hundred years before the concerted efforts of the 18th and 19th centuries.

The 'responsible public' of the 18th century was, undoubtedly, largely comprised of self-serving, self-interested, self-promoting individuals who wanted the world organized to their benefit. They were, however, nonetheless, convinced of the historical necessity underpinning the reforms they supported.

The world, for them, was becoming, more and more certainly, a world of resources and a world of productive, wealth-generating activity. They were the vanguard of the future, creating a world which would benefit all. But, to effectively pursue these goals, the laziness, indiscipline and profanity of the 'lower rank' had to be addressed. ^{CE} Daniel Defoe, of *Robinson Crusoe* fame, described the problem in the 1720s,

... the conversation of our lower rank of people runs only upon bawdy and blasphemy, notwithstanding our societies for reformation, and our laws in force against profaneness; for this lazy life gets them many proselytes, their numbers daily increasing from runaway apprentices and footboys, insomuch that it is a very hard matter for a gentleman to get him a servant, or for a tradesman to find an apprentice.

In the 18th century, following a relative lull in activities during the later 17th century, the enclosure of common land, dispossession of peasant landholders and consolidation of landholdings took on new momentum. As it did so, the ranks of dispossessed and indigent people were swelled by those moved from the land. The common view of 18th century reformers was that almost half of the land available for farming in Britain was 'waste', that is, not used 'profitably'. They set out to make it economically productive and efficient.

They'll work if they're hungry! 🐼

★ The poor know little of the motives which stimulate the higher ranks to action - pride, honour, and ambition. In general it is only hunger which can spur and goad them on to labor; yet our laws have said, they shall never hunger. The laws, it must be confessed, have likewise said that they shall be compelled to work.

But then legal constraint is attended with too much trouble, violence, and noise; creates ill will, and never can be productive of good and acceptable service: whereas hunger is not only a peaceable, silent, unremitted pressure, but, as the most natural motive to industry and labor, it calls forth the most powerful exertions; and, when satisfied by the free bounty of another, lays a lasting and sure foundation for good will and gratitude ...

The wisest legislator will never be able to devise a more equitable, a more effectual, or in any respect a more suitable punishment, than hunger is for a disobedient servant. Hunger will tame the fiercest animals, it will teach decency and civility, obedience and subjection, to

the most brutish, the most obstinate, and the most perverse.

([Ⓔ] [Joseph Townsend 1786](#))

Sir Josiah Child had identified the problem in the 17th century, the poor "work so much and no more, as may maintain them in that mean condition to which they have been accustomed". It was time to make sure that they received no more than would keep them working. And it was time to take away any supports the poor might be relying on other than wage labor.

The 'responsible' people of the mid 18th century found a way to do this which would both force the poor into a consistent commitment to work and ensure the rational reorganization of the countryside. They accelerated the alienation of common lands and the dispossession of small holders:

The enclosure of commons had been going on for centuries before 1760, but with nothing like the rapidity with which it has been going on since, it is known that 554,974 acres were enclosed between 1710 and 1760, while nearly 7,000,000 were enclosed between 1760 and 1845.

([Ⓔ] [Arnold Toynbee \(1884\)](#))

The dispossession of small holders gathered momentum as the 18th century unfolded. Toynbee (1884) summarized the movement,

A third result of landlord supremacy was the manner in which the common-field system was broken up. Allusion has already been made to enclosures, and enclosures meant a break-up of the old system of agriculture and a redistribution of the land. This is a problem which involves delicate questions of justice.

In Prussia, the change was effected by impartial legislation; in England, the work was done by the strong at the expense of the weak. The change from common to individual ownership, which was economically advantageous, was carried out in an iniquitous manner, and thereby became socially harmful.

Great injury was thus done to the poor and ignorant freeholders who lost their rights in the common lands.

In Pickering, in one instance, the lessee of the tithes applied for an enclosure of the waste. The small freeholders did their best to oppose him, but, having little money to carry on the suit, they were overruled, and the lessee, who had bought the support of the landless 'house-owners' of the parish, took the land from the freeholders and shared the spoil with the cottagers.

It was always easy for the steward to harass the small owners till he forced them to sell... The enclosure of waste land, too, did great damage to the small freeholders, who, without the right of grazing, naturally found it so much the more difficult to pay their way.

Those who lost access to lands joined the ranks of 'the poor', forced to live on the charity of parishes or move to the outskirts of towns in an attempt to find some alternative means of subsistence. As they did so, the 'problem of the poor' became increasingly obvious to responsible citizens ¹⁶⁵.

The problems attending the enclosure of common lands were just the tip of the iceberg. At the same time as people who relied on common lands found themselves denied access, small holders who held sufficient land to make

ends meet found that their lands, in the eyes of those who held political power, were 'waste land' that could be 'more productively' used. They found the political conditions of the time stacked against them.

Large landowners had gained the whip hand and set out to dispossess the yeomen of England of the lands they held:

To summarise the movement: it is probable that the yeomen would in any case have partly disappeared, owing to the inevitable working of economic causes. But these alone would not have led to their disappearance on so large a scale. It was the political conditions of the age, the overwhelming importance of land, which made it impossible for the yeoman to keep his grip upon the soil.

Toynbee (1884)

People who, until the mid 18th century, had felt themselves relatively safe from the dispossession experienced by rural laborers and others who relied heavily on access to the commons for survival, now found themselves the target of land reform.

Their problems were not only brought on by rapacious landlords and changes in statutes which were strongly weighted against them. They were compounded by the movement of industry through the 18th century from the countryside into towns. Traditionally, small holders had augmented their income by spinning, weaving and other forms of handicraft. As these activities became the focus of factory development, the returns for their labors were greatly reduced. Very often the market for their produce simply disappeared.

Many who were not evicted or defrauded of their properties, found that they could no longer make a living from the land they held, and were either compelled by circumstance into sending more and more members of their households into towns in search of work, or found themselves [having to accept the very low prices being offered for rural land](#) and move to the rapidly growing towns and cities of western Europe (but particularly of England). And, as is always true under capitalism, the increased labor which became available to employers resulted in constant reductions in wages.

[We'll Compel Them through Laws and Regulations!](#) 🐞

For the Middle Ranks, of course, the problems were not those of dispossession and abuse, they were problems of sloth and intemperance, which inevitably resulted in crime and violence. The poor were fundamentally lazy and unwilling to put the needs of the country above their own petty concerns and interests. They would, if they could, undermine all that was being achieved in ensuring the 'wealth of the nation'.

The indolent poor must be compelled to contribute to the prosperity of the country, and the government must act strongly and decisively to deal with what was rapidly becoming not 'the poor' but 'the criminal' class. John Simon described the scene,

Sir Samuel Romilly [1786] in his *Observations on a Late Publication, intituled Thoughts on Executive Justice*, reviews the criminal law of England, and says -

The first thing which strikes one is the melancholy truth that among the variety of actions which men are daily liable to commit, no less than one hundred and sixty have been declared by Act of Parliament to be felonies without benefit of clergy; or, in other words, to be worthy of instant death. [¹⁶⁶]

Romilly founds his statement on Blackstone's Commentaries; and, in a note, he draws attention to the fact that, since the publication of those Commentaries, the number of felonies had been considerably augmented by the legislature. Sydney says

To steal a horse or a sheep; to snatch property from the hands of a man and run away with it; to steal to the amount of forty shillings in a dwelling-house, or privately to the value of five shillings in a shop; to pick a pocket of only twelve pence and a farthing; these offences all continued till the end of the eighteenth century to be punishable with death.

England and the English, vol. ii. pp. 268, 269.

Mr. John Latimer, in *The Annals of Bristol in the Eighteenth Century*, gives a list of the persons executed in that city during the first half of the eighteenth century. The list is confessedly incomplete, but, so far as we can judge by its details, executions for murder were comparatively infrequent. Out of the seventy-seven criminals whose cases and crimes are cited, only eighteen suffered death for murder. The rest were executed for offences, which would now be punished by imprisonment.

It is no wonder that the number of executions in England was great. Lecky tells us that, when Blackstone wrote, it was a very ordinary occurrence for ten or twelve culprits to be hung on a single occasion, and for forty or fifty to be condemned at a single assize. In 1732 no less than seventy persons received sentence of death at the Old Bailey. In the same year eighteen persons were hung in one day in the town of Cork.

History of England, vol. i. p. 505.

... It is painful to record these brutalities, but it is impossible to understand the temper of the English people in the eighteenth century unless we do so. An utter callousness to the sufferings of criminals prevailed. We may go further. Those sufferings were a source of pleasurable excitement to the crowds that witnessed them. When the death-carts rumbled along the road from Newgate to Tyburn, the pavements were crowded with spectators. From the windows of the houses, hosts of people looked out with admiration upon the jaunty men who, with nosegays on their breasts, journeyed on the solemn path that broke away so suddenly into eternity.

Let the wanderer along the present Oxford Street imagine the scene. Let him try to conceive the possibility of its repetition to day. He will then be able to form some idea of the immeasurable distance that divides us from the spirit and the customs of the eighteenth century.

We ask in amazement if any voice was raised in Church or State, against the brutal punishments contained in the criminal code of England. The answer is disappointing. The ascertained facts show that, so far as the executions for felony are concerned, not only was there an absence of protest, but such executions were approved by the most

enlightened opinion of the time.

([☞ 1908 p. 63](#))

Boswell recorded a discussion between Samuel Johnson and Sir William Scott in 1783, when told that criminals to be hanged were no longer to be publicly paraded on the way to execution,

... He said to Sir William Scott, 'The age is running mad after innovation; all the business of the world is to be done in a new way; men are to be hanged in a new way; Tyburn itself is not safe from the fury of innovation.'

It having been argued that this was an improvement, '-No, Sir, (said he, eagerly,) it is NOT an improvement: they object that the old method drew together a number of spectators. Sir, executions are intended to draw spectators. If they do not draw spectators they don't answer their purpose. The old method was most satisfactory to all parties; the publick was gratified by a procession; the criminal was supported by it. Why is all this to be swept away?'

I perfectly agree with Dr. Johnson upon this head, and am persuaded that executions now, the solemn procession being discontinued, have not nearly the effect which they formerly had.

([☞ Boswell 1791](#))

Punishments were not to be viewed as acts of vengeance, but as cautionary devices, discouraging others from similar behavior (reminiscent, of course, of [☞ Thomas More's 1516 description](#):

...the severe execution of justice upon thieves, who ... were then hanged so fast that there were sometimes twenty on one gibbet

- there has been a long history of blaming and punishing victims in western Europe).

Throughout the century, the vastness of the problem, and the difficulties of dealing with it, occupied the minds of socially aware, responsible people. Those most directly involved in addressing the problem felt a sense of hopeless frustration at the immensity of the task which confronted them. It was not that a *few* of the 'lower rank' were lazy and degenerate, this seemed to be the condition of everyone.

E. P Thompson described the attitude of Josiah Tuck, dean of Gloucester, in 1745,

'the *lower* class of people' were utterly degenerated. Foreigners (he sermonized) found 'the *common people* of our *populous cities* to be the most *abandoned*, and *licentious* wretches on earth': 'Such brutality and insolence, such debauchery and extravagance, such idleness, irreligion, cursing and swearing, and contempt of all rule and authority... Our people are *drunk with the cup of liberty*.'

(1967, pp. 80-81)

Daniel Defoe in the 1720s seems to have put the common view of 'responsible members of the public' into words in a pamphlet entitled, [☞ *Everybody's Business Is Nobody's Business Or, Private Abuses, Public Grievances: Exemplified In the Pride, Insolence, and exorbitant Wages of our Women, Servants, Footmen, &c*](#) , which rapidly ran to five editions.

As he says in the preface to the fifth edition, his intentions, in writing the pamphlet have,

had the good fortune to meet with approbation from the sober and substantial part of mankind; as for the vicious and vagabond, their ill-will is my ambition.

His language is blunt and his views uncompromising,

It is with uncommon satisfaction I see the magistracy begin to put the laws against vagabonds in force with the utmost vigour, a great many of those vermin ... having lately been taken up and sent to the several work-houses in and about this city; and indeed high time, for they grow every day more and more pernicious...

I, therefore, humbly propose that these vagabonds be put immediately under the command of such taskmasters as the government shall appoint, and that they be employed, punished, or rewarded, according to their capacities and demerits; that is to say, the industrious and docile to woolcombing, and other parts of the woollen manufacture, where hands are wanted, as also to husbandry and other parts of agriculture.

His solution to the problem of the unreliability of day workers and servants was to pass innumerable laws and regulations governing their behavior with which they

must either comply or be termed an idle vagrant, and sent to a place where they shall be forced to work. By this means industry will be encouraged, idleness punished, and we shall be famed, as well as happy for our tranquillity and decorum.

Not only were the poor idle, irreligious and wanton, those who were employed could simply not be trusted. Defoe's pamphlet provides one example after another of the duplicity, deceit and light-fingeredness of servants and other employees. They displayed

saucy and insolent behavior, ...pert, and sometimes abusive answers, [and] daring defiance of correction.

If they were not watched constantly, they would cheat their employers of all their belongings.

E. P. Thompson described the lengths to which Crowley, owner of the Crowley Iron Works, went in attempting to get his employees to work and in trying to protect himself from their blatant dishonesty. In preambles to two of the 'Orders' of the extensive 'Law Book' of the Company, Crowley wrote,

I having by sundry people working by the day with the connivance of the clerks been horribly cheated and paid for much more time than in good conscience I ought and such hath been the baseness and treachery of sundry clerks that they have concealed the sloth and negligence of those paid by the day...

To the end that sloth and villany should be detected and the just and diligent rewarded, I have thought meet to create an account of time by a monitor, and do order and it is hereby ordered and declared from 5 to 8 and from 7 to 10 is fifteen hours, out of which take 1½ for breakfast, dinner, etc. There will then be thirteen hours and a half neat service...

[This service must be calculated] after all deductions for being at taverns, alehouses, coffee houses, breakfast, dinner, playing, sleeping, smoking, singing, reading of news history, quarelling, contention, disputes or anything foreign to my business, any way loytering.
(1967, pp. 81-2)

The stress on the 'period of work', and of ensuring that employees worked their full number of hours, was, of course, not new to the 18th century. It was a growing concern of merchants and landowners through the late 14th and 15th centuries, and it grew in importance in succeeding centuries ¹⁶⁷. By the 18th century, Crowley felt it unnecessary to justify this stress.

Everyone who mattered *knew* that people labored for a set period of time each day, and that they *ought* to spend all of that time 'on the job'. Work was not simply 'labor', it was spending *a set time* in a 'place of employment' where the time was 'owned' by the employer.

Not only 'the poor' were organized to 'work time' and 'leisure' or 'non-work' time, so were the industrious middle sorts. Only the gentry, who spent their time in 'public' activities, were not organized in this way. But they too had their sphere of service and should, also, allot a period in each day to the performance of their 'duties'.

While one could rely on responsible members of the community taking their work commitments seriously, this simply could not be assumed of 'the poor'. They would cheat and steal and rob employers of the time they wanted to be paid for. Only constant vigilance, thorough regulation and supervision could ensure that they spent their time in work rather than in taverns, alehouses, and coffee houses, 'loitering' rather than working.

The poor were, as they had been seen for centuries, unreliable, untrustworthy, dishonest, lazy and duplicitous. Responsible people in the 18th century realized that if they continued in this 'savage' state they threatened all the advances of civilization which seemed promised in the century.

Something had to be done to address what, to the responsible citizens of Britain and the rest of western Europe, was both a disgrace and a dire threat to the well-being of every responsible person. This mass of unredeemed, degenerate humanity had to be redeemed, retrained, made responsible.

Let's Train their Young 🐦

In the 18th century, as in earlier centuries, the means to ensuring conscientious commitment to work by employees were all based on external regulations and legal compulsions. If enough pressure was applied, and people were organized and supervised thoroughly, their work commitment would improve. Government provided the background legislation compelling the poor to work, and individual industrial enterprises provided additional structures and regulations ensuring that laborers really did labor.

{§} (16/01/16) But, despite all these measures, the problem of getting the poor to take their laboring responsibilities seriously seemed worse than ever. It was clear that the problem could not be addressed simply by trying to

coerce and police adults. It was very difficult to change the habits of a lifetime.

Aphorisms were at hand to justify one of the approaches to retraining the poor: You can't teach an old dog new tricks; you've got to break a horse when it's young. If laws and regulations alone did not work, perhaps overt training of the young would do it.

Edgar Furniss described a range of opinions on the matter expressed during the 18th century,

Very significant of the point of view of these writers are the projects which they advanced for shaping and moulding the characters and destinies of the children of the laboring classes.

Many of these projects strike the modern reader as almost fantastic distortions of justice, but it is necessary that we bear in mind, in attempting to gain an insight into the attitude of their authors, that the proposals were advanced for the good of the nation, and not for the immediate benefit of the children who were to supply the material for experimentation.

William Temple, always an extremist in his point of view, devised one of these:

When these children are four years old, they shall be sent to the country workhouse and there taught to read two hours a day and be kept fully employed the rest of their time in any of the manufactures of the house which best suits their age, strength and capacity.

If it be objected that at these early years, they cannot be made useful, I reply that at four years of age there are sturdy employments in which children can earn their living; but besides, there is considerable use in their being, somehow or other, constantly employed at least twelve hours in a day, whether they earn their living or not; for by these means, we hope that the rising generation will be so habituated to constant employment that it would at length prove agreeable and entertaining to them ...

(William Temple, *Essay* (1770))

(^{CE} 1920, p.114 ¹⁶⁸)

Children had to be taught, as John Locke (1692) had explained in the late 17th century, to defer gratification of immediate, imprudent desires and lusts in favor of working towards long-term, prudent rewards for diligent endeavor. This would benefit not only the individuals themselves, but also their dependents and communities.

They had to learn the immorality, the sinfulness of sloth and the virtue, the sanctifying power of industry. The evangelist of the age, John Wesley, put it very clearly,

Know ye not then so much as this, you that are called moral men, that all idleness is immorality; that there is no grosser dishonesty than sloth; that every voluntary blockhead is a knave? He defrauds his benefactors, his parents, and the world; and robs both God and his own soul.

Yet how many of these are among us! How many lazy drones, as if only fruges consumere nati! "born to eat up the produce of the soil." How many whose ignorance is not owing to incapacity, but to mere laziness!

(^{CE} 1741 sermon)

It was becoming clear to 18th century responsible people that the horse must be broken when young, or not at all. As Sir John Eardley Wilmot, Chief Justice of the Common Pleas explained in 1777,

Obedience is one of the capital benefits arising from a public education, for though I am very desirous of having young minds impregnated with classical knowledge, from the pleasure I have derived from it, as well as the utility of it in all stations of life, yet it is but a secondary benefit in my estimation of education; for to break the natural ferocity of human nature, to subdue the passions and to impress the principles of religion and morality, and give habits of obedience and subordination to paternal as well as political authority, is the first object to be attended to by all schoolmasters who know their duty and do it.

(^{CE} *The Gentleman's Magazine* (1811) Volume 109 p. 449 ¹⁶⁹)

Through the second half of the 18th century, and on into the 19th, both focuses were to be developed. On the one hand, laws and regulations compelling people to work would be strengthened and applied more and more vigorously, and alternative means of material support would be removed wherever possible. On the other, increasing emphasis would be placed on training the young.

This was not, of course, *education*, as given to the children of the middle ranks. That might well back-fire, giving the children of the poor ideas which were beyond their station. Among those who had not been directly involved in or affected by the religious revivals of the period, the view of education for the masses which Bernard Mandeville expressed in 1724 seems to have been standard,

From what has been said it is manifest, that in a free Nation where Slaves are not allow'd of, the surest Wealth consists in a Multitude of laborious Poor; for besides that they are the never-failing Nursery of Fleets and Armies, without them there could be no Enjoyment, and no Product of any Country could be valuable.

To make the Society happy and People easy under the meanest Circumstances, it is requisite that great Numbers of them should be Ignorant as well as Poor. Knowledge both enlarges and multiplies our Desires, and the fewer things a Man wishes for, the more easily his Necessities may be supplied.

The Welfare and Felicity therefore of every State and Kingdom, require that the Knowledge of the Working Poor should be confined within the Verge of their Occupations, and never extended (as to things visible) beyond what relates to their Calling. The more a Shepherd, a Plowman or any other Peasant knows of the World, and the things that are Foreign to his Labor or Employment, the less fit he'll be to go through the Fatigues and Hardships of it with Chearfulness and Content.

Reading, Writing and Arithmetick, are very necessary to those, whose Business require such Qualifications, but where People's livelihood has

no dependence on these Arts, they are very pernicious to the Poor, who are forced to get their Daily Bread by their Daily Labor....

Going to School in comparison to Working is Idleness, and the longer Boys continue in this easy sort of Life, the more unfit they'll be when grown up for downright Labor, both as to Strength and Inclination. Men who are to remain and end their Days in a Laborious, Tiresome and Painful Station of Life, the sooner they are put upon it at first, the more patiently they'll submit to it for ever after.

(*Fable of the Bees* (1724) Appendix: [Ⓔ] [An Essay On Charity, and Charity Schools](#)).

This view of the educational requirements of the poor remained dominant through the century. An anonymous writer to the *Gentleman's Magazine* in 1797 put it even more clearly,

Industry is the great principle of duty that ought to be inculcated on the lowest class of the people, as it is the best and most effectual barrier against vices of every kind; as it occupies the mind, and leaves no vacancy for licentious thoughts and mischievous projects...

The laborious occupations of life must be performed by those who have been born in the lowest stations; but no one will be willing to undertake the most servile employment, or the meanest drudgery, if his mind is opened, and his abilities increased, by any tolerable share of scholastic improvement: yet these employments and this drudgery must be necessarily performed... and, surely, none can be more properly fitted for this purpose than those who have been born in a state of poverty.

The man, whose mind is not illuminated by one ray of science, can discharge his duty in the most sordid employment without the smallest views of raising himself to a higher station, and can take his rest at night in perfect satisfaction and content.

His ignorance is a balm that soothes his mind into stupidity and repose, and excludes every emotion of discontentment, pride and ambition. A man of no literature will seldom attempt to form insurrections, or plan an idle scheme for the reformation of the state. (in Goldstrom 1972, p. 22,3)

Mr Davies Giddy, member of parliament, in a debate on the Parochial Schools Bill in 1807 ¹⁷⁰, expanded on the problems of educating the poor:

['The giving of education to the laboring classes' would] be found to be prejudicial to their morals and happiness; it would teach them to despise their lot in life, instead of making them good servants in agriculture and other laborious employments to which their rank in society had destined them; instead of teaching them subordination, it would render them factious and refractory, as was evident in the manufacturing counties; it would enable them to read seditious pamphlets, vicious books, and publications against Christianity; it would render them insolent to their superiors; and, in a few years, the result would be, that the legislature would find it necessary to direct the strong arm of power towards them... (in Goldstrom 1972, p. 29)

For these people the problem was one best dealt with by direct means:

- through finding a variety of ways of compelling the poor to work;
- reducing the circumstances of those who refused to work to such low levels that they would have no option but to accept whatever work was offered;
- and by retraining their offspring to become habituated to work.

The impact of the 18th century revivals resulted in a very different approach being employed by those who accepted that they had a duty of care for the weak and the poor.

The 19th century saw the proliferation of day schools for the poor. The aims of the schools, however, were in line with sentiments expressed through the 18th and 19th centuries. Wilmot's views on education for the poor, given above, seem to have summed up the aims of most day schools. The aims of public school education for the middle classes were rather different (though public schools did emphasize "habits of obedience and subordination to paternal as well as political authority").

An advertisement explaining the object of the Kennington District Schools, in 1824, provides a clear explanation of their purpose,

The object in forming Establishments of this nature, which now happily exist in almost every Parish and District throughout the Kingdom, is, to train the Infant Poor to good and orderly habits, - to instil into their minds an early knowledge of their civil and religious duties, - to guard them, as far as possible, from the seductions of vice, - and to afford them the means of becoming good Christians, as well as useful and industrious Members of Society: - These are the benefits proposed by the Promoters of these Schools; benefits, it is presumed, not more essential to the Children themselves, and their Parents, than to the Community at large.

(Silver and Silver 1974, p.1)

As a consequence of the 18th century revivals, Sunday Schools ¹⁷¹ emerged in the second half of the century as a means of providing a rudimentary education to both children and adults in association with religious worship services.

Samuel Scriven, in his 1842 Report to Parliament, described what he considered to be the value of the Sunday schools he investigated,

There are in the district Sunday-schools belonging to the church, and to dissenters of many denominations, but chiefly to Methodists of the "Wesleyan", "New Connexion", "Christian Association", and "Primitive" connexion. In these are congregated immense numbers of children of both sexes.

The practice of all is to open their doors at nine o'clock in the morning, and close them at half past ten, when they retire to the religious worship of their respective churches or chapels: to open again at one o'clock, and retire at half past two generally, for the same purpose, thus giving three hours of instruction deducting half an hour for prayer and singing, with which they commence their duties.

There are defects in the system of Sunday-school training, or whence arises the fact of children whose depositions I hand you from Burslem,

the very pride of the potteries, their very seat of learning, being so profoundly ignorant as not to know one letter from another, and yet regularly "attend Sunday schools" my deliberate opinion is; that in an educational point of view they are not doing the good which is attributed to them: first, on account of the limitation of the hours of schooling; next; from the absence of writing, and other such secular instruction; and, thirdly, on account of the teachers; who with honour be it spoken, are eight-tenths of the working classes, yet unequal to the task of teaching.

I do not mean to detract from the merits of Sunday-schools as a source of religious knowledge, which by some is considered the basis upon which all others should be built, or from the moral effects resulting from the congregating of children in religious places; or from associating with religious friends; but would rather give my humble praise to the many sects who have with such determined efforts striven to stem the torrent of infidelity, profligacy, and drunkenness, and continue with pious zeal, in imitation of their founder, to extend the knowledge and love of God. ¹⁷²

And ... No Charity!! 🐼

Among the most unfortunate consequences of government 'hand-outs', in the minds of many writers of the 18th and 19th centuries, was their negative impact on the willingness of the poor to work. One of several writers quoted by ^{CE} [Edgar Furniss \(1920\)](#), in examining the issue, was William Temple,

Temple wrote at a time when the poor rates were computed at two and a half millions of pounds annually and were continually on the increase; when the minds of men were filled with fresh memories of the destructive riots which the past four years had seen; when, in fact, there seemed to be lacking no evidence of the despair-engendered viciousness of the lower classes necessary to convince the short-sighted observers of the day of their innate depravity.

Temple proceeded to find the cause of this immorality in the existing laws for poor relief:

Our poor laws are at present a snare to the poor, and leave them loose to idleness, debauchery and insolence; because they depend on these laws for support in necessity; and knowing that a justice of the peace will relieve them, they despise parish officers, insult the inhabitants, and do not feel themselves obliged to their benefactors for what they receive.

It is upon the poor laws that the poor rely and not upon their own behavior and conduct; and this tends to destroy all subordination as well as gratitude and mutual esteem. (William Temple, 1770, *Essay*)

But the writer's belief that the poor laws were responsible for the condition he decried, did not cause him to absolve the laborer from all blame for his " idleness, debauchery, and insolence."

The reaction of the laborers toward these well-intentioned efforts to ease their life conditions, was rather construed as evidence of a deep-lying moral taint in the character of the people, a proneness to evil

which became pronounced in the presence of conditions in the least degree favorable to an indulgence of their congenital habits of indolence and debauchery.

Temple concluded that life had been made too easy for the laborer, that he had fallen into the evil ways so congenial to his temperament, and that necessity alone could enforce labor - the labor which the poor man owed to his nation; necessity, visualized in hard times, low wages, high prices, toil-inducing want.

This is the one strong note which sounds through the writings of the eighteenth-century social reformers, the demand for rigorous life conditions to discipline the laborer and purge his character of the evil habits of "luxury" and "sloth," a demand which takes a variety of forms during the period, advocating different expedients, all calculated to render the hard lot of the laboring classes still harder....

(Furniss 1920, pp. 106-7)

Joseph Townsend, in ^{CE} *A Dissertation on the Poor Laws*, in 1786, provided perhaps the most rational, calculated solution to the problem of compelling the poor to work when he suggested that the best means was to strip them of all alternative means of livelihood; and reduce wages to the bare minimum required for subsistence. The problem, as many had explained through more than two centuries, was that the poor would work for only so long as they absolutely had to in order to obtain their subsistence. If they could do this in three or four days of work then they would only work for that period. So, it was clearly counterproductive to provide them with above-subsistence wages.

For Townsend, as for Mandeville, Temple, Ferguson and many other writers of the century, one of the greatest errors of reformers over the previous two centuries was that they had attempted to deal with the problem of poverty by providing welfare payments of various kinds to those who were destitute. In doing so, they expanded and perpetuated the very problem they were trying to address ¹⁷³.

First, Townsend states the problem, stemming, he believes ¹⁷⁴, from the old monastic system which supported the poor in their indolence and was dismantled when Henry VIII, in the early 16th century, broke up the monasteries and appropriated their possessions.

At the dissolution of the monasteries, the lazy and the indigent, who were deprived of their accustomed food, became clamorous, and, having long since forgot to work, were not only ready to join in every scheme for the disturbance of the state, but, as vagrants, by their numbers, by their impostures, and by their thefts, they rendered themselves a public and most intolerable nuisance ¹⁷⁵.

According to Townsend, these wretches, once succored by the Church and, in the main, a product of the foolishness of misplaced charity, were, with the breakup of the feudal Church in England, forced to fend for themselves. Only, having for so long been fed and clothed by the religious communities, they no longer possessed the skills, motivation or inclination to work for their own living.

Now, according to Townsend, in the latter part of the 18th century, it was time to seriously address the problem posed by the descendants of those

lazy and indigent wards of the Church. And, since the responsible people of the age now approached everything rationally, presuming that in a rational consideration of the elements of a problem the solution would become plain, this problem should be approached in that way.

There never was greater distress among the poor: there never was more money collected for their relief. But what is most perplexing is, that poverty and wretchedness have increased in exact proportion to the efforts which have been made for the comfortable subsistence of the poor; and that wherever most is expended for their support, there objects of distress are most abundant; whilst in those countries or provincial districts where the least provision has been made for their supply, we hear the fewest groans. Among the former we see drunkenness and idleness clothed in rags; among the latter we hear the cheerful songs of industry and virtue.

(Townsend 1786)

So, the solution was obvious, take away charity. Misplaced charity breeds the problems it claims to address. Force the poor to fend for themselves and they will develop those skills which they presently lack. Having learned to work, they will come to enjoy it and their regions will resound to "the cheerful songs of industry and virtue".

How could the state go about this without provoking widespread civil unrest? Again, Townsend claimed, to understand the solution one needed to examine measures previously tried and determine why they had failed.

Through the previous two hundred years, the major approaches to the problem of the laziness and indigence of the poor had involved legislation and social compulsion. Innumerable laws had been passed compelling the poor to work. None had succeeded. Even more laws had been passed, and draconian penalties applied to address the immorality and dishonesty of the idle poor; again, without any apparent success in dealing with the problems of crime and immorality among the poor. So, to continue with either of these seemed pointless.

The poor were clearly not motivated to work through any sense of pride in achievement, ambition or self-respect. They were 'not yet civilized'. But they must be taught to work. Best, therefore, to resort, not to manmade laws and compulsions, which are seldom successful, but to those 'natural' motives which drive human beings to labor.

Freemen should not be compelled to work, but they can be motivated by lowering their incomes to levels which will reduce them to 'the bread line'. Then they will work because they need to, and the wages they receive will lay

...a lasting and sure foundation for good will and gratitude.

The slave must be compelled to work; but the freeman should be left to his own judgment and discretion; should be protected in the full enjoyment of his own, be it much or little; and punished when he invades his neighbour's property. By recurring to those base motives which influence the slave, and trusting only to compulsion, all the benefits of free service, both to the servant and to the master, must be lost.

(Townsend 1786)

The second half of the 18th century saw the final push to strip away small-holdings from the rural poor of Britain, making them entirely dependent on wage-labor for subsistence.

The enclosure of commons had been going on for centuries before 1760, but with nothing like the rapidity with which it has been going on since, it is known that 554,974 acres were enclosed between 1710 and 1760, while nearly 7,000,000 were enclosed between 1760 and 1845. (Toynbee, 1884)

If the poor were going to eat, they would have to accept wage labor. And the wages they would receive would be those which the market set. Of course, in a labor market flooded by the rural dispossessed, competition for work gave employers an enormous advantage and wages dropped below amounts required for subsistence.

The [Speenhamland decrees](#) in the late 18th century allowed employers to pay "market rates" for labor, which soon drove wages below what was necessary to maintain subsistence. Parishes were required to make up the shortfall from their rates. This soon placed parish finances under great strain.

In 1834 the Poor Laws were amended to remove this 'burden' from the parishes, transferring it to the poor. After all, what had they to complain about? All they had to do was 'get a job'. As Andrew Ure insisted in 1835, many workers "pamper themselves into nervous ailments by a diet too rich and exciting for their in-door occupations"!

Don't allow them to organize - it's Bad for Them! 🚫

★ ... Before the "strike" of 1836-7, many of [the houses] were tenanted by their owners; but that unfortunate and mistaken attempt to coerce their masters, provoked by some few itinerant demagogues that visited the neighbourhood under the pretence of improving the condition of their occupants, occasioned most of them to change hands, and contributed to reduce those who were in a previous state of prosperity and happiness, to one of dependence, humiliation, and poverty, from which they have never recovered. (Scriven Report 1842 Point 11)

★ The workmen... very seldom derive any advantage from the violence of those tumultuous combinations, which, partly from the interposition of the civil magistrate, partly from the necessary superior steadiness of the masters, partly from the necessity which the greater part of the workmen are under of submitting for the sake of present subsistence, generally end in nothing, but the punishment or ruin of the ringleaders. (Adam Smith 1776, p. 85)

Confrontations between employers and workers were not new to the 19th century. They had occurred throughout western Europe over more than three hundred years ¹⁷⁶. And, because legal force has always favored employers and landowners ¹⁷⁷, it was inevitable that throughout the period laws would exist constraining united action on the part of workers.

Adam Smith (1776), in his most famous work, *The Wealth of Nations*, described the nature of confrontation between workers and employers in

the mid 18th century; an astute description which has proved valid over the past two hundred years ¹⁷⁸.

In the 19th century and later there would be two quite distinct groups of 'workers'. One group would have its roots in the artisanal groupings of the 18th century and feel a 'natural' connection with their employers. The other group would come from 'The Poor' and bring quite different motivations and understandings with them into the 'workplace'. Both groups would confront employers with their demands, but laws would apply most effectively to the second group, to the 'working poor'.

The anti-combination laws of 1799-1800 most directly addressed the artisanal workers who were already effectively organizing at the start of the 19th century. And it was toward them that many of the restrictions on worker protest activity written into the 'repeal' of those laws during the 1820s would be directed. It would not be until the second half of the 19th century that the second group would begin to have an effective voice in protesting working conditions.

Organizations of Artisans

Christiane Eisenberg provided an account of the emergence of the 'labor aristocracy' of the 18th and 19th centuries,

The guilds split into the wealthy masters' and merchants' Livery Companies (whose functions were soon restricted to sociability) and the Yeomanries of poorer artisans, masters as well as journeymen. Most members of the Yeomanries becoming sooner or later dependent on merchants and other putters-outs, the numbers of self-employed artisans diminished.

In his 1776 Wealth of Nations Adam Smith wrote of twenty men working for wages for every one who was his own master. In a more recent study, this calculation has been confirmed for London, which by the end of the 18th century was by far England's largest center of artisanal production.
(1991 p. 510)

As a consequence of the 18th century Revivals, the lower middle ranking people of Western Europe were reorganized and firmly placed as an urban small-business and artisan 'class', with some of the more ambitious providing the manufacturing elites of the 19th century.

The artisanal groups provided a skilled labor force. They were allied to those whose morality and self-image came out of the 18th century revivals. They were capitalist, not pre-capitalist in orientation ¹⁷⁹. They held many of the capitalist understandings of the world and attitudes toward the idle poor even more strongly than the 'old-money' middle ranking people of the time ¹⁸⁰.

{§} (27/02/16) Artisans, employing artisan apprentices of their own, either maintained their own small businesses or became attached to large manufacturing enterprises. As productive enterprises grew in size, many became either sub-contractors to those businesses or became skilled

employees. Focusing on Birmingham and Sheffield, Maxine Berg described the scene in the first half of the 19th century:

From the 1820s there was a rise in the size of establishments, the introduction of machinery, and falling apprenticeship and wages. It was in this period that the balance of power shifted away from the skilled artisan to the larger scale unit.

This dramatic break between the large and small producers appeared to prevail in most of the town's industries between 1829 and 1840, whether they were 'traditional', such as tailoring or the leather trades, or new mechanised industries, such as steel-toymaking. The large-scale units dominated the town by 1840, and the small firm depended on the credit and market facilities controlled by the larger ...

Often, independent artisan producers moved by choice into the factory, where by subcontracting they could maintain the viability of their small enterprises
(1993 pp. 19, 21).

In either case, they remained detached from the 'ordinary worker', a distinct group of small-scale capitalists who supported each other and met in their own clubs and institutes¹⁸¹. They increasingly needed to organize to protect their interests and, in the process, became recognized as a radical force within British society.

Inevitably, since through the later 18th and the 19th century they increasingly found themselves working in the same enterprises as the 'working poor', the distinctions between the groups blurred at the boundaries. Some of them, over time, became leaders in Union movements among the 'working poor', a 'labor aristocracy', concerned to improve the lot of less fortunate workers.

However, most remained aloof, a group with their own interests to pursue. As James Jaffe (2000) has described, even now, when unionization is weak, it is as often because workers mistrust unionization as because employers and governments deliberately attempt to prevent workers from collective bargaining.

At the start of the 19th century, articulate workers and trades-people, the artisans of the period, were as suspicious of organizations which focused on the independent rights of the laboring poor as were their employers. This made attempts at worker organization very difficult.

They were motivated by all the moral virtues of the age. They knew the importance of both industry and frugality! Christine Macleod (1999) provided a picture of:

the innovative pursuits of shop-floor inventors in the grimy workshops and factories of Victorian Britain ... It is important to emphasize that we are dealing here with the upper echelons of the working class. The 'working man' that Victorian commentators had in mind was almost certainly 'the respectable artisan',

a member of the lower-middle classes of Victorian Britain. Driven by the entrepreneurial spirit of the 18th century revivals among the 'little gentry', they provided much of the innovative force of the 19th:

It was a commonplace in mid-nineteenth-century Britain that the majority of inventors were working men, and both sides in the 'patent controversy' - reformers and abolitionists - claimed to be acting in the interests of the working-class inventor as they advocated contrary strategies.

'Generally, inventions come from the operatives', Paul Rapsey Hodge, himself an inventor, engineer and patent agent, told a parliamentary select committee in 1851. Isambard Kingdom Brunel concurred, as did patent agent Thomas Webster, who explained that,

In an established manufacture, improvement must consist in small details; the workman is better educated as to, or has more experience of, the wants of the machine than any other person.

The Manchester engineer, William Fairbairn, insisted that in larger mechanical engineering firms it was the 'working partner' (or a foreman or manager) who was responsible for most inventions, 'from his great experience and desire to expedite the work', but then explained that such a man had usually 'been originally a workman, who [had risen] by his industry and careful attention to business'. (Macleod 1999 p. 19)

Robin Pearson gave a description of some of them in the 19th century,

...the lower middle class, a heterogeneous body of tradesmen and small employers who came to dominate the public life of the industrial suburbs in the mid-Victorian decades ...

In the local press, in almanacs and histories, in lectures at political clubs, school halls and mechanics' institutes, shopkeepers and small employers invoked a community sentiment which was at once radical in its hostility to central authority, and conservative, in that it sought to maintain their hegemony in the out-townships at the expense of a labor solidarity based on class opposition.

The latter was attempted, for instance, via repeated homilies to the worker to accept his lot. Praise for the nobility of work was qualified by strictures on the need for humility and caution, "knowing one's place," both in the sense of loyalty to one's local community, and in the sense of social deference. (1993, p. 21)

The emerging lower middle classes of Britain felt as threatened (or, perhaps, more threatened because of their own social proximity) by attempts at political organization amongst the recently 'idle poor' as did their social superiors. The 'Working Classes' of Britain were composed of people like those described by Don Herzog:

...workers banded together in clubs, some more formal than others, and met in alehouses to talk about politics. One churchman catalogued the rise of "Revolutionary Clubs" figuring they meant the onset of riots and worse. Other conservatives were unhappy, too, pondering the malignant example of France's Jacobin Clubs.

In 1802, the *Leeds Mercury* printed a letter musing over such nightly meetings:

Almost every street in a large town has a little senate of this description; and the privileges of sitting in council over the affairs

of the nation, and a pot of porter has long been claimed by free Britons...

(1998 p. 60)

Their experiences during the 18th century had made them suspicious about the moral reliability of those who still held political power and control of most major financial institutions ¹⁸². This had left them with a reinforced conviction of the importance of the separation of commerce and politics, and a growing belief in the moral inadequacy of state institutions, including the state church. They were even more dismissive of the poor.

Organizing the 'Working Poor'

In 1834, in response to continued concern among the middle ranks about the laziness, lack of moral fiber and costs of maintaining the 'idle poor', the Poor Laws were amended. As Thomas Carlyle wrote in 1839,

The New Poor-Law is an announcement, sufficiently distinct, that whosoever will not work ought not to live. Can the poor man that is willing to work, always find work, and live by his work?

... A man willing to work, and unable to find work, is perhaps the saddest sight that Fortune's inequality exhibits under this sun.

(Thomas Carlyle, [Chartism](#), 1885 (1839), p. 21)

John Fielden, a member of parliament and, himself, a cotton manufacturer from Lancashire, spoke against the conditions applying to the 'working poor' in 1836:

Here, then, is the "curse" of our factory-system; as improvements in machinery have gone on, the "avarice of masters" has prompted many to exact more labor from their hands than they were fitted by nature to perform, and those who have wished for the hours of labor to be less for all ages than the legislature would even yet sanction, have had no alternative but to conform more or less to the prevailing practice, or abandon the trade altogether.

This has been the case with regard to myself and my partners. We have never worked more than seventy-one hours a week before Sir JOHN HOBHOUSE'S Act was passed. We then came down to sixty-nine; and since Lord ALTHORP'S Act was passed, in 1833, we have reduced the time of adults to sixty-seven and a half hours a week, and that of children under thirteen years of age to forty-eight hours in the week, though to do this latter has, I must admit, subjected us to much inconvenience, but the elder hands to more, inasmuch as the relief given to the child is in some measure imposed on the adult.

But the overworking does not apply to children only; the adults are also overworked. The increased speed given to machinery within the last thirty years, has, in very many instances, doubled the labor of both.

(^{CE} John Fielden, M.P., 1836, pp. 34-35)

The abject poverty and destitution of vast numbers of casual and low paid workers and unemployed people through the 18th and 19th centuries makes any belief in the *Summum Bonum* ¹⁸³ consequences of disciplined self-interest seem myopically absurd.

If capitalism flourished and bloomed through this period, it provided little relief for the poor. A few contemporary descriptions of Manchester and similar regions, representative of a much larger body of literature from the period, paint a grim picture:

Alexis de Tocqueville, in the 1830s, described the scene as he approached Manchester:

An undulating plain, or rather a collection of little hills. Below the hills a narrow river (the Irwell), which flows slowly to the Irish sea. Two streams (the Medlock and the Irk) wind through the uneven ground and after a thousand bends, flow into the river. Three canals made by man unite their tranquil lazy waters at the same point. On this watery land, which nature and art have contributed to keep damp, are scattered palaces and hovels.

Everything in the exterior appearance of the city attests the individual powers of man; nothing the directing power of society. At every turn human liberty shows its capricious creative force. There is no trace of the slow continuous action of government. Thirty or forty factories rise on the tops of the hills I have just described. Their six stories tower up; their huge enclosures give notice from afar of the centralisation of industry.

The wretched dwellings of the poor are scattered haphazard around them. Round them stretches land uncultivated but without the charm of rustic nature and still without the amenities of a town ... Some of [the] roads are paved, but most of them are full of ruts and puddles into which foot or carriage wheel sinks deep ...

Heaps of dung, rubble from buildings, putrid, stagnant pools are found here and there amongst the houses and over the bumpy, pitted surfaces of the public places ...

Amid this noisome labyrinth from time to time one is astonished at the sight of fine stone buildings with Corinthian columns ... But who could describe the interiors of those quarters set apart, home of vice and poverty, which surround the huge palaces of industry and clasp them in their hideous folds?

On ground below the level of the river and overshadowed on every side by immense workshops, stretches marshy land which widely spaced muddy ditches can neither drain nor cleanse. Narrow twisting roads lead down to it. They are lined with one-storey houses whose ill-fitting planks and broken windows show them up, even from a distance, as the last refuge a man might find between poverty and death.

Nonetheless the wretched people reduced to living in them can still inspire jealousy of their fellow beings. Below some of their miserable dwellings is a row of cellars to which a sunken corridor leads; twelve to fifteen human beings are crowded pell-mell into each of these damp, repulsive holes.

(^{CE} 1958, pp.105-6)

James Kay described an area of Manchester between 1831 and 1844,

The cottages are very small, old and dirty, while the streets are uneven, partly unpaved, not properly drained and full of ruts. Heaps of refuse, offal and sickening filth are everywhere interspersed with pools

of stagnant liquid. The atmosphere is polluted by the stench and is darkened by the thick smoke of a dozen factory chimneys.

A horde of ragged women and children swarm about the streets and they are just as dirty as the pigs which wallow happily on the heaps of garbage and in the pools of filth.

In short, this horrid little slum affords as hateful and repulsive a spectacle as the worst courts to be found on the banks of the Irk. The inhabitants live in dilapidated cottages, the windows of which are broken and patched with oilskin. The doors and the door posts are broken and rotten.

The creatures who inhabit these dwellings and even their dark, wet cellars, and who live confined amidst all this filth and foul air-which cannot be dissipated because of the surrounding lofty buildings-must surely have sunk to the lowest level of humanity.

That is the conclusion that surely must be drawn even by any visitor who examines the slum from the outside, without entering any of the dwellings. But his feelings of horror would be intensified if he were to discover that on average 20 people live in each of these little houses, which at the moment consist of 2 rooms, an attic and cellar. One privy - and that usually inaccessible - is shared by about 120 people.

In spite of all the warnings of the doctors and in spite of the alarm caused to the health authorities by the condition of Little Ireland during the cholera epidemic, the condition of this slum is practically the same in this year of grace 1844 as it was in 1831.

(from *The Moral and Physical Condition of the Working Classes* by James Phillips Kay MD (1844))

Phil Chapple provides a glimpse into conditions in Preston in 1844,

A visitor entering Queen Street, finds himself facing a row of privies of more than 100 yards long. The doors of the privies are about 6 feet from the house doors opposite and the space between one privy and another is filled up with all imaginable and unimaginable filth; so that the street consists of passages little more than 6 feet wide, with dwelling houses on one side and a continuous range of necessities, pigsties and middens on the other, with a filthy surface drain running along one side ... 12 houses have their only outlets upon this disgusting and pestiferous passage.

The working-class slums of the mid-19th century English industrial town have fascinated and horrified social historians for decades. The example above, from the Reverend J. Clay's report on Preston in 1844, presented a vision of squalor repeated many times over across industrial urban England.

In such environments children were born, lived, played and worked, and for hundreds of thousands life was short and brutal ... While industrialization and urbanization undoubtedly brought about great national wealth, they also produced misery ...

(Chapple 2000, p. 42)

Attempts by the 'working poor' to improve their lot were strongly resisted through both centuries.

In 1835 Andrew Ure examined conditions in factories, with a typical middle ranking understanding of the world in which he lived. As he explained,

It seems established by a body of incontestable evidence, that the wages of our factory work-people, if prudently spent, would enable them to live in a comfortable manner, and decidedly better than formerly, in consequence of the relative diminution in the price of food, fuel, lodgings, and clothing. (p.306)

Earlier in the same publication he described the problem of workers' agitation against their conditions,

The textile manufactures consist of two distinct departments; one carried on by multitudes of small independent machines belonging to the workmen, another carried on by concatenated systems of machinery, the property of the masters ...

The operatives of the latter class are necessarily associated in large bodies, and moreover have no capital sunk in machinery or work-shops. When they choose to strike they can readily join in the blow, and by stopping they suffer merely the loss of wages for the time, while they occasion to their master loss of interest on his sunk capital, his rent, and his taxes, as well as injury to the delicate moving parts of metallic mechanisms by inaction in our humid climate.

There are several cotton-mills in Manchester, of which the interest on sunk capital amounts to from 5,000l. to 10,000l. per annum. If we add to the loss of this interest, that of the profit fairly resulting from the employment of the said capital, we may be able to appreciate in some measure the vast evils which mischievous cabals among the operatives may inflict on mill-owners, as well as on the commerce of the country ...

Proud of the power of malefaction, many of the cotton-spinners, though better paid, as we have shown, than any similar set of artisans in the world, organized the machinery of strikes through all the gradations of their people, *terrifying, cajoling* the timid or the passive among them to join their vindictive union.

They boasted of possessing a dark tribunal, by the mandates of which they could paralyze every mill whose master did not comply with their wishes, and so bring ruin on the man who had given them profitable employment for many a year. By flattery or intimidation, they levied contributions from their associates in the privileged mills, which they suffered to proceed, in order to furnish spare funds for the maintenance of the idle during the decreed suspension of labor.

In this extraordinary state of things, when the inventive head and the sustaining heart of trade were held in bondage by the unruly lower members, a destructive spirit began to display itself among some partisans of the union. Acts of singular atrocity were committed, sometimes with weapons fit only for demons to wield, such as the corrosive oil of vitriol, dashed in the faces of most meritorious individuals, with the effect of disfiguring their persons, and burning their eyes out of the sockets with dreadful agony.

The true spirit of turn-outs among the spinners is well described in the following statement made on oath to the Factory Commission, by Mr.

George Royle Chappel, a manufacturer of Manchester, who employs 274 hands, and two steam-engines of sixty-four horse power.

I have had several turn-outs, and have heard of many more, but never heard of a turn-out for short time. I will relate the circumstances of the last turn-out, which took place on the 16th October, 1830, and continued till the 17th January, 1831. The whole of our spinners, whose average (weekly) wages were 2l. 13s. 5d., turned out at the instigation, as they told us at the time, of the delegates of the union. They said they had no fault to find with their wages, their work, or their masters, but the union obliged them to turn out.

The same week three delegates from the spinners' union waited upon us at our mill, and dictated certain advances in wages, and other regulations, to which, if we would not adhere, they said neither our own spinners nor any other should work for us again! Of course we declined, believing our wages to be ample, and our regulations such as were necessary for the proper conducting of the establishment.

The consequences were, they set watches on every avenue to the mill, night and day, to prevent any fresh hands coming into the mill, an object which they effectually attained, by intimidating some, and promising support to others (whom I got into the mill in a caravan), if they would leave their work. Under these circumstances I could not work the mill, and advertised it for sale, without any applications, and I also tried in vain to let it.

At the end of twenty-three weeks the hands requested to be taken into the mill again on the terms that they had left it, declaring, as they had done at first, that the union alone had forced them to turn out. The names of the delegates that waited on me were, Jonathan Hodgins, Thomas Foster, and Peter Madox, secretary to the union.

(Andrew Ure 1835 pp. 281-4)

Andrew Ure's account of the duplicity and greed of workers in the cotton industry who "pamper themselves into nervous ailments by a diet too rich and exciting for their in-door occupations" is representative of many middle class writings on attempts at unionization by the working poor during the first half of the 19th century. As he continues,

We have seen that the union of operative spinners had, at an early date, denounced their own occupations as being irksome, severe, and unwholesome in an unparalleled degree. Their object in making this misrepresentation was obviously to interest the community in their favor at the period of their lawless strike in the year 1818.

Subsequently to this crisis, some individuals of their governing committee made the notable discovery, that if the quantity of yarn annually spun could by any means be reduced, its scarcity in the market would raise its price, and consequently raise the rate of their wages. They accordingly suggested the shortening of the time of labor to ten hours, as the grand remedy for low wages and hard work; though at this time they were receiving at least three times more wages than hand-loom weavers for the same number of hours'

employment, and therefore had very little reason to complain of their lot.

In fact, it was their high wages which enabled them to maintain a stipendiary committee in affluence, and to pamper themselves into nervous ailments by a diet too rich and exciting for their in-door occupations. Had they plainly promulgated their views and claims, they well knew that no attention would have been paid to them, but they artfully introduced the tales of cruelty and oppression to children, as resulting from their own protracted labor, and succeeded by this stratagem to gain many well meaning proselytes to their cause. (1835, pp. 298-9)

William Booth, a Methodist evangelist, at the end of the 19th century could still say,

Alas, what multitudes there are around us everywhere, many known to my readers personally, and any number who may be known to them by a very short walk from their own dwellings, who are in this very plight!

Their vicious habits and destitute circumstances make it certain that without some kind of extraordinary help, they must hunger and sin, and sin and hunger, until, having multiplied their kind, and filled up the measure of their miseries, the gaunt fingers of death will close upon them and terminate their wretchedness.

And all this will happen this very winter in the midst of the unparalleled wealth, and civilization, and philanthropy of this professedly most Christian land.

(Booth 1890, Preface)

These conditions had first emerged some three hundred years earlier. They had grown steadily worse over two hundred years. Capitalism was built on these foundations ¹⁸⁴.

In the second half of the 19th century, with wealth flowing to Britain from its considerable empire, conditions for the poor slowly improved. Robert Steinfeld (2007) has given a succinct explanation of the freedoms won by workers' unions in the 1870s:

the "Employers and Workmen Act," which eliminated criminal penalties for breaches of employment contracts in most cases, and the "Conspiracy and Protection of Property Act," which repealed the Criminal Law Amendment Act, revised the controversial picketing clause, and completely removed trade disputes between employers and workmen from the reach of the common law of criminal conspiracy ¹⁸⁵.

While still oppressive, conditions for the 'laboring poor' of Britain were changing for the better. They were rapidly deteriorating for colonial populations.

Conclusion 🐦

★ ... If the love of money is the root of all evil, the want of money is the cause of an immensity of evil and trouble. The moment you begin practically to alleviate the miseries of the people, you discover that the eternal want of pence is one of their greatest difficulties.

In my most sanguine moments I have never dreamed of smoothing this difficulty out of the lot of man, but it is surely no unattainable ideal to establish a Poor Man's Bank, which will extend to the lower middle class and the working population the advantages of the credit system, which is the very foundation of our boasted commerce.

It might be better that there should be no such thing as credit, that no one should lend money, and that everyone should be compelled to rely solely upon whatever ready money he may possess from day to day. But if so, let us apply the principle all round; do not let us glory in our world-wide commerce and boast ourselves in our riches, obtained, in so many cases, by the ignoring of this principle.

If it is right for a great merchant to have dealings with his banker, if it is indispensable for the due carrying on of the business of the rich men that they should have at their elbow a credit system which will from time to time accommodate them with needful advances and enable them to stand up against the pressure of sudden demands, which otherwise would wreck them, then surely the case is still stronger for providing a similar resource for the smaller men, the weaker men.

At present Society is organized far too much on the principle of giving to him who hath so that he shall have more abundantly, and taking away from him who hath not even that which he hath.

If we are to really benefit the poor, we can only do so by practical measures. We have merely to look round and see the kind of advantages which wealthy men find indispensable for the due management of their business, and ask ourselves whether poor men cannot be supplied with the same opportunities. The reason why they are not is obvious. To supply the needs of the rich is a means of making yourself rich; to supply the needs of the poor will involve you in trouble so out of proportion to the profit that the game may not be worth the candle.

Men go into banking and other businesses for the sake of obtaining what the American humorist said was the chief end of man in these modern times, namely, "ten per cent." To obtain a ten per cent. what will not men do? They will penetrate the bowels of the earth, explore the depths of the sea, ascend the snow-capped mountain's highest peak, or navigate the air, if they can be guaranteed a ten per cent. I do not venture to suggest that the business of a Poor Man's Bank would yield ten per cent., or even five, but I think it might be made to pay its expenses, and the resulting gain to the community would be enormous.

Ask any merchant in your acquaintance where his business would be if he had no banker, and then, when you have his answer, ask yourself whether it would not be an object worth taking some trouble to secure, to furnish the great mass of our fellow countrymen, on sound business

principles with the advantages of the credit system, which is found to work so beneficially for the "well-to-do" few.

Some day I hope the State may be sufficiently enlightened to take up this business itself; at present it is left in the hands of the pawnbroker and the loan agency, and a set of sharks, who cruelly prey upon the interests of the poor.

The establishment of land banks, where the poor man is almost always a peasant, has been one of the features of modern legislation in Russia, Germany, and elsewhere. The institution of a Poor Man's Bank will be, I hope, before long, one of the recognized objects of our own government. (Ⓔ William Booth (1890))

William Booth was a Methodist preacher. He would found a movement, *The Salvation Army*, which still, today, accepts a deep responsibility for providing practical help (in Booth's words, 'soup, soap and salvation') to the poor ¹⁸⁶. His practical approach to poverty was based on the tried and true principles of Methodism ¹⁸⁷. Their influence on both policies and practice in 'reforming the poor' would lead to the development of 'welfare' programs both by other religious organizations and Western governments. The wastelands of Western Europe and its offspring would slowly but surely be converted into a 'lower middle capitalist class'.

True to the vision of John Wesley, the mission to redeem the lost would not stop with the poor of London, or even of Western Europe. Western Europeans now had vast colonial territories. There was a new wasteland - vast and daunting in its scope - and Western Europeans could not escape their God-given responsibility for reclaiming it, bringing 'soup, soap and salvation' to the lost. The West knew that it was destined to bring 'civilization' and 'development' to the populations of the world.

One could paraphrase the song 'Streets of London', written by Ralph McTell in 1969,

So how can you tell me you're lonely,
And say for you that the sun don't shine?
Let me take you by the hand and lead you through the streets
of - *any of a thousand slums around the world*
I'll show you something to make you change your mind.

Chapter 6: Capitalism and Work: the White Man's Burden 🚩

The nature of work

The White Man's Burden

- Getting things into Perspective!
- The 'Development' Business
- Of globalization and 'Failing States'
- The Decay of Western Influence

Work discipline, titles of consumption and status

- The Computer Revolution
- Globalization, Free Trade Zones and Definitions of Employment
- Distinction between Labor and work
- The Able-bodied and the Disabled - The Deserving Poor

Work and its antonyms

- Work and leisure

The organization of work

Teaching Western Europeans to work

The morality of work

From indolent subsistence to Labor-pool Worker

- Teaching 'The Poor' to work
- Teaching 'The Natives' to work

Conclusion

- A Personal Observation

Western people do not work in order to live.
They live to work!

★ The nigger is a lazy beast and must be compelled to work - compelled by Government - with a stick.
(Sir Rudolph Slatin ¹⁸⁸ (in Gilbert Murray ^{CE} 1900 p. 135))

★ Suppose that, at a given moment, a certain number of people are engaged in the manufacture of pins. They make as many pins as the world needs, working (say) eight hours a day.

Someone makes an invention by which the same number of men can make twice as many pins as before. But the world does not need twice as many pins: pins are already so cheap that hardly any more will be bought at a lower price.

In a sensible world, everybody concerned in the manufacture of pins would take to working four hours instead of eight, and everything else would go on as before. But in the actual world this would be thought demoralising. The men still work eight hours, there are too many pins, some employers go bankrupt, and half the men previously concerned in making pins are thrown out of work.

There is, in the end, just as much leisure as on the other plan, but half the men are totally idle while half are still overworked. In this way, it is

insured that the unavoidable leisure shall cause misery all round
instead of being a universal source of happiness. Can anything more
insane be imagined?
(Russell 1935 pp.16,17)

The White Man's Burden 🐦

The 19th century was the century in which unregulated capitalism lay at the heart of most Western European public and private policy and practice. It was the century in which 'The Poor', long a vexing problem for responsible people - and, of course, a source of cheap labor and profit for capitalist enterprise - were taught to work.

By the end of the century, life was slowly improving for Western Europe's poor. But, for the responsible middle classes of Western Europe, the job was far from complete! A new 'Poor' had been found, indigent and slothful, in need of discipline and direction, in the extensive colonies for which they had accepted responsibility.

The next century would be the one in which Western working poor slowly gained legal rights and entitlements, enshrined in labor awards ¹⁸⁹. The wealth flowing into Western countries from the rest of the world would bring increasing material prosperity, improved living conditions, healthier diets, and even, for a period, the chance to pursue 'leisure' activities. This would not be true for the inhabitants of Europe's colonial empires.

The 19th was not only the century when The Poor learned to work. It was also the century of Western European colonial expansion. Populations around the world found themselves included, whether they liked it or not, in Western European empires.

A 1990 editorial in *The Ecologist* provides a bleak picture of a prime purpose of that expansion:

"History", wrote the French philosopher Voltaire, "is a fable upon which we are all agreed". So far as the colonial period goes, the fable would have us believe that the colonial powers were primarily motivated by a desire to bring "progress" and "civilization" to their colonies. Whilst this may indeed have been true of the missionaries who trail-blazed Europe's colonial expansion, it was far from the minds of the main architects of colonial rule.

Contemporary writings... ¹⁹⁰ make it clear that for the governments of the day, the principle justification for colonialism was unashamedly economic. Colonies provided the means by which the metropolitan powers could secure access to cheap food, cheap raw materials and labor, new markets for manufactured goods and new investment opportunities. It was as simple as that.

(*Ecologist* Vol 20 No 6 1990 p. 202)

☞ **Hirst, Murray and Hammond (1900)** examined the formation of and conduct in British colonies in a book entitled *Liberalism and The Empire* :

Our colonies, like most other colonies, owe their original existence, in one sense or another, to mere adventure or the power of the sword. They owe their vitality and strength, and most of the finer characteristics which make them almost unique in the history of colonization, to very different causes: to the policy of non-interference, to the studied avoidance of aggression, to toleration and generous amity between conflicting creeds and diverse races, to Liberal principles and Liberal ideas.

...Authority, force, firmness, the detection of offences, the assertion of rightful claims and the punishment of enemies, are, no doubt, principles of great power and value in the world as it now stands; but they are not, and never have been, sufficient alone.

Self-criticism, persuasion, patience, a wise blindness to offences, a reluctance to stand on the outermost edge of every right, the appeasement of enmities, are principles also of great and, one used to hope, of increasing value.

...A fabric of human lives so vast as that for which Her Majesty's Government is now responsible surely demands for its good guidance both high principles and profound prudence.

...There is no sentiment in a nation so dangerous, there is no sentiment so easy to stimulate, as the false excess of patriotism ¹⁹¹.
(1900 Preface pp. v, vi, xi)

Gilbert Murray (1900) in an essay entitled *The Exploitation of Inferior Races...* provided a summary of common colonial practice toward 'the natives' in British colonial territories,

The 'corvee' or forced labor system, which implied a kind of formal, though very limited, 'slavery', is said to be still practised in some parts of British India, and exists in a very severe form in Natal. In Egypt it was abolished by us some years ago, but seems - though the statement has been denied - to have been reintroduced during the Soudan campaign under irregular and therefore exasperating conditions (Daily News, March 8, 1899).

In the Soudan itself we have, of course, recently proclaimed the formal abolition of slavery. The system we propose to substitute for it has been lucidly described by Sir Rudolph Slatin in an interview which appeared in several newspapers. [For instance, Daily Mail, March 11, 1899. 135]

'The nigger is a lazy beast,' said Slatin, 'and must be compelled to work - compelled by Government.' 'How?' asked his interlocutor. 'With a stick,' was Slatin's reply. Those who have followed the course of Slatin's singular career can perhaps form some notion of the probable weight of that stick!

(^{CE} 1900 p. 135)

J. L. Hammond (1900) in an essay entitled *Colonial and Foreign Policy*, summed up the British attitudes and responsibilities to its empire,

It is the major premiss of the Imperialist argument that British civilization is the best in the world...

The moral hegemony of the world which we have undertaken - we are ready to share it with America when she behaves herself to our satisfaction or when Europe is more than usually insolent - might be expected to imply that our conduct and our influence should act as a beneficent example upon other States. The phrase is that we are the schoolmasters of Europe...

As schoolmasters we are told that we stand outside the discipline of the school. Mr. Bryce has shown that during the negotiations with the

Transvaal Government we contrived to provoke war before we had discovered a *casus belli* ¹⁹² .

It is not pretended that these negotiations would have been so conducted if we had been dealing with a Great Power, or, indeed, if we had known the strength of the Transvaal. In other words, we were taking advantage of our physical superiority.

And how is that course of action defended? By reminding ourselves of our missionary character! By recalling all the blessings which the world will reap from the extension of our Empire!
(in Hirst *et al* (1900) pp. 174-5)

Getting things into Perspective! 🐘

Perspective is everything in understanding the real world.

From the Western European perspective, their colonies demonstrated their civilized approach to their responsibilities in life. Francis Hirst (^{CE} 1900, p. v) explained why:

They owe their vitality and strength, and most of the finer characteristics which make them almost unique in the history of colonization... to the policy of non-interference, to the studied avoidance of aggression, to toleration and generous amity between conflicting creeds and diverse races...

It all looked very different from the colonial perspective ¹⁹³ .

In a book entitled *Path to Nigerian Freedom*, Obafemi Awolowo, later to be a prominent Yoruba politician in independent Nigeria, spelled out his view of the nature of the colonial territory known as Nigeria and of the relationship between Nigerians and their colonial masters:

The conquest of one nation by another in an unprovoked act of aggression cannot be justified by any standard of morality. Britain came to Nigeria of her own choosing, and with motives which are only too well known. She sought to impose her rule on the various tribes that inhabited the country in order to attain her own selfish ends.

There was then no question of trusteeship. This was the result of a later compunction of conscience which usually dawns on any evil-doer who is not hardened beyond redemption. Those tribes with whom she first came into contact resisted the unwarranted attack on their political independence. They were overpowered by force of arms. Thereafter, each tribe was faced with a choice of one of two roads leading to subjection: defeat or surrender..

There are various national or ethnical groups in the country. Ten main groups were recorded during the 1931 census as follows: (1) Hausa, (2) Ibo, (3) Yoruba, (4) Fulani, (5) Kanuri, (6) Ibibio, (7) Munshi or Tiv, (8) Edo, (9) Nupe, and (10) Ijaw. According to Nigeria Handbook, 15th edition, 'there are also a great number of other small tribes too numerous to enumerate separately...'

It is a mistake to designate them 'tribes'. Each of them is a nation by itself with many tribes and clans. There is as much difference between them as there is between Germans, English, Russians and Turks for

instance. The fact that they have a common overlord does not destroy this fundamental difference...

All these incompatibilities among the various peoples in the country militate against unification.... It is evident from the experiences of other nations that incompatibilities such as we have enumerated are barriers which cannot be overcome by glossing over them.
(Awolowo 1947, pp. 24,48-9)

A passage from a 1924 speech ¹⁹⁴ by Prince Marc Kojou Tovalou Houènou, a Dahomeyan (now Benin) who fought for France in the 1st World War, provided a bleak African perspective on the 'colonial experience':

Europe has inaugurated in the Colonies an area of veritable savagery and real barbarism which is carried out with science and premeditation - with all the art and all the refinement of civilization. The unfortunate natives have mingled their destinies with yours...

We understand nothing of the egotistic and barbarous aims sought by certain civilized people who believe that civilization can only reach its zenith by ignoring original laws, and by debasing and enslaving men who have the natural right to live, to evolve, and to attain the full expression of their being...

...The problem arose at the moment of the discovery of America when Europeans intoxicated by glory, adventure, and above all by rapine, sought to conquer new territories which did not belong to them.

They destroyed the aborigines - exterminated them! Then, terrified at the void they had created around them and being themselves incapable of labor, they turned to Africa for workmen. It was Africa that furnished contingents for penal labor - this Africa with whose unhappy history you are unacquainted but which some day, one of her sons will outline for you in darts of fire, - a monument of shame for that civilization of which you boast.

Without humanity there is no civilization!

If the monsters, full of vice, sodden with alcohol, contaminated by disease, whom you send to us, have nothing else to offer than what they have already given us, then keep them yourselves, and let us revert to our misery and our barbarity. The whole fatality that burdens Eschyllean tragedies cannot compare with the blackness of the African tragedy.

Under cover of civilization, men are hunted like deers, plundered, robbed, killed; and these horrors are presented afterwards in eloquent orations as blessings. Hypocrisy and knavery are added to crimes!

(^{CE} Houènou (1924) 1979, pp. 228,9)

By the end of the 19th century, Western European nations had divided the world amongst themselves. As Awolowo (1947) claimed of British practice:

Those tribes with whom she first came into contact resisted the unwarranted attack on their political independence. They were overpowered by force of arms. Thereafter, each tribe was faced with a choice of one of two roads leading to subjection: defeat or surrender.

Hillaire Belloc put it well in a poem ¹⁹⁵ which celebrated the deployment of the first Vickers machine gun (the Maxim). The British South Africa Company used several of them in what was euphemistically called a 'war' against the Ndebele in Matabeleland (southern Zimbabwe) in November 1893 (Blood was a Maxim gunner's name):

I shall never forget the way
That Blood stood on this awful day
Preserved us all from death.
He stood upon a little mound
Cast his lethargic eye around,
And said beneath his breath;
'Whatever happens, we have got
The Maxim Gun, and they have not.'

As a popular British song of the period put it:

Some talk of Alexander,
And some of Hercules
Of Hector and Lysander,
And such great names as these.
But of all the world's great heroes,
There's none that can compare
With a tow, row, row, row, row, row,
To the British Grenadier

Millions of people around the world found themselves included within European empires, their lives reorganized to ensure that they, like The Poor of Western Europe in previous centuries, learned to work. There was a great deal to be done, and the responsible people of Western Europe, as 'schoolmasters' to the world, knew that they had a duty to ensure that 'the natives' (the Western colonial term for 'The Poor' of the world) learned to work.

An introduction to the summary of the UNESCO (2002) ^{CE} *International Symposium on Post-Development* has phrased it well,

By 1914, 84.4 % of the world's terrestrial area had been colonized by the Europeans. With colonization there came a new paradigm of development.

...According to many voices the paradigm of development has not changed. It emerges in new forms, in the current pursuit of neoliberal globalization.

According to François Partant, the French banker-turned-critic of development;

the developed nations have discovered for themselves a new mission - to help the Third World countries advance along the same road to development which is nothing more than the road on which the West had guided the rest of humanity for several centuries.

[Partant, F., *La Fin du Développement*, François Maspero, Paris, 1982]

As any well enculturated Western European would have told you ¹⁹⁶, colonialism, no matter what a few leftist trouble-makers and opportunists might say, was *not* about 'exploiting' the natives. They were children in

need of parental direction, supervision and discipline. In their child-like simplicity they simply did not realize the true potential of the lands within which they lived and their true responsibilities before God. They had been living from hand-to-mouth and had neither the intelligence nor skills needed to realize their own potential.

It was the responsibility of Western Europeans to 'teach them the practice of frugality and industry' which they themselves had learned over four centuries - to 'develop' them ¹⁹⁷. At the end of the 19th century, this was Western Europe's inescapable responsibility. It was 'the White Man's burden'.

Rudyard Kipling (1899) ¹⁹⁸ explained it:

Take up the White Man's burden -
Send forth the best ye breed -
Go bind your sons to exile
To serve your captives' need;
To wait in heavy harness,
On fluttered folk and wild -
Your new-caught, sullen peoples,
Half-devil and half-child.

...To seek another's profit,
And work another's gain.

...Watch sloth and heathen Folly
Bring all your hopes to nought.

Take up the White Man's burden -
And reap his old reward:
The blame of those ye better,
The hate of those ye guard -
The cry of hosts ye humor
(Ah, slowly!) toward the light: -
"Why brought he us from bondage,
Our loved Egyptian night?"

...Take up the White Man's burden -
Have done with childish days -
The lightly proffered laurel,
The easy, ungrudged praise.
Comes now, to search your manhood
Through all the thankless years
Cold, edged with dear-bought wisdom,
The judgment of your peers!
(Rudyard Kipling *McClure's Magazine* 1899)

They would go where civilized people had never before ventured, assume the heavy duties of parenthood, and shine the light of civilization and the Gospel into the 'spiritual darkness' of 'heathen lands'.

Lowell Mason had expressed it well in a missionary hymn written in 1823,

From Greenland's icy mountains, from India's coral strand;
Where Afric's sunny fountains roll down their golden sand:

From many an ancient river, from many a palmy plain,
They call us to deliver their land from error's chain.

What though the spicy breezes blow soft o'er Ceylon's isle;
Though every prospect pleases, and only man is vile?
In vain with lavish kindness the gifts of God are strown;
The heathen in his blindness bows down to wood and stone.

Shall we, whose souls are lighted with wisdom from on high,
Shall we to those benighted the lamp of life deny?
Salvation! O salvation! The joyful sound proclaim,
Till earth's remotest nation has learned Messiah's Name.

Waft, waft, ye winds, His story, and you, ye waters, roll
Till, like a sea of glory, it spreads from pole to pole:
Till o'er our ransomed nature the Lamb for sinners slain,
Redeemer, King, Creator, in bliss returns to reign.

Western Europeans were on a millenarian mission ¹⁹⁹. Good would triumph over evil, order over chaos, frugality and industry over improvidence and indolence. Responsible people, whose souls were 'lighted with wisdom from on high', had a duty to those who 'call us to deliver their land from error's chain'. And, a duty to ensure that all was in readiness for the arrival of that millenarian golden age. If this entailed a little harshness, discipline and social disruption, that was unfortunate but necessary!

All schoolmasters knew that true learning requires obedience. As Sir John Eardley Wilmot had explained in the late 18th century,

to break the natural ferocity of human nature, to subdue the passions and to impress the principles of religion and morality, and give habits of obedience and subordination to paternal as well as political authority, is the first object to be attended to by all schoolmasters who know their duty and do it.

(*The Gentleman's Magazine* (1811) Volume 109 p. 449 (originally in Volume 73 p. 136))

Middle class Western Europeans had learned the lessons of their own history well.

The resolute firmness of the person who acts in this manner, and in order to obtain a great though remote advantage, not only gives up all present pleasures, but endures the greatest labor both of mind and body, necessarily commands our approbation.

(Adam Smith 1759 Part 4 Ch. 2)

The 'Development' Business 🐼

'The natives' would never progress or become 'developed' without Western European help. Richard Whateley, Archbishop of Dublin, in 1854, had explained the problem,

Men, left in the lowest, or even anything approaching the lowest, degree of barbarism, in which they can possibly subsist at all, never did, and never can raise themselves, unaided, into a higher condition.
(in Campbell 1871 Pt 1 P.1)

Unless those already enlightened took responsibility for enlightening those who lived in darkness they would continue in ignorance and sloth!

Missionary attitudes in central Africa in the 19th century, and on into the 20th, have been summed up neatly by Cairns,

The proper attitude was indicated by Carson of the L. M. S. [London Missionary Society] who, after noting that African men spent 'much time in indolence', remarked that it was inconceivable 'how the practice of that vice in the African race can be supposed to conduce to happiness in them when it makes us so miserable'.
(1965, p. 80)

Western European 'responsible' people of the middle ranks had taught their own poor the evil of sloth and the virtue of work over more than six centuries²⁰⁰. They brought both the experiences and practices they had acquired in doing so with them as they tackled the problem in their colonies.

As they had determinedly set about teaching the poor to work, they had also taught *themselves* that work was indispensable to a moral life. The Western European middle classes which took responsibility for reorganizing vast areas of the world during the later 19th and the 20th centuries, were committed to work, for its own sake. It was *moral* to work and *immoral* not to do so.

In the words of Adam Smith, asserted by countless other writers of the 17th to 20th centuries (and still being asserted today), the lives of virtuous people would and should demonstrate,

a steady perseverance in the practice of frugality, industry, and application, though directed to no other purpose than the acquisition of fortune.
(1759 Part 4 Ch. 2)

Western middle classes became and have remained convinced that everyone *should* work for their living and that they have a responsibility to ensure that the indolent *do* learn to work. To appreciate the driving force of the invasion of the world by Western Europeans over the past two centuries, we need to understand the Western belief in the fundamental importance of work, for its own sake, for its character building potential.

Of course the West invaded (and continues to invade) the world for its resources. Of course the West has profited from its appropriation of the environments of others. But they have done so for the best of all possible reasons.

They were and are in the 'Development' business!²⁰¹ In 'developing' the territories of the world, they were enabling the 'development' of their inhabitants. They were bringing order to the chaos of their lives, they were providing them with the opportunity to work. They were in the 'job creation' and 'work training' business!

Russell's observations, with which we started this discussion, highlight the inevitable consequences of human beings building particular understandings into their primary ideologies²⁰². Work became a form of organization and activity which no longer needed to be 'explained'. To question its importance was either absurd or subversive. To suggest that the working day should be halved, was foolish. To suggest that work was not of equal importance everywhere on earth was equally silly. The reason why the rest of the world

was impoverished and 'backward' was that they did not know how to 'put in a full day's work' ²⁰³.

Over the past seven hundred years Western individuals and communities have progressively been reorganized and reoriented to what we now know as *economic* principles and practices ²⁰⁴. People *know* that the economic presumptions contained within and expressed through the forms of organization within which they are enmeshed are correct, they make *intuitive sense* ²⁰⁵.

The need for constant expansion of self-interested consumption and accumulation, as evidences of commitment to work, is built into the primary ideologies of Western communities. Western people are not *ensnared* in the forms of meaning and organization and processes of interaction and activity within which they find themselves. If those forms were not there, they would feel compelled to create them or something very similar to them. Indeed, they have done precisely this through most of the world as they have gained influence in other communities ²⁰⁶.

Although Western people *think* the principles which underpin the forms of organization and interaction in terms of which they organize their lives, they have not always thought in these ways or organized their lives by the fundamental economic principles which now govern life. The emergence of "modern" ways of thinking and organizing life was slow and painful for most Western Europeans ²⁰⁷.

The majority of people, during the 16th to early 20th centuries, had to be *taught* to take these principles seriously, and the disciplines imposed on them by those Western Europeans who gained control of government and who were already thinking in these ways were harsh ²⁰⁸.

Since the basic presumptions and principles of thought of a community determine all the behaviors and interactions of its people, they cannot easily be altered. Attempts at such radical social engineering inevitably disrupt communities and confuse and confound the minds of their members ²⁰⁹. Western Europe did not escape cultural confusion as its cognitive frame changed. As Foucault (1971) described, in Western Europe it produced, over several centuries, a pervasive awareness of uncontrolled madness in the minds of most people.

During the seven centuries it took Western communities to shift from feudalism to modern ways of thinking, the constantly expanding "middle classes" ²¹⁰ recognized a deep responsibility for re-educating the "lower classes" ²¹¹.

The final triumph of modern ways of thinking in Western communities has been heralded over the past 50 years by the progressive disappearance of the "lower classes" as more and more people who come from such backgrounds have begun to think and act in middle class ways ²¹². With the advent of colonial empires, Western middle classes found themselves with a similar responsibility to 'the natives' of the world.

When human beings are convinced of the rightness of their causes they usually feel a moral responsibility to compel those who don't understand or live by the principles which underpin their lives to conform to them.

We have seen the disastrous consequences of this many times in the 20th and 21st centuries. From Stalin, to Hitler, to Pol Pot, to the ethnic-cleansings of the 1990s, to numerous wars waged by both Western and other communities, human beings have amply demonstrated their insistence that those who are weaker than they should be made to think and live as they do.

Western Europeans have been engaged in such a mission for the past several centuries, and chief amongst their concerns has been the need to convince people everywhere of the importance of *work*.

Western people are, of course, not the only ones enmeshed in home-grown systems of meaning, organization and interaction. This is the condition of humanity. People, everywhere, organize themselves and their worlds in ways which are consonant with their forms of categorization and classification.

The problem, in trying to understand both ourselves and others, is that, just as the languages of people are historically determined and unique to the communities which speak them, so are the forms of organization and interaction in communities. They are expressions of the underlying principles of categorization and classification which have been historically, and subconsciously, shaped through history ²¹³.

The Decay of Western Influence 🐼

Western people *know* that work is important, and organize their individual lives and their communities in ways which stress and reinforce the importance of the organizational forms and processes of interaction required by work. But, let's not forget that other communities are just as consistent in their thinking, just as certain of the importance of their own understandings of the world, and just as committed to maintaining them through time. And, because these structures and principles are historically, and uniquely determined within communities, it is most unlikely that they will reinforce or give coherence to the Western commitment to work.

People can, of course, be taught the Western understandings, and, while the West is dominant and they need to behave in those ways in order to succeed in that Western dominated world, they will appear to live by those understandings. However, if the influence of the West wanes, so too does the commitment of those people to ordering their lives by Western understandings. Then, they begin, inevitably and less than consciously, to reshape their own behaviors and interactions to fit the unconscious ordering principles of their own communities.

Britain, in the 5th century A.D., provides an excellent historical illustration of this.

By 400 A.D. the Romans had occupied Britain for almost four hundred years ²¹⁴ and had determinedly set about making it into a Roman Province. As [Ⓔ] Gildas (c.494 or 516-c.570) says, Britain

was no longer thought to be Britain, but a Roman island; and all their money, whether of copper, gold, or silver, was stamped with Caesar's image.

(Chapter 7)

Yet, on the withdrawal of the Roman legions between 400 and 410 A.D., life rapidly reverted to pre-Roman ways. As ^{CE} [Catherine Hills \(1990\)](#) says,

around 400 AD Romanists see the end of most of the kinds of information which can be deployed to reconstruct life in Britain for the previous three and a half centuries. Written sources disappeared, and coins, wheel-thrown pottery and masonry building went out of use...

[E]ssentially, from a Romanist's point of view it is obvious that the institutions and way of life of Roman Britain disappeared soon after 400 AD. The absence of 'Roman' kinds of evidence means that we are dealing with a different kind of society, possibly a different kind of people.

Any region which has been subjected to enforced reorganization and commitment to externally imposed understandings of the world will experience a period of turmoil and chaos as those imposed forms become less dominant in the lives of inhabitants.

Britain, in the 5th century, experienced just such turmoil as rival 'kings' battled for ascendancy and neighboring groups, taking advantage of the chaos, invaded the region. Gildas, a century after the exodus of the Roman legions, provided a graphic (if polemically biased) description of the chaos which ensued with the waning of Roman influence in Britain,

...neither to this day are the cities of our country inhabited as before, but being forsaken and overthrown, still lie desolate; our foreign wars having ceased, but our civil troubles still remaining.

(Chapter 26)

As the empires of Western Europe have crumbled, the institutions in their post-colonial territories, established by them to ensure continuity with the colonial past, have become decreasingly effective. The 21st century has produced its own examples of post-colonial territories suffering turmoil and chaos in the increasing numbers of 'fragile' and 'failed' states which are a growing concern for Western people ²¹⁵.

Many post-colonial territories are in various stages of change. They are slowly, but inevitably, metamorphosing into communities which exhibit similarities with the pre-colonial communities from which they came. Any reassertion of pre-colonial principles of categorization and classification will inevitably be slow and difficult. Over time, forms of organization and interaction will emerge which echo those of the past though they will, of course, not simply replicate past forms.

First, any form which emerges is simply one of a range of possible forms, any or all of which might be generated from the same fundamental categorical principles. So, even if the same principles were in operation one would find different surface forms over time.

Secondly, the principles themselves are not static, they change through time and the forms of interaction and organization which emerge will reflect such changes.

This has been demonstrated time and again in Third World communities as Western influence has become less dominant.

Of course, the longer the period during which a community has been subjected to enforced reorganization to Western understandings of reality, the greater the disruption. It is inevitable that there will be chaos and turmoil as opposing groups attempt to reorder their worlds to their own advantage.

{§} (28/11/16) As people no longer order their lives by those *rational*²¹⁶ forms of meaning and organization which the West has introduced into their communities, Western people will inevitably feel threatened. They will (and do) consider that they have a responsibility to intervene and re-impose forms of organization which they see as rational and necessary to successful integration into the global economy.

This is particularly true when non-Western people appear to lose their commitment to forms of organization and activity which maximize the possibility and quality of productive employment. Then, Western people know that if they cannot organize *themselves* to work, it is perfectly acceptable, indeed, necessary, that multi-national enterprises base their productive activities in their communities. This is one of the reasons why Western organizations have argued so strongly for economic globalization over the past thirty years.

{§} (17/01/17) For many people in Third World countries however, globalization seems like a *new form of ruthless colonialism*, a conspiracy of the rich against the poor and defenceless²¹⁷. As Marjorie Mbilinyi, author of *Big Slavery: The Crisis of Women's Employment and Incomes in Tanzania* (1991), claimed:

We could have a lot of despair in Africa right now. Many of us see this as a moment of mass genocide. And it's a very conscious one, we think, on the side of at least some big government actors as well as some of the actors in agencies like the World Bank and the IMF.

The peoples of Africa are being steadily impoverished. They are also being dispossessed of their lands. Governments like Tanzania, partly in response to popular demand, had begun to nationalize assets and try to guide the economy in the direction that would meet the basic needs of the people and increase national control and make it more inward oriented. Now we have complete reversal so that it is almost worse than in the colonial period.

(Mbilinyi 1994)

Fantu Cheru claimed of African experience:

The overwhelming consensus among the poor in Africa today is that development, over the past 25 years, has been an instrument of social control. For these people, development has always meant the progressive modernization of their poverty.

The absence of freedom, the sacrifice of culture, the loss of solidarity and self reliance which I personally observed and experienced in many African countries, including my own, explains why a growing number of poor Africans beg: please do not develop us!

(Cheru 1989, p. 20)

The International Consortium of Investigative Journalists (ICIJ) has summarized investigations into the World Bank's track record in 'helping' 'the poor' most affected by the consequences of its policies, programs and projects in countries around the world. See the ICIJ's[Ⓔ] [Investigative Projects](#) for this and other relevant projects. Its key findings on World Bank activities:

- Over the last decade, projects funded by the World Bank have physically or economically displaced an estimated 3.4 million people, forcing them from their homes, taking their land or damaging their livelihoods.
- The World Bank has regularly failed to live up to its own policies for protecting people harmed by projects it finances.
- The World Bank and its private-sector lending arm, the International Finance Corporation, have financed governments and companies accused of human rights violations such as rape, murder and torture. In some cases the lenders have continued to bankroll these borrowers after evidence of abuses emerged.
- Ethiopian authorities diverted millions of dollars from a World Bank-supported project to fund a violent campaign of mass evictions, according to former officials who carried out the forced resettlement program.
- From 2009 to 2013, World Bank Group lenders pumped \$50 billion into projects graded the highest risk for "irreversible or unprecedented" social or environmental impacts - more than twice as much as the previous five-year span.

(ICIJ, [Ⓔ] [Evicted and Abandoned: The World Bank's Broken Promise to the Poor](#), Accessed 17 January, 2017)

One can but agree with Bill Mitchell's assessment of the true usefulness of anachronous Western institutions which have been adapted to compel nonwestern peoples and communities to conform to Western ideological understandings:

The IMF was created to provide funding support to nations under the Bretton Woods system of fixed exchange rates when their trading accounts endangered their capacity to sustain the agreed parities. After the system collapsed in August 1971 (effectively), the IMF had no further purpose. It reinvented itself as a neo-liberal attack dog on government intervention, and, as such, has no progressive (productive) role to play and should be scrapped. Similarly, the World Bank.

The OECD was created (as the Organisation for European Economic Co-operation (OEEC)) to manage the Marshall Plan funds that Canada and the US provided to reconstruct Europe at the end of World War II. It has similarly outlived its productive purpose and is now a major source of disinformation. Even in the realm of fiction, there are much better fiction writers than exist within the bowels of the OECD in Paris. (Bil Mitchell, [Ⓔ] [Poor fiction from the OECD - the organisation should be abolished](#), *Billy Blog*, November 28, 2016)

Neoliberal ideologues have proved remarkably adept at seizing anachronous Western institutions and remaking them into neoliberal attack dogs. The

IMF, along with the World Bank, are the organizations they subverted to ideological ends in Third World countries, and, more recently, in the peripheral nations of the European Union.

Western people, however, *know* that those Western financial and 'development' oriented institutions are not aiding and abetting multi-national enterprises in exploiting resources and cheap labor. They are opposing socialist, dictatorial and anarchic tendencies. They are ensuring that communities are once again guided into market-led economic development. Multinationals are providing much needed capital and expertise which might help to turn those countries once more back to *economic* prosperity. Not only are they providing some cash inflow to communities, they are, even more importantly, reintroducing them to "work discipline".

Work discipline, titles of consumption and status 🐼

{§} (04/04/17){§} (26/06/17) Over seven centuries of teaching themselves and their 'Poor' the importance of work, Western people have built a wide range of presumptions into the concept to buttress its importance. It has become important for its own sake, a form of organization and activity to which all truly moral people commit themselves.

Any suggestion that people should be freed from work to other activity without losing income would be regarded by most Western people as impractical, irresponsible, foolish or subversive. While many people might find Bertrand Russell's vignette with which this discussion started, clever, few would accept that his solution is 'practical'.

The Computer Revolution 🐼

{§} (01/05/17) This has never been better demonstrated than in the Western response to the computer revolution. During the 1960s Western people first became aware of the transforming possibilities of the computer revolution which was looming on the horizon.

A report from a specialist committee to President Lyndon Johnson of the USA in 1964 examined the issue and made a number of recommendations. They were summarized by Macbride in 1967:

Distribution of titles of consumption (i.e., money) has been via jobs... this will have to end. The continuance of the income-through-jobs link as the only major mechanism for distributing effective demand - for granting the right to consume - now acts as the main brake on the almost unlimited capacity of a cybernated productive system.

Further, up to this time resources have been distributed on the basis of contributions to production, with machines and men competing for employment on somewhat equal terms. In the developing cybernated system, potentially unlimited output can be achieved by systems of machines which will require little cooperation from human beings.

(Macbride (1967, p. 195); see ^{CE} [AD Hoc Committee on the Triple Revolution](#) (1964) ²¹⁸)

Numerous articles were written in newspapers and magazines speculating on how people would *fill in their time* when robots and other computer based technologies made their lives easier and freed human beings to

leisure activity. And, equally, speculation was rife as to "how to distribute the abundance that is the great potential of cybernation" when consumption was no longer tied to work.

How would we distribute income to people when machines were doing the producing and money had become simply a means to obtain goods and services produced by them, with the "income-through-jobs link" broken?

Of course, there seems no logical reason why, if we invent machines to do our work for us, we should not reward ourselves by gaining increased leisure time and by distributing the means for obtaining the goods and services produced in some other way than as rewards for work. The reality, however, has been very different from the speculated futures of those articles²¹⁹.

Daron Acemoglu and Pascual Restrepo have addressed the likely impact of the robotization of industry on the jobs and incomes of people in industrialized countries in the 21st century, with a special focus on the United States. They have summarized their findings:

As robots and other computer-assisted technologies take over tasks previously performed by labor, there is increasing concern about the future of jobs and wages. We analyze the effect of the increase in industrial robot usage between 1990 and 2007 on US local labor markets. Using a model in which robots compete against human labor in the production of different tasks, we show that robots may reduce employment and wages... [W]e estimate large and robust negative effects of robots on employment and wages across commuting zones. (Daron Acemoglu and Pascual Restrepo, ^{CE} [Robots and Jobs: Evidence from US Labor Markets](#), NBER Working Paper 23285, March 2017)

What is seldom addressed is the inevitable consequence of the post 1970s 'off-shoring' of labor-intensive industry. The jobs most likely to be amenable to automation are also those jobs which have, over the past fifty years, been relocated to take advantage of weak legislative protections, low (or non-existent) taxation regimes and low-cost labor in free trade zones, maquiladoras and export processing zones - wherever labor is cheap and regulation relaxed or non-existent.

The low-hanging fruit of readily automatable industry in Western regions has largely already been exploited. Many of the remaining jobs, [increasingly in service industries](#), are less susceptible to robotization (at least in the near-term).

All this underscores the importance of challenging the increasingly myopic Western capitalist definition of human beings as a 'workforce' and 'consumer base'. It really is important to [reconstitute the Commons](#).

Kai-fu Lee has cogently explained where 21st century developments in 'artificial intelligence' are taking the capitalist world. As he asks: 'What is to be done?'.

...A.I. products that now exist are improving faster than most people realize and promise to radically transform our world, not always for the better. They are only tools, not a competing form of intelligence. But they will reshape what work means and how wealth is created, leading

to unprecedented economic inequalities and even altering the global balance of power.

It is imperative that we turn our attention to these imminent challenges...

Unlike the Industrial Revolution and the computer revolution, the A.I. revolution is not taking certain jobs (artisans, personal assistants who use paper and typewriters) and replacing them with other jobs (assembly-line workers, personal assistants conversant with computers). Instead, it is poised to bring about a wide-scale decimation of jobs — mostly lower-paying jobs, but some higher-paying ones, too.

This transformation will result in enormous profits for the companies that develop A.I., as well as for the companies that adopt it...

We are thus facing two developments that do not sit easily together: enormous wealth concentrated in relatively few hands and enormous numbers of people out of work. What is to be done?

(Kai-fu Lee, ^{CE} [The Real Threat of Artificial Intelligence](#), *New York Times*, SundayReview | Opinion, June 24, 2017)

The world is facing a future of [enormous wealth concentrated in relatively few hands](#) and enormous numbers of people out of work. What is to be done? The author's possible solutions need to be compared with the conclusion reached in that 1964 report to President Lyndon Johnson of the USA:

Distribution of titles of consumption (i.e., money) has been via jobs... this will have to end. The continuance of the income-through-jobs link as the only major mechanism for distributing effective demand - for granting the right to consume - now acts as the main brake on the almost unlimited capacity of a cybernated productive system.

In a truly intelligent, empathic world, there would be no debate.

It is becoming increasingly obvious that we are witnessing an unstoppable computerized displacement of increasing numbers of 'gainfully employed' human beings. The future is likely to be either the one envisaged in that 1964 report: a world where human beings are no longer seen as capitalism's 'workforce'; or one in which human beings increasingly live in a ["share-the-scrap" economy](#); as David Graeber expressed it: a world of "bullshit jobs".

[Globalization, Free Trade Zones and Definitions of Employment](#)

{§} (17/07/18) In the 21st century people either work for longer hours, with more demanding pressures, or find themselves, involuntarily, committed to casual and part-time work or to unemployment queues. And the incomes of people are, if anything, more closely tied to work than they were forty years ago. Business taxes, duties, tariffs and other forms of public impost on economic activity have been reduced to ensure the continued competitiveness of industry. And government services and welfare payments have correspondingly been cut back ²²⁰ - often because it has been claimed that they 'reward improvidence' ²²¹.

Through the rest of the world over the past thirty years, the globalization of productive enterprise has resulted in the reorganization of entire populations to provide low paid labor for export goods.

For graphic illustration of this, see Michael Zhang · Apr 05, 2013,
☞ [Eye-Popping Photographs of Hong Kong High-Rise Apartment Buildings](#)



(Each window represents a family (or more))

See Bettina Wassener and Grace Tsoi, ☞ [Have-Nots Squeezed and Stacked in Hong Kong](#) (*New York Times*, September 27, 2013) for a depressing description of what happens when [hyperglobalization](#) makes workers 'redundant'. At what point does the relocation of production to regions where the costs of production are lowest; coupled with callous disregard of those disenfranchised and discarded, morph into ill-disguised slavery and crimes against humanity (the ☞ [Rome Statute of the International Criminal Court](#) defines these as: "... particularly odious offenses in that they constitute a serious attack on human dignity or grave humiliation or a degradation of human beings.")?

Raveena Aulakh provides a damning assessment of conditions in a Bangladesh factory:

A Bangladesh factory that sews garments for The Gap and Old Navy brands routinely forces workers to work over 100 hours a week and they are slapped, shoved and punched, says a damning report.

It also says workers live in penury, earning 20 to 24 cents an hour, and illegal firings are regular.

The report titled "Gap and Old Navy in Bangladesh: cheating the poorest workers in the world" was released Thursday by Pittsburgh-based Institute for Global Labour and Human Rights.

Charles Kernaghan, director of the institute, said in the report "these abuses have been going on for more than two and a half years."

(Raveena Aulakh/Torstar News Service, ☞ [Bangladesh factory that sews garments for The Gap and Old Navy accused of abusing workers](#), *Cambridge Times* (Canada), Oct 04, 2013;

☞



The factory building in Rana Plaza, whose collapse in April of 2013 killed 1,129 garment workers.
Credit Khaled Hasan for The New York Times

see also, this *Institute for Global Labour and Human Rights* summary:
 ☞ [Two Excellent Articles Expose Gap in Bangladesh](#); Stephanie Clifford
 and Steven Greenhouse, *New York Times*, September 1, 2013, ☞ [Fast
 and Flawed Inspections of Factories Abroad](#))

From the mid 1970s, transnational companies increasingly began to locate their low-wage production activities in selected Third World countries, taking advantage of new transport developments, particularly the development of container shipping which transformed Western waterfronts during the 1970s.

Those who were most directly involved in Third World development planning and programs saw this new movement to produce low-wage goods in Third World countries as providing a new base for national development in those countries. With the failure of import substitution industrialization, and the faltering of value-added industrial development ²²², this new move by transnational companies to relocate in Third World countries was seen as a 'window of opportunity' for Third World people.

Where government-directed planning had not succeeded, private investment from Western countries would. Development agencies, therefore, strongly promoted various forms of deregulation to facilitate transnational investment in the Third World.

The result, for Western populations, was a transient affluence as goods made in non-Western sweat-shops flooded Western supermarkets and malls. It also [resulted in increasing unemployment](#) among low-skilled workers. This last effect was rapidly disguised, in Western nations, by altering the definition of employment to include all people who 'did any work at all for pay or profit'. The U. S. Bureau of Labor Statistics gives the current definition of employment,

...people are considered employed if they did any work at all for pay or profit during the survey week. This includes all part-time and

temporary work, as well as regular full-time, year-round employment.
([Ⓔ] [USBLS 2010](#))

Even one hour of paid work in a week now qualifies an individual for definition as 'employed'. The definition has been completely divorced from any consideration of a 'living income'. The relation between 'employment statistics' and living standards has been broken, allowing for the disguised growth of a low paid, marginalized workforce in Western countries ²²³.

A EurekaAlert summary of a report by Lambert, Henly and Haley-Lock (2010) entitled *Managers' Strategies for Balancing Business Requirements with Employees' Needs*, provides a glimpse into the situation in 2010,

The United States workforce, battered by an economic slowdown, now includes a record number of workers who are involuntarily working part-time due to reduced hours or the inability to find a full-time job.... Hourly workers - the majority of the wage and salary workforce - are especially susceptible to reduced, irregular and fluctuating hours, and the myriad of challenges associated with them....

The Census Bureau uses the term for those who work less than 35 hours a week because they could not find a full-time job or those who work reduced hours due to "slack demand." In November 2009, 9.2 million workers fell in this category, the highest level in recorded history.

Other recessions also have seen an increase in involuntary part-time workers, she said. For example, the labor market added 1.5 million involuntary part-time workers between 1981 and 1982 for a total of 6.8 million workers, surging up again to add 2.3 million between 1992 and 1993 for a total of 6.7 million workers.

"I think it is important to underscore that employment has become increasingly precarious over the past 30 years, not just during recessionary periods, due to structural changes in the economy, reductions in labor protections and evolving employer practices that pass risk from the market onto workers," Lambert said. "The current recession highlights these insecurities, bringing much-needed attention to the plight of disadvantaged workers who are struggling to keep their jobs as well as maintain sufficient hours to make ends meet.

The problems faced by hourly, low-level workers are unlikely to go away when the economy fully recovers."

In good times and bad, employers frequently use "just-in-time" scheduling practices - setting hourly workers' schedules with limited advance notice to accommodate fluctuating demand - as a means of maintaining a tight link between labor costs and demand.

Unpredictable schedules not only make it harder for workers to determine their incomes, they also make it hard to plan for childcare and family life, Henly said.

"Unpredictable work schedules can translate into instability in family routines and practices, placing additional burdens on already strapped and busy families, their caregivers and extended family members," she said.

([Ⓔ] [EurekaAlert 31 Aug. 2010](#) 'Hourly workforce carries burden during recession' ²²⁴)

Across the Western world, the consequences of low wage competition from Third World nations, coupled with increased emphasis on migration into Western countries from depressed regions of the world have become endemic. Work conditions for low-skilled Western workers have continued to deteriorate.

Andrew Crane *et al*, in a study entitled 'Innovations in the Business Models of Modern Slavery: The Dark Side of Business Model Innovation', describe conditions in the United Kingdom in the second decade of the 21st century. Forms of 'debt bondage', peonage and indenture have evolved in this 21st century to invisibly blend into 21st century employment practices:

People trapped in modern slavery can be 'underworked' by ruthless employers, to increase their debt bondage and provide revenue from living costs.

The assumption that victims of exploitation are worked like 'slaves' is shielding extra layers of exploitation, shows research led by the University of Bath's School of Management, published by the Academy of Management.

The study of the food and construction sectors in the UK found that far from being worked as hard as they can, victims can sometimes be given no work for several weeks, or only a few hours a week.

Gangmasters take on more workers than they need and deliberately avoid giving victims work. They provide them with accommodation and money for food, on the proviso it is paid back when they start earning; cultivating dependence and debt bondage, most common among migrant workers in the agricultural sector.

Victims become 'coerced consumers', forced into spending wages on accommodation, food, transport and other goods provided by their employer. They are driven deeper into debt, securing funds from family members abroad, or instant loan services.

In other cases, workers will accumulate large amounts of debt, usually with undisclosed premium interest rates, that they cannot repay. They are pushed further into financial dependence and become increasingly susceptible to continued exploitation.

(^{CE} Underworked' victims of modern slavery endure extra exploitation, *EurekAlert* Summary, Public Release: 16-Jul-2018)²²⁵

In Third World countries, a variety of 'free trade zones' were established as governments competed to attract transnational companies ²²⁶.

From the late 1970s, Western governments, seeking ways in which to stimulate their own faltering trade ²²⁷, lowered tariff barriers to selected Third World countries. However, the consequences have been rather different than initially anticipated by the experts ²²⁸.

{§} (16/04/17) So, what has gone wrong? Why have not new technologies, which have, unarguably, enabled more efficient and less labor intensive production, enriched human beings everywhere and freed them to non-work activity? In order to understand why, in a climate which should have led to shorter working hours and increasing material prosperity, people have found

themselves working harder and for longer, amongst other things ²²⁹, we need to understand the peculiar nature of *work* in Western communities.

Distinction between Labor and work

Through the past seven centuries Western people have evolved a very distinctive and peculiar understanding of the nature of work ²³⁰, which necessitates making a clear distinction between the terms *labor* and *work*.

The term *labor*, for our purposes, will refer to any activity which includes expenditure of physical or mental effort especially when difficult or compulsory. It is normally defined as human activity that provides goods or services.

Work, on the other hand, cannot be so simply defined since it not only includes labor but a variety of moral presumptions about the nature of labor.

The following discussion of work, for reasons which we have already spelt out, relates only to understandings in Western communities. Nothing we are talking of can simply be translated to "human beings" at large. They are culturally specific understandings which reflect the peculiar history of Western communities over the past several centuries.

The term *work*, as we will define it, includes the services performed by workers for an *income* since one of the important reasons given by people who are asked why they work is that without work they would not be "able to afford to live". As Macbride (1967 p.195) put it, "Distribution of titles of consumption (i.e., money) has been via jobs" ²³¹.

But it does not only refer to activity which generates an income. It is also, and perhaps far more importantly, the term we use to imply that an object is performing as *it was meant to perform* ²³². So, we are able to ask "is it working?", and the person to whom we are speaking knows that in order to answer the question he or she must check its *performance* and that performance should be judged against the *potential* of the item.

There is a teleological dimension to the term. 'Work' is understood, in a less than conscious way amongst most Western people, to be directed toward an end or shaped by a purpose, primarily related to individuals *achieving their potential*. People *ought* to work.

This understanding of the meaning of work implies that objects, or people, have been designed to perform in certain ways. When they are performing as they have been designed to, they are *working*. When they are doing something other than what they have been designed to do, they are *not working* or they are *disabled*.

The Able-bodied and the Disabled - The Deserving Poor

During the 17th to 19th centuries in Western Europe, there emerged a clear division between the "deserving" and the "undeserving" poor. Those who were undeserving were those who, while "able-bodied", yet were not employed and/or relied on welfare support to one extent or another for subsistence. The deserving poor were those who could not help being unemployed. The largest category of these were people who were classified

as in some way "disabled" as a consequence of some physical imperfection or other which interfered with their ability to be employed.

During the 17th and 18th centuries, as Mackelprang and Salsgiver (1996) explained, it was assumed that it was the responsibility of the community to repair these imperfections so as to ensure that such people could engage in work.

In the United States, institutions dedicated to perfecting the imperfect sprang up (Rothman, 1971) with the hope that professional intervention could cure these inadequacies. When a cure was not possible, people with disabilities could at least be trained to become functional enough to "perform socially or vocationally in an acceptable manner"

(Longmore, 1987b, p. 355).

Over the past two centuries, Western communities have identified a variety of "disabled" people. Into this residual category are placed any who are, in any way, "deficient". The range of people placed into this category is remarkably wide, including those who are mentally retarded or otherwise mentally 'impaired', blind, deaf, lame, exhibiting some other form of physical abnormality or 'deformity', or suffering from any of a variety of long-term illnesses.

Even today, the term "disabled" is applied to any who are in any way "impaired" and are therefore "dependent". This is exemplified in the acts passed in most Western countries over the past fifty years, such as the *Americans with Disabilities Act* (1992) which guaranteed to the physically or mentally impaired protection against discrimination (see Anderson 1992). This category includes not only those with physical or mental problems, but also many whose "impairment" is social in nature.

But for the need to be able to perform at "work" and so ensure their "independence" ²³³, there could be little reason for the existence of such a widely inclusive category of people. These are the "dependent" ones, those who must be "cared for".

During the 19th century Western communities developed quite specific programs for dealing with these "unrepairable" people. Such people were concluded to be permanent "dependents" who should be cared for by the community but were, nonetheless, a drain on its resources. It was believed that they should, to a large extent, be separated from the rest of the community lest others become in some way contaminated.

Professionals lost confidence in their ability to perfect people with disabilities, concluding that they were innately unproductive and thus endemically without worth. No intervention could bring about change because the laws of nature deemed people with disabilities unfit (Longmore, 1987a).

People with disabilities were to be prevented from marrying or having children for fear of propagating their imperfections.

As the 19th century progressed, institutions to deal with the threat and nuisance of people with disabilities increased dramatically, and they were increasingly isolated and institutionalized, sometimes in sub-

human conditions.
(Mackelprang and Salsgiver (1996))

Work and its antonyms

For those who are not "handicapped" or "disabled", there are two contrasting states to *work* in Western communities. The first is usually termed *unemployment*, this is, as most dictionaries define the term, "a period of *involuntary idleness*". It is during periods of *un* employment that people are paid "the dole". Synonyms of the term include: alms, charity, gratuity, handout, mite, pittance, trifle. Being unemployed is assumed to be related to misfortune and heartache, to living from hand-to-mouth.

The unemployed person is being denied the *opportunity to work*, and there is something morally wrong with a person who accepts this situation with equanimity. People who are not given the chance to work *should* feel a sense of adversity, of affliction, of being judged as good-for-nothing and worthless. Those who lose their jobs are said to have been *declared redundant*.

Work and leisure

While Western people assume the right to 'leisure time', this is not a right which even in the 21st century is universally recognized or honored. The 'forty hour week' was something which Western working people gained only after prolonged, organized protest. It was only in the 1930s that legal acceptance of the principle of a forty hour week was finally won in Western nations. It never has been in most Third World nations. Paid annual leave was also first included in Western industrial awards during the 1930s (though usually only one week).

It was during the boom years following the Second World War that both the forty hour week and annual leave became accepted as basic entitlements in Western industrial labor awards. The effective period during which 'leisure' has been available to the bulk of Western working people has been less than sixty years.

During the discussion on 'leisure' which follows we need to realize how long it took to have such time recognized as legitimate and for how short a time it has been a 'basic entitlement' for Western workers.

While most Western people over the past fifty years have assumed the right to limited working hours and paid annual leave, the entitlements have always been questioned by employers and are by no means ensured into the future. Since the 1970s, low paid workers have found their entitlements slowly whittled away. Many need to juggle more than one job in order to 'make ends meet'. ²³⁴

In Third World countries, with labor organization weak or non-existent, it is not uncommon for workers to be employed for six days a week and ten hours a day. This, of course, leaves very little time for 'leisure activities'.

There is, however, where leisure is accepted as a legitimate entitlement of workers, a state in which the person is *not working* both legitimately and necessarily. This is a state of *voluntary idleness*. The overarching, positive antonym for work is *leisure*, which can be divided into active and passive categories of behavior.

The active forms of leisure include pastimes, sports, games, recreation and other *amusements*. These are times when the person "charges the batteries", engaging in refreshing diversions so that they will be mentally and physically re-tuned to better perform in the realm of work. The passive forms of leisure include: relaxation, repose, rest, requiescence. These periods should provide the person with stillness, with a tranquility not possible in the busy round of work activities.

These times also have a *purpose*. They are times when the individual is able to distance himself or herself from the busy round and take stock, getting work into perspective so that they will perform more effectively and efficiently than before ²³⁵.

When people are found to be run-down, worn-out or exhausted by the pressing urgencies of work they can be prescribed times of leisure, when they can, for a period, escape the *duties of life* and become mentally and physically renovated. Even these times are considered to be intimately intertwined with work. They are not separate, alternative bases for life, they are the activities and times when human beings, who are *naturally and morally* fashioned for work, re-create themselves, and, in doing so, function more effectively within the world of work.

This conceptualization of *work* as "appropriate performance" is not closely tied to particular vocations or aptitudes ²³⁶. It is, rather, in human beings, considered to be diligent application to productive endeavor ²³⁷. It is very often dissociated from an individual's own aptitudes and abilities unless these have clearly been honed so as to improve the person's potential for work.

There is almost a sense of illegitimacy about "working" at something which one enjoys for itself - enjoyment, after all, is one of the definitional properties of *leisure*. If one was to respond to the question, "what would you do if you didn't have to work?" with the reply "what I am now doing" most Western people would find it difficult to accept. There seems to be a contradiction inherent in doing what one calls *work* in a time when one no longer is required to work.

So, for instance, an artist who paints because he or she greatly enjoys the activity, or a tennis player who makes a living from the game, seem in some way to be "cheating". Such people have blurred the boundaries between work and leisure. In order to ensure that this does not provide people with escape from the normal necessity to work they must be categorized as in some way "special". And, in order to remain legitimate they need to be seen as in some way "driven" to apply themselves to their activity by some inner compulsion. Work is about discipline, about applying oneself to activity which is in some way an imposition of ordered *endeavor* upon the individual.

Those who are not inwardly driven soon find that people around them supply much of the needed resolve to engage in work through their expressed attitudes toward these deviant people. It is the lucky few who are able to combine personal interest with work but they, driven to constant involvement in a form of activity which is normally defined as *leisure*, need to demonstrate that they have an extraordinary commitment to the attainment of perfection. They are *professionals* not "amateurs".

The realm of leisure is constantly being redefined as more and more leisure activities are *professionalized*, transforming them from leisure to work, from a form of activity presumed to be "relaxing" to one which the individual is diligently focused upon and from which the individual "derives an income". We speak of this phenomenon as the professionalization of sport, leisure etc..

The organization of work 🐼

Although one would hardly perform work if there were no income attached to it, there is more to work than the income obtained. Work should be performed over extensive periods of time, and the time set aside for it should be spent in activities which are clearly defined as "work related". Talking with someone involved in a large corporation, I was told the following story:

Several people in an office had found that, by hurrying through their tasks, they were able to perform most of the day's required activities in the first three to four hours of the day. They therefore decided to do this and spent much of the afternoon in playing cards.

The manager of their section of the corporation decided that this was entirely unacceptable (for reasons which you, if you are a Western person, will already understand, even if you can't articulate them). He called the offending workers into his office to remonstrate with them.

They asked him whether there was any expressed dissatisfaction with the quality or consistency of their efforts. He answered that there wasn't but that there was a perception that they were lazy because they spent so much time in playing cards. He explained that they were not employed to play cards, but to carry out the duties of their positions.

They were asked, in future, to "space" their work and spread it over the entire day. They were not to indulge in card playing or in excessive periods of "morning tea" or "afternoon tea" but were to use their time in "work related" activity.

This is, of course, reminiscent of Parkinson's (1957) Law:

Work expands to fill the time available for its completion and subordinates multiply at a fixed rate, regardless of the amount of work produced.

...A lack of real activity does not, of necessity, result in leisure. A lack of occupation is not necessarily revealed by a manifest idleness. The thing to be done swells in importance and complexity in a direct ratio with the time to be spent.

(^{CE} Parkinson 1957)

A Western person, hearing this story, immediately recognizes a whole constellation of reasons why the workers could not be allowed to continue to "play" during "work hours". Work, in almost all forms of employment, covers a period, and tasks are performed through that period. There are, in all jobs not directly driven by assembly line practices or by "piece" work, times of disguised "inactivity" through the period. Most workers, if they concentrated their efforts, could perform the required tasks of their positions in much less than the *time span* of work.

It was this recognition which led to "^{CE} Taylorism " (see Taylor 1911), the scientific management programs of the early 20th century, which aimed to eliminate "inefficiencies" and ensure that workers performed in the most productive manner possible. It has, similarly, resulted in recent

management strategies to "streamline" companies, through concentrating work activity within a smaller workforce ²³⁸.

As we observed earlier, these practices are aimed, at a time when new technologies are simplifying work tasks and increasing productivity in many areas, at increasing the work commitment of individuals, requiring them both to work harder and for longer hours. For reasons with which most Western people find it hard to disagree, new management strategies are aimed at *increasing* commitment to work, not at lessening it. And, we know that this is as it *ought* to be. As soon as we find that a term has a teleological dimension of this kind, we immediately also know that the term is a *prescriptive* one. The term *work* is such a term in the English language.

It is undeniable that *labor* is something in which all people everywhere engage because some of the tasks which need to be performed in any community require an expenditure of physical or mental effort which is at times irksome to those required to perform the tasks. However, the need to allot a specific period of each day to the performance of such tasks, and then to ensure that people are managed in such a way as to maximize their activity, is a distinctively Western need.

It is this allotment of set times to maximized labor-related activity which uniquely defines *work* in Western communities. This complements the equally unique relationship perceived between production, possessions and status in Western communities ²³⁹ and ensures that people are focused on the status maintenance and attainment prerequisites of their communities.

Because our drive to consumption and accumulation is open-ended, Western people argue that so too must our commitment be to producing the goods and services we "need" ²⁴⁰. This is a *consequence* of the Western belief that individuals should diligently apply themselves to productive endeavor, to work, rather than a *cause* of it.

It is not that we work because our needs are constantly expanding. Rather, the ability to acquire a constantly expanding range and quality of goods and services *is evidence of our strong commitment to work* ²⁴¹.

Of course, in the minds of most Western people the two are intimately connected. Since our prime means of obtaining the income necessary to obtaining the goods and services we need is work, we are quite sure that unless we work we will not be able to obtain those goods and services. This, of course, is true, but simply demonstrates how strongly Western people, over the past four centuries, have reinforced the need to work through closely tying both material wellbeing and status attainment and maintenance to its performance.

The most important forms of behavior, organization and meaning in any community are strongly reinforced through the ways in which they are made "necessary" through tying individual and communal wellbeing to them. So people sense that unless they are maintained, life will become increasingly difficult.

Over a period of more than four centuries Western European communities increasingly buttressed "work" in this way. Now, in the early 21st century, Western people are, indeed, very certain that unless they commit

themselves to work, both their own wellbeing and the wellbeing of the communities in which they live will be at risk.

In a very real sense, Western people do not work in order to live, they live to work!

Teaching Western Europeans to work 🦋

So, how did it happen that Western Europeans became so convinced of the central importance of work? To understand this, we need to look back into Western Europe's historical experiences ²⁴². Here we will focus on a few of the presumptions and practices which led to the present Western commitment to work.

In the past, during the 16th to 19th centuries, as Foucault says,

If it is true that labor is not inscribed among the laws of nature, it is enveloped in the order of the fallen world. This is why idleness is rebellion - the worst form of all ... the sin of idleness is the supreme pride of man once he has fallen, the absurd pride of poverty...

In the Middle Ages, the great sin... was pride... All the 17th century texts, on the contrary, announced the infernal triumph of Sloth: it was sloth that led the round of vices and swept them on.
(Foucault 1971: 56-7)

As Foucault says, by the 17th century, responsible Western people ²⁴³ had come to believe that commitment to work was either based on natural law requirements, or that it was necessary to sanctification.

The emphasis, among the responsible people of 17th to 19th century Western Europe, was on the *necessity* to engage in work, that is, in productive enterprise; in realizing the *potential* of one's own capacity to labor; of one's own innate "talents"; and of the environment available for exploitation.

John Locke, in the late 17th century, put it like this,

God gave the world to men in common; but... it cannot be supposed he meant it should always remain common and uncultivated. He gave it to the use of the industrious and rational (and *labor* was to be *his title* to it).
(1982 (1690), p.21).

It was the necessity to "make the most of oneself through industrious endeavor" that lay at the root of the 18th and 19th century insistence that everyone become involved in productive endeavor.

As Locke (1982, Ch. 5) argued in 1690, God commanded human beings to labor, and the property they accumulated as a consequence of their labor *demonstrated their commitment to that industriousness* which God required. To do otherwise than industriously accumulate personal property was to rebel against the natural order established by God for the wellbeing of both individuals and communities. Not only was one rebelling against God, by breaking the natural laws for human "progress" the person was also refusing to take his or her communal responsibilities seriously.

The term *work* summarized and expressed, in human organization and behavior, the central presumptions of the emerging *primary ideology* of Western Europe ²⁴⁴. Commitment to work demonstrated that the person, as an individual, was dedicated to obtaining the returns which the industrious gained for their dedicated effort. Those returns were important both to the individual and to the community in which he lived. Richard Baxter affirmed this when he proclaimed in 1678,

If God show you a way in which you may lawfully get more than in another way (without wrong to your soul or to any other), if you refuse this and choose the less gainful way, you cross one of the ends of your Calling, and you refuse to be God's steward.
(1838, p. 377)

As Foucault (1971:46) claimed, during the 17th to 19th centuries there was far greater concern about the consequences of *idleness* than of *illness*. It was considered the responsibility of both Governments and responsible citizens to *teach* the "idle poor" the virtues of consistent work. As Sir William Coventry, in the 1670s, claimed, poor laws ²⁴⁵, which protected the idle from the consequences of their sloth, should be repealed and the Government should establish workhouses ²⁴⁶

... where such as will not work for themselves may be compelled to work for others
(in Appleby 1978, p. 151).

Sayings emphasizing the sinfulness of sloth proliferated through Western Europe, summed up in a number of very similar English proverbs: "Idleness is the beginning of all sin"; "The devil makes work for idle hands"; "Idleness breeds vice"; "Idleness is the devil's workshop". If sloth was sin, indigence and pauperism were its consequences.

By the 18th century it was well understood that indigence was closely tied to immorality. The harshness of the workhouses between the 17th and 20th centuries was necessary to discourage the moral depravity of sloth. And, just as the evils of idleness were denounced, so the virtues of *industry* were heralded. There was virtue in *steady or habitual effort*, in *diligence in an employment*, in applying oneself in a disciplined way to productive endeavor, in

adopting those habits of industry, which always tend to steadiness and sobriety of conduct, and to consequent material wealth and prosperity
(Codere 1951, p. 24).

The morality of work

There was a *morality* in the consistent, daily commitment of the individual to work, to industriousness ²⁴⁷. The individual gained respect and status through clearly demonstrating a consistent, continual commitment to harnessing his or her environment in the interests of accumulation and production. A *conspicuous* commitment to *industry* became the primary evidence of the individual's commitment to upholding the central moral values of Western Europe.

In any community, the morality of individuals is measured in terms of consistent commitment to the central tenets and understandings which

drive and give force to systems of status and respect in the community. In Western Europe it became an accepted fact that "responsible people" work hard, and that, as Locke (1982, p. 27) said, "*Labor makes the far greatest part of the value of things* " ²⁴⁸.

So, it was entirely necessary that individuals who worked hard should retain possession of the things whose value they had thus increased and this "necessarily introduces *private possessions* " (Locke 1982, p. 22). Hard work gives value to objects, and the evidence of hard work is, therefore, an accumulation of private property. In order to demonstrate the virtues of individuals it was necessary that those who created value should possess the objects within which that value was expressed.

The accumulation of private property *by individuals* was both just and appropriate since, through their own industry, they had created the property they accumulated. It was neither appropriate nor just that those who created the wealth should be required to share it with others who did not create wealth. Rather, those who did not create wealth for themselves should be compelled to do so. Otherwise they would be a drain on those who through their own productive endeavor had accumulated wealth and had, in this way, demonstrated their commitment to the central moral values of their communities.

Responsible governments ensured that the conditions encouraging and facilitating such activity were maintained, and that those who were "not responsible" were "made responsible" by making the condition of their lives as difficult as possible until they committed themselves to work. This has remained, throughout the 20th and on into the 21st century, a prime responsibility of Government. Governments should educate and train the "workforce", and should provide every inducement and encouragement to people to "work". They should, conversely, strongly discourage idleness and vagrancy ²⁴⁹.

For the past several centuries Western European communities have had (and most still have) strongly enforced laws calculated to ensure that people were "gainfully employed" and had "visible means of support". Anything which might discourage people from strong and continuous commitment to work should be removed in the interests of ensuring that people "worked for their living". Over the past four centuries concerted efforts have been made by responsible Western Europeans to strip people of any other means of subsistence than work aimed at increasing the cash worth and extent of their private property.

From indolent subsistence to Labor-pool worker 🐼

Teaching 'The Poor' to Work

As a legacy of the feudal period in Western Europe, many poor peasants between the 16th and 19th centuries owned small parcels of land which provided all or part of their subsistence. They also had rights of use in areas of common land attached to manorial estates but available to all associated with the estate, whether small farmers or rural laborers, where they could forage and graze animals. The land was used for subsistence, not for increasing cash income or private property.

This focus in life was one which emphasized *communally determined limitations on the accumulation of property*, not an open ended accumulation of private property ²⁵⁰. As such, in the minds of the responsible people of Western Europe, the land these people held was being used "inappropriately". Therefore, as Locke (1690 Ch. 5) reasoned, it should be forfeited to those who would use it "productively", that is, to increase cash income and private property.

Not only were these peasants using the lands they controlled inappropriately, because they obtained a part of their subsistence from it, wage labor, for many of them, was an additional source of income used to augment the subsistence obtained from their own or common land. The Poor were not strongly oriented to the emerging status systems based on accumulation and conspicuous consumption which were driving activity among those who had come to be called the "middle class". In consequence, the "laboring poor" were unreliable workers. They seemed ready to work for only so long as was necessary to obtain the additional income required for a subsistence lifestyle. If they did not need the money, they saw little reason to work ²⁵¹.

By the end of the 17th century it was already recognized by those who were gaining control in Western Europe that so long as the poor had access to land and could supply part of their own subsistence requirements independently of the emerging work oriented economy, they would continue to treat work in this way. The answer, of course, was to strip away the small parcels of land from the poor, and to take away their access to common land, making them entirely dependent on work in the cash economy for their subsistence. The reasons given for the expropriation of these lands were varied, including, of course, Locke's argument that land-holding should be rationalized to increase its economic productivity.

The upshot was that in England, between 1700 and 1845, more than seven million acres of common land was expropriated and consolidated in the hands of larger landowners who put the greater part of it into pasturage. Considerably more land was transferred from small to large landowners through the termination of leaseholds and through challenging ownership rights where small-holders lacked documentation supporting their ownership, though no records are available to determine the amount of land transferred in this way.

Those who lost their lands in this consolidation became wholly dependent on cash work and increasingly reliant on the social welfare provided by parishes under the Poor Laws. They became a 'labor-pool', dependent for their livelihoods on employment within the mines, factories and sweat-shops of Western Europe; in competition with each other for scarce jobs ²⁵².

In the 19th and 20th centuries the responsible people of Western Europe found themselves with a new responsibility. They had long accepted their responsibility for re-organizing and re-educating the poor of Western Europe. Now they had to accept the same responsibility for 'the natives' of their colonies.

Responsible Western people were well aware of the problems they had encountered in educating the poor in Western Europe over more than four centuries. They realized that one of the major mistakes made had been to engage in land reform without taking into account the movement of people from the countryside. Having nowhere to go, they had 'clogged the highways and byways' during the 16th and 17th centuries and become a major problem in the cities of the 18th and 19th centuries.

They determined not to make the same mistake in their colonies. The colonial authorities would divide the land into regions, setting aside some of the less agriculturally productive areas as 'native reserves' onto which the surplus native population could be moved. They would become a labor-pool of workers, managed by the colonial administration, and employed by various economic enterprises in the colony.

Western Europeans had learned over more than four centuries that human beings were independent individuals not communal beings ²⁵³. As the British Prime Minister Margaret Thatcher, talking to *Women's Own* magazine, October 31 1987, explained,

...there is no such thing as society. There are individual men and women.

So, no account needed to be taken of existing indigenous forms of social organization or understandings of their environments. In colony after colony, they employed the same strategy:

- ★ Assess the economic potential of the territory;
- ★ determine where lower or higher concentrations of population were needed;
- ★ pass the necessary laws and regulations to legitimize the reorganization;
- ★ and move the native populations accordingly.

This freed up agriculturally valuable land for large scale farming and created labor pools for mining, plantation, large-scale agricultural enterprise and other economic activity. Colonial administrations also closely controlled movement of native populations out of their reserves. They would be allowed to move to administrative centers only by invitation and would return to their reserves afterwards. They would be selected for employment on the reserve and returned there when the employment was terminated.

The breakdown in law and order and in living standards among indigenous populations resulting from the complete disruption of their communities and individual lives were evidence, if any were needed, of the childlike inability of the natives to care for themselves ²⁵⁴.

Gilbert Murray (1900), a late 19th century student of British colonial labor practices, provided a clear summary of the systems of labor exploitation found in British colonies. It has been included in the following footnote ²⁵⁵.

He goes on to provide graphic examples of the ways in which 'useful' and 'useless' 'natives' were treated in various Western European colonies (see

footnote ²⁵⁶).

In the 19th century, during Western Europe's expansion into the rest of the world, the emphasis on the importance of work was as strong, if not stronger than in the 17th and 18th centuries. Western Europeans took their commitment to work with them as they invaded the rest of the world.

A common theme of those who wrote on the problems in countries and communities for which they felt they had to take responsibility was that "traditional" people seemed so unwilling to put in a "full day's work".

Cairns explained their attitude,

The intrinsic value of work was revealed by Bishop Smythies (U. M. C. A. [Universities' Mission to Central Africa]) when he noted Africans east of Lake Nyasa clearing ground and cultivating 'on the steepest, most stoney slopes' of a mountain side.

This seems to point to one good thing which may come from the evil of African wars [²⁵⁷]. If all was quiet and there was no fear of... marauding tribes and yet no civilization to quicken thought, in a climate where everything comes easily to hand so readily if there are only rivers as there are here, the people would have nothing to keep them from becoming more and more enervated.

(1965, p. 79)

Henry Drummond, commenting on the people of the same area, claimed that "apart from eating, their sole occupation is to talk, and this they do unceasingly" (Cairns 1965: 79). As Cairns claims of European attitudes,

the general attitude was that work, more for the sake of the virtues which it fosters than for the wealth it created, was necessary to a well-ordered purposeful life

(1965, p. 79).

Western Europeans, intent on colonial expansion, believed that they were on a "civilizing" mission and that one of their most important responsibilities was to teach people in other countries and communities to *work*. Sir Rudolph Slatin's remedy for the people of The Sudan, described by Gilbert Murray, was an example of a common theme,

'The nigger is a lazy beast,' said Slatin, 'and must be compelled to work - compelled by Government.' 'How?' asked his interlocutor. 'With a stick,' was Slatin's reply.

(Gilbert Murray [Ⓔ] 1900 p. 135)

Bernard Magubane provided a succinct description of Western attitudes toward non-Western communities in his description of relations between Europeans and Africans in South Africa,

Before they were physically subdued, African traditional societies with plenty of land confronted the requirements of capitalism with difficult problems. The wants of an African living within his subsistence agriculture, cultivating his own *mealies* (corn), were confined to a *kaross* (skin cloak) and some pieces of home-made cotton cloth. The prospects of leaving his family to work in a mine, in order to earn wages with which he could buy things he had no use for, did not at once appeal to him.

James Bryce observed that,

The white men, anxious to get to work on the goldreefs, are annoyed at what they call the stupidity and laziness of the native, and usually clamour for legislation to compel the native to come to work, adding, of course, that regular labor would be the best thing in the world for natives.

(Magubane 1975, p. 233)

This belief in the virtue of work was, by the 19th century, so ingrained in Western Europeans that they *knew* that it was both logical and rational that people be compelled to work, no matter what their objections. Western Europeans had a moral duty to teach the world to work, and they have gone about it in non-Western communities with a missionary zeal.

Over the past forty years, with the resurgence of deregulated capitalism, the reorganization of non-Western regions and communities to serve the demands of capitalism has continued apace. In free trade zones, maquiladoras and export processing zones, wherever labor is cheap and regulation relaxed or non-existent, people will work in substandard conditions, receive low wages, and live in slums.

And, all the while, Western peoples and those who emulate their lifestyles in non-Western countries and communities will continue to expand their consumption and accumulation of the products of that exploitation.

Conclusion 🐦

So long as commitment to work, and its inevitable companions - ever-expanding consumption and accumulation - are among the central primary ideological presumptions of Western communities, unregulated capitalism will continue to produce conditions like these around the world.

The emphasis upon the importance of work in Western communities has not diminished in the 20th and 21st centuries. Writers as diverse as Thorstein Veblen, John Dewey, Hannah Arendt and Daniel Bell have argued that work is a moral imperative and has, as Bell put it, "always stood at the center of moral consciousness" (in Wolfe 1997 p. 559) ²⁵⁸.

The most important duties and responsibilities of community members, those which, as Kant ((1785) 1909) suggested, secure our own "freedom", are strongly reinforced through the ways in which they are made "necessary" to both individual and communal wellbeing. In Western communities, a wide range of common-sense reasons is given as to why people must be involved in work:

- ★ The economic wellbeing of the country *requires* that everyone commit themselves to consistent hard-work - only in this way will the gross national product continue to grow and the economy "expand". Bureaus of Statistics publish tables showing "days lost" due to a lack of commitment to work, to absenteeism ²⁵⁹.
- ★ People who don't put work first fail to establish themselves financially and so become a drain on the community through becoming, at one time or another in their lives, dependent on "welfare". Consequently, their children become "disadvantaged" and in later life are unable to "achieve their potential" in the world of work.
- ★ Those who diligently apply themselves to work become "successful" and grow in self-confidence. They earn respect from others and become recognized as dependable and reliable (or, alternatively, as ruthless and dominant). In consequence they become leaders, those who will be able to take up responsibilities and see them through ²⁶⁰.

These understandings permeate Western consciousness. They are presented and reinforced in many different ways. Perhaps the most pervasive and effective ways in which they are reinforced are through the varieties of forms of product and service promotion and in the various forms of "entertainment" to which the vast majority of Western people subject themselves for three or four hours a day.

Whether in salacious soap operas, or in advertisements for motor cars, those most admired are usually those who seem to have been able to succeed in the workplace, in the economic arena. They are wealthy, suave, sophisticated, with the easy grace of those who know their *own worth*. They provide models against which we can measure ourselves or that we can attempt to live by.

To the successful go the spoils! To them belong the fast cars, the yachts, the lavish entertainments and the lifestyles of the "rich and famous". Far

from challenging the central moral tenets of Western communities, the magazines and television entertainments of the West strongly reinforce them.

The West is no longer centrally concerned with sexual morality - that belongs to a past age, when people were prudish and no-one seemed prepared even to talk about the possibility of sexual adventure. It is no longer centrally concerned with violence since most of its entertainments glorify it, though it is roundly condemned in the abstract.

It is, of course, centrally concerned with social justice: in a "user pays" environment people get what they deserve! And it is centrally concerned with economic success, which is *assumed* to be related to work.

There is little evidence that people living in Western communities are evolving beyond their deep-seated moral commitment to work. After a brief flirtation with the 'evils' of 'regulation', 'protectionism' and 'social welfare' ²⁶¹ in the 1930s-1970s, Western communities have reasserted their subordination to deregulated capitalism and commitment to:

- ★ Individual self-promotion through expanding consumption,
- ★ A 'user-pays' world,
- ★ And unconstrained 'development' of the world's economic resources.

A Personal Observation 🐦

Others have explained that the amazing efflorescence of knowledge and invention of the past three hundred years could not possibly have occurred without the capitalist work ethic. It has been the drive to 'profit', William Booth's '10%', which has brought about this explosion in intellectual exploration. I agree. Without an external goad and without a drive to harness human intelligence in this way, the achievements of the modern era would largely not have occurred.

The epitaph of the era might well be, that human beings have been driven to, and beyond, the limits of their individual intellects by those myopically committed to self-promotion and the accumulation of material wealth.

The focuses of intellectual endeavor in the West have far-too-often *not* emerged from the intellectual curiosity of the researchers, but from a short-sighted drive to satisfy and shape the demands of the employment and investment marketplaces.

The forces which have channeled and circumscribed Western intellectual endeavor have seldom come from intelligent exploration and understanding of long-run consequences. They have been determined by the needs and wants of the capitalist and the consumer.

Chapter 7: Capitalism and its Colonies: Nation-States, Third World Nations, Development and Failing States

Capitalism and its colonies

Nation-states

- Who were the 'Middle-Sorts'?
- Nations as enclaves of common-interest migrants
- Colonies as the globalization of the Nation-State
- Unraveling Empires
- Taking over alien political and administrative structures

After the Colonies

- A Few Assumptions underpinning post-colonial 'development'
- International forces
 - Development Agencies, Human Rights and Structural Adjustment Programs
 - Confusing Intra-national tensions with international confrontations

Problems of nation-building

- Decentralization of Political and Governmental organization
- Indigenous Nations have the right of self-determination
- The World is Awash in Weapon Systems

Parliamentary democracy, one-party states, military coups

- One Party States
- Military Coups
- Political, Economic and Social Integration:
A Patron-Client World
- From 'Soldiers of Fortune' to 'International Security Companies '
- Civil-military Rule

The *Appearance* of Democracy

Of the last 30 years:

- Corruption
- Terror
- Neoliberalism

The Last Western Colony (and its Native Reserves)

Conclusion

{§} (27/08/18)

★ By 1914, 84.4 % of the world's terrestrial area had been colonized by the Europeans. With colonization there came a new paradigm of development. Cecil Rhodes is reputed to have expressed this paradigm eloquently:

We must find new lands from which we can easily obtain raw materials and at the same time exploit the cheap slave labor that is available from the natives of the colonies...

(UNESCO (2002) ^{CE} International Symposium on Post-Development)

- ★ They were overpowered by force of arms. Thereafter, each tribe was faced with a choice of one of two roads leading to subjection: defeat or surrender...

There are various national or ethnical groups in the country [Nigeria]. Ten main groups were recorded during the 1931 census as follows: (1) Hausa, (2) Ibo, (3) Yoruba, (4) Fulani, (5) Kanuri, (6) Ibibio, (7) Munshi or Tiv, (8) Edo, (9) Nupe, and (10) Ijaw.... 'there are also a great number of other small tribes too numerous to enumerate separately...'

It is a mistake to designate them 'tribes'. Each of them is a nation by itself with many tribes and clans. There is as much difference between them as there is between Germans, English, Russians and Turks for instance. The fact that they have a common overlord does not destroy this fundamental difference...

All these incompatibilities among the various peoples in the country militate against unification.... It is evident from the experiences of other nations that incompatibilities such as we have enumerated are barriers which cannot be overcome by glossing over them.
(Awolowo 1947, pp. 24,48-9)

- ★ We define weak states as countries that lack the essential capacity and/or will to fulfill four sets of critical government responsibilities:
- fostering an environment conducive to sustainable and equitable economic growth;
 - establishing and maintaining legitimate, transparent, and accountable political institutions;
 - securing their populations from violent conflict and controlling their territory;
 - and meeting the basic human needs of their population...

We term countries in the bottom quintile "critically weak states" and deem the 3 weakest states in the world "failed states." Failed states perform markedly worse than all others - even those in their critically weak cohort...

Bottom Quintile:

Somalia; Congo, Dem. Rep.; Burundi; Sudan; Central African Rep.; Zimbabwe; Liberia; Cote D'Ivoire; Angola; Haiti; Sierra Leone; Eritrea; North Korea; Chad; Burma; Guinea-Bissau; Ethiopia; Congo, Rep.; Niger; Nepal; Guinea; Rwanda; Equatorial Guinea; Togo; Uganda; Nigeria

(^{CE} [Rice and Patrick 2008](#), pp. 3, 9-11)

Given the wide range of tensions, contradictory demands and confrontations to which Third World nations have been subjected by Western capitalist nations over the past 60 years, it is a testament to human resilience that there are any which still escape being classified "critically weak states".

Western people have, over the past three centuries, confidently applied their own understandings and forms of organization to the rest of the world. They have done this in the sure knowledge that these represent the most

advanced, developed and sophisticated of all forms of understanding and organization available to human beings.

To introduce those forms to non-Western people has been to start them on the road to capitalist development. It has been assumed that this enables them to by-pass the historically long and thorny route taken by Western Europeans in achieving their advanced state of organization and understanding.²⁶² Chief amongst the forms of organization, thought to be most important in moving into the modern world, have been the political and economic forms of the industrialized West.

To understand the problems encountered in Third World nations over the past sixty years, we need, first, to examine a few of the presumptions underpinning Western political organization and activity as they have been shaped in concert with capitalism over the past four centuries.

Nation-states

From the 16th to the early 20th century, Western Europe experienced widespread, drastic economic reorganization. Capitalism became the ideological frame of life for the middle-classes of Western Europe. From the 17th century this capitalist reorganization coincided with a revolutionary, middle-class driven, political reorganization of the region ²⁶³.

Who were the 'Middle-Sorts'?

The nation-state was presumed to be comprised of citizens who, individually, first and foremost, identified with the nation rather than with regions within the nation. They saw the nation's achievements as their own; the nation's problems as personal problems; and they so committed themselves to the nation that when it became threatened, if necessary, they were prepared to die for it. Thomas Hobbes set out the requirements of such a 'Commonwealth' in his *Leviathan* (1651 Chapter 17, [Ⓔ] 'Of The Causes, Generation, And Definition Of A Commonwealth') ²⁶⁴.

{§} (13/02/16) Capitalism is based on *individual independence*, not on *interdependence* ²⁶⁵. Its political frame has echoed the motivations of the middle ranking individuals who were at the heart of the revolutionary changes of the period. It requires 'democracy'. But this was, always, a 'democracy' of 'responsible' people - a democracy of the middle-classes. The history of voting rights in Western democracies reflects the changing fortunes of sub-populations as they have become accepted by the middle-class base which still largely controls Western democracies ²⁶⁶.

The new political entities, nation-states, represented the interests of the middle-classes. In almost every ethnic community in Western Europe, one could find these people - 'middle sorts' - who socialized and identified with each other across community boundaries and shared common interests both through the state territory in which they were living, and throughout Western Europe. These people, in the communities incorporated into each nation-state, were presumed to be not only able, but willing to subordinate their ethnic and regional interests and commitments to the interests and requirements of the larger political whole within which they were placed.

So, what was it that bound middle ranking people together in this way?

Nations as enclaves of common-interest migrants

An important feature of Western European nationhood has been the 'nationalism' of its people, their apparent identification with the nation-state and its political and bureaucratic organizations, and acceptance of the state's directive legitimacy. Because most Third World national governments have great difficulty in gaining and maintaining acceptance from their populations, we need to understand how European nation-states ²⁶⁷ attained and maintain legitimacy.

'Nation' was a term which originally referred to administrative regions of the medieval Western-Orthodox Church. These western European Orthodox Church regions were governed through bureaucratic organizations controlled by regional ecclesiastical administrators. The representatives of those regions in Rome lived in a set of enclaves known as 'nations'. As Thomas Dandeleit (1997) has explained,

it was in medieval Rome that the numerous local identities of Europe were commonly grouped under the five major "nations" of France, England, Spain, Italy, and Germany.

A rag-bag of regions not included in those named was referred to as the 'Netherlands' (the lands beyond the recognized regions).

People who lived in these regions not only thought of themselves as members of their local communities but also knew the names of the administrative regions of the Church within which they lived. Their rulers, on their accession to power, were anointed to their positions by the regional ecclesiastical administrators ²⁶⁸. So, almost inevitably, over a thousand years, political aspirations became identified with the regions and with the names they bore.

The medieval use of the term 'nation', following the western European Orthodox Church's usage of the term in Rome, referred to enclaves of middle-ranking people (those who, from the late 16th century, would consider themselves the 'responsible people' of western Europe), migrants from the same region, who shared some common interest or focus in life. These were the nascent middle-classes of Western Europe, those who, by the 19th century, would espouse 'democratic capitalism'.

During this discussion, we need to remember that the term 'nation' was applied to two quite distinct ideas. The first was to administrative regions of the medieval Church; the second was to enclaves of people living outside their own administrative regions, who banded together, formed cooperative relationships and friendships and were referred to by the name of the administrative region from which they came.

More emphasis was given to 'region of origin' than to 'ethnic identity' in gaining entry and acceptance into a nation (an enclave of migrants), so that nations could consist of people who spoke different dialects or languages (the *lingua franca* was, of course, Latin), were of different ethnic ancestry, and possibly of very different skin shadings. This would prove important in the intermeshing of middle-class interests across culturally diverse regions of interconnected territories ²⁶⁹ as 'nation-states' emerged in the 18th and 19th centuries.

Nations (as enclaves) were medieval common-interest, fraternal groups ²⁷⁰. Members accepted responsibility for each other and assumed support and co-operation from anyone who was identified as a group member. They developed friendships which over time expanded into extensive networks of support and acquaintanceship. The families of people connected in these ways entertained and accommodated visitors from other areas and regions, and assumed similar support if they travelled outside of their home area. The principle of mutual support and acceptance was of central importance in claiming membership of a nation (Hobsbawm 1990, p. 16).

'Nations' of scholars existed at university centers. Each nation was comprised of people from a particular geographical/ecclesiastical area who supported one another and provided hospitality and security to visitors and new arrivals. The members of such nations maintained their links after graduating and moving to other places. One could move from a 'nation' at one university center, to its counterpart at another university center and be accepted because others in the new center already had connections in the center from which one had come.

Similar nations of merchants and traders existed, which shared identity with scholars and others identified as belonging to the same region as themselves. Networks of such groups developed throughout western Europe. A feeling of affinity emerged between those who identified with each other through membership in common networks of nations (as enclaves). It was these networked people from particular regions who would become the future electorates of emerging nation-states.

Not until the 18th and 19th centuries did the term come to include both the inter-linked people of a particular territory, and the political and bureaucratic state organization of that territory. When it did, this usually resulted from concerted political and/ or revolutionary action involving those who already saw themselves as interconnected and as belonging to the same nation. ²⁷¹

By the 18th century everyone in western Europe knew the name of the region within which they lived and identified themselves in some way as belonging to the region that bore that name. The regions which were metamorphosing into nation-states were, largely, nascent capitalist regions which had been involved in the Reformation. Most of them had renounced or greatly loosened their ties with Rome.

People living in the old medieval Western-Orthodox ecclesiastical districts seem to have had little difficulty in transferring their recognition of those districts to the emerging states and their bureaucratic structures. So, national identity (that is, nationalism) preceded the establishment of nation-states ²⁷².

By the late 19th century, as a consequence of the historical connection between membership of 'nations' and education, trade and other productive and 'cultured' activities, middle-class Western Europeans had become convinced that

As the individual chiefly obtains by means of the nation and in the nation mental culture, power of production, security, and prosperity, so is the civilization of the human race only conceivable and possible by

means of the civilization and development of the individual nations.
(List (^{CE} 1885, Ch.15))

The nation, which for middle class Western Europeans of the 19th century, was synonymous with the state and its people, was the very embodiment of human existence. As Hegel explained in his lectures on *The Philosophy of History* :

Subjective volition - Passion - is that which sets men in activity, that which effects "practical" realization. The Idea is the inner spring of action; the State is the actually, existing, realised moral life. For it is the Unity of the universal, essential Will, with that of the individual; and this is "Morality." The Individual living in this unity has a moral life; possesses a value that consists in this substantiality alone.

((2001, pp. 53, 4.) G. W. F. Hegel, ^{CE} *The Philosophy of History* , [1822-1837], translated by J. Sibree, 2001, Batoche Books, Kitchener, Ontario)

Not only was membership of a nation a prerequisite for each individual human being's 'civilization', 'mental culture', 'power of production' and 'morality', the aggregation of small ethnic groupings into large nation-states was assumed to be an evolutionary inevitability ²⁷³ . As ^{CE} List (1885) explained:

Between each individual and entire humanity, however, stands THE NATION, with its special language and literature, with its peculiar origin and history, with its special manners and customs, laws and institutions, with the claims of all these for existence, independence, perfection, and continuance for the future, and with its separate territory; a society which, united by a thousand ties of mind and of interests, combines itself into one independent whole, which recognizes the law of right for and within itself, and in its united character is still opposed to other societies of a similar kind in their national liberty, and consequently can only under the existing conditions of the world maintain self-existence and independence by its own power and resources. ...

A large population, and an extensive territory endowed with manifold national resources, are essential requirements of the normal nationality; they are the fundamental conditions of mental cultivation as well as of material development and political power. A nation restricted in the number of its population and in territory, especially if it has a separate language, can only possess a crippled literature, crippled institutions for promoting art and science. A small State can never bring to complete perfection within its territory the various branches of production. In it all protection becomes mere private monopoly. Only through alliances with more powerful nations, by partly sacrificing the advantages of nationality, and by excessive energy, can it maintain with difficulty its independence.

(Chapter 15)

Eric Hobsbawm put it well. For Western Europeans,

nations were therefore, as it were, in tune with historical evolution only insofar as they extended the scale of human society, other things being equal.

(1990, p. 33)

To quote the British philosopher, economist, employee of the British East India Company and, subsequently, member of parliament, J. S. Mill (1861):

The most united country in Europe, France, is far from being homogeneous: independently of the fragments of foreign nationalities at its remote extremities, it consists, as language and history prove, of two portions, one occupied almost exclusively by a Gallo-Roman population, while in the other the Frankish, Burgundian, and other Teutonic races form a considerable ingredient.

When proper allowance has been made for geographical exigencies, another more purely moral and social consideration offers itself. Experience proves that it is possible for one nationality to merge and be absorbed in another: and when it was originally an inferior and more backward portion of the human race the absorption is greatly to its advantage.

Nobody can suppose that it is not more beneficial to a Breton, or a Basque of French Navarre, to be brought into the current of the ideas and feelings of a highly civilized and cultivated people - to be a member of the French nationality, admitted on equal terms to all the privileges of French citizenship, sharing the advantages of French protection, and the dignity and prestige of French power - than to sulk on his own rocks, the half-savage relic of past times, revolving in his own little mental orbit, without participation or interest in the general movement of the world. The same remark applies to the Welshman or the Scottish Highlander as members of the British nation.

(Mill (1861) 1862 Ch. 16)

Hobsbawm has suggested that the minorities incorporated into the expanding nation-states of Western Europe accepted their incorporation as both positive and inevitable (one needs to remember that we are speaking of the interconnected middle ranking people, *not* of all those inhabitants in these regions who were excluded from middle-class networks):

... small nationalities or even nation-states which accepted their integration into the larger nation as something positive - or, if one prefers, which accepted the laws of progress - did not recognize any irreconcilable differences between micro-culture and macro-culture either, or were even reconciled to the loss of what could not be adapted to the modern age.

It was the Scots and not the English who invented the concept of the 'North Briton' after the Union of 1707. It was the speakers and champions of Welsh in 19th century Wales who doubted whether their own language, so powerful a medium for religion and poetry, could serve as an all-purpose language of culture in the 19th century world - i.e. who assumed the necessity and advantages of bilingualism.

(1990, p. 35)

Middle-class Western Europeans, convinced that the social, economic, and political world was evolving towards ever increasing size and complexity,²⁷⁴ accepted that small ethnic communities must, inevitably, be absorbed into larger political structures, into nation-states.

Those states, it was believed, should be of sufficient territory, population and resources to enable involvement in the emerging international forms of

trade and diplomacy developing amongst Western European nation-states and between them and the United States of America. Bigger was better! And, as ethnic and regional communities became incorporated, they inherited the rights of 'citizens' within the nation-state. So, the government could legitimately claim to represent them, as it did all other people who lived within its territory.

In speaking of nations we are speaking of the coalescence of the old medieval common-interest groups which came from a particular territory. People only identified themselves as members of 'nations' because they were distinguishing themselves from people of other regions of western Europe who shared similar interests and with whom they regularly interacted. The middle-classes of Western Europe were co-operatively interconnected with each other not only within their own national regions, but also across national boundaries. There was a great deal of intellectual, business and social movement between the various 'national' territories ²⁷⁵.

In most Western European territories, the sense of national identity, of mutual support and co-operation among the middle-classes, long preceded the recognition of the 'nation-state' as a political and bureaucratic organization which represented the interests of people who belonged to the nation.

It was not that a government was established which claimed authority within a territory, and that people who did not already identify themselves as belonging to a common nation were required to swear allegiance to it. Rather, nationalism preceded the nation-state, which received its legitimation from the already interconnected people of the territory. Representative government came from national revolution and the establishment of political and bureaucratic systems which represented the middle-class interests of those involved in the revolution. ²⁷⁶

The nations of Western Europe included a range of middle-class people from ethnic and regional communities which saw their interests as coinciding with, or complementing those of other middle-class people with whom they identified in national government. National government could act in the interests of the whole territory, assuming support from the 'responsible' people in its various regions.

The focuses of government, its bureaucratic institutions and concerns, inevitably reflected the various interests and concerns of middle ranking people. They had become identified with the interests of the enclaves in which the sense of national identity had been forged. As nation-states emerged, middle ranking people could see their interests and concerns mirrored in government organization and policy making.

Since those people saw the government as representing their interests, they saw, in a truly Hobbesian sense, their interests as coinciding with the interests of the government. They could feel a sense of personal fulfillment in its achievements, and a sense of personal difficulty in its difficulties.

They took these understandings and commitments with them as they determinedly set out to reorganize the rest of the world in the late 19th and 20th centuries.

European nation-states during the 19th century expanded into the rest of the world ²⁷⁷. Wherever they went they extended their political authority through the establishment of protectorates and colonies. As they did in Europe, so they did in the rest of the world. They focused on territory, and *assumed* the integration of 'responsible' people within the boundaries of the territories they controlled.

Initially, Western European governments did not see their colonial territories as independently evolving nascent nation-states. They saw them as extensions of their own nation-state ²⁷⁸. The 'colonies' were a part of the evolution of the Western European nation-state, its geographical extension into the world.

Like the Bretons, Basques, Welsh, Scottish, Irish and countless other minorities in Western Europe, so with the peoples of Western Europe's colonies. They would soon realize, as List (1885) had explained, the wonderful advantages of 'mental culture, power of production, security, and prosperity' which would be their inheritance. After all, it was obvious that 'the civilization of the human race' is 'only conceivable and possible by means of the civilization and development of the individual nations' ²⁷⁹.

Colonial populations were identified with 'The Poor' of Western Europe and designated 'natives'. A few, usually considered to be 'aristocratic' in some way, were identified as nascently middle-class and sent to the Home Land to be educated and incorporated into the ranks of the nation-state's middle-classes: "by special favor and grudgingly made, citizens" (Houènou ^œ (1924)). It was this select Western educated elite which would be handed control as the colonies gained independence in the post 2nd World War era.

The 'responsible' people (middle-classes) in colonial territories, whether of local or European origin, were small in number and could access political processes through the institutions at the center of empire. There seemed no reason to replicate political processes in the colonies. Colonies merely required a subset of the bureaucratic administrative structures of the 'home land' which would ensure their smooth functioning and integration into the political and bureaucratic systems of the colonizing nation-state ²⁸⁰.

Most colonial authorities established administrative machinery throughout their territories and assumed its acceptance by the people who inhabited the governed regions ²⁸¹. The colonial administrations became the governments of colonial territories. The head of government in the colony was, in British colonies, the 'Governor', representative of the monarch, and ceremonial head of the administration. Beneath him a hierarchy of administrative officials existed, which preserved and accentuated the social order of the Home Land. Similar authority structures were developed in most Western European colonies.

Houènou ^œ (1924), speaking of the French administrators he had dealings with in Dahomey (Benin), described:

... the daily abuses of the Colonial Policy, and in particular, of the Policy called Native Policy. This Policy is a source of perpetual vexations.

Let me illustrate: A European passing along the highways can arrest a native and condemn him to 15 days imprisonment for the sole reason that he did not take off his hat to a white man. You will say to me that

these are insignificant matters; but the arbitrariness goes much farther.

The power of the Administrator is enormous. Contrary to that which happens in Europe, it is the accumulation of all powers; it is the accumulation of legislative and executive powers; it is the accumulation of judicial and administrative powers, - it is despotic power without control.

As the writer Somerset Maugham described them, colonial administrators, taken out of their European milieu, often appeared almost ludicrously self-important caricatures of their counterparts at the centers of empire.

In establishing administrative bureaucracies in colonies, colonial authorities believed they were involved in the historical evolution of those territories by linking them, through the colonizing state, into world-wide political and economic networks. It was believed that, given the evolutionary process of constantly increasing size and complexity, colonized populations could only benefit from (and should be grateful for) the establishment of colonial administration and reorganization of their communities.

As J. S. Mill, erstwhile resident in India and employee of the British East India Company, had put it,

Experience proves that it is possible for one nationality to merge and be absorbed in another: and when it was originally an inferior and more backward portion of the human race the absorption is greatly to its advantage.

(1861, Ch. 16)

To understand the political problems faced by Third World nations in the second-half of the 20th century, we need to realize how unanticipated was their emancipation from Western European colonial status. It was simply not presumed that they were in the process of moving toward 'independence' of any kind. As Winston Churchill said in a speech before the British House of Commons on 18th June 1940,

If we can stand up to [Hitler] all Europe may be free and the life of the world may move forward into broad and sunlit uplands.

If we fail, then the whole world, including the United States, and all that we have known and cared for, will sink into the abyss of a new dark age made more sinister and perhaps more prolonged by the light of a perverted science.

Let us therefore, do our duty and so bear ourselves that if the British Commonwealth and the Empire lasts a thousand years men will say, "This was their finest hour".

The idea of grooming colonies for independence was an afterthought (in most cases post-2nd World War) of a dawning realization that, like it or not, most colonial territories were going to gain independence from their European schoolmasters. Most European governments were reluctant to relinquish control of their colonial territories but found themselves with few options.

The 2nd World War proved a watershed for colonial empires. The European powers were unable, during the war, to closely maintain supervision of their colonies and many colonial administrations had unraveled through neglect. The costs of re-establishing control in the face of increasingly organized resistance from colonial populations were prohibitive. Colonial peoples had been co-opted into fighting for their European masters and had received both military training and counter-insurgency training which would serve them well as they returned home and asserted their right to independence.

Kwame Nkrumah, first prime minister of Ghana (1957-1960) and first president (1960-1966), in a 1965 book entitled *Neo-Colonialism, the Last Stage of imperialism*, provided a realistic, if jaundiced, view of the transition from colonial status to 'independence'. Nkrumah was of the same generation of African leaders as [Awolowo of Nigeria](#), [Kaunda of Zambia](#) and [Julius Nyerere of Tanzania](#). And, like them, from his perspective, 'independence' was simply the new face of Western colonialism. As he explained,

...Developed capitalist countries [will] secure the maximum return in profit from such parts of the international financial complex as they control. However much private capitalism is exhorted to bring about rapid development and a rising standard of living in the less developed areas of the world... faced with a choice, capitalism... will come down on the side of exploitation.

Yasin Kakande has neatly summed up the 21st century consequences for the peoples of former African colonies:

[T]he unchecked exploitation of the continent's natural resources by corporations from outside countries has forced desperate choices upon its citizens. Migrants looking for their own modicum of economic justice have come to the West. But, once they arrive, they discover the extraordinary extents to which they must prove their "worthiness" and acceptance in the same European nations that benefited from taking their homelands' natural resources for profit...

The continent's natural and mineral resources are targets of predatory wealth where no costs are incurred for unfettered exploitation. In many African nations, dictatorial puppets, often handpicked and supported by their Western exploiters, continue this relationship. This occurs at the expense of their own citizens who need and would benefit the most from the resources of their homelands.

Meanwhile, the continent's deprived migrants are seen as "nuisances" by white citizens in Western nations occasionally, but more often are portrayed as "burdens" that "threaten" the nation's economic livelihood.

(Yasin Kakande, [Only African Resources, Not Migrants, Are Welcomed Into Western Countries](#), *Truthout*, August 26, 2018)

Nkrumah's views remain pertinent in understanding 21st century Western attitudes toward former colonial territories:

In order to halt foreign interference in the affairs of developing countries it is necessary to study, understand, expose and actively combat neo-colonialism in whatever guise it may appear. For the methods of neo-colonialists are subtle and varied. They operate not

only in the economic field, but also in the political, religious, ideological and cultural spheres.

Faced with the militant peoples of the ex-colonial territories in Asia, Africa, the Caribbean and Latin America, imperialism simply switches tactics. Without a qualm it dispenses with its flags, and even with certain of its more hated expatriate officials. This means, so it claims, that it is 'giving' independence to its former subjects, to be followed by 'aid' for their development. Under cover of such phrases, however, it devises innumerable ways to accomplish objectives formerly achieved by naked colonialism. It is this sum total of these modern attempts to perpetuate colonialism while at the same time talking about 'freedom', which has come to be known as neo-colonialism.

Foremost among the neo-colonialists is the United States, which has long exercised its power in Latin America. Fumblingly at first she turned towards Europe, and then with more certainty after world war two when most countries of that continent were indebted to her. Since then, with methodical thoroughness and touching attention to detail, the Pentagon set about consolidating its ascendancy, evidence of which can be seen all around the world.

Who really rules in such places as Great Britain, West Germany, Japan, Spain, Portugal or Italy? If General de Gaulle is 'defecting' from U.S. monopoly control, what interpretation can be placed on his 'experiments' in the Sahara desert, his paratroopers in Gabon, or his trips to Cambodia and Latin America?

Lurking behind such questions are the extended tentacles of the Wall Street octopus. And its suction cups and muscular strength are provided by a phenomenon dubbed 'The Invisible Government', arising from Wall Street's connection with the Pentagon and various intelligence services.

(Kwame Nkrumah, 1965, ^{CE} *Neo-Colonialism, The Last Stage of Imperialism*, Thomas Nelson & Sons, Ltd., London, Ch.18) ²⁸²

Most European states found themselves with huge debts to the United States, which had bankrolled the war effort and then presented European governments with the bill. For the USA, war had proved good business. The US would use the leverage it gained to reshape the world in the ways which best suited its own interests.

The United States became banker to the world, holding the mortgages of all those states which had gone into debt to fight 'The War'. It became leader of, and a major supplier of armaments of all kinds to the 'Free World' - i.e. the world which accepted and followed its ideological understandings and leadership. For the next fifty years it would live on income generated by those mortgages and new mortgages negotiated with all those Third World countries which came into its orbit as European empires crumbled.

The internal infrastructures of Western European colonial powers had all but collapsed through the war years and they simply did not have the financial means to reassert control of their colonies. The real winners in the aftermath of the war proved to be the two emergent superpowers: the USA and the USSR.

There were new kids on the block, and they were going to take over the world. Neither had been involved in the 19th Century acquisition of colonial empires. They saw no reason why the weakened European states should retain the advantages which privileged access to their colonial empires gave them.

Through the post-war years, the USSR would champion the 'right' of colonial people to independence and back this up with military training and weapons support. The USA, realizing that it was in their interest to ensure they had unfettered access to the colonies, very strongly pressured Western European governments into granting independence to colonial territories.

Western European colonial powers faced the joint pressures of a 'Cold War' between the two superpowers (as they arm-wrestled for international dominance) and US insistence on free access to their colonies. With the combined problems of national indebtedness, costs of taking sides in the developing superpower confrontation, and re-establishing their own faltering infrastructures and economies, their empires became a mill-stone which most Colonial powers could do without.

Much as they might have wanted to retain them, and however strongly they attempted to assert the right to control, one after another, colonial territories gained independence. European colonial empires crumbled over about forty years between 1945 and the 1980s.

I was involved in research aimed at grooming a British colony - The Gilbert and Ellice Islands Colony - for independence as late as the early 1970s. As a preliminary to my research I investigated the administrative structures of the colony and found that trainee ministers from the indigenous population had been appointed to each of the colonial administrative departments by the British administration. I was told that the aim was that they should learn how everything worked before taking over (some 3-4 years later).

Assuming that they would have departmental information at their disposal, and interested in their views of where things were going, I interviewed relevant ministers (there were, of course, no British counterparts in the colony since it was an administrative outpost of the British governmental bureaucracy).

They seemed genuinely surprised that I should want to talk with them. Once I began questioning them they quickly explained that they had no access to any ongoing activity or policy making in their departments. Their opinions were simply not sought by the administrative staff who generally thought them something of a nuisance. They had been given offices and titles but there was little or no 'grooming' going on!

Given the British Westminster system of parliamentary democracy, this was not surprising. In the Westminster System, there is a clearly established and carefully maintained separation between the political and administrative arms of government. Few administrative personnel knew how to 'train' future politicians - or felt that it was important to do so!

There was little long-term education or planning engaged in by any of the Western European powers as they handed governmental reins over to indigenous leaders ²⁸³. Territories which went from colonial to post-colonial status, simply inherited the colonial bureaucratic machinery and had

political processes and institutions appended to them, often less than two years prior to gaining independence.

Taking over alien political and administrative structures

Colonies moved from being bureaucratic dictatorships to 'parliamentary democracies' with almost no education of the population in democratic ideas or procedures, and often with only a single election of political leaders prior to independence.

It could be claimed that this was because their European masters had simply lost interest, or were genuinely aggrieved at losing control. However, while those might have been considerations, it was also rather naively believed that democracy of the Western European kind was 'natural' to human beings. Freed from the dictatorial and capricious control of 'chiefs' and 'warlords', it was believed that people would revel in the new found freedom which Western forms of governmental organization gave them ²⁸⁴.

Many of the problems of Third World countries seem to center on attempts to recreate, in alien environments, Western-style 'nations' and Western-style 'nationalism' amongst their peoples. In attempting to emulate Western nations, they have introduced expectations and understandings which appear to fit very poorly into the cultural understandings and expectations indigenous to the peoples of post-colonial territories.

To understand the presumptions and expectations of those responsible for establishing new nations in the post-War period, we need to understand why they assumed the viability of such nation-states, and why they presumed that strong national sentiments amongst the people incorporated in such states would automatically follow the establishment of new nations. We also need to understand the nature of the political expectations and presumptions of the populations which have, in large measure, shaped the post-War experience of Third World nations.

A growing chorus of Third World writers has insisted on the inappropriateness of such presumptions for the government of post-colonial countries. Julius Ihonvbere is among the clearer of such voices, claiming that:

... the masses in Africa, relate to the state as an exploitative, coercive and alien structure [whose] custodians lack credibility and legitimacy and are thus incapable of mobilising or leading the people.
(Ihonvbere 1994, p. 43)

More recently, Kamilu Fage has claimed of Nigeria ²⁸⁵

... Nigerian experience leaves much to be desired. After several attempts at democratization (involving constitutional reforms, elections etc), the country is yet to evolve a viable, virile and stable democracy that will elicit popular support and or even have direct bearing on the lives of the generality of the ordinary people.

... the subtle re-emergence of the ugly signs of the past (violence, bickering and fracas in the state and national assemblies, feuds between the executive and legislative arms of the government, electoral malpractices, corruption, oppression etc) raise the fear that

Nigerian democracy is still on shaky grounds.

(Fage 2007)

Richard Joseph of the Brookings Institute has given a somber description of Nigeria in 2010:

In 2005, the U.S. National Intelligence Council predicted the "outright collapse of Nigeria as a nation-state within the next 15 years." Five years later, Nigerians themselves often refer to their country as a "failed state". What most characterizes life for its citizens is insecurity. Armed robbery has recently become more terrifying with kidnapping conducted to extract ransoms. On the eve of Nigeria's 50th anniversary in October 2010, basic needs in electricity, water, and public health are unmet. Even fuel for cars is often scarce in this major petroleum exporter.

Nigeria is today a bruised and disoriented nation.

(^{CE} Joseph 2010)

After the Colonies 🐦

Following the Second World War, Western imperial powers, with varying degrees of reluctance, moved out of their colonies. As they did so, they created 'new nations', with responsibility for government usually inherited by Western-educated elites. Their training, based on Western European understandings of the world, led them to believe that Western forms of political and administrative organization were essential to the ongoing well-being of their people.

Most European commentators simply assumed that where there was a nation-state one would soon find an emerging sense of nationalism. The viability of the nation-state was taken for granted and political failure could only result from political and economic ineptitude and/ or from a failure to provide properly representative government. The subsequent histories of post-colonial states, in large part, reflect attempts to adapt Western nation-state organization to their territorial and ethnic realities.

Obafemi Awolowo's (1947) description/explanation of [Nigerian realities](#) was indeed prescient (and applicable to many other post-colonial nation-states).

Amongst the important influences on governments and people in Third World countries have been the reification of 'the state' and 'the people' in most discussion of Third World nations and peoples. This has been accompanied by the formulation of governmental policies based on that reification.

Instead of squarely facing and taking into account the ethnic diversities of post-colonial nation-states, there has been a belief in their inherent unity and ability to be treated as unified wholes. Their post-colonial reorganization has usually been undertaken as an exercise in 'modernizing' inherently homogeneous nation-states.

The modernization thesis,²⁸⁶ espoused in various forms and with various emphases by most development specialists over the past fifty years, has been an optimistic one. It has assumed that, for those nations which genuinely and consistently implement the necessary social, political and economic changes, transformation into modern industrialized nation-states is inevitable.

A Few Assumptions underpinning Post-Colonial 'Development' 🐦

The state has been assumed to be a self-existent entity, separate from the communities which it controls, and able to impose necessary changes, however radical, on its populace²⁸⁷. Important responsibilities placed on new nation-states by development and 'nation-building' specialists have included establishing those institutions necessary to economic development, and providing the social and political climate necessary to stimulate self-interested, competitive material accumulation. It has been assumed that this would result in an inevitable 'take-off into self-sustained economic growth' (cf. Rostow 1956, 1961).

Because most political and economic theorists and practitioners believe that 'traditional' societies are being transformed into modern societies, with traditional features destined for oblivion, Third World communities have

been regarded as transient. Problems encountered by 'traditionally oriented' individuals and communities are assumed to be, in large measure, consequences of this shift to modernity. So, rather than focusing on the social problems of such communities, one needs to step up the pace of modernization.

Third World governments, it has been believed ²⁸⁸ should, therefore, in the face of the breakdown of law and order and social cohesion in traditional communities, more rigorously implement those measures which will transform them into industrialized nation-states, with all the advantages of such a transformation.

The dissolution of the old is a necessary precursor and concomitant of modernization and the state should keep its eyes firmly fixed on that goal, not deviating to attend to problems which are inevitable, but transient consequences of moving toward it. As Sangmpam put it:

... modernization theory assumes an imaginary society because the real society in the Third World is perceived as 'transient'

... Various solutions have been proposed to combat underdevelopment. Central to these solutions is the role assigned to the state as the 'engine of development'. Until recently, it was thought that an authoritarian state could better perform 'developmentalist' tasks.

In recent years, the state has been invested with the capacity to move toward democracy, which presumably will lead to socioeconomic development. The belief in the state is reinforced by the call to 'bring-the-state-back-in', according to which the state and its policies reflect almost autonomous institutions and the actions of those occupying these institutions.

(Sangmpam 1994, p. 1)

This assumes a 'government' separate from the people it governs, with political leaders somehow separate from and able to impose their policies on the populace (echoing colonial administrative practice). All this is based, of course, on a reification of 'government' and the separation of a 'political environment' from other 'environments' such as the 'economic' and the 'social' (see [People and recognized Environments](#)). It also assumes the depersonalization of government and a clear separation between its political and administrative arms, that is institutional, routinised Western-style government (see Max Weber (1968)).

Politicians, in Western countries, are usually identified with their parties and platforms. The people they represent assume that they will support their party in parliament and only secondarily focus on the local needs and interests of the electorate. Members of parliament are insulated from the impersonal institutional bureaucracies through which government policies are carried out.

In the Third World, these presumptions are usually difficult to sustain. Political activity is commonly not separate from other forms of activity, and those with political power exercise it personally. Political parties often find it difficult to pursue a coherent set of policies since members of parliament are focused on their own electorates' concerns. That is, government, both in formulating policy and in the delivery of services is *personalized* ²⁸⁹ .

For people who live in communities where it is both natural and proper for leaders to be personally connected with their followers, this personalization is unexceptional. Government is not separate from the people, and politicians access the administrative departments of government through networks of patron-client relationships which link not only the administrative bureaucracy and politicians, but also politicians and their constituents.

International forces 🇳🇬

From 1945 to 1990, post-colonial nations were subjected to a forty-five year period of 'cold war' between the two 'superpowers' which emerged from the Second World War. Both superpowers held contradictory, but nonetheless equally Western ideologies, which they each attempted to impose on the rest of the world.

This, in turn, split the world into three camps:

1. those who supported capitalism and saw in Marxism, communism and socialism the anti-Christ which denied individual human rights and enslaved subjects to the state (The First World);
2. those who saw in capitalism the rapacious greed of a few, subjecting the many to work for their individual and private gain (The Second World);
3. and a third, '**non-aligned**' group, with many shadings, which sought to remain neutral, claiming to hold neither ideology, but some other political rationale suitable to their particular circumstances. It was in reference to this 'non-aligned' movement that the term 'Third World' first emerged.

Development Agencies, Human Rights and Structural Adjustment Programs 🇳🇬

As new Third World nations emerged from the late 1940s onwards, confronted by enormous political and economic problems, the industrialized world became increasingly aware of the need to 'develop' 'undeveloped', 'under developed' and 'less developed' regions. It was strongly believed in 'Third World Development' circles, that, unless Third World communities were 'developed', they would fall prey to Soviet propaganda.

Over the next forty years, a wide range of national, international and voluntary 'development' organizations were established. Chief amongst these have been international organizations with charters which require them to fund and organize Third World development programs and plans.²⁹⁰

{§} (04/08/16) The World Bank and the International Monetary Fund (IMF) have had responsibility for advising governments on economic, welfare and development matters, for funding major projects, and for overseeing economic development in the new nations. In the process, they have widely been accused of imposing their own Western priorities and ideological interests on those governments most in need of assistance²⁹¹.

Fantu Cheru discussed this:

In the words of former President Nyerere of Tanzania, the IMF has become 'the International Ministry of Finance', with enormous leverage to dictate the national policies of Third World governments ...

As in the case of IMF loans, the [World] Bank grants credit only after a borrower-government signs a letter of intent in which it undertakes to comply with certain conditions. These conditions, however, go beyond the traditional IMF recipe and require major institutional reforms ...

The critics of the IMF and the World Bank charge that these institutions represent the interests of Western countries and that their orthodox prescriptions are not appropriate to the circumstances of African countries as they fail to address the root causes of underdevelopment and unequal exchange.

(Cheru 1989, pp. 35-6, 38-9)

The United Nations has provided a forum for interchanges between developed and developing countries. It has also often been accused of being a vehicle for the imposition of First World demands on Third World governments, including the imposition of sets of 'universal principles' relating to the rights of individuals and the responsibilities of governments.

Following the Second World War, with the ideological confrontation of capitalism and communism, Western nations became increasingly concerned with 'human rights', particularly with the right of individuals to freedom of movement and self-expression. No government should have the right to control movement. Of course, only 30 years earlier, [Western European colonial powers had no difficulty in imposing severe restrictions](#) on the movement of indigenous peoples within and from their colonies.

Not only were Third World governments pressured to implement such resolutions, the United Nations organizations formed to provide development assistance provided means of leverage to donor countries. Where First World governments disapproved of political processes and developments within the new nations, they very often used these international organizations as forums within which they could voice their concerns and through which they could pressure Third World governments for reform.

Accusations made against the activities of many of these organizations have been that the priorities which have been set, and the programs and projects which have been funded, have reflected First World rather than Third World concerns; and that these programs and the activities of international organizations have very often been motivated by 'human rights' issues which reflect the political concerns of First World nations.

The Indonesian Government, in 1993, spelt out its attitude to such First World pressures:

Human rights questions are essentially ethical and moral in nature. Hence, any approach to human rights questions which is not motivated by a sincere desire to protect these rights but by disguised political or, worse, to serve as a pretext to wage a political campaign against another country, cannot be justified ²⁹².

Given the international tensions of the 'Cold War' period, it is small wonder that the international political concerns of donor nations strongly influenced their development priorities. This led them to use development funding as a

means of pressuring governments into endorsing their interests and concerns.

Much of the pressure exerted on post-colonial governments during this period was concerned, not with the material well-being of Third World peoples so much as with ensuring the commitment of governments and people to the ideological biases of the donor nations.

With the demise of the Soviet Union, 'non-alignment' has become anachronistic. Now there is only one highly successful and very dominant ideology (with its variants) in the West, with socialism and communism in disrepute. Those who, in the past, sought to remain nonaligned, now have little option but to accept the ascendancy of capitalism and attempt to reorganize their communities to participate in the rapidly expanding international capitalist system.

Many of them, in the 1980s and 1990s, at World Bank and International Monetary Fund (IMF) instigation, implemented structural adjustment programs (SAPs) to reorient their political and economic organization and activity to neoliberal, free-market requirements. As Jason Oringer and Carol Welch (1998) claimed,

SAPs share a common objective: to move countries away from self-directed models of national development that focus on the domestic market and toward outward-looking development models that stress the importance of complete integration into the dominant global structures of trade, finance, and production. ²⁹³.

In the new international climate, no nation could escape involvement in the emerging global communications, financial, enterprise, information and entertainment networks. Nor could they insulate themselves from the deregulative forces which exposed populations to the vagaries of the international marketplace. These gave transnational corporations and organizations increasing influence within Third World national boundaries.

Confusing Third World intra-national tensions with international confrontations

{S} (26/04/17) As colonial territories gained independence, they entered a world threatened by the confrontation of two world industrial powers, armed with weapons of mass destruction. No country was immune from the resulting tensions and from the demands made upon them to support or oppose the Western and Eastern blocs.

While there was no Third World War during this period, there were innumerable 'brush fires' or small wars.

Third World countries, fraught with internal tensions and challenges to central authority, became the target of Cold War rivalries. As regional interests in Third World nations challenged central governments they looked for external support and ways of obtaining weaponry and military expertise. They soon learned the language of international Cold War confrontation and used it very effectively in appealing for backing for their insurrections.

First, convince a Cold War bloc that they were committed to its ideological position. Second, convince them that their opponent was on the side of the opposing bloc. Once done, this would quickly be followed by funding for

their activities by the major world players and their allies. This 'funding' was, of course, not 'free'. The costs of the wars were borne by the Third World countries, not by those international players who 'supported' them.

Inevitably, once one side in an internal Third World national conflict received international support of this kind, the other side found itself the recipient of 'military aid' from the opposing bloc. In this way, superpower tensions spilt over into the rest of the world, reclassifying local disputes in Cold War terms and financially crippling the Third World nations involved in the disputes.

During the Cold War period, these reclassified wars were fought in colonial and post-colonial countries, with opponents armed and supported by the two superpowers or their allies. Each conflict was recast as an ideological confrontation between capitalism and communism, proxies for direct conflict between First and Second World players (the superpowers and their allies were only directly involved in three of these wars). Only two of them (in Northern Ireland and Turkey) were not fought on Third World soil.

Because they were insulated from the conflict, this period of worldwide turmoil and bloodshed has often been described by people in Western nations as a prolonged period of peace. That peace has usually been attributed to the balanced build-up of nuclear weapons, which guaranteed the 'mutually assured destruction' (with the appropriate acronym 'MAD') of the two superpowers should they enter into war with each other.²⁹⁴

In Third World nations, however, during the second half of the 20th century, millions of people were killed in wars which were bankrolled and armed by the superpowers and their allies in the name of the ideological confrontation of capitalism and communism.²⁹⁵

This was not a period when newly independent countries could concentrate on their 'development' equitably aided by 'developed' nations and development organizations whose interests in their affairs were wholly benign and positive. This was a period when countries which wished to receive 'aid' from the 'developed' 'First' (capitalist) or 'Second' (communist) worlds had to demonstrate their ideological commitment to the bloc which provided the aid.²⁹⁶

It was a period in which the bloc which did not provide the aid almost certainly attempted to develop and/or maintain festering discontent and rebellion within the country. The aim of this interference in the internal affairs of Third World countries was, through successfully fuelling insurrection, to replace the leadership with people committed to the ideology of the ideological bloc promoting the confrontation.

Throughout the Third World, governments, faced with the enormous task (inherited from colonial powers) of developing the infrastructures of 'modern' 'industrialized' countries, found themselves fighting 'insurgents' or 'rebels' or 'guerrilla movements', spending a great deal of their time, energy and resources on these conflicts.

Kick and Kiefer described the scene in the late 1980s:

In the last few years, developing countries have spent nearly [US] \$20 billion per annum on the importation of armaments ...

Militarisation of the Third World coincides with a marked post-war change in the global theatres of war from the developed to the

developing countries. In the first half of this century major wars involved direct contention between the prevailing world powers, but since 1945 the structure of international warfare has shifted.

Sivard (1982) identifies 65 major wars and 10,700,000 civilian and battle deaths during 1960-1982, and with only two exceptions (Northern Ireland and Turkey) these wars were entirely fought on the territory of developing countries ...

The rivalry between the capitalist and eastern socialist power blocs has ... been played out in the Third World by the provision of military equipment to local combatants, and less often by direct intervention either by the sponsors themselves or by their proxies.
(Kick & Kiefer 1987, pp. 34, 44)

As Michael Renner described, 'more than \$1.2 trillion worth of military equipment has been transferred [to Third World countries] during the past three decades' (1994, p.23).²⁹⁷ It was small wonder that 'development' activities were less than successful, and that Third World governments, by the 1980s, faced bankruptcy and economic ruin.

Dan Connell spelt out some of the consequences:

In 1991, of the 25 largest Third World debtors, 12 were at war, and many were on a war footing ...

From 1970 to 1989, according to UN reports, Third World debt skyrocketed from \$68.4 billion to \$1,262.8 billion, leaving several nations owing more than they produce in annual income. Today, many countries have been forced to restructure their economies to keep up interest payments, while living standards plunge, urban squalor and rural poverty deepen, and infant and maternal mortality rates climb toward pre-independence levels.

With the best land reserved for export crops and natural resources sold off at discount rates, their ability to feed themselves declines further while environmental degradation proceeds apace. And more money is borrowed to stave off imminent catastrophe.
(Connell 1993, p. 1)

As ^{CE} [Gustave Speth](#), Administrator of the United Nations Development Program, said of Africa in 1994(a):

We conveniently forget Africa's history. We forget that the transatlantic slave trade robbed Africa of about 12 million of its able-bodied men and women. We forget that colonialism which followed the slave trade introduced a system of exploitation of Africa's natural resources to feed the industries of the West.

We forget the 1884/1885 Colonial Conferences of Berlin which crudely Balkanised and divided Africa into geographic areas of control by the West, with scant regard for ethnic groupings. We even forget that during the period of the cold war's geopolitical fight for spheres of influence, Africa became a focal point for the ideology and the arms that today contribute to the havoc we find in Rwanda and Burundi, in Zaire and Angola and Somalia

... Conflict and wars claim resources that would otherwise be spent on education and health and housing and other areas of development.

... A large part of the blame for this trading in death rests with the industrial countries who, while giving aid in the order of \$60 billion a year, earn much more in arms sales and otherwise from the estimated \$125 billion per year in military expenditures of the developing world. (Speth 1994(a))

At the very time when post-colonial governments were attempting to establish viable political and administrative institutions in their countries, legitimized by popular acceptance and participation, they were required to develop sophisticated international policies and interactions. They had to balance the geo-political demands of the superpowers with an increasing range of 'development' requirements placed on them by an emerging set of international institutions. The conflicting and contradictory demands to which Third World governments were subjected made long-term, rational planning extremely difficult.

Problems of nation-building

The 'nations' created by colonial powers usually directly reflected the geographical territories which they had ruled. They usually incorporated a variety of ethnic groupings, sometimes traditionally opposed to one another, sometimes more closely tied to other communities not included within the national boundaries, and sometimes opposed through the activities of the colonial powers themselves ²⁹⁸.

In almost all colonial territories, a small Western educated minority, very often representatives of a number of separate ethnic groupings in the colony, had been groomed to consider themselves members of the middle-classes of the colonizing powers. Houènou ^{CE} (1924) described his own attachment to France:

To begin with, I must completely absolve France from the policies of some of her children. We who have been reared in the Motherland - we know her, we love her, and we have unshakeable confidence in her.

But, I regret to say, though I say it fearlessly, that the representatives whom she sends to her colonies fail to perform their duties. More than that, they betray the interests of France and compromise her future. They betray the interests of Africa, and thereby compromise the future of a people who has the right to exist.

My sympathy, my affection, my love for France cannot be doubted; for in the critical hours of 1914, without compulsion of any sort, I assumed spontaneously the duty of all citizens and exposed my life like all Frenchmen.

The sense of inclusive, co-operative identity between middle ranking people *preceded* the establishment of most Western European nation-states. The small educated minority from the colonies were educated to identify with those middle ranking people.

However, as Houènou claimed, they often felt they had been tolerated rather than whole-heartedly included in middle class company, "by special favor and grudgingly made, citizens" of the colonizing power. In many ways they were neither fully accepted as citizens of the 'Motherland', nor, any longer, closely identified in their own minds with people in the colonies from which they had been taken.

The nationalism of most Third World nations consisted in the desire of these Western educated individuals to validate themselves by taking over the reins of government from colonial administrators. This was coupled with a strong desire on the part of the populace to be freed from foreign domination.

In most new nations, the post-colonial nation-state preceded the emergence of nationalism amongst the vast majority of the population. Those who inherited government, inherited a responsibility which few colonial administrations had accepted - they would have to find ways in which to develop and maintain a sense of nationalism amongst the diverse peoples of their national territories.

The unity of a colony was, to the colonial power, a consequence of its administration, and did not require the active endorsement of the

indigenous populations. The post-colonial nation-state, however, as a result of very strong international pressures and a presumption of the universal applicability of Western democratic forms, needed to receive its legitimation from the population.

Post-colonial governments, unlike the colonial administrations which preceded them, needed to be ratified through the identification of their populations with them as legitimate and unifying authorities within national territories.

Colonial powers had provided administration, and administrative representatives down to the local village and household levels in the form of magistrates, police, wardens, and council officers. They had imposed these structures and authorities on the colonial populations. They had assumed, but had not felt any need to engender, the commitment of villagers to their supervision.

In contrast, post-colonial governments needed to engender in their populations a sense of 'belonging' to the nation, rather than to a particular region, ethnic group or clan. Governments, therefore, had to intrude into the lives of their constituents in ways not contemplated by most colonial authorities.

Bice Maiguashca explained it well:

As for the Third World, during the 1950s and 1960s most of the newly created states concentrated their attention on establishing political centralisation and fostering national integration. As a consequence, most indigenous peoples, who had enjoyed a relative degree of autonomy during the colonial period, now found themselves under the authority of local elites who were driven by the imperative of 'nation-building' and who sought to consolidate their precarious hold on power through any means available to them ...

(Maiguashca 1994, p. 361)

National governments, handed control by colonial authorities, had to intrude into the identities and self-definitions of relatively insular regions, ethnic groups and clans. They had to attempt to inculcate new perceptions and understandings, through which people would primarily define themselves as members of the nation, so as to weld them into a coherent whole.

They had to begin 'nation-building' in a way not confronted by their colonial predecessors.

Those who inherited the reins of governmental power usually saw their task as one of establishing a European-style 'nation-state' ²⁹⁹. The motives for support by the majority of the population however, usually had less to do with the establishment of a nation-state than with the displacement of those who had imposed such ideas upon them.

This new, and often very intrusive, involvement of national political and governmental activity in local and regional affairs created mounting tension in many regions. In many countries the resentment generated by such intrusion led to independence claims by regions and ethnic groups.

Most colonial authorities, though claiming to be aware of the strong divisive forces which existed within the territories they were handing over to indigenous elites, counseled new governments to devolve political and administrative authority to regions. This decentralization of political and governmental organization and activity, it was hoped, would dampen demands for secession from the new nation.

This emphasis on devolution echoed conventional wisdom in political and economic development circles. In order to ensure grassroots involvement in political and economic development, it was believed necessary to involve people as directly as possible in the responsibilities of government ³⁰⁰.

Premdas and Steeves (1984) spelt out the rationale clearly:

If decolonisation means anything, it would at least entail the dismantling and re-orienting of the inherited bureaucracy rendering government administrative behavior subservient to community will. In essence, decolonisation at the grassroots becomes more of a reality where decision making and execution do not remain the monopoly or preserve of civil servants but rather are controlled by elected local councils.

The overdeveloped centre must be deconcentrated to the periphery; a meaningful measure of autonomy in political decision making should be devolved to the vast majority of citizens who are rural dwellers ... (Premdas & Steeves 1984, p. 2)

However, the problems confronting new nations could not be so easily overcome. In most countries, devolution of governmental responsibilities to provincial and regional governments simply multiplied the problems associated with governing through poorly legitimized political structures. A further level of inefficient, ineffective bureaucracy and political office was added to a structure which was quickly to come under real strain ³⁰¹.

Once regions gained political voice of their own, it became easier for regional interests to argue for secession, centered on the existing regional political and bureaucratic structures. Many post-independence separation movements focused their rebellions through taking control of provincial and regional governments in their areas.

Post-colonial governments faced challenges to their autonomy from several directions:

- international organizations and major international political powers placed strong demands on them to accept and act on their priorities and interests;
- the deregulation demanded by those involved in the emerging international economic order made governments less and less able to control economic and welfare activity within their territories;
- and regional forces challenged the legitimacy of the nation-state.

Benjamin Barber and Regine Temam (1992) claimed that internationalization and tribalism in the 1990s were still, and perhaps even more successfully, undermining the traditional political institutions of the nation-state.

On the one hand, global economic and ecological forces were requiring increasing integration and uniformity in the world, with deregulation making national borders permeable. On the other hand, nations were being threatened by 'resurgent, conflicting nationalities and tribal enmities' (Barber & Temam 1992, p. 13).

The leadership and internal organization of regional and ethnic groups and clans incorporated within the new nations had very often been warped, disrupted and weakened during the colonial period. Those (primarily Western educated elites) who sought power in the new nations found in those groups fertile soil for their own ambitions. They often attempted to subvert and/ or displace 'traditional' leadership in order to establish personal support-bases within their own ethnic and regional communities through which they could gain control of the national government ³⁰².

Ikejiani described the scene in Nigeria in 1964, three years after gaining independence:

It is glaringly evident that the distinguishing mark in Nigerian public life presently is not a man's political philosophy, or religion, or party, or education, or wealth, or personal qualities, but in the last analysis his tribe or origin.

Nigerians carry these tribal thoughts into all aspects of their daily life. They carry them into their friendships, into their occupations, into their loyalties and into their prejudices.

Politics in Nigeria not only has a regional cleavage, subtle and most grossly evident, but also clan connotation. There is a deep struggle for tribal superiority as well.

... It is certainly beyond dispute that in our factories and shops, in government offices, in corporations and in our various institutions, appointments and promotions are made, in many cases, on tribal and clan calculations.

(Ikejiani 1964, p. 122)

Rather than a shared 'nationalism' amongst the populace, the leaders of new nations found that colonial administration had done little to weaken ethnic and clan loyalties and identities. It had been just as ineffective in establishing any sense of shared identity between the disparate communities within national territorial boundaries.

Most colonial people interacted with the colonial structures at the local level and seldom needed to think in terms of an over arching 'national' bureaucracy. In consequence, for most people, pre-colonial political allegiances, while distorted by colonial experience, were still potent.

Chukwudum Okolo put it well:

Perhaps the best description of the African reality is tribalism, which is Africa's foremost social evil. Tribal wars have long been part of the continent's chequered history, and a source of social, political, and economic distress since independence. The identifiable cause of coups in Africa lies in tribal struggles for power.

(Okolo 1989, p. 33)

Indigenous Nations have the right of self-determination 

{§} (31/05/17) During the 1990s, with Third World governments assumed to be firmly in control of their national territories, an international emphasis emerged on minorities, on 'the Fourth World' or 'Indigenous Nations' (see Hughes 1997). The ^{CE} *International Covenant on the Rights of Indigenous Nations*, presented to the Geneva headquarters of the United Nations in 1994, provided a clear statement of the focus:

The Charter of the United Nations, International Covenant on Economic, Social and Cultural Rights, the International Covenant on Civil and Political Rights and resolutions and declarations of the World Council of Indigenous Peoples, the Inuit Circumpolar Conference, the International Indian Treaty Council and other international bodies related to these organs affirm the fundamental importance of the right of self-determination of all peoples, by virtue of which they freely determine their political status and freely pursue their economic, social and cultural development.

Paradoxically, as emphasis was increasingly placed on the globalization of economies and the emergence of supra-national political, social and economic integration, the rights of minority groups within national boundaries were increasingly emphasized in international debate. Representatives of such groups found receptive audiences in international forums and in First World nations in pressing claims for the recognition of:

... the urgent need to respect and promote the inherent rights and characteristics of Indigenous Nations, especially the right to lands, territories and resources, which derive from each Nation's culture; aspects of which include spiritual traditions, histories and philosophies, as well as political, economic and social customs and structures.
(^{CE} UN 1994)

While continuing to treat the state as separate from and able to direct the activities of 'its people', international organizations and First World leaders ³⁰³ increasingly required Third World governments to recognize the rights of minorities within their boundaries. As the Covenant said:

Indigenous Nations have the right of self-determination, in accordance with international law, and by virtue of that right they freely determine their political status and freely pursue their economic, social and cultural development without external interference;

... Indigenous Nations may freely choose to participate fully in the political, economic, social and cultural life of a State while maintaining their distinct political, economic, social and cultural characteristics, and not relinquishing the inherent right of sovereignty.
(UN 1994)

By placing these demands in the context of Awolowo's description of colonial Nigeria, it becomes apparent that post-colonial authorities were going to face enormous problems if they accepted such demands and attempted to act on them:

There are various national or ethnical groups in the country [Nigeria]. Ten main groups were recorded during the 1931 census as follows: (1) Hausa, (2) Ibo, (3) Yoruba, (4) Fulani, (5) Kanuri, (6) Ibibio, (7) Munshi or Tiv, (8) Edo, (9) Nupe, and (10) Ijaw.... 'there are also a

great number of other small tribes too numerous to enumerate separately...'

It is a mistake to designate them 'tribes'. Each of them is a nation by itself with many tribes and clans. There is as much difference between them as there is between Germans, English, Russians and Turks for instance.

(Awolowo 1947, pp. 48-9)

In part, these apparently contradictory emphases signaled the decreasing importance being placed upon nation-states in the world of the late 1990s. In part, however, the emphasis on the rights of minorities also reflected the realities of the ethnic conflict which has been present in Third World nations since their inception, and which was becoming a major concern in the First World.

A 1995 *Food and Agricultural Organization* (FAO) report described the problem:

More and more small states are emerging, requiring new forms of extra-national arrangements and development assistance. Conflicts such as those in Bosnia-Herzegovina and Chechnya are recent and dramatic manifestations of an emergent nationalism that created new, and exacerbated old, political, economic, religious, and ethnic problems. Violence and war have continued unabated in various parts of the developing world.

(UN 1996)

Third World nations were being challenged by forces both inside and outside state boundaries ³⁰⁴.

Since September 11th 2001, with the West re-oriented to seeking out and destroying 'terrorists' wherever they might be found (or imagined), those minorities which have not already secured rights (and many who have) find themselves categorized as 'terrorists' by central governments.

A new language has emerged to legitimize harsh reaction to minority demands. Branding a minority movement a 'separatist terrorist organization' seems to mute condemnation of any action against it from most Western governments. Adopting the policies and justificatory language of George W. Bush's United States, central governments have readily asserted, in the words of Henry Hyde, that:

We must be prepared not only to protect ourselves from new assaults, not only to intercept and frustrate them, but to eliminate new threats at their source. This must be a permanent campaign, similar to the ancient one humanity has waged against disease and its never-ending assault upon our defenses

(Hyde 2001)

With Western governments committed to similar reaction to those who oppose them around the world, it has become increasingly difficult for disadvantaged minorities to gain support or even a hearing in international forums. Movements which were supported during the 1990s are now cut adrift, to fend for themselves.

The consequences can be seen in the increasing flows of displaced persons, no longer welcome in Western countries which now see them - whatever

their age or gender - as a looming threat to national security.

The World is Awash in Weapon Systems 🌐

{§} (25/03/16) From the outset, most Third World governments have had to contend with the competing interests of powerful ethnic and regional groups, more intent on furthering their own interests than in ensuring workable national government. This, in many countries, has led to long-term civil unrest, insurrection, and civil war.

In the climate of the Cold War, such difficulties were compounded by international powers confounding tribal, regional and clan conflict with ideological confrontation between capitalism and communism. The protagonists were, as we've seen, often armed and funded by competing international forces.

In the post-Cold War period, the flow of arms did not diminish. With huge stockpiles of weapons no longer required by Western and Eastern bloc countries, arms merchants were able to offer sophisticated weaponry at bargain basement prices with little or no check on the credentials or intentions of purchasers.

James Woolsey, Director of Central Intelligence, in testimony to the US Senate Select Intelligence Committee on 10 January 1995, claimed that:

... the proliferation of advanced conventional weapons and technology [is] a growing military threat as unprecedented numbers of sophisticated weapons systems are offered for sale on the world market.

Especially troubling is the proliferation of technologies and expertise in areas such as sensors, materials, and propulsion in supporting the development and modernization of weapons systems.

Apart from the capability of some advanced conventional weapons to deliver weapons of mass destruction, such weapons have the potential to significantly alter military balances, and disrupt U.S. military operations and cause significant U.S. casualties.

And Lt. Gen. James R. Clapper, Jr., Director of the Defense Intelligence Agency, before the same committee:

[W]hile we tend to focus on current and future high technology big-ticket items, it's important to remember that the world is already awash in weapon systems. These range from the relatively simple small arms and mines, to more advanced hand held surface to air missiles, to increasingly advanced anti-ship cruise missiles.

Any country with hard currency can and will get these systems. And while they won't lead to military defeat of U.S. forces, they certainly hold out the prospect of casualties. As we have seen in the past, this can have both a major impact on force planning for peacekeeping operations and a significant domestic political impact on their conduct.

([Ⓔ] *Arms Sales Monitor February 1995, p. 3*)

As Rachel Stohl has described, the 21st century has seen little change in the flow of weaponry to Third World territories:

In the last six years, Washington has stepped up its sales and transfers of high-technology weapons, military training, and other military assistance to governments regardless of their respect for human rights, democratic principles, or nonproliferation. All that matters is that they have pledged their assistance in the global war on terrorism. (Cf Rachel Stohl (2008))

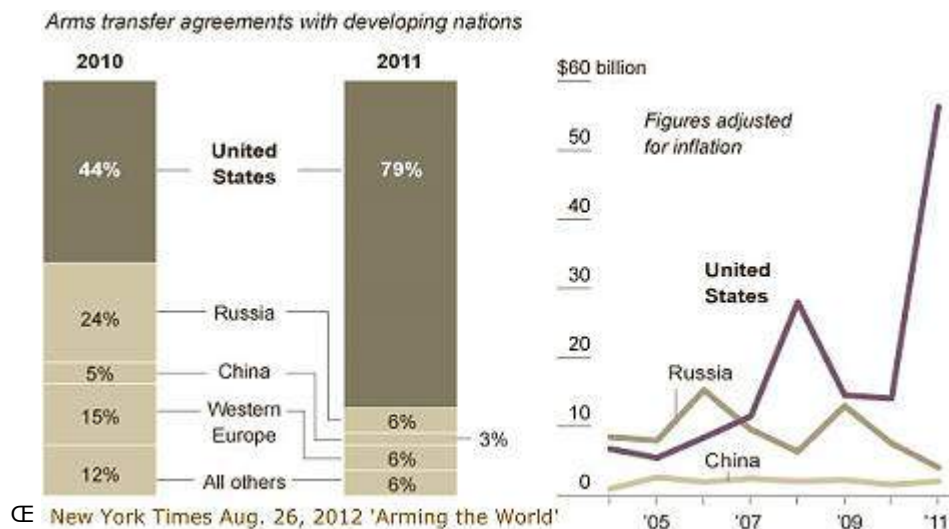
Thom Shanker, in *A New York Times* article, September 6th, 2009, entitled *Despite Slump, U.S. Role as Top Arms Supplier Grows*, outlined the continued growth in arms sales over the past several years:

In the highly competitive global arms market, nations vie for both profit and political influence through weapons sales, in particular to developing nations, which remain "the primary focus of foreign arms sales activity by weapons suppliers," according to the study.

Weapons sales to developing nations reached \$42.2 billion in 2008, only a nominal increase from the \$41.1 billion in 2007.

(Cf Shanker 2009) ³⁰⁵

As the following graph shows, arms transfers to the 'developing' world by the United States have sped up since the 2008 global financial crisis. The United States, in 2011, was responsible for 79% of all arms transfer agreements with Third world countries.³⁰⁶



Richard Grimmett and Paul Kerr (2012), presented a detailed report of arms agreements and transfers to the Third World between 2004 and 2011 to the US Congress. As they explained:

In worldwide arms transfer agreements in 2011-to both developed and developing nations-the United States dominated, ranking first with \$66.3 billion in such agreements or 77.7% of all such agreements. This is the highest single year agreements total in the history of the U.S. arms export program. Russia ranked second in worldwide arms transfer agreements in 2011with \$4.8 billion in such global agreements or 5.6%. The value of all arms transfer agreements worldwide in 2011 was \$85.3 billion, a substantial increase over the 2010 total of \$44.5 billion, and the highest worldwide arms agreements total since 2004.

(Cf Conventional Arms Transfers to Developing Nations, 2004-2011, (US Congressional Research Service, August 24, 2012, R42678))

Updated reports on Conventional Arms Transfers to Developing Nations and related studies can be accessed from the ^{CE} [US Congressional Research Service Reports on Conventional Weapons Systems](#) website.

Chapter 12 provides further insights into [The US President, Pentagon and the Military Industrial Complex](#)

Parliamentary democracy, one-party states, military coups

Destructive as the weapons build-up and regional and ethnic challenges have been within Third World countries, there were other equally disruptive forces involved in challenging the viability of new nation-states. Where post-colonial governments were established through the electoral processes of democracy, those who entered parliament were supposed to conform to Western European parliamentary and governmental practices.

Parliamentary democracy, particularly of the Westminster form, depends on those elected seeing themselves as representatives, not of people in particular residential regions within the nation, but of particular 'parties' which represent the interests of particular social 'classes' and pressure groups, each with its distinctive ideology. Ethnic and clan differences are assumed to have been overridden by economically-based class distinctions which cut across group boundaries.

People are presumed to be committed to particular ideological positions espoused by the parties for which they vote.

Parliamentary democracy of Western European varieties philosophically presupposes a commitment by the majority of the population to the nation, with individuals vicariously sharing in the achievements of the nation as though they were their own achievements³⁰⁷. Thomas Hobbes, in the 17th century, provided the philosophical underpinnings for this form of nationalism. The commitment of individuals to the nation creates:

... a real unity of them all in one and the same person, made by covenant of every man with every man, in such manner as if every man should say to every man: I authorise and give up my right of governing myself to this man, or to this assembly of men, on this condition; that thou give up thy right to him and authorise all his actions in like manner. This done, the multitude so united in one person is called a COMMONWEALTH.
(Hobbes 1909 [1651], ch. 17)

The government becomes the individual writ large, and individuals effectively enter into contract with the government to support it as long as all other individuals in the nation do so, too. However, as we have seen, this form of commitment presupposes an existing unity or nationalism amongst the populace. Government is aimed at balancing the competing interests of classes and pressure groups, fulfilling their aspirations at the national level.

Neither the 'classes'³⁰⁸ nor widely endorsed 'parties'³⁰⁹ and ideologies existed in most newly independent countries.

The Nigerian Head of State, General Murtala Mohammed, speaking to the Nigerian Constitution Drafting Committee in 1976, spelt out the problem:

Since the inception of this Administration, and particularly since the announcement of your appointment as members of the Constitution Drafting Committee, there has been a lively debate in the press urging the introduction of one form of political ideology or another. Past events have, however, shown that we cannot build a future for this country on a rigid political ideology. Such an approach would be unrealistic.

The evolution of a doctrinal concept is usually predicated upon the general acceptance by the people of a national political philosophy and, consequently, until all our people, or a large majority of them, have acknowledged a common ideological motivation, it would be fruitless to proclaim any particular philosophy or ideology in our constitution. (Murtala Mohammed 1976, pp. 12-15)

As Murtala Mohammed argued, variant political ideologies within a nation detail alternative biases in organization and activity, based on a common underlying understanding of the world and commitment to national government. Where that common understanding and commitment do not exist, it is difficult, if not impossible, to gain widespread, long-term support for the particular ideology of a political party. Rather, people define themselves in terms of ethnic and regional identity.³¹⁰

In Third World nations, those elected to office have sometimes publicly endorsed particular political ideologies³¹¹ which have spelt out alternative forms of centralized government of the nation. However, most of them already knew, or soon found, that their constituents were not committed to the articulated ideology and many of them simply did not understand its rationale.

Instead, people presume members of parliament to be committed to the communities which they represent. The communities do not see central government as an important institution through which the national economy might be safeguarded and nurtured or through which the nation might achieve 'stability' or 'economic well-being' or 'greatness'. Rather, they see it as the source of jobs, wealth and goods which could flow to themselves if their representative is astute.

Okwudiba Nnoli described this problem in post-colonial Nigeria:

Nigerianisation involved efforts by the ethnically based ruling parties in the regions to secure the complete domination of the regional public service positions by the relevant regional functionaries, or, in their absence, to prevent rival ethnic groups from filling the relevant posts. This same strategy was evident in the inter ethnic struggle for positions in the federal public service. (Nnoli 1980, p. 196)

Paula Brown spelt out a similar scene in her study of leadership in the New Guinea Highlands:

... achievement of a high elective position has the greatest prestige and rewards ... The competition and ambitions of Simbu are demonstrated in the large number of nominees, the lavish expenditure of candidates on their campaigns, the significance of success and expectations of rewards by their followers.

Support of a candidate is an important rural social activity. Provincial and national political office are the counters in Simbu intergroup and interpersonal competition of the 1980s. (Brown 1987, p. 102)

This direct relationship between the politician and his or her constituency is, of course, closer to the Athenian ideal of democracy than is the party system of Western democracy. But, in the absence of a sense of unity

amongst all those whose representatives formed government, it resulted in political and governmental chaos.

When parliamentarians are intent on ensuring that as much of the national wealth as possible is siphoned off to themselves and to their regions, government becomes a process of dividing up the spoils of office, not of focused 'national development'. As Brown said:

With the continued concentration of financial resources in government, politics is the way to wealth ...

Power and prestige in the province focus upon the town; a multi ethnic elite runs the affairs of the province and has connections with the national government, business, and sports activities. The rural communities are its dependents and the source of votes, customers, clients, and parishioners.

... these leaders are not detached from their rural relatives for two reasons.

First, the selected officials represent rural constituencies where they must be nominated, campaign, receive votes, and serve rural supporters. In their distribution of benefits they reward their supporters and constituents with jobs and services.

Second, the upper and urban segment is not independent of a rural base. Although they may live and work outside the rural area they contribute to rural affairs of their kinsmen, clan, and constituents and participate in some rural activities.

(Brown 1987, p. 103)

Nnoli described the situation as it developed in Nigeria:

Most Nigerians have come to believe that unless their 'own men' are in government they are unable to secure those socio-economic amenities that are disbursed by the government. Hence, governmental decisions about the siting of industries, the building of roads, award of scholarships, and appointments to positions in the public services, are closely examined in terms of their benefits to the various ethnic groups in the country.

In fact, there has emerged a crop of 'ethnic watchers' who devote much of their time and energy to assessing the differential benefits of the various groups from any government project.

(Nnoli 1978, p. 176)

During the 1980s, while living on the island of Tabiteuea in the Republic of Kiribati in the central Pacific during national elections, I canvassed the views of people as to the right kind of parliamentarian for their community. Every person with whom I spoke said that it was the responsibility of the elected person to gain as much for their community as possible from the central government.

People also focused on the cash income and other benefits flowing to the holder of the office. It was felt that the position of member of parliament was something of a sinecure, and the salary and 'perks' which went with the job belonged not only to the member but also to the community to which he or she belonged. It was, therefore, reasonable to 'share the job around', so that a number of communities might benefit from this cash flow.

The candidates all similarly claimed that they would only be elected if they could show that they could obtain more for the community than others before them and that their own income would be more widely distributed. Re-election depended on this perception of the performance of the member of parliament.

The man who was finally re-elected for a second term had developed a strategy through which his income was shared beyond his own community. In fact, he insisted, and it seemed correct, that he spent more of his money in helping marginal groups than in helping those who strongly supported him and considered him a member of their community.

Both the candidates and people in the electorate were able to name those in the previous parliament who had been most successful. In all cases their success was judged by what they had managed to obtain for their electorates.

When I asked people how they knew who were most successful, they answered that they knew through listening to the parliamentary broadcasts. People in the community who had radios (and many who lived nearby) often listened to parliament. The aim was not to find out about the country's external relations, or to judge the effectiveness with which the nation was being governed. Rather, they wanted to hear who were most forceful and effective in representing their electorates and which electorates were being favored in any 'development' exercises or in infrastructure maintenance and upgrading.

If the community felt that their representative was inadequate, that person was most unlikely to be re-elected. So, each new parliament comprises large numbers of new members, with little or no experience of parliamentary procedures, and far more commitment to their own electorates than to centralized government.

Papua New Guinean parliamentary experience ³¹², during the 1980s and 1990s, demonstrated a similar problem. Some sixty per cent of those elected in national elections were first timers, elected because they were perceived to be capable of better representing the interests of their communities and regions.

Not only are members of national and regional parties considered to be conduits of wealth and goods to their electorates, local-level politics is similarly competitive. Peter Weil (1971) explained this well for local council activity in the Gambia:

Within any given electoral ward, various villages have particular demands. Inevitably some villages do not get the well or other project they have been demanding during their councillor's tenure, and the interests of these villages will then probably be in opposition to those of other villages.

If a group of villages tends to unite around an issue, that group tends to be opposed by another group of villages with another issue. Thus, a type of opposition over specific issues operates at the local level in Area Council elections.

(Weil 1971, p. 110)

This orientation, of course, makes it extremely difficult to govern nationally, regionally or locally. Parliamentarians and councillors are far more

interested in gaining resources for themselves and their constituents than they are in regional government and development planning.

It is more important to obtain these resources than to observe the niceties of Western concepts of 'honesty' and 'integrity'. These are based on a presumption of the separation of politics and administration, of political activity and government spending. Third World governments, therefore, at whatever level, seem, almost inevitably, to be riddled with 'corruption'.³¹³

Politics becomes reduced to patron-clientism, with those in power concentrating wealth and influence in their own hands, maintaining their support bases through providing privileged access to the jobs, wealth and influence they control. As Awazurike has claimed:

The evidence in the last decade continues to point to a dismal outlook for third-world democracies ... The twin forces of economic woes and the opportunism of powerful oligarches ensure that from India and Pakistan to Bangladesh and Sri Lanka, the fate of fledgling attempts at democratization continues to raise more questions than answers - not least of which is the seeming ambivalence of the advanced industrial nations to the spread and deepening of genuine democratic movements since the late 1950s.
(Awazurike 1990, p. 56)

One-party states 🐦

In many post-colonial nations, leaders, in the face of such pressures, did away with democratic multi-party politics, declaring 'one-party' states with strong leaders who appointed the representatives from each region of the country, or who ensured that the candidates in any election all accepted their leadership.

The ways in which this shift to single-party rule were effected varied from country to country.

The movement to one-party rule was, of course, often not entirely internally determined. In the international climate of ideological battle, the intelligence services of major Cold War countries attempted to ensure that Third World governments remained ideologically committed to their bias.

In Indonesia, the overthrow of President Sukarno and the installation of Suharto as President of the country in 1967 seems to have been a consequence of just such activity ³¹⁴. This reorganization of political activity placed the ruling party (Golkar) in the powerful position of claiming the allegiance of the armed forces and members of the civil service, scrutinising and approving the constitutions and platforms of the other parties and of controlling their electoral activities in rural areas. (See [Ⓔ] Kathy Kadane (1990))

The President was given the right to dissolve any political party whose policies were not 'in the interests of the state' or whose membership comprised less than one quarter of the population. Indonesia became, and effectively remains a 'one-party' state, despite its apparent multi-party organization.³¹⁵

Indonesia was not alone in reorganizing its political landscape. In Africa, by 1969, ninety per cent of the post-colonial nations were governed through

single-party systems or by military regimes, many of which justified their seizure of power by claiming that the elected governments had become irredeemably corrupt (Young 1970, p.460). In former Asian colonies effective one-party states quickly emerged in most countries, and military coups occurred in many of the new nations. Sangmpam claimed that:

Third World countries are characterised by a specific form of political competition marked by violent eruption of conflicts. From 1958 to 1965, about 70 percent of Third World countries experienced violent conflicts ranging from secession to open warfare, and 68 military coups were successful. From 1965 to 1985, about 130 coups occurred in Third World countries; of about 10 million violent, conflict-related deaths in the world, 99.94 percent were in Third World countries ... (Sangmpam 1994, p. 4)

Where one-party government was imposed, or governments were deposed by military leaders, this frequently seemed to provide strong central government, though such governments have been widely condemned for their 'human rights' records. Fred Riggs claimed that:

... data from a 1985 survey of Third World regimes reveal correlations between breakdowns and regime type. The high survival level of single-party regimes reflects the ability of ruling parties to control the elected assembly (and hence to govern arbitrarily), and to dominate the bureaucracy (and hence to prevent a coup). By contrast, since all presidentialist regimes in the Third World have experienced catastrophic breakdowns, it is concluded that the ability of divided government to control its bureaucracy and to provide coherent policy direction is so flawed that coups are virtually unavoidable. (Riggs 1993, p. 199)

Military coups 🐦

Throughout the Third World multi-party democracies have, as Riggs suggested, 'experienced catastrophic breakdowns', usually followed by military coups. Arthur Nwankwo spelt out his view of the situation in Nigeria in 1966 when a multi-party, democratically elected parliament was overthrown by a military coup:

On 15 January 1966 Nigeria's post-colonial experiment with democracy ended when soldiers struck, killing some politicians, sacking the civilian government, and imposing military rule. Several factors were responsible for the collapse of Nigeria's First Republic, but among the most crucial was Regionalism, with its attendant ethnic dominance of each of the three regional governments.

The regions constituted the political base for the contenders of power at the Federal level, and tribal or ethnic sentiments were used by these politicians to whip up support for their equally regionally and ethnically-based parties ... In the struggle, the powerful regional governments overwhelmed and incapacitated the Federal Government, regardless of the central government's constitutional superiority.

Thus, it was not the Constitution that failed, but the politicians who operated it, for they were too narrow-minded, too reckless and intellectually and emotionally unprepared for the functions the Constitution placed on them. It was the violent rivalry for power

among the politicians, coupled with massive corruption, brazen injustice and political and religious intolerance which brought about the demise of the First Republic.
(Nwankwo 1984, pp. 6-7)

Where military coups were avoided, multi-party democracy has usually been displaced by single-party systems. Since countries which opted for one-party rule or which were ruled by military juntas were often already experiencing inter-group tension and confrontation, in many cases the imposition of military or one-party rule masked continuing conflict within the nation. In Nigeria, as in many other countries ruled militarily, military rule has been punctuated by coups and counter-coups.

In both militarily ruled and one-party states, those holding power have intruded ever more directly and forcefully into those areas of activity which Western people are strongly convinced should be outside the realm of politics. Sangmpam has argued that the state, in many Third World countries, has become 'over politicized'. As he said:

By over politicization I mean

- the use of overt compulsion by those holding power to organize political representation, participation, and competition for ... goods and services ... ;
- the fluidity of state power and constant insecurity characterising holders of state power in their relations with other social actors;
- political participation and competition outside established institutions;
- the lack of compromise over the outcome of political competition; and
- the general use of open violence and confrontation in such participation and competition.

(Sangmpam 1994, p. 5)

Political, Economic and Social Integration: A Patron-Client World 🐦

Rather than government providing a stable backdrop to the self-interested activities of people competing within the marketplace, political power holders have become direct players in the economic sphere, using their positions and power to advantage themselves and their supporters.

This has effectively reoriented many Third World communities toward patron-client forms of political, economic and social organization. The activities of political, business, traditional, military and other leaders become interfused as networks of mutual support and promotion develop. In such patron-client oriented systems, political and economic spheres are intermeshed. To succeed economically, one needs a political patron.

Richard Robison (1990) provided a description of a variety of forms of this kind of political / economic activity in Indonesia. The most important of these in Third World countries is undoubtedly what he called 'bureaucratic capitalism'. As he explained,

bureaucratic capitalism is a product of patrimonial bureaucratic authority in which the demarcation between public service and private interest is at best blurred.
(1990, p. 14)

Many of those involved in this kind of political activity develop 'joint ventures' with overseas companies and transnational corporations. The politician, or person who has strong links with political authority, obtains licences, concessions, finance, and favorable terms of business for the overseas partner and, in return, holds stock in the company formed within the country or is rewarded in other ways. As Robison explained,

The central feature of the joint venture is the exchange of politically controlled economic concessions for financial reward.
(1990, p. 17)

While Robison's study focused on such activity in Indonesia, very similar arrangements can be found in almost every Third World country.

For businesses involved in this kind of activity it is very important that the political leaders be secure and hold power over a long period. Every political upheaval becomes a business upheaval as new political patrons have to be secured.

For this reason, many multinational and transnational businesses have been accused of supporting dictatorial, repressive regimes, securing their own interests by ensuring the long-term survival of their patrons.³¹⁶

Where this cannot be arranged, businesses have to hedge their bets, securing the commitment not only of key political figures of the present, but also likely future players. The game becomes much more complex and certainly more costly.

It is, therefore, less likely that foreign businesses will be attracted to countries where the political leadership is likely to be displaced in a short period, whether by electoral or any other means. Economic 'development', therefore, seems to favor stable regimes, as the East and South-East Asian countries have demonstrated.

Political support is not only available to foreign companies (though these are usually the most lucrative source of income). Similar arrangements are made with business people within Third World countries. As Sklar and Whitaker described of Nigeria two decades ago:

In every region, the party waxed fat in its house of patronage. It had money, favors, jobs, and honours to distribute among those who would support it. To a large extent, these regional patronage systems were based on regional marketing boards ...

Invariably, the vast majority of those who receive or hope to receive loans from the boards or the banks are attracted by powerful inducements to join or support the regional government party; insofar as they prosper, they may be expected to support the party financially. The same may be said of commercial contractors who work for the regional governments and their statutory corporations

Who are the masters of the regional governments? High-ranking politicians, senior administrators, major chiefs, lords of the economy,

distinguished members of the learned professions ...
(Sklar & Whitaker 1991, p. 79)

As key economic, political, professional, military and traditional leaders support one another, avenues to wealth are increasingly controlled by them, to be made available, at their discretion, to those who support them. The result is what is commonly seen in Third World countries: a marked division between the 'haves' and 'have nots', with those who do not have access to the wealth of the region increasingly dependent on those who have, tied to them in bonds of clientage.

In the climate of ethnic and clan rivalry which exists in many Third World countries, patrons and clients see their interests as separate from those of opposing groups which are also competing for the spoils of political and economic power. The consequences, as both Sangmpam (1994) and Weil (1971) have suggested, are increasing tension and eruptions of violence which cannot easily be countered.

In the worldwide political climate of the 1950s-1980s, this usually meant that one or other of the internationally dominant ideological blocs readily financed and armed opposing groups, leading to continued unrest and rebellion. Opposing leaders, each intent on establishing their patronage and power, soon learned to speak the language of international ideological tension, and so ensured funding of military requirements in either resisting or instigating rebellion and armed insurrection.

Over the last decade, the language employed to gain support has changed, but the consequences have not. Now, support is given to bolster regimes or favored insurgents in combating 'international terror' rather than 'Communism', but the results are very similar³¹⁷. Third World politicians and their economic counter-parts have learned a new language and are becoming increasingly fluent in its use.

From 'Soldiers of Fortune' to 'International Security Companies'

In the 1990s, privatization became the name of the game. It was argued that the reason why Third World governments had failed to 'develop' their countries was that they had incompetently interfered in economic activity. This was much better left to the 'market-place'. The new emphasis was introduced to Third World peoples through a variety of structural adjustment programs (SAPs) imposed by the World Bank and the IMF.

Not only was private enterprise the new key to development, it was also argued that if security was left in the hands of Third World governments, politicians would use this as a means of leveraging international businesses operating in the country. It became increasingly acceptable for transnational companies to hire 'security firms' to ensure the safety of their operations in areas of political instability and lawlessness. This was justified by corporations as being very similar to their use of such private security agencies in Western countries. If the scale of security operations was greater, this was simply because security problems in many Third World countries are more acute.

The use of mercenaries is, of course, not new. As Gilbert Murray described of British practice in the late 19th century,

In military operations, again, we of the British Empire depend to a quite enormous extent upon soldiers of alien race, more, possibly, than any State since Carthage. Nearly all our African fighting before the present war, and most of our Indian fighting, has been done for us by natives. The great victories of Clive over the French, which we are accustomed to regard as proofs of British strength or valour, were almost entirely victories of Sepoys over Sepoys.

The economic situation is really the same as in the other cases. We cannot spare more of the ruling race to fight. We take instead some naturally warlike savages, train them, officer them, and make them do the fighting for us.

(Gilbert Murray 1900 p. 144)

In the first decade of the 21st Century, the use of private security firms has become very wide-spread, fuelled by the employment of these organizations by the U. S. military and by major corporations and organizations operating in danger zones in non-Western countries. Hundreds of 'privatized military firms' now exist, operating in over fifty countries, with annual revenues well in excess of a hundred billion dollars ³¹⁸.

The effect of these developments has been to reintroduce mercenary soldiers into non-Western countries in the guise of security personnel. The mercenaries which plagued African communities during the 1970s were funded as expatriate soldiers who were supporting regimes fighting 'communist insurgency'. The new mercenaries, in the spirit of the times, are seen to be fighting 'international terror', the enemies of democracy and capitalism.

They are ensuring the stability of regimes (or the successful insurgency of an opposing group if a regime proves unreliable) and the profitability of transnational corporations. As such, they no longer come in the crude guise of soldiers of fortune, now they come as 'security consultants', providing security services and helping to 'privatize' yet another arm of government activity, forming an even closer alliance between transnational corporations and their political patrons.

Civil/military rule 🇳🇵

In many countries, long-term 'civil-military' regimes have emerged, in which the leadership, while 'civil' (that is, not holding military rank or position), is closely allied with the military leadership. As Hassan Gardezi described, there has emerged, in Pakistan, a 'strong bureaucratic-military oligarchy at the helm of the state which uses its regulatory powers to mediate the mutually competing and at times conflicting interests' (1985, p. 1) of the country.

Arthur Nwankwo, writing of Nigeria, suggested that this form of rule should be called 'cimilicy' and should be based on:

... civilianising the military and militarizing the civilians in a new arrangement for a new dispensation.

Government being the authoritative allocator of national resources in response to articulated and organized group interests, it is necessary that people who participate in government articulate and organize their

views and work together, each being fully conscious of the strength, weaknesses and rights of others in a new social compact where the artificial lines of demarcation between the military and the civilians is eradicated.

For in theory and in deed, all civilians and all military persons of Nigerian extraction are Nigerians and are entitled to equal rights, privileges and dispensations and equally endowed for the onerous task of building a New Nigeria.
(Nwankwo 1984, p. xii)

To date, Nigeria has not managed to establish a stable coalition of such interests. Other post-colonial states, however, have been much more successful in pursuing such policies. In nations as diverse as Egypt and Indonesia, this kind of civilian-military alliance has been effectively pursued over some thirty to forty years.

The degree to which such alliances have disenfranchised communities and populations has been a matter of vigorous debate over the past fifteen years. It has commonly been claimed that such 'dictatorships' ride roughshod over individual human rights, as expressed in various United Nations declarations. Some of the more stable of these regimes have replied, as Indonesian authorities have, that:

It is now generally accepted that all categories of human rights - civil, political, economic, social and cultural, the rights of the individual and the rights of the community, the society and the nation - are interrelated and indivisible. The promotion and protection of all these rights should therefore be undertaken in an integrated and balanced manner. Inordinate emphasis on one category of human rights over another should be eschewed.

Likewise, in assessing the human rights conditions of countries, particularly developing countries, the international community should take into account the situation in relation to all categories of human rights - following the principles contained in the Universal Declaration of Human Rights. Article 29 of that Declaration addresses two aspects that balance each other: On the one hand, there are principles that respect the fundamental rights and freedoms of the individual; on the other, there are stipulations regarding the obligations of the individual toward the society and the state.

(Alatas 1993)

United Nations emphasis on the rights of individuals, at the expense of community and nation are considered unbalanced and in need of correction. However, such statements have been vigorously rejected by pro-democracy groups throughout the world. As Jeremy Hobbs of Community Aid Abroad (CAA) claimed:

Australia's special relationship with Indonesia is viewed with bitter cynicism by Indonesian non-government organizations. For them it is supremely ironic that Australia, arguably the most democratic country in the region, is not prepared to take a tougher line on free speech, human rights, democracy and labor issues. Worse, we have been happy to fill the breach when the [US] Clinton administration withdrew military support because of its concerns over human rights.
(Hobbs 1995, p. 1)

Since the collapse of the Soviet Union, the Western powers have increasingly insisted on a return by Third World governments to multiparty political systems based on Western democratic ideals. As Andrew Purvis claimed:

As recently as five years ago, sub-Saharan Africa seemed poised on the verge of a new democratic era. The end of the cold war and mounting pressure from Western donors for political reform as a condition for ongoing aid led to a flurry of multiparty elections, and millions of voters eager for a change trekked to the polls ... [However] Africa's veteran rulers know what they are up to. Many of them have been denied foreign aid because of their autocratic regimes. But once elections have been held, or in some cases merely promised, Western aid dollars begin flowing again

... This is not the first time Africa has wrestled with multiparty governance. Immediately after many countries gained independence in the 1960s, political parties flourished, elections were called, and voters rejoiced. But then many of independent Africa's founding fathers convinced their people that the single-party state was the only way. The result was the lost years of the '70s and the economic disarray of the '80s. The only hope is that Western donors, together with Africa's more reform-minded leaders, will not stand for such backsliding again. (Purvis 1996)

Like Purvis, many Western commentators believe that most of the Third World's woes can be traced to the forms of government which have emerged over the past forty years. Autocratic governments, dominated by corrupt, self-serving politicians, have mismanaged economies and increased their own wealth and power at the expense of their electorates. In order to overcome these problems, it is considered necessary to return to Western governmental practices, to multi-party, democratic government.

However, it can be argued, as Nef (1991, pp. 16ff. ³¹⁹) did for Latin America, that, in part, the emergence and dominance of repressive regimes has been a requirement and a consequence of the kinds of 'economic development' pursued in those countries since the late 1960s. The unpopular, 'structural adjustments' which Third World governments have been required to make by both the World Bank and IMF have required political controls not available to truly democratically elected governments.

The developmentalist models of Third World development experts, which placed emphasis on the role of government in stimulating and guiding economic development, came into disrepute during the 1970s. At about the same time, the Keynesian economic models of the West came under siege from neoliberal alternatives. In their place the neoliberal monetarist policies of Margaret Thatcher in Britain and of conservative politics throughout most of the Western world during the late 1970s and the 1980s and 1990s, became the stuff of development specialist advice in the Third World through the 1970s and since that time.³²⁰

This shift coincided with a rapid increase in Third World indebtedness following a sharp increase in oil prices in the early 1970s. From the late 1970s, lenders became increasingly concerned at the mounting debt of Third World countries. As Dan Connell has said, 'From 1970 to 1989, according to UN reports, Third World debt skyrocketed from \$68.4 billion to

\$1,262.8 billion, leaving several nations owing more than they produce in annual income' (1993, p. 1).

This came to a head in the early 1980s, when international creditors decided it was time to act to protect their investments. For most, the central consideration in ensuring the economic viability of Third World nations was the 'downsizing' of government and the deregulation of all economic, financial and fiscal activity.

Effectively, this meant a complete reorganization of government, a determined swing away from 'left-wing' politics to the politics of the marketplace ³²¹. Such radical restructuring has inevitably resulted in mounting tension within the affected countries.

Cheru spelt out some of the demands of such programs:

- a) liberalization of import controls;
- b) devaluation of the country's exchange rate;
- c) a domestic anti-inflationary program which will control bank credits and [exercise] control over government deficit by curbing spending, increased taxation, abolition of consumer subsidies;
- d) a program of greater hospitality to multinational companies (MNCs)

.

... As President Kaunda of Zambia put it, 'The IMF does not care whether you are suffering economic malaria, bilharzia or broken legs. They will always give you quinine'. The policy prescriptions listed above reflect the Fund's political and economic ideology rather than the interests of the developing countries.

(Cheru 1989, p. 37)

In order to ensure that the necessary 'structural adjustments' were made to Third World economies so that they might benefit from the increased competitive advantages that it was assumed would accrue from an unfettered 'enterprise economy', governments needed to be firmly in control, able to apply the 'pain' which would, necessarily, precede the economic 'gain' of this radical shift from welfare economics to free market economics.

As an astute commentator described for Chile, one of the first Latin American countries to experience these changes:

After overthrowing the elected Allende government in 1973, the Chilean military crushed leftist parties, unions, and peasant associations. Then, in an unwelcome surprise to some elites that had initially invited the coup, the military disbanded right wing and centrist parties as well ...

Such measures were necessary, the military claimed, to enable it to impose harsh deflationary policies 'in the national interest' without organized opposition.

The need for this degree of control resulted, in many countries, in an increased emphasis on 'law and order', and increased expenditures to bolster both police and paramilitary strength to support government in its determination to set in place the necessary changes to ensure long-term economic growth. As Ihonvbere claimed:

The political tensions that have accompanied monetarism have furthered repression, human rights abuses, riots and national disintegration ...

The very high degree of human suffering, disillusionment, anger, alienation, rural decay, urban dislocation, suicides, marital crises, prostitution and crime which have accompanied monetarist responses to the African economic crisis, hold major implications for the potency of ethnicity and the subversion of the goals of nationhood.

(Ihonvbere 1994, p. 51)

The appearance of democracy 🇳🇵

As tensions have mounted in many countries, governments have felt compelled to increase their coercive authority. Most Third World governments, in the past thirty years, have found themselves on the horns of a dilemma. They are being pressured by First World governments and organizations into both deregulation of economic activity, which requires increased coercive authority, and the ratification and implementation of human rights programs and principles.

As Purvis suggested, this has led to a rhetoric in favor of multi-party democracy ³²² and implementation of human rights programs, accompanied by further politicization of the directive agencies of government.

This increasing politicization of both the police forces and court systems has delegitimised both sets of institutions in the eyes of many people in Third World countries, leading to increasing fear and tension within Third World nations and to further political repression.

The politicization of police forces and courts has been accompanied by the politicization of law, establishing statutes which can be used to legitimize government repression and make it increasingly difficult for individuals and groups to defend themselves against politically motivated criminal charges. As Amnesty International spelt out for the African continent:

There is a developing pattern of human rights violations in parts of Africa in which governments publicly committed to political pluralism adopt methods of curbing domestic opposition and criticism which are designed to minimize the likelihood of international disapproval and to keep their democratic credentials intact.

Certain types of legal charge are proving increasingly attractive to governments seeking to criminalise peaceful political activity or dissent in this new context. These charges include sedition, contempt of court, subversion, defamation, possession of classified documents, and holding meetings or demonstrations without an official permit.

(^{CE} [Amnesty International 1995](#))

The reality in many Third World nations since the mid 1990s is that while governments are being pressured to reinstitute multi-party democratic political processes, contradictory pressures coming from the First World, in fact, produce multi-party democratic rhetoric, coupled with the entrenchment of coercive, autocratic government. This has resulted in continuing unrest and rebellion in many Third World countries.

A ^{CE} [Time report](#) spelt out the realities of the first decade of the 21st century,

President Bush is fond of saying that "democracy is on the march" around the world. That's been largely true for the last couple decades, but a new report from the Economist Intelligence Unit says that over the last two years the global trend toward democratization has been stopped in its tracks. Even further, the report suggests the global financial crisis has the potential to start the march moving in the opposite direction:

The results of the ^{CE} [Economist Intelligence Unit's Democracy Index 2008](#) confirm that, following a decades-long global trend in

democratization, the spread of democracy has come to a halt. Comparing the results for 2008 with those from the first edition of the index, which covered 2006, shows that the dominant pattern in the past two years has been stagnation.

Although there is no recent trend of outright regression, there are few instances of significant improvement. However, the global financial crisis, resulting in a sharp and possibly protracted recession, could threaten democracy in some parts of the world.

The report also classifies only 30 of the world's countries as being "full democracies," with another 50 countries deemed "flawed democracies." Only 14% of the world's population lives within those countries considered "full democracies."

(^{CE} [Real Clear Politics October 22nd 2008](#))

Of the last 30 years: 

Corruption

Inevitably, when personalized systems of government and leadership, like those found in most Third World nations, are judged against the standards assumed to be commonplace in Western systems of Government ³²³, they are found to be 'riddled with corruption'. In order to conduct business on a 'level playing field', Western governments and corporations consider it essential to police corrupt practices. At the instigation of Western nations and agencies the ^{CE} [United Nations Convention Against Corruption](#) has been negotiated, coming into force in 2005. As the United Nations Office on Drugs and Crime explains,

Corruption undermines democratic institutions, slows economic development and contributes to governmental instability. Corruption attacks the foundation of democratic institutions by distorting electoral processes, perverting the rule of law and creating bureaucratic quagmires whose only reason for existing is the soliciting of bribes.

Economic development is stunted because foreign direct investment is discouraged and small businesses within the country often find it impossible to overcome the "start-up costs" required because of corruption.

(^{CE} [UNODC 2010](#) - accessed 12 April 2010)

Unsurprisingly, corruption appears to be endemic in non-Western nations, but remarkably infrequent in Western nations ³²⁴.

In order to appreciate the experiences of Third World nations in the post-Second World War period, we need to remember that depersonalized government of the Western kind is unusual and requires understandings of the world which are distinctively Western. ³²⁵ Where Western understandings don't exist, the forms of government which they require are also unlikely to exist; and where people are required to behave as though Western understandings do exist, there will be many inconsistencies in governmental organization and practice.

Terror

In the last twenty years there have been a number of important changes in international and regional politics around the world. Most obviously, the ideologically fuelled 'Cold War' has ended, with communism and socialism in disarray and capitalism firmly established in the international arena. In the world of the 1990s there was a marked increase in conflicts which were pronounced to be 'ethnically' inspired, in contrast to those of earlier post-Second World War years, which were usually considered to be driven by commitment to First and Second World ideologies.

The 'ethnic' focus (which largely side-lined Western countries) has, since 2001, been displaced by a diffuse concern with 'terror'. This has led to the United States' promoted 'war on terror' around the world.

Non-Western governments, confronted with ethnic and other challenges inside their territories, could once again trigger military aid from Western countries. All they had to do was to label those with whom they were having difficulty 'separatist terrorist organizations' or claim that they had been 'infiltrated by terrorists' and accuse them of links with 'international terrorism'.

They have been quick to take advantage of Western paranoia, receiving weaponry and military training from Western countries which have largely seen them as the 'front line' in the 'war on terror' ³²⁶. As Rachel Stohl has described,

... the United States has made the "global war on terror" its priority in determining arms transfers and military assistance. In the last six years, Washington has stepped up its sales and transfers of high-technology weapons, military training, and other military assistance to governments regardless of their respect for human rights, democratic principles, or nonproliferation. All that matters is that they have pledged their assistance in the global war on terrorism.

(^{CE} Rachel Stohl (2008))

Neoliberalism

{§} (28/05/16) There has also been a technological revolution in worldwide telecommunications networks, with transactions of all sorts now flowing through those networks which governments are decreasingly able to effectively monitor and/ or control. This has been accompanied by a victory for neoliberal economic reformers as advisers to governments and international organizations. ³²⁷

These advisers have managed to convince governments everywhere of the need for the privatization of government assets and activities and deregulation of financial markets and currencies, progressively moving control of national fiscal and financial matters from national governments into the international marketplace.

As Rosario Espinal claimed of Latin America during the 1980s, there was a dramatic shift away from developmentalism ³²⁸ and towards neoliberal economic and political policies:

... pro-market statements came from different quarters: agencies like the International Monetary Fund (IMF), foreign governments, a

growing number of Latin American economists and intellectuals and some segments of the business class ...

In addition to pressure from international agencies to privatize and liberalise the Latin American economies, think tanks and research groups flourished throughout the region in an effort to publicise neoliberal views.

(Espinal 1992, p. 32)

This coincided with a change in the dominant way of 'making money' in the world - through currency, bond and stock trading and financial manipulations rather than through long-term investment in primary and secondary production. This has resulted in primary production, the most important means of income generation for new nations, becoming less and less attractive to investors, since returns on primary production are usually lower and slower - and often far more uncertain - than those resulting from financial manipulations. So, Third World nations are finding it increasingly [difficult to attract and retain investment income](#), making their economies increasingly volatile.

The volatility of international capital investment, focused on short-term gains, means that, in their efforts to retain investment capital, [governments must offer a range of financial inducements, competing with each other](#) to minimize capital flight. Thus, over time, the cost of investment capital increases for those countries least able to afford such costs.

Far from there being true financial deregulation, governments find themselves having constantly to interfere, to prop up their currencies and induce capital to stay. As Gerald Meier presciently described of the financial crises which assailed both Latin American and East and South-East Asian countries in the late 1990s (and which, of course, have threatened the rest of the world during the last years of the first decade of the 21st century):

The Mexican crisis was caused by the volatility of short term capital flows, produced by the unfulfilled market expectations of investors. Today capital flows are dominated by international markets, to the point that domestic autonomy and sovereignty is subordinated to the markets ...

The Mexican crisis or something similar will happen again because it is impossible to keep exchange rates fixed.

(in Morles 1996)

Governments, as a result of these influences, are now faced both by regional and ethnic challenges from within and by international challenges to their authority, independence and economic viability. There is a strong demand for internationalization of economies, allowing the now dominant forces of capitalism increasing entry into, and influence over internal economic activities. This, if and as it is successful, reduces the ability of governments to control economic activity and therefore to plan and implement economic, infrastructural, service, and welfare programs.

On the one hand, governments are increasingly finding themselves at the mercy of international financial and fiscal forces, and on the other, the integrity of the nation-state is being challenged from within. During the first half of 1996, an unremarkable year for ethnic conflicts, there were ethnically or religiously inspired revolts in more than sixty countries around the world. In 2009, though the focus of revolt is claimed to have changed,

the frequency of internal challenges to central government authority increased, with more and more non-Western countries teetering on the brink of being declared 'fragile' or 'failed' states

The Last Western Colony (and its Native Reserves)

{§} (18/12/17){§} (10/01/18){§} (15/05/18)

{§} (21/01/19) This morning I woke to a news report telling me that Israel was bombing Gaza because its people would not play dead; like a man who has his foot on the throat of another, telling him that this is his fault because he keeps on 'struggling'. As an Israeli spokesperson put it: "We have to bomb them because they keep shooting rockets at us".

This was ^{CE} written on 4th December 2012.

{§} (23/05/18) Nothing has changed! The provocations remain:

- US president Trump has declared that the US embassy will move from Tel Aviv to Jerusalem - but that is nothing new. US presidents have declared this to be their intention for the past several decades³²⁹;
- ^{CE} Illegal Israeli settlement building on occupied and expropriated Palestinian land has continued apace, but that has been true for decades;
- ^{CE} Israeli checkpoints throughout the remaining 'Palestinian' territories (looking more and more like impoverished Bantustans from South Africa's darkest apartheid period) remain;
- The checkpoint 'guards' (how prison-like the terms have become) are armed and increasingly willing to use deadly force to impose their authority. As Israel's Defence Minister ^{CE} Avigdor Lieberman explained: "there are no innocent people in the Gaza Strip".
- And the Israeli political establishment (incongruously proclaiming itself ^{CE} the only 'true democracy' in the region - despite its peremptory treatment of non-Jewish communities and people over many decades - another eerie echo of South Africa's apartheid era³³⁰) has become increasingly open in admitting that it has little or no intention of allowing the emergence of a truly independent, sovereign Palestinian state.

{§} (22/01/19) All those Western states which have either actively supported Israeli depredations in Palestinian areas (or have implicitly endorsed them through silence and positive interaction with the Israeli state) share complicity in this anachronous colonial enterprise. Conscience-salving 'aid packages' to Palestinian communities do not absolve those states from such complicity.

Michelle Alexander has explained the 'problems' envisaged by those who fail to speak out: placing expediency over morality in a time when the world is in desperate need of moral leadership³³¹:

...Our elected representatives, who operate in a political environment where Israel's political lobby holds well-documented power, have consistently minimized and deflected criticism of the State of Israel, even as it has grown more emboldened in its occupation of Palestinian

territory and adopted some practices reminiscent of apartheid in South Africa and Jim Crow segregation in the United States.

Many civil rights activists and organizations have remained silent as well, not because they lack concern or sympathy for the Palestinian people, but because they fear loss of funding from foundations, and false charges of anti-Semitism. They worry, as I once did, that their important social justice work will be compromised or discredited by smear campaigns.

Similarly, many students are fearful of expressing support for Palestinian rights because of the McCarthyite tactics of secret organizations like Canary Mission, which blacklists those who publicly dare to support boycotts against Israel, jeopardizing their employment prospects and future careers.

(Michelle Alexander, ^{CE} [Time to Break the Silence on Palestine](#), *New York Times*, January 19, 2019)

In the face of such moral cowardice in Western communities, what is left for Palestinians to do but to futilely protest their impoverishing dispossession and imprisonment?

I was brought up on the horrific stories of the Warsaw Ghetto during World War Two³³². A trapped and brutalized people were blamed for resisting Nazi oppression, for maintaining their identities and their self-respect and refusing simply to be victims. I was inspired by those stories (and I still am!).

Now, I am witness to similar atrocities, but now I am supposed to accept that the behavior is reasonable because it comes from the West! (Yes The West!) No, this is not a 'Jewish' problem, any more than the atrocities of the past, committed against indigenous inhabitants of North America and many other colonial and post-colonial territories, were 'Protestant' or 'Roman Catholic' problems (and yes, Israel is a Western colony, politically, financially and militarily supported by the West; replete with its own nuclear arsenal and degrading and degraded 'native reserves'³³³).

The charters and legislative enablers contrived by European governments to justify, in their own minds, the subjugation and dispossession of colonial populations, is matched by similar legalisms of the past 50 years to justify Israeli activity³³⁴. This report to the US Congress: Jeremy M. Sharp, ^{CE} [U.S. Foreign Aid to Israel](#) (Congressional Research Service RL33222, April 10, 2018) gives an interesting summation of the importance of US involvement in Israel's economic and military strength. As the 2016 version of the report said:

Israel is the largest cumulative recipient of U.S. foreign assistance since World War II. To date, the United States has provided Israel \$127.4 billion (current, or non-inflation-adjusted, dollars) in bilateral assistance. Almost all U.S. bilateral aid to Israel is in the form of military assistance, although in the past Israel also received significant economic assistance.

At a signing ceremony at the State Department on September 14, 2016, representatives of the U.S. and Israeli governments signed a new ten-year Memorandum of Understanding (MOU) on military aid covering FY2019 to FY2028. Under the terms of the MOU, the United

States pledges to provide \$38 billion in military aid (\$33 billion in FMF grants plus \$5 billion in missile defense appropriations) to Israel. This new MOU will replace the current \$30 billion 10-year agreement, which runs through FY2018.

...In addition, under the terms of the new MOU, the Administration pledges to request \$500 million in annual combined funding for joint U.S.-Israeli missile defense programs such as Iron Dome, Arrow II and Arrow III, and David's Sling. Previous MOUs did not include missile defense funding. Finally, as part of the new MOU, it has been reported that Israel pledged to reimburse the U.S. government if Israel receives more congressional assistance for FMF or missile defense in the last years of the current MOU (2017-2018). Israel also may have pledged not to request that Congress appropriate regular or supplemental military aid to Israel above the agreed upon annual amounts in the 2019-2028 MOU except in emergency circumstances, such as a regional war. In response, many Members of Congress have reiterated that funds pledged by the executive branch in any MOU are always subject to Congressional approval and that Congress may appropriate funds as it sees fit....

This is a Western problem; yet another display of a predilection for blaming victims for the consequences of aggressive self-interest which stretches back at least to the late 15th century: they shouldn't get in the way; they need to accept that times are changing; they 'need to adapt'; they need to 'compromise'.³³⁵

(See [Who were 'The Poor'?](#) for some of the treatment meted out to their own 'poor' by 18th century British elites.)

The trajectory of this last 'born out of time' Western adventure into colonialism is ominous.

As Yeats presciently described it:

Turning and turning in the widening gyre
The falcon cannot hear the falconer;
Things fall apart; the centre cannot hold;
Mere anarchy is loosed upon the world,
The blood-dimmed tide is loosed, and everywhere
The ceremony of innocence is drowned;
The best lack all conviction, while the worst
Are full of passionate intensity...
(W. B. Yeats, *The Second Coming*.)

Conclusion 🇵🇸

The tensions we have examined in this discussion have not lessened in the first decades of the 21st century. In many cases they have become stronger and more challenging to the viability of Third World national governments.

Governments are being subjected to:

- international pressures from First World governments and non-government organizations;
- demands of the international marketplace and of international organizations and enterprises;
- the demands of electorates which see central, regional and local government as resources to be mined;
- and the tensions associated with competing regional, ethnic and clan-based patron-client networks.
- They are also being pressured by demands from First world countries to control incipient terrorism within their borders and, simultaneously, to prevent refugee flows to Western countries which, in the minds of Western populations, might include individuals and groups seeking to pursue terrorist agendas within First World countries.

These problems, compounded by a range of environmental and economic problems of equal magnitude, make the future of many Third World governments highly problematic. As Rice and Patrick have concluded:

On balance, poorer countries tend to be weaker ones. Poverty fuels and perpetuates civil conflict, which swiftly and dramatically reduces state capacity...

The vast majority of [failed and critically weak] states... have experienced conflict within the past decade and a half. Their security deficits are typically accompanied by weaknesses across the three other core areas of state performance. This is logical, because conflict destroys both formal economies and political institutions. It can also exacerbate poor health conditions, including by facilitating the spread of infectious diseases.

Given a nearly 50 percent risk that postconflict countries will return to war within 5 years, unsuccessful postconflict, peace-building and peacekeeping/stabilization efforts risk condemning countries to renewed conflict or nearly perpetual insecurity and poverty.

(Rice and Patrick 2008)

The world of the 21st century reminds one of Britain in the 5th century AD.

As we've already seen ([The Decay of Western Influence](#)) Britain, in the 5th century, experienced just such turmoil as rival 'kings' battled for ascendancy and neighboring groups, taking advantage of the chaos, invaded the region.

Gildas, a century after the exodus of the Roman legions, provided a graphic description of the chaos which ensued with the waning of Roman influence in Britain,

...neither to this day are the cities of our country inhabited as before, but being forsaken and overthrown, still lie desolate; our foreign wars having ceased, but our civil troubles still remaining.

(^{CE} [Chapter 26](#))

As the empires of Western Europe have crumbled, the institutions in their post-colonial territories, established by them to ensure continuity with the colonial past, have become decreasingly effective. The 21st century has produced its own examples of post-colonial territories suffering turmoil and chaos in the increasing numbers of 'fragile' and 'failed' states which are a growing concern for Western people.³³⁶

Many post-colonial territories are in various stages of change. They are slowly, but inevitably, metamorphosing into communities which exhibit similarities with the pre-colonial communities from which they came. Any reassertion of pre-colonial principles of categorization and classification will inevitably be slow and difficult. Over time, forms of organization and interaction will emerge which echo those of the past though they will, of course, not simply replicate past forms.

First, any form which emerges is simply one of a range of possible forms, any or all of which might be generated from the same fundamental categorical principles. So, even if the same principles were in operation one would find different surface forms over time.

Secondly, the principles themselves are not static, they change through time and the forms of interaction and organization which emerge will reflect such changes.

This has been demonstrated time and again in Third World communities as Western influence has become less dominant.

Chapter 8:
Global economic forces, Western realities:
From Protectionism to Neoliberal Free Markets
Do not go gently into that dark night! †

Global economic forces, Western realities

The Regulation - Deregulation Cycle

- Welfare Capitalism and gutted unions
 - Company Towns, Truck Systems, Debt Bondage and Indenture
- Quantitative Easing, Financial Collapse and Protectionism

From Free Markets to Protectionism

- Welfare States and Protectionism
- The relationship between community social templates, resource utilization and constantly escalating productive and consumptive demands
- Loss of subsistence resources
- Wage Labor dependence
- Free Markets, invaded environments, and snowballing production and consumption
- Free Markets Work: Improving Wages, Conditions and Consumption

The emergence of welfarism: Social costs are Production Costs

- Capitalism and Parasitism
- Community costs are Production costs
- Protectionism
- No Social Welfare for post-colonial nations

The triumph of neoliberalism

- Neoliberalism: A Cure for Economic Stagnation
- Economic Efficiency and the Virtues of De-Regulation
- Economic Activity as Non-Social Activity
- Globalization Lowers Prices, Frees Investment - We're all Better Off!!
- Just-In-Time and Total-Quality-Control: Let's be *flexible* !
 - Do not go gently into that dark night!
- And then We Deregulated Finances and Currencies!
- Transient Benefits of Globalization
- Public-Private Partnership: We need to 'Stimulate' Private enterprise

Conclusion

➤ Rather than creating costs, both regulation and deregulation shift them...
Regulation and deregulation each consists of lower costs for one party and
higher costs for the other.
(Samuels & Shaffer 1982, p. 467)

➤ 'Well! I've often seen a cat without a grin,' thought Alice; 'but a grin
without a cat! It's the most curious thing I ever saw in my life!'
(Lewis Carroll *Alice's Adventures in Wonderland*)

The problem since 2009 is 'sovereign debt' ³³⁷.

Western nations have profligately continued to fund social welfare measures - such as aged pensions, free health care, free education, unemployment benefits, child and family support, poverty alleviation ... - as though they still lived in a regulated and protected world.

But the world has been deregulated, protection has been traded for globalization ³³⁸. Sovereign debt sustainability has become an increasingly serious issue in advanced economies ³³⁹.

The social welfare component built into production and financial sector costs in Western nations is disappearing. Like the Cheshire cat, we are left with little but the grin! Deregulation has shifted the costs from 'the economy' to sovereign debt.

Western nation-states, once firmly in control of economic activity within their borders are, in the deregulated, privatized world of the 21st century, decreasingly able to shield their populations from the exploitative consequences of unregulated and internationalized financial manipulation ³⁴⁰.

No longer is the economy the means by which communities meet their needs and wants. Now communities service an international network of independent financial corporations which need accept no reciprocal responsibilities for their welfare.

The surprise displayed by so many 'financial experts' in the first decade of the 21st century, at the failure of the highly suspect investment, lending and 'risk management' strategies of major Western financial enterprises; and the subsequent need for bailout via increases in 'sovereign debt', requires the questions:

★ How is it that we, Western people, could be held to ransom by international financial corporations?

and;

★ Why weren't they alerted by the financial woes experienced in the so-called 'Tiger' economies of the 1990s ³⁴¹ and so prepared for the problems of the last several years?

The answer seems to be that they believed that Western nations were immune to the problems visited upon non-western countries in previous decades. Despite the chequered financial history of Western nations over the past century, the experts ³⁴² appear to have convinced themselves that Western nations had finally been insulated from serious bank/financial failures of the kind periodically endured in the rest of the world.

We need to remind ourselves of our own past and relearn its lessons.

{§} (16/05/16) In order to understand how we got to our present position, we need to understand the historical/philosophical underpinnings of both the protectionist and neoliberal approaches to social and economic organization and activity.

In doing this, we will examine and historically contextualize:

- ★ the growth of welfare capitalism in the 1920s;
- ★ the emergence of the 'welfare state' in the 1930s;
- ★ the progressive
 - privatization, from the 1970s, of the welfare state³⁴³ ;
 - emphasis on 'user pays' versions of welfare;
 - and the subsequent unsustainability of residual publicly funded social welfare costs; and
- ★ the neoliberal drive to deregulation and globalization of market activity in Western communities over the past forty years.

{§} (06/04/16)

{§} (11/11/18) The financial shocks of the past several years in Western countries have alerted people who live in these countries to the fragility of the financial environment upon which they depend for present wellbeing and future security.

Western people are beginning to understand what people in the rest of the world have endured over the past forty years: fragile economies, unstable currencies, volatile investment environments and, when everything is on the verge of collapse, harsh structural adjustment programs³⁴⁴ devised and prescribed by international agencies such as the World Bank and the International Monetary Fund.

Similar financial crises have been experienced in Third World³⁴⁵ countries at regular intervals since the 1970s. The recent crisis pales in comparison with the financial and fiscal problems endured in Asian, Central/South American and African countries between 1990 and 2000.

In an assessment of the East and South East Asian financial collapse of 1997-8 which reminds one of recent experiences in Western countries, Janet Yellen (2007), President and CEO, Federal Reserve Bank of San Francisco, explained that,

In spite of the risky lending practices that prevailed before the crisis, foreign investors poured money into these countries at record rates. Their willingness to do so appears to have stemmed in part from ... a perception that the governments of these nations stood ready to intervene to forestall bank failures.

(☞ Yellen 2007)³⁴⁶

A major problem for Third World countries is that they have always been in the periphery of the global economic system, never able effectively to address the core issues which have threatened long term economic wellbeing. So long as the problems they endured did not significantly affect life in Western nations, there was little likelihood of those issues being addressed.

Western nations have consistently reacted to periodic financial failures only to the extent that they have threatened the wellbeing of 'responsible' people in Western countries. Attempts at regulating international

fiscal/financial organization and activity over the past century have all appeared in reaction to problems encountered in Western economies.

In this discussion we will explore the experiences of the West which have provided a blueprint for changes in economic organization and practice in Third World countries. In a later discussion we will explore the experiences of Third World countries as they have been required to follow Western economic fashion shifts.

The 1929 Wall Street collapse, following the neoliberal 1920s, produced the first major national initiatives in the USA to ensure that risky lending practices of banks could no longer threaten the economic stability of the nation (and, by extension, the world economic system based in Western nations).

Prior to this collapse, as the US Federal Deposit Insurance Corporation (FDIC 1984) described, the US, along with most other Western nations, had experienced periodic financial failures over more than a hundred years. Measures employed to counteract and insulate against such failures were *ad hoc* and never effective over the long run.

It seems that regulatory authorities in Western nations are unable to maintain and adapt regulatory measures taken in reaction to crises once they have been mitigated. The FDIC, itself, established by the Roosevelt administration in 1933 to 'reduce the economic disruptions caused by bank failures', has been accused of being a toothless tiger in the 1st decade of the 21st century.

Once the initial shock of a financial failure passes, and measures introduced seem to have dealt with the problem, those authorities responsible for ensuring against future financial failures become decreasingly effectual. The measures introduced to handle particular failures become less appropriate over time as marketplace strategies alter to circumvent them, until they no longer safeguard against failure, and the problems resurface.

Effectively, what we have in the historical record is a process of moving from

- crisis;
- to regulation;
- to progressive weakening/circumvention of the regulations;
- to deregulation³⁴⁷ ;
- ⬆ to crisis

The official history of the US Federal Deposit Insurance Corporation (FDIC) explained this in a 1984 publication outlining its establishment and operation during its first fifty years ³⁴⁸.

Welfare capitalism and gutted unions 🐭

The 1929 crash followed a decade during which regulations which had been enacted over the previous forty years had been progressively weakened to allow uninhibited market activity to flourish.

Following the First World War, left leaning 'radicals' and trade unions were successfully challenged and sidelined by employers and state officials. Gerald Friedman (2008) has summed up their experiences over the 1920s decade well.

The 1920s was an especially dark period for organized labor in the United States where weaknesses visible before World War I became critical failures. Labor's opponents used fear of Communism to foment a post-war red scare that targeted union activists for police and vigilante violence. ³⁴⁹

Factory automation and assembly line organization were refined and extended during the war years. This, following the war, resulted in excess productive capacity which, with the influx of people looking for work as troops returned from the war, resulted in a short sharp urban recession in 1920-1.

Raymond Betts (1979) described similar problems in Western Europe,

For millions of war veterans readjustment to civilian life was an immense problem. The search for jobs, the attempt to repair marriages disrupted by years away from home, the bitterness over reports of war profiteering, and the disappointment over the shortages of housing were personal difficulties quickly dampening the enthusiasm for the long sought-after peace.

In the US, this resulted in a sharp increase in unemployment which quickly grew to more than 11% of the workforce. The unemployment problem was compounded by the large numbers of women who had entered the workforce during the War years and wished to continue working ³⁵⁰. These conditions, as Friedman has described, greatly helped employers and their organizations in neutralising union strike activity.

The US Commerce Secretary, Herbert Hoover (elected president in 1928), successfully argued for an expansion of the money supply, weakening of investment strictures and an increase in urban wages as a means of stimulating mass consumption to match the increasing productive capacity. This had the desired effect and urban areas of the United States experienced a period of rapid economic growth, fuelled by the newly stimulated era of mass consumption (see '[deregulation leads to economic growth and wellbeing](#)' for consequences).

Having neutralized workers' unions, businesses, in a time when they were flush with profits from the developing boom conditions, sought to make unionization irrelevant. They did this by following the worker welfare practices refined by Henry Ford during the 1st World War, incorporating 'welfare capitalism' into their staffing strategies³⁵¹. These practices had a long history in western Europe and would have a similar history in Western Europe's colonies through the late 19th and 20th centuries.

[Company Towns, Truck Systems, Debt Bondage and Indenture](#)

During the 19th century, socially aware business owners, conscious of the appalling working conditions in most major industrial centers in Western Europe had attempted to improve the lot of workers and their families. A number of examples of 'company towns' emerged, such as New Lanark in

Scotland built by Robert Owen; Pullman on the outskirts of Chicago built by George Pullman³⁵² ; and McDonald in Ohio, built by the Carnegie Steel Company.

The emergence of company towns and similar forms of welfare capitalism might, very often, have been well intentioned and for the benefit of employees. Welfare capitalism was, of course, an effective means of ensuring employee loyalty and keeping employee organization under control. An employee organization which was contained within a company and relied on company welfare programs could be insulated from worker organizations elsewhere.

All-too-often these attempts at ensuring the welfare of workers degenerated into truck systems³⁵³, debt bondage, peonage and indenture³⁵⁴. Such practices had been commonplace forms of worker exploitation from the 17th century. They had been formalized in English law with the passing of the ^{CE} 1601 Poor Laws.

Merle Travis expressed it well in a mid 20th century folk song,

You load sixteen tons, what do you get?
Another day older and deeper in debt.
Saint Peter, don't you call me, 'cause I can't go;
I owe my soul to the company store³⁵⁵.

Daniel Gross (2004) has neatly summed up the move to welfare capitalism in the 1920s³⁵⁶.

Henry Ford led the way. In January 1914, Ford Motor Co. instituted the \$5 day. Over the next several years, Ford took steps to ensure that its employees remained healthy, loyal, and above all, efficient. It opened an infirmary and established the "Sociological Department" to both keep tabs on and look after the welfare of its workers. In 1922, Ford cut the work week from six days to five.

In the roaring 1920s, when other highly profitable companies began to emulate Ford, welfare capitalism began in earnest. Companies built cafeterias and health clinics, sponsored baseball and bowling leagues, and granted days off for the opening of deer season. Corning Glass Works began providing health insurance in 1923. The same year, U.S. Steel slashed its workday from 12 hours to eight. In 1927, International Harvester began offering two-week paid vacations. All this was all done without government mandates and largely without the influence of unions.

{§} (07/04/16) The 1920s was a decade of 'welfare capitalism', in which employers took paternal responsibility for their employees.

It seemed to employed urban inhabitants that the prosperity of the era was a consequence of:

- the weakening of union power;
- weakening of public legislation on speculative investment;
- and commitment by businesses to the welfare of their employees.

It was believed that these were responsible for both the strong growth in urban incomes and improvement in urban living conditions ³⁵⁷.

The United States urban employed experienced growing incomes (almost 20% real increase over the period) coupled with falling commodity prices as a consequence of the new mass production technologies and electrification of industry.

American middle and working classes began a love affair with private enterprise and material possessions which has lasted to the present.

But, there were losers. The prosperity of the decade did not extend into the rural populations of the United States, and there were many members of minority groups - such as a growing population of African Americans moving from the impoverished rural south into northern, mid-western and western cities - who had to settle for low paid service employment or could not get work and found life harsh in a deregulated world.

By the end of the decade, the euphoria of the period evaporated, the [illusory wealth created by a speculative investment bubble vanished](#), hundreds of thousands of people lost their savings and millions of urban workers lost their jobs.

It was another in the list of economic bubbles which seem to be an inevitable result of neoliberal free market policies. And, like other bubbles before it ³⁵⁸, and a few since, it burst!

President Franklin D. Roosevelt summed it all up:

For twelve years this Nation was afflicted with hear-nothing, see-nothing, do-nothing Government. The Nation looked to Government but the Government looked away. Nine mocking years with the golden calf and three long years of the scourge! Nine crazy years at the ticker and three long years in the breadlines! Nine mad years of mirage and three long years of despair! Powerful influences strive today to restore that kind of government with its doctrine that that Government is best which is most indifferent.

For nearly four years you have had an Administration which instead of twirling its thumbs has rolled up its sleeves. We will keep our sleeves rolled up.

We had to struggle with the old enemies of peace - business and financial monopoly, speculation, reckless banking, class antagonism, sectionalism, war profiteering.

They had begun to consider the Government of the United States as a mere appendage to their own affairs. We know now that Government by organized money is just as dangerous as Government by organized mob.

([Ⓔ] [Franklin Roosevelt's Address Announcing the Second New Deal](#), October 31, 1936)

And, in 1933, faced with an imminent collapse of the US Banking system:

To review at this time the causes of this failure of our banking system is unnecessary. Suffice it to say that the government has been compelled to step in for the protection of depositors and the business

of the nation.

(President Franklin D. Roosevelt to Congress March 9, 1933)

Compare the response in 1933 to this response by President Barack Obama following the 2008 Wall Street collapse which followed a neoliberal revival over the previous thirty years:

... we don't have any kind of process designed to contain the failure of a Lehman Brothers or any of the largest and most interconnected financial firms in our country.

That's why, when this crisis began, crucial decisions about what would happen to some of the world's biggest companies - companies employing tens of thousands of people and holding hundreds of billions of dollars in assets - had to take place in hurried discussions in the middle of the night. That's why, to save the entire economy from an even worse catastrophe, we had to deploy taxpayer dollars.

(President Barack Obama *Cooper Union Speech* April 23, 2010)

Quantitative Easing, Financial Collapse and Protectionism 🇺🇸

The decade of the 1920s was shaped by the combined effects of

- ★ expansion in the money supply ³⁵⁹ ;
- ★ the streamlining and electrification of production;
- ★ consequent mass production of cheap consumables;
- ★ a deliberate decision to encourage spending;
- ★ and unregulated speculative investment and lending³⁶⁰.

These, together, produced their inevitable result - the 1929 financial crisis.

While 1929 marked the beginning of the end, the effects of the crisis emerged over the next four years. With loss of confidence in the future, businesses and individuals reined in their spending, banks became increasingly reluctant to fund the continued reliance on easy credit, and a downward spiral commenced which would end, as the FDIC report described, in bank failure, a freeze on investment, and subsequent massive unemployment.

From the stock market crash in the fall of 1929 to the end of 1933, about 9,000 banks suspended operations, resulting in losses to depositors of about \$1.3 billion. The closure of 4,000 banks in the first few months of 1933, and the panic that accompanied these suspensions, led President Roosevelt to declare a bank holiday on March 6, 1933. The financial system was on the verge of collapse, and both the manufacturing and agricultural sectors were operating at a fraction of capacity.

(^{CE} [FDIC 1984](#))

{§} (09/07/18) By 1933, unemployment in the United States had risen to 25% of the workforce. Close to 13 million people were unemployed. And, of course, the 'welfare capitalism' of businesses collapsed. Those who retained their jobs, found that they were powerless. Company workers' associations

provided no protection against loss of conditions as businesses cut costs to stay afloat.

The unemployed found themselves on their own, without access to any of the welfare facilities they had taken for granted over the previous decade. There was no "welfare safety net" to which the newly destitute could turn. And the problems of the decade would not be short-lived ³⁶¹.

It was inevitable that a dispossessed democratic electorate would demand protection from its government. And that was what happened in the U. S. federal election of 1932.³⁶²

From Free Markets to Protectionism 🐼

{§} (22/11/16)

{§} (20/06/18) There is something fundamentally unstable about a deregulated neoliberal, free market economic order.

There has long been a belief in the US that 'free markets' are unregulated markets. Any attempt at regulation has simplistically been considered a move toward socialism ³⁶³. Attempts to provide a stable backdrop to economic activity through regulation have been considered inherently 'anti-free-market' ³⁶⁴.

The presumption that free markets are best when unregulated depends on a claim, first made by Aristotle and reiterated by Aquinas in the 13th century, that civilization is based on people ordering their lives by instincts implanted in each individual ³⁶⁵. If one accepts Aquinas's logic, then those instincts, having been implanted by God who makes all things perfect, must, in their expression, produce a perfect individual and a perfect society. Without this metaphysical presumption, there really are no grounds for assuming that the expression of uninhibited human nature will produce the *Summum Bonum* - or greatest good ³⁶⁶.

Those who argue for government regulation to ensure a stable legislative background to economic enterprise are assuming that an unregulated market place is not a recipe for either perfect individuals or societies. They are, implicitly, questioning Aquinas's logic. Many who feel the need for public regulation of private economic practice, presume that unregulated markets will result in a world in which 'the devil takes the hindmost'; where the unscrupulous manipulator is given free rein ³⁶⁷.

In an unregulated world, governments can only react to problems after they occur. The capacity to proactively regulate financial behavior through time to ensure long-term economic stability is removed. This anarchic form of libertarianism has become dominant in US neoliberal thought in conjunction with a resurgence of religious fundamentalism.

In 1932 Franklin D. Roosevelt, in response to the demands of a disenchanted electorate, promised them a 'New Deal'. His government would introduce a range of measures to address the current economic problems and protect people from such disasters in the future ³⁶⁸.

The New Deal provoked a storm of protest from those who believed in free markets, independent individualism and small government. They developed

and prosecuted a claim that the prolonged difficulties of the 1930s were due, not to the unwise policies of the 1920s but to the 'collectivist', 'socialist' policies of the New Deal government ³⁶⁹. According to these protestors, the evils of the 1930s were due to the leftist sympathies of politicians who promoted big government, the regulation of private enterprise, and 'social welfare' policies which weakened the moral fiber of the nation ³⁷⁰.

As we will see, the measures introduced to address the problems of the period faced concerted challenge in the courts and fired an opposition which would prosecute its case over the next 40 years. With the emergence of economic difficulties from the late 1960s onward, that opposition would finally gain traction and neoliberal policies would successfully be promoted.

The depth of the 'Great Depression' provided the political leverage that Roosevelt needed to over-ride concerted opposition from both free marketeers and fellow-travelers. Between the early 1930s and the middle to late 1970s, most Western governments promoted protectionist, 'developmentalist' policies aimed at harnessing economic activity to national and community needs. Governments limited and directed market activity through imposing rules and regulations on imports and exports and on fiscal and financial activity. We will examine these developments in the next section.

From the mid-1960s, as the post 2nd World War economies of Western nations reaped the consequences of an overheated 1950s economic boom, neoliberal arguments were increasingly successful in challenging the legitimacy of the protectionist legislation of the period.

{§} (01/10/17) Neoliberalism places the market at the center of 'development'. The presumption is that [if the state privatizes as much of its activity as possible](#), making it directly answerable to 'market forces', and deregulates fiscal and financial activity, market forces will ensure rational, efficient economic organization and activity. This will, in the long-run, result in a more rational organization of society, to the benefit of its members.

A fundamental presumption underpinning neoliberalism is that all cultural and social forms are derivatives of individual, competitive, acquisitive behavior, which is fundamental to human nature ³⁷¹. So, social change is driven by competitive individual exchange. Uninhibited market exchange most directly expresses that human nature. Therefore, by subjecting communities to 'market forces', one introduces rational social change.

The burning question in this 21st century is, of course: Rational for whom? ³⁷²

The OECD, in 2018, has published a report on the rise in inequality within member countries over the previous neoliberally driven 25 years entitled *A Broken Social Elevator? How to Promote Social Mobility*. As Gabriela Ramos has explained in the foreword:

The OECD has been at the forefront of documenting the rise of inequality for several decades. The data paint a stark picture: the average disposable income of the richest 10% of the population is now around nine and a half times that of the poorest 10% across the OECD, up from seven times 25 years ago. Wealth inequality is even more

pronounced, with the top 10% holding half of total wealth, while the bottom 40% holds only 3%. The financial crisis reinforced these trends, but inequalities still increased and the benefits of growth still mainly benefited the top of the income distribution in OECD countries even during the highest periods of global economic expansion before 2008. In many emerging and developing countries, inequalities remain large despite significant poverty reduction.

We have long emphasised the multi-dimensional nature of inequality. Socio-economic status heavily influences employment prospects, job quality, health outcomes, education, and the other opportunities (including access to relevant networks) that matter to people's well-being. Children whose parents did not complete secondary school have only a 15% chance of making it to university compared to a 60% chance for their peers with at least one parent who achieved tertiary-level education. Disadvantage at the outset can follow children throughout their life. Educational disadvantage typically means not only smaller salaries, but, most worryingly of all, shorter lives. A 25 year-old university-educated man can expect to live almost eight years longer than his lower-educated peer on average across OECD countries; the difference is 4.6 years for women.

The vicious confluence of poor educational opportunities, low skills and limited employment prospects can trap people in situations where they are also far more likely to be exposed to environmental hazards and violence. As a result of this multidimensional inequality, while some individuals, cities and regions thrive, others fall further behind...

(Michael Förster *et al*, ^{CE} [A Broken Social Elevator? How to Promote Social Mobility](#), OECD, 15 June 2018)

It has been in the context of this deregulation of national economies, and the facilitation of international economic activity that the present global economy has emerged. In order to understand how we got to our present position, we need to understand the underpinnings of both the protectionist and neoliberal approaches to social and economic organization and activity.

Welfare States and Protectionism 🐼

To contextualize the discussion we need briefly to examine:

- ★ community social templates;
- ★ resource utilization;
- ★ the constantly escalating productive and consumptive demands of Western communities;
- ★ the emergence of what, in the West, came to be called the welfare state;
- ★ and some of the reasons for the imposition of protectionist legislation on economic activity.

This provides a platform for understanding the post-1970s demand for the lowering of protectionist barriers to market activity which characterises the neoliberal economic reorganization of the past half-century.

The global economy which has emerged has been based on a progressive removal of national governmental restrictions on international market activity. We will examine some of the demands made for the internationalization of market activity over the period and some of the consequences of unregulated, international market exchange for both First and Third World communities.

It became accepted during the 1930s in Western countries that people were wholly dependent on wage labor for their livelihood. They no longer had access to the resources needed for a subsistence lifestyle. It was decided that, in order to cushion the effects of loss of employment, and therefore income, the state should accept some responsibility for their social welfare if they lost employment.

On the other hand, those responsible for policy development and implementation in colonial territories considered that people in non-Western communities, if they lost employment, could return to their home communities and depend on subsistence resources for their livelihood.

These variant presumptions have led to some of the most important strains and stresses on both Western and non-Western communities in the past thirty years. So, it is necessary to understand both the rationale and the consequences of this belief in the continued existence of viable subsistence alternatives for non-Western people.

The relationship between community social templates, resource utilization and constantly escalating productive and consumptive demands

Prior to European intrusion, most non-Western people lived in subsistence oriented communities³⁷³. Economic activity was focused on the provision, by its own members, of most of the goods and services required by the local community, and that community accepted responsibility for the well-being of its members.

Trade was usually limited to a few products or raw materials not directly available to the community. It was often focused directly on the circulation of status-related goods and was not central to the supply of everyday needs and wants.

As has been outlined, in most communities the material requirements of individuals and groups have been *socially circumscribed* and fit the productive potential of the environments they inhabit. So, over long periods of time, such communities have been able, in all but very adverse physical conditions, to meet most of their needs from their own environments.

Western Europeans, on the other hand, became involved in material production and in the consumption of goods and services for very different reasons.

Western European social templates focus directly on the production and consumption/accumulation of goods and services. They are economically oriented. They are also focused on individual competitive opposition, on what economists call 'market activity'³⁷⁴.

Where individuals gain status and respect through the competitive accumulation and consumption of goods and services³⁷⁵, the supply of

goods and services in the community is inherently inflationary. Those items which are in shortest supply, but in greatest demand, become the most highly 'valued', that is, the most important in determining relative status.

Since people are involved in individualized competitive accumulation and consumption, there is constant pressure to produce increasing quantities of goods to feed the acquisitive and consumptive appetites of community members. There is, therefore, constant pressure being placed on current productive techniques and technologies, since the requirements placed on current technologies are constantly escalating.

Producers who are able to improve productive efficiency through more 'economic' use of their resources, through streamlining production techniques, and through improving technology, gain a competitive edge over their rivals.

The consequences of this drive are that techniques and technologies are constantly being improved and refined to enable constantly increasing production; constantly increasing exploitation of the environment; and constantly decreasing materials and production costs.

Community resources are placed under constant pressure. They are in short supply, or, as economists are wont to remind us, they are 'scarce'. As such, they become increasingly 'valuable' and therefore become desired possessions in the drive for status and respect. This, in turn, leads to their accumulation by those with the wealth and power to appropriate them ³⁷⁶.

Loss of subsistence resources

In early modern Western Europe this led to land enclosure and the dispossession of increasing numbers of rural dwellers. (In colonial territories, people were moved from their traditional environments to native reserves of marginal agricultural usefulness) ³⁷⁷. The poor of Western Europe were forced, by their loss of subsistence resources, to become poorly paid rural laborers or to migrate to the towns where they might be able to live by their wits or, if they were lucky, find paid employment. Thomas More described this kind of dispossession in 16th century England well:

[T]he owners as well as tenants are turned out of their possessions, by tricks, or by main force, or being wearied out with ill-usage, they are forced to sell them.

By which means those miserable people, both men and women, married and unmarried, old and young, with their poor but numerous families (since country business requires many hands), are all forced to change their seats, not knowing whither to go; and they must sell almost for nothing their household stuff, which could not bring them much money, even though they might stay for a buyer. When that little money is at an end, for it will be soon spent, what is left for them to do, but either to steal and so to be hanged (God knows how justly), or to go about and beg? And if they do this, they are put in prison as idle vagabonds ³⁷⁸.

Land became unavailable to most members of the community for subsistence lifestyles. It had become incorporated into the social template as one of the possessions through which people could attain and maintain

status. As such it had to be 'owned' by the individual rather than by the community, and the individual had to limit the possibility of others enhancing their statuses through its use. That is, laws of trespass became inevitable ³⁷⁹.

Losing access to subsistence resource bases, people had to rely on cash income both to ensure subsistence and to maintain and enhance their social statuses. Poverty became defined not only in terms of loss of access to subsistence resource bases, but also in terms of the ability to maintain the levels of accumulation and consumption of goods and services which were required for the social statuses which people had attained. The 'success' of individuals could be determined by the cash income available to them, or by the cash value of their holdings.

Wage Labor dependence

In Western communities, increasing numbers of people could only maintain their statuses and satisfy their expanding needs through wage labor. As Marx observed in the mid 19th century, the only saleable commodity left to many individuals was their ability to labor.

They became compelled by both their subsistence and status-related needs to sell their labor power to those who controlled the means of production. And, since labor power became another source of wealth and therefore of status, it was used as all other resources were used, to increase the wealth of those who controlled it - to produce the maximum output for the minimum input.

Human beings became commodified ³⁸⁰, another resource which might be bought and used to maximize profit.

With labor in plentiful supply and employment difficult to find, employers could reduce labor costs and make it more pliant through challenging social restrictions on the exploitation of labor. During the 17th to early 20th century, this ensured that both living and working conditions for the 'laboring poor' were harsh.

The influential people of Western communities, since the 17th century, have been capitalists ³⁸¹. Since they were oriented to maximizing profits and minimizing costs, it soon became argued that all forms of social interference in the marketplace of labor should be removed.

As Joseph Townsend [Ⓔ] (1786) argued in the late 18th century, labor should be made directly available, without social impediments, through the marketplace. People should be 'freed' from social 'restrictions' on their 'right' to sell their labor power to the highest bidder and businesses should be 'freed' from 'political interference' to engage labor at 'market prices'.

Of course, in a period of plentiful labor, market forces ensured that such prices would be very low ³⁸². Inevitably, given that the drive of capitalism is to lower costs and increase profits, employers and owners of business colluded to keep costs of labor down.

Adam Smith described the realities of 'combination' as employers combined to further their interests during the 18th century, in his most famous work *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776). The

description he gives is as applicable throughout the capitalist world now as it was then. It is an explanation which has received much less attention than it deserves through the past 200 years.

...Whoever imagines... that masters rarely combine, is as ignorant of the world as of the subject. Masters are always and everywhere in a sort of tacit, but constant and uniform combination, not to raise the wages of labor above their actual rate.

To violate this combination is everywhere a most unpopular action, and a sort of reproach to a master among his neighbors and equals. We seldom, indeed, hear of this combination, because it is the usual, and one may say, the natural state of things, which nobody ever hears of. (1776, p.84) ³⁸³

From the 16th century onwards, the emerging legal framework of economic relations was always biased toward those who increasingly controlled the law courts of Western Europe ³⁸⁴. 'Masters' increasingly used their privileged access to the law courts of Western Europe to advantage themselves at the expense of both the 'rural' and 'laboring' poor.

Where people lose access to their subsistence environments and become entirely dependent on wage labor for the supply of their needs and wants, loss of employment leads to both socially-defined and absolute poverty. The history of the emergence of capitalism in Western Europe is, simultaneously, the history of endemic poverty for large numbers of displaced people who were compelled to sell their labor power on the open market ³⁸⁵.

The improvement in the quality of life of Western European wage laborers coincided with the expansion of Western Europe into the rest of the world.

Free Markets, invaded environments, and snowballing production and consumption

The world which Western European colonial powers set out to reorganize in the late 19th and 20th centuries was already organized *to provide inhabitants* with their needs and wants. Europeans did not move into empty regions. They dispossessed inhabitants of their lands and resources, and compelled the populations either directly or through a variety of subterfuges to supply the labor they required ³⁸⁶.

The planet was being reorganized to ensure that the needs and wants of Western people could continue to expand. The story of the rest of the world, since the late 19th century, is bound up in its progressive co-option to continue feeding the expanding appetites of the West.

Regions became devoted to 'mono-agricultural' export, to large-scale production of a very few primary commodities for export, rather than for the communities whose environments were reorganized ³⁸⁷. Where mono-agricultural development in large holdings was not feasible, indigenous communities were re-organized to emphasize cash-cropping, producing agricultural products required for European markets on small-holdings.

Free Markets Work: Improving Wages, Conditions and Consumption

The influx of new raw materials from non-Western regions in the last quarter of the 19th century ushered in a prolonged period of growth in commodity production in Europe. This, in turn, fuelled consumption in Western countries. At the same time, the expansion into the rest of the world required rapid growth of both armed forces and colonial administrations. These developments, of course, increased labor requirements and labor, in Western countries, became relatively scarce.

Now, for the first time, market forces led to an improvement in wages and conditions for laborers. Wage laborers in Western nations could begin to negotiate better employment terms ³⁸⁸. Unions became increasingly powerful since their members were not threatened by loss of employment if they insisted on improvements in their wages and conditions.

It also gave credibility to the claims of 'free marketeers' that 'free'³⁸⁹ competition would, inevitably, result in improved lifestyles for those who entrusted their lives to 'market forces.'

Thomas Huxley (1893) described the position of free marketeers in the second-half of the 19th century:

According to their views, not a shilling of public money must be bestowed upon a public park or pleasure ground; not sixpence upon the relief of starvation, or the cure of disease.

...The State is simply a policeman, and its duty is neither more nor less than to prevent robbery and murder and enforce contracts. It is not to promote good, nor even to do anything to prevent evil, except by the enforcement of penalties upon those who have been guilty of obvious and tangible assault upon purses or persons.

(1893, p. 258) (See [Thomas Huxley](#) for more on this)

The prolonged economic difficulties of the last quarter of the 19th century ³⁹⁰ did little to dent this belief in the efficacy of market forces. They did, however, strengthen the determination of workers' organizations to have legislative protections put in place against excessive exploitation by employers.

Adam Smith, in 1776, had predicted the response of 'masters' to attempts by workers to have regulations built into terms of employment,

The masters upon these occasions ... never cease to call aloud for the assistance of the civil magistrate, and the rigorous execution of those laws which have been enacted with so much severity against the combinations of servants, laborers, and journeymen.

(1776, p.85)

Yet, despite strong opposition from free market employers and their supporters, conditions favored workers in their determination to improve their working conditions ³⁹¹.

As employment conditions and wages slowly improved through the last part of the century, more and more of the 'laboring poor' gained a foothold into the ranks of the lower-middle classes. As they did so, they needed to demonstrate their improving social positions in ways required by the established Western European social templates: they would begin to accumulate possessions and expand consumption.

Western social templates result in constant, though relatively slow, expansion in the felt needs of community members. This is so because in order at least to maintain one's social status relative to others, one must ensure that one is at least as affluent as, or, preferably, slightly more affluent than they are.

Of course, to increase significantly one's private possessions and/or publicly stated income is to improve one's social standing beyond that of one's 'social equals'. This usually requires entry into a new group, within which one will need to establish oneself and probably accept a disadvantageous position until accepted by the group.

The costs associated with such a leap in status deter many from attempting to 'climb the ladder'. Comparisons are usually made between others of similar wealth to oneself, attempting to gain as high a position in their estimation as possible without having to move into a new status group.

So, over time, because of this competition within status groups,³⁹² the felt needs of Western people expanded. As the needs expanded, the necessary income to support those needs also expanded. During periods of economic growth in Western countries, people (obtaining higher wages through improved bargaining power) transfer discretionary incomes into necessary income through expansion of felt needs, and so set new baselines for wages.³⁹³

Inevitably, over time, the perceived needs of Western people became far greater than the perceived needs of people in communities governed by other social templates. In the eyes of most non-Western people, Westerners became, and still are, materially very wealthy. The incomes deemed 'necessary' by Western people have to cover the acquisition of necessities not perceived as such by people in most other communities.

So, even without factoring in the social welfare needs of Western communities, the necessary incomes will be substantially higher than necessary incomes in non-Western communities.

A distinction needs to be made between the necessary income to meet perceived individual needs and the social welfare component costs of production. Wages are not higher in Western countries because they include a social welfare component, they are higher to cover the perceived needs of Western individuals.

Social welfare costs refer to both the costs of the community and the responsibilities of the community toward all its members. Community costs do not only relate to the 'poor box', but also to the general well-being, education and organization of the community and its members.

Over the past two hundred years, Western countries have increasingly emphasized individual rights and responsibilities at the expense of those of the community. In the process, the community becomes weakened until it no longer provides its members with a strong, immediate sense of shared responsibility and identity.

This move toward the individualization of the population and weakening of the responsibilities and cohesion of communities has been accentuated over the past thirty years.

The emergence of welfarism : Social Costs are Production Costs

It took Western communities a long time to come to terms with the need to provide a coherent social welfare program. Such a program needed to include both the funding of general community responsibilities and protection of those in the community who had lost access to subsistence resources and could not find employment.

It was not until the early 1930s that concerted efforts were made by Western governments to establish welfare legislation to underwrite health, education and the livelihoods of the least affluent of their populations. Prior to that, workers relied on welfare capitalism. Piecemeal legislation existed in conjunction with community-based charities to meet the needs of those in the most desperate of economic straits.

In the 18th and 19th centuries, the most common attitude amongst the 'middle classes', to those who had lost access to subsistence resources but had no cash income³⁹⁴, is well expressed in a paper written by R. J. Morrison in 1842. It was entitled,

Proposals to abolish all poor-laws except for the old and infirm: and to establish asylum farms on which to locate the destitute able-bodied poor; who might thereon maintain themselves and benefit the country £18,600,000 annually.

The paper was written in defence of an 1834 amendment to the Poor Laws in which the destitute were to have social welfare supports removed in order to compel them to accept whatever wages and conditions the market might impose.

There was also, of course, a range of papers written by individuals and groups concerned for the welfare of the destitute, arguing for state protection of the poor. Legislative measures to provide for the poor were, however, at best partial and under constant attack from economic enterprises which saw them as imposts threatening the competitive viability of industry.³⁹⁵

It was not until Western nations were plunged into economic depression following the stock market collapses of 1929 that Western governments were forced by popular pressure into building coherent sets of social welfare policies and institutions. From the 1930s to the 1970s, in Western nations, as Stephen Gill explains:

... statist planners and productivist forces pressed successfully for the creation of a national economic capacity (and also autonomy), welfarism, and Keynesianism, with specific policies designed to inhibit the pure mobility of short-term speculative capital. The aim, in the words of the US Secretary of Treasury during the New Deal, was to make finance the 'servant' rather than the 'master' of production. (Gill 1994, p.174)

{§} (14/05/17) After the 1929 financial collapse, people in Western nations, who had been experiencing economic boom conditions over the preceding ten years, found out just how vulnerable they were to the vagaries of the

international marketplace. Stock markets crashed, businesses collapsed, and millions of people lost their savings and their jobs.

Since most Western wage earners, by the 1930s, no longer had access to subsistence resources, loss of employment meant destitution for millions. In the wake of this economic depression, voters in many Western countries turned to political parties which promised that they would directly address the problems of the Depression period.

In the USA, Franklin D. Roosevelt promised the population a 'New Deal' which would introduce a range of measures to protect people from such disasters in the future³⁹⁶. Amongst the measures he introduced were:

★ *The Fair Labor Standards Act* (1938). The Administration, in 1933, attempted to set up an agency to enforce codes of fair practice for business and industry. The legitimacy of the initial agency was successfully challenged in the courts, but, by 1938 its intentions had been successfully established through the above Act.³⁹⁷ The codes included:

- minimum age;
- minimum wages;
- maximum hours;
- the right of workers to join unions;
- and provided means for establishing minimum prices to protect businesses from unscrupulous price cutting.

★ *The Social Security Act* (1935) which aimed to provide workers with a guarantee that, in the event of their encountering reduced circumstances, their basic needs would be met. Among the programs which were established over time were: unemployment, old age, and disability insurance; public assistance for the needy; and child welfare. In 1965, Medicare was added to the Social Security system to provide hospital care, nursing homes, and other medical services for those over the age of 65 years.

★ *The National Labor Relations Act* (1935) which overturned much of the employer/employee legislation and practice that had emerged through the 1920s. Amongst other things it,

- guaranteed workers the right to organize and collectively bargain with their employers;
- guaranteed workers the right to strike;
- prohibited unfair labor practices by employers;
- outlawed company unions or employer-controlled unions;
- prohibited discrimination against employees who brought charges against or testified against a company in court;
- and made it unlawful for the employer to refuse to bargain collectively with an authorised employee representative.

{§} (27/08/17) To free marketeers, the legislation of the 1930s was a direct attack on 'free enterprise', a 'socialist conspiracy' against the wealth creators of the nation.

The campaign against these measures, [which began in the 1930s](#), was to continue through the rest of the century. Its rhetoric was refined through the 1960s and emerged as neoliberal free market philosophies and policies. These set the agenda for the globalization of economic activity from the mid 1970s.

In its inception, however, the New Deal legislation represented the first coordinated governmental attempt in the US to ensure that the social costs of communities were included in production costings³⁹⁸. As Paul Boller says,

In its efforts to cope with the Great Depression, the federal government under Roosevelt took measures to help the poor and jobless for the first time in American history.
(1981, p. 259)

Through measures such as these, Western governments accepted direct responsibility for managing their economies in the interests of their constituents.

Effectively, producers were required to include a 'social welfare' component as part of the costs of production. The price of each product included not only the direct costs of labor, material resources, infrastructure and technology, and a 'profit' component; now the price also included the social welfare requirements of workers, their dependents and other members of the community ³⁹⁹.

Most of those who were involved in managing economic enterprises saw these new costs as illegitimate imposts on business. It is possible to argue, however, that after more than two hundred years of social trauma resulting from the market-driven need to cut costs (to which social costs seemed most vulnerable), Western nations had matured.

At last, communities were insisting that capitalist enterprises be geared to meeting the needs and wants of the communities within which they existed. This was not an illegitimate demand.

Capitalism and Parasitism

Where enterprises are required to purchase material resources, from the outset it has been accepted that the price of resources includes two separate components. The first component comprises the costs of extraction and processing of the resource. The second component comprises the profit margin of the supplier. Any supplier which, over the long run, sold its product for less than the cost of extraction and processing, would, by definition, fail.

While all enterprises drive to reduce costs, there is a cost of material resources below which, over the long run, prices cannot be maintained. This same logic, however, had not been applied to the supply of labor.

In the early years of European capitalism, labor was supplied from communities which still had access to subsistence resources. Laborers relied, as Marx put it, on 'all the guarantees of existence afforded by the old

feudal arrangements'. Business only had to pay the competitive market rate for labor, without a baseline determined by its 'costs of extraction and processing'.

In a real sense, capitalist enterprise, as it evolved in Western Europe, was parasitic upon the feudal communities within which it operated. Capitalist enterprises saw themselves as separate from the communities in which they did business ⁴⁰⁰.

As those communities became reshaped by the new forces of capitalism, they increasingly became dependent upon capitalist forms of production and consumption for subsistence. Communities lost their other means of subsistence based on 'all the guarantees of existence afforded by the old feudal arrangements' and had to rely on market-driven production and employment for all their needs and wants.⁴⁰¹

Community needs and wants do not only relate to employed people and their dependants. They include the requirements of all community members, and costs of all the activities and responsibilities of the community. Capitalist activity became the basic means by which communities supplied their needs and wants.

However, since businesses had long calculated their inputs excluding any costs associated with support of the communities within which they operated, they, inevitably, saw any attempts at imposing such costs as illegitimate and parasitic.

Capitalist enterprise in its evolution was parasitic on communities in which both individual subsistence and the community's needs and wants had been supplied by other means. When it undermined and displaced those alternative avenues of need and want provision, the presumption that community welfare requirements were met through other means was, conveniently, retained.

{§} (27/07/17) In a peculiar way, which can only be understood as one understands the primary ideologies of Western people ⁴⁰², economic activity was assumed to be separate from social and political activity. Following Adam Smith's identification of an 'economic environment' it was considered to be subject to its own laws and regulations, with its own independent sets of responsibilities relating to performance within the marketplace.

Communities, it was argued, should take responsibility for the provision of their own needs and wants. They should not become 'parasitic' on business.⁴⁰³

Community costs are Production costs 🐼

{§} (17/04/18) In the 1930s, Western communities finally required economic enterprises to accept social welfare needs as part of production costs.

As long as all businesses within a nation accepted the welfare component as an inescapable cost of production, and could be protected from competition from imported products which did not include such a cost, social welfare could be maintained as a reasonable cost on production ⁴⁰⁴.

After all, the real issue at stake was whether productive activity occurred primarily for the good of the community or whether production could be

divorced from social responsibility.

Was 'the economy' separate from, and not responsible to 'the community', or was it the means by which the community met *all* of its material needs and wants?

In the climate of the 1930s and in the post-Second World War era, the answer was very definitely that 'the economy' was the means by which a community met its needs and wants. These included the needs and wants of its least advantaged members. Governments, therefore, managed economies in the interests of their populations.⁴⁰⁵

The New Deal reforms of the 1930s were the first reforms in the United States which clearly established the principle that community costs should be built into the costs of industry.

In a period of booming economic growth following the Second World War, Western countries continued to accept responsibility for the social and economic welfare of their populations. [A range of taxes and charges](#) were instituted to cover the costs of education, health, and social welfare programs. It was considered socially responsible to redistribute incomes toward the poor through such programs.

This resulted in the sliding taxation scales of the period and increases in company tax rates⁴⁰⁶. After all, it was argued, businesses not only benefited directly through better educated, better nourished and more contented employees, they were also, in the final analysis, community assets, which should contribute to community well-being. Businesses had a 'social' responsibility.⁴⁰⁷

Not only did the 'Welfare State' emerge through such reforms, in accord with the spirit of the times, [benign welfare capitalism](#) became 'normal practice' for business. Daniel Gross (2004) has explained it well,

Even with the rise of the welfare state in the '30s, corporations continued to assume responsibility for the well-being of their employees. It was part of a grand bargain between labor, capital, and government that allowed for remarkable growth, innovation, and rising standards of living for decades. It also served as a bulwark against socialism. By endowing labor with dignity, welfare capitalists made industrial work a ticket to the middle class.

([Ⓔ] [Welfare capitalism is dying. We're going to miss it](#)

For some of the unintended consequences of this shift, see: [The new 'middle class'](#))

The society did not exist to service the economy. Rather, the economy existed to provide a better quality of life for community members.

Protectionism 🐼

In this climate, with the economy servicing the community, industries and, therefore, the jobs which they created and the contributions they made to social welfare, could be 'protected' through the imposition of a range of tariffs on competing imports. The inflow of goods could be regulated by a range of permits, licences, quotas and charges ⁴⁰⁸.

This 'interference' with 'free' international trade was strongly justified in terms of [governmental responsibility for insulating its population](#) from the effects of unregulated international competition. Because of the experiences of the 1930s, this included governmental responsibility to safeguard jobs. It was assumed that they would, otherwise, be lost to those countries where production was cheaper because those who controlled production did not accept that economic pricings should include costs related to the maintenance of social welfare.

Effectively, Western governments required the value of goods to include a component for the social welfare - the 'costs of extraction and processing' - of the communities in which they were produced. They, therefore, had to protect producers and manufacturers from unfair competition from counterparts in other countries whose pricings did not include such a component and a range of barriers to trade were instituted ⁴⁰⁹.

It was also believed that private banks and similar organizations needed to be strongly regulated. This belief was founded in historical experience and reflected the conviction of the general public following the 1929 crash that,

...measures of a national scope were needed to alleviate the disruptions caused by bank failures.

(^{CE} [FDIC 1984, Ch. 1, p. 3](#))

In the 18th and 19th centuries, as banking expanded to provide facilities to increasing numbers of investors, it was found that unless legislative checks were instituted, banks were at risk of collapse, based, not on their own performance, but on rumour and speculation in the community ⁴¹⁰.

If people heard that a bank was in trouble they, quite reasonably, hurriedly withdrew their deposits. Since banks make money through lending and investing based on (among other things) the assumed value of income received as deposits, no bank, if required to return all deposits, could continue to operate. Without legislative protection from such runs on their holdings, banks collapsed; they were 'bankrupted'.

The New Deal legislation of Roosevelt in the USA quite explicitly included further reinforcement and refinement of such protections, since it was widely held that a prime cause of the 1930s Depression had been failure in the regulation of major banks.

The Glass-Steagall Act of June 1933 gave government the authority to curb speculation by the banks and established the Federal Deposit Insurance Corporation (FDIC) which guaranteed all deposits up to \$US2500. This was aimed at convincing small investors that their money would be secure in a bank so that they would not withdraw deposits in anticipation of bank failure. The maximum amount has been periodically increased since then to more or less keep pace with inflation. ⁴¹¹

In 1935, Congress transferred a great deal of the authority formerly wielded by regional Federal Reserve Banks to the Federal Reserve Board in Washington. In addition to its basic fiscal responsibilities, it was given power to exercise direct control over interest rates and could therefore 'manage' economic activity in the marketplace by encouraging or discouraging bank lending.

{§} (23/01/16){§} (07/07/16){§} (02/06/17) It was not only necessary to stabilise banks and manage them to contribute to community well-being. It was also believed countries were at risk unless legislation was in place to limit the possibility of invested capital being withdrawn from a country whenever it appeared that there was some kind of economic problem which threatened short-term profits. This safeguarded productive enterprises from short-term economic swings over which they had little or no control ⁴¹².

Paul Einzig, in 1934, in the wake of the first flush of New Deal regulation, spelt out both the desirability and inevitability of capital controls in well regulated capitalist societies:

...[I]t may well be asked whether we can take it for granted that a return to freedom of exchanges is really a question of time. Even if the reply were in the affirmative, it is safe to assume that after a period of freedom the regime of control will be restored as a result of the next economic crisis.

(Paul Einzig, *Exchange Control*, MacMillan and Company, 1934).

Christopher Neely, in 1999, addressed the post-1960s arguments in favor of free capital mobility and consequent removal of capital controls in the neoliberal era - primarily justified using [economic efficiency](#) arguments. As he explained, there was, for a time, muted advocacy for their reintroduction by some who were concerned with the [Ⓔ] [impact of 'sudden stops'](#), as described by Krugman in the [above footnote](#), though few genuinely effective controls have been introduced in Western countries (which can also be negatively impacted by 'sudden stops'; as Greece, Spain, Portugal, Ireland and other EU countries have found over the years):

The consensus among economists has been that capital controls - like tariffs on goods - are obviously detrimental to economic efficiency because they prevent productive resources from being used where they are most needed. As a result, capital controls gradually had been phased out in developed countries during the 1970s and 1980s, and by the 1990s there was substantial pressure on less developed countries to remove their restrictions, too (New York Times, 1999). The topic almost had been relegated to a curiosity...

...[A]rguments for free capital mobility are similar to those that are used to support free trade. Countries with different age structures, saving rates, opportunities for investment, or risk profiles can benefit from trade in assets. More recently, economists have emphasized other benefits of capital flows such as the technology transfer that often accompanies foreign investment, or the greater competition in domestic markets that results from permitting foreign firms to invest locally (Eichengreen, et al. 1999). The benefits of capital flows do not come without a price, however. Because capital flows can complicate economic policy or even be a source of instability themselves, governments have used capital controls to limit their effects (Johnston and Tamirisa, 1998)...

...In reality, capital controls rarely have been imposed in a well-thought-out way to correct clearly defined pre-existing distortions. Instead, capital controls most often have been used as a tool to postpone difficult decisions on monetary and fiscal policies. Recently, however, the case has been made that capital controls may be the

least disadvantageous solution to the destabilizing effects of capital flows on inadequately regulated financial systems.

(Christopher J. Neely, [Ⓔ] [An Introduction to Capital Controls](#), *Federal Reserve Bank of St. Louis Review*, November/December 1999, pp. 13-30.)

Similarly, national currencies were protected from international exploitation. Exchange rates were fixed by governments and legislation existed limiting the possibility of trade in currency ⁴¹³.

In these and a range of other ways, governments 'managed' their economies ⁴¹⁴. The economy was servant to the country rather than the country being servant to an internationalized economy which could claim to be independent of communities and not responsible for their social welfare.

No Social Welfare for post-colonial nations 🐦

The situation was a little different in the Third World. Many of the welfare programs established in Western nations were not established in post-colonial countries.

Most colonial administrations had assumed that wage laborers in their regions belonged to rural communities which would support them. They were assumed to have access to subsistence alternatives if they lost employment. They therefore saw little need to provide economic safety nets for people who had little or no cash income. Post colonial governments inherited administrations which held these views.

So, few Third World nations developed the kinds of social welfare programs which became standard in most First World countries. Those who lost employment should, as colonial administrations had insisted they must, return to their rural bases and become involved once again in rural communities and subsistence forms of livelihood ⁴¹⁵.

This presumption of the continued existence of viable subsistence alternatives to wage employment has persisted in the face of mounting evidence of the degradation of rural environments and burgeoning rural poverty. In consequence, those who have no viable subsistence alternatives find themselves destitute and the problem of deepening rural and urban poverty in Third World countries mounts daily.

Because wage rates and taxes and charges on businesses have been calculated to cover the costs of welfare in Western countries, industries have had to factor in such costs. On the other hand, where no such welfare is provided, the costs of industry are much lower.

Third World countries, which originally attracted labor-intensive industry on the basis of much lower labor costs, cannot, therefore, institute welfare programs, since this would raise costs and discourage the entry of labor-intensive industry. So, although the subsistence alternatives in many countries are now more imagined than real, Third World governments and industries continue to exclude social welfare costs from the costs of production.

This, coupled with a smaller range of perceived needs and therefore lower necessary incomes for Third World workers, make labor-intensive industrial goods much cheaper than such goods manufactured in Western countries.

Western countries, during the 1950s and 1960s, were well aware of the possibility of losing labor-intensive industry to low-wage countries. This was one of the reasons for maintaining tariff barriers. They were aimed at supporting local enterprise from low-wage competition ⁴¹⁶.

This kind of 'protectionism' could only continue, of course, if Western governments concurred and import restrictions were biased against producers whose prices did not take into account both a social welfare component and the heightened needs base of Western workers⁴¹⁷.

The triumph of neoliberalism 🇺🇸

{§} (14/07/16){§} (27/02/17)

{§} (17/08/17) Since success in the marketplace is based on keeping costs as low as possible in order to remain competitive, those involved in economic enterprise have, since the 1930s, strongly resisted and protested the 'imposition' of social welfare costs.

This opposition has been expressed both through 'neo-conservative' politics and through the policies of the 'radical right'. That is, politics based on arguments about the centrality of the marketplace; the separation of economic activity from political and social activity; and the reinstatement of pre-1930s conditions for industry.⁴¹⁸

{§} (25/07/16) In a market economy, the costs of raw materials are based on demand and supply and costs of extraction and processing. The social costs of production however, are, in the neoliberal 21st century, claimed to be based only on demand and supply. The costs of the community in which that labor is situated are separated from the costs of labor itself.⁴¹⁹

That is, the costs of 'extraction and processing' of the labor are shifted away from the enterprise to the community to the extent that economic enterprises can convince the community that they are separate from it and bear no responsibility for its well-being ⁴²⁰.

{§} (04/02/17) The fundamental rationale underpinning the post-1960s neoliberal reorganization of Western communities had been well explained in a 1919 [ruling by the Michigan Supreme Court](#):

A business corporation is organized and carried on primarily for the profit of the stockholders. The powers of the directors are to be employed for that end. The discretion of directors is to be exercised in the choice of means to attain that end, and does not extend to a change in the end itself, to the reduction in profits, or to the nondistribution of profits among stockholders in order to devote them to other purposes.

Milton Friedman, in a 1970 *New York Times* article, entitled [Ⓔ] [A Friedman Doctrine-the Social Responsibility of Business is to Increase Its Profits](#) (September 13, 1970, pp. 33, 122), had revived it.⁴²¹

{§} (15/10/17) All activity within business enterprises would, in [this emerging neoliberal, 'user pays' world](#), be focused on 'shareholder wealth maximization'⁴²².

Even where wages include a component for the upbringing of offspring and for the old age of the worker, these costs are assumed to be related to the personal requirements of the individual worker. As the British Prime Minister Margaret Thatcher proclaimed in the 1980s ⁴²³, there is no society, [only individuals who choose to congregate](#) and should, as individuals, meet the costs of their interaction.

In the minds of those who accept this logic, there are only individuals and the economy ⁴²⁴. Everything else is a consequence of economic interaction between competing individuals. Those individuals should take responsibility

for the provision of their own needs and wants, they should not demand contributions from other competing individuals. That is, 'user pays' principles should apply to social costs.

This has been the argument at the center of neo-conservative political demands for removal of social welfare costs from economic enterprise⁴²⁵. As we will see, in the 1980s and 1990s these arguments were increasingly effective in reducing social welfare costs to industry.

By the late 1960s, individuals and organizations, committed to improving the economic lot of Third World peoples, seemed to have forgotten - or perhaps never clearly understood - the reasons for the protectionist legislation of the period. They argued strongly that Western governments should 'deregulate' economic activity and encourage international economic interaction through lowering tariff barriers and allowing imports from low-wage countries.

The economic woes of the Third World they were attempting to address were, of course, a result of problems that post-colonial nations endured as they struggled to establish viable nation-states⁴²⁶. Not least were the burgeoning debts owed to First World countries which had provided them with both 'development aid' and 'military aid' from the late 1950s onward⁴²⁷.

With the approval of major Western governments, transnational companies increasingly began to locate their low-wage production activities in selected Third World countries. This was facilitated by new transport developments, particularly the development of container shipping which transformed Western waterfronts during the 1970s.

Those who were most directly involved in Third World development planning and programs strongly approved these moves. They saw this new movement to produce low-wage goods in Third World countries as providing a new base for national development in those countries.

With the failure of import substitution industrialization, and the faltering of value-added industrial development⁴²⁸, this new move by transnational companies to relocate in Third World countries was seen as a 'window of opportunity' for Third World people. Where government-directed planning had not succeeded, private investment from Western countries would. Development agencies, therefore, strongly promoted various forms of deregulation to facilitate transnational investment in the Third World⁴²⁹.

Neoliberalism: A Cure for Economic Stagnation ¶

{§} (08/10/18) After a period of economic boom conditions in Western countries following the 2nd World War, they experienced a decade of economic stagnation. This gave economists and those convinced that the reforms of the 1930s were both economically and morally wrong, a base from which to argue that the changed economic fortunes of the West were a consequence of the 1930s reforms.

The booming economic conditions in Western countries during the 1950s were driven by:

- the need to replace and upgrade infrastructure after the 2nd World War;
- a housing boom as troops returning from war married, had families and required accommodation;
- the need to develop all the education, health and other social infrastructure required by the 'baby boom' which accompanied this;
- the ongoing demands stimulated by the Korean War;
- the rapidly expanding purchasing power of workers living in a boom economic period;
- and all the requirements of the emerging superpower 'cold war'.

During the 1960s and 1970s, those same nations experienced long-run economic problems as the overheated economies of the fifties led to productive over capacity.

The world experienced an oil crisis in the early 1970s, largely driven by the emergence of The Organization of Petroleum Exporting Countries (OPEC) as the first major cartel of oil producing countries. This, coupled with the economic difficulties which emerged during the 1960s, led economists and other interested parties ⁴³⁰ to claim that the economic woes of the West were the result of 'protectionist policies' which should be dismantled.

To combat the evils of protectionism, Western economic activities should be 'globalized'. Trade should be 'freed' from [parochial constraints](#). As the World Trade Organization statement of purpose would later explain,

The economic case for an open trading system based upon multilaterally agreed rules is simple enough and rests largely on commercial common sense. All countries, including the poorest, have assets - human, industrial, natural, financial - which they can employ to produce goods and services for their domestic markets or to compete overseas.

(☞ [WTO](#))

Western nations, with faltering economies, began to take such advice seriously and a number of Western countries lowered tariff barriers to selected Third World countries. The most immediate consequence was the relocation of labor-intensive production to Third World countries and the importation of cheap low-wage products into First World countries by companies already established in Western countries.⁴³¹

Jorge Nef (1995) explained a few of the major consequences of this shift clearly:

... [I]mport dependency ... does not mean that developed countries become dependent on less-developed countries for the satisfaction of their consumption needs. Since most international trade takes place among transnationals, all that import dependency means is First World conglomerates buying from their affiliates or from other transnationals relocated in peripheral territories....

Manufacture evolves into a global maquiladora operating in economies of scale and integrating its finances and distribution by means of major

transnational companies and franchises (for an analysis of maquiladoras, see Kopinak 1993, pp.141-162). Abundant, and above all cheap, labor and pro-business biases on the part of host governments are [fundamental conditions for the new type of productive system](#).

The lowering of tariff barriers *did not empower* either governments or people in Third World countries. It merely opened them to exploitation by First World companies. Marjorie Mbilinyi (1994) described African experience during this period,

The peoples of Africa are being steadily impoverished. They are also being dispossessed of their lands. Governments like Tanzania, partly in response to popular demand, had begun to nationalize assets and try to guide the economy in the direction that would meet the basic needs of the people and increase national control and make it more inward oriented. Now we have complete reversal so that it is almost worse than in the colonial period.
(Mbilinyi 1994)

First World companies rapidly became 'transnational' and exploited the newly accessible differential between production costs in Western and non-Western countries to greatly expand profits and market share.

The 'balance of payments crisis' which has been a major cause of concern in Western countries over the past thirty years, has, in large part, been a consequence of the internationalization of production which came with the lowering of tariff barriers and transfer of low-wage industry to Third World countries.

The move to lower tariff barriers and to allow cheap imports from low-wage countries required a reduction in protective legislation in Western countries. From the late 1970s, Western governments began to make such changes [432](#).

Economic experts giving advice in these matters seemed unaware of the social welfare differentials between Western and Third World countries. They seem to have accepted, unreservedly, that such considerations should not be taken into account in moves toward the internationalization of economic activity.[433](#)

[Economic Efficiency and the Virtues of De-Regulation](#)

{§} (26/01/17) Economics focuses on 'the economy' as a self-existent, independent environment subject to its own laws and constraints [434](#). In the process of producing and distributing goods and services, it generates income for the community through the economic interactions of 'real' and 'artificial' individuals.

Political and social environments are considered to be similarly independent. The requirements of each should, therefore, be met from within their own 'resource bases'[435](#). Economic activity should be freed from political and social 'interference'.

There is no presumption of the necessity for a 'social welfare' component to costs. So, the best economy is one which is 'freed' to pursue economic

goals, unfettered by social and political constraints aimed at [harnessing economic activity to other ends](#).

Low-wage economies, if they are subject to fewer such constraints, are, by definition, more 'efficient' than high-wage economies if they are based on social and political 'protectionism' ⁴³⁶. If Western businesses were to compete 'on a level playing field' with businesses from these countries, they needed to be freed from the shackles placed upon them by protectionist legislation and 'excessive' social welfare demands.

The world, as [Arvind Subramanian and Martin Kessler](#) have explained, has inexorably moved toward the 'fragmentation of manufacturing across borders - the famous slicing up of the value-added chain - as individual production stages are located where the costs of production are lowest'. Lionel Fontagné and Ann Harrison have described the [consequences of the subsequent deregulation and rise of 'factory-free' economies](#) in the Western world:

The shift towards a "factory-free" economy has drawn the attention of policy makers in North America and Europe. Some politicians have articulated alarming views, initiating mercantilist or 'beggar-thy-neighbour' cost-competitiveness policies. Yet companies that concentrate research and design innovations at home but no longer have any factories there may be the norm in the future. This paper summarizes the key themes emerging from a conference on de-industrialization.

(Lionel Fontagné and Ann Harrison, ^Æ [The Factory-Free Economy: Outsourcing, Servitization and the Future of Industry](#), NBER Working Paper No. 23016, January 2017)

Of course, economic experts have not only ignored the social welfare requirements of communities, they have been equally myopic about the environmental costs of economic activity. As Stephen Shrybman explained of international tariff negotiations through the 1980s:

Nowhere is the failure to integrate the environment and the economy clearer than in the GATT negotiations in which, with only limited exceptions, evaluating the environmental implications of trade proposals is not even on the table. To make matters worse, the negotiations are veiled in secrecy, and virtually no opportunity exists for public comment or debate.

(Shrybman 1990, p. 17)

{§} (22/03/17) Just as economists failed to accept that social welfare costs should be incorporated into pricings, so they failed to consider the environmental costs of economic exploitation. In both cases, the costs involved, not being immediate and inescapable imposts on the producer, could be ignored in the interests of competitive pricing.

As in the 18th and 19th centuries, Western countries were again being told that they should accept the 'logic of the marketplace', and accept that an efficient economy would deliver social welfare rewards. And, once they were required to confront the issue, many economists also argued that, as the environmental impacts of industry became economically significant, they, too, would automatically be factored into production costs.

There is, however, as we have seen, no evidence from history that in the absence of legislation requiring social welfare and environmental costs to be built into price structures, improved 'market efficiency' will deliver social welfare returns and ensure the protection of the environment from pillage.⁴³⁷

No argument is made that costs of extraction and processing should be removed from the pricing of material resources, on the presumption that, in some strange way, they will be returned to extractive industry through improved market conditions - the argument would be patently absurd. Yet, this argument has been made, with no apparent awareness of its absurdity, in relation to the social welfare costs of labor.

As Samuels and Shaffer claimed in 1982, the argument that regulation of businesses increases costs, while deregulation improves economic efficiency and will lead to benefits for both businesses and the communities which are required to support them in the deregulated environment, is based on a false premise:

... rather than creating costs, both regulation and deregulation shift them.

For example, regulation of an upstream polluter will increase the polluter's costs of production. But these are costs which hitherto had been borne by others. In this case, the costs formerly borne by the downstream pollutee will be lowered by regulation ...

Regulation has not created the costs, only reassigned them, and that is precisely what deregulation will do. Regulation and deregulation each consists of lower costs for one party and higher costs for the other. (Samuels & Shaffer 1982, p. 467)

All that deregulation does is move the incurred costs from the 'economic environment' to other 'social' environments. By doing this, those costs are no longer 'economic' costs and are, therefore, irrelevant to economic enterprise. So it can be argued that "one should not require business to take responsibility for 'community' costs".

At the risk of belaboring the point - regulation is the process of expanding economic responsibilities beyond a narrowly confined 'economic environment' to include other community responsibilities. Deregulation is the removal of those other responsibilities from economic consideration. The question posed in considering regulation and deregulation is:

Does the economy exist independently of the community or is it the means by which the community ensures the supply of all its material needs and wants?

Economic Activity as Non-Social Activity

It is the nature of 'market competition' that prices will be driven to the margins of profitability.

*If no social welfare component is built into industrial costs then prices fall below levels at which social welfare can be sustained.*⁴³⁸

In the absence of alternative means of ensuring social welfare, allowing social welfare costs to be excluded from calculation of the costs of

production leads, inevitably, to the impoverishment of those who cannot obtain employment or who are not employable. It also leads to a [necessary scaling down of 'non-economic' community activity and organization](#).

In a most peculiar way, 'economic activity' becomes a form of 'non-social' activity which only contributes to social welfare through the personal incomes generated by economic activity - which, themselves, will not include a social welfare component so long as competition for jobs keeps wage rates low.⁴³⁹ 'The economy' becomes an environment which is separate from, and not responsible to, the community which sustains it.

A number of theoretical models emerged during the 1970s purportedly demonstrating the inadvisability of allowing 'political interference' in economic activity. Government regulations constraining economic activity are assumed to be detrimental to both the economy and to the community which depends on a healthy economy for well-being.

Since a prime assumption of economic theory is that all individuals act out of self interest, including those in government, the activities of government will, by definition, advantage special interest groups. The imposition of government imposts on economic activity is, therefore, not in the interests of the community but of privileged interest groups⁴⁴⁰.

If, however, government backs out of economic regulation, competition in the marketplace will lower prices, improve products and allow for the accumulation of profits. This will encourage investment which, in turn, will result in job creation, which will flow back to the community as increased community well-being. As Peter Kahn has described:

Support for the wave of deregulation that began in the 1970s came from liberal as well as conservative economists. But deregulation was pursued with single minded vigour during the 1980s at least in part for ideological reasons. It embodied a political theory which justified the administration's distaste for activist government.

That theory, called 'public choice', was espoused by a group of market-oriented economists and lawyers who claimed to demonstrate two things:

- first, that an activist government is all but incapable of reaching efficient public-spirited decisions, and
- second, that private markets do so routinely and automatically.

According to public choice theory, regulatory policy results from a badly flawed political marketplace, which makes decisions based not on economic efficiency, but on the power of interest groups to use government to pursue private benefit at the expense of general welfare ...

Public choice theory played an important role in the economic policy of Presidents Reagan and Bush. The proposed balanced budget amendment, and other schemes to limit government or place it on automatic pilot, grow out of this body of theory.
(Kahn 1991, p. 44)

'Public choice' theory, similarly, played an important part in the economic policies of Presidents Clinton⁴⁴¹ and (in practice, through Senate activity)

Obama.

As economic activity became internationalized and the demands of governments increasingly came to be seen as obstructing and distorting economic efficiency, economic justifications for freeing economic endeavor from political constraint became elaborated. Now, all the problems from the 1960s onward could be attributed to 'government interference' in the marketplace. The 'gains' made through the liberalization of international trade seemed to be obvious.

Globalization Lowers Prices, Frees Investment: We're all Better Off!! 🐼

{§} (20/06/16){§} (28/06/18)

{§} (15/08/18) By the late 1970s, people in Western countries were beginning to benefit from the lower-priced imported goods produced in low-wage countries as major retailers began to obtain the bulk of their merchandise from such sources. As the majority of people in Western countries felt the effects of this flow-through of lowered costs in the form of cheaper goods, they willingly bought these in place of higher-priced locally manufactured alternatives.

Within a short period the effect of lowering tariff barriers became noticeable. Unemployment began to rise in First World countries, with those who worked in labor-intensive industries being the first to feel the effects of low-wage competition. This resulted in increasing unemployment among low-skilled workers. Skidelsky⁴⁴² described the result:

Factories float between countries to take advantage of lower costs. A legal and policy infrastructure has been built to support offshore production that is then imported to the capital-exporting country. Palley rightly sees offshoring as a deliberate policy of multinational corporations to weaken domestic labor and boost profits.

The effect was rapidly disguised, in Western nations, by altering the definition of employment to include all people who 'did any work at all for pay or profit'. This redefinition of employment for statistical purposes has been perpetuated since that time⁴⁴³. The U. S. Bureau of Labor Statistics gives the current definition of employment,

...people are considered employed if they did any work at all for pay or profit during the survey week. This includes all part-time and temporary work, as well as regular full-time, year-round employment.
([Ⓔ] USBLS 2010)

Even one hour of paid work in a week now qualifies an individual for definition as 'employed'. The definition has been completely divorced from any consideration of a 'living income'. The relation between 'employment statistics' and living standards was broken, allowing for the disguised growth of a low paid, marginalized workforce in Western countries.

This unequal competition forced First World manufacturing enterprises to consider a number of strategies to 'level the playing field'. They could:

- relocate their manufacturing activities in overseas low-wage areas, thus avoiding the increased 'needs' related wage and welfare

component costs of employment in First World countries.;

- focus on improving efficiency through altering production techniques and technologies. This displaced employees with cost-saving machinery, taking advantage of the new technological innovations which have accompanied the continuing computerisation of the First World. This, in turn, incidentally, avoided many of the social welfare costs which have been, in one way or another, levied in association with employment;
- argue strongly for lowering wage rates and the removal of welfare oriented taxes and levies so that they could remain competitive within their present country; or,
- move out of labor-intensive industry, investing in the newly emerging and rapidly expanding international bond, stock/share and money markets (see ^{CE} [Capitalism: Sovereign Debt, Quantitative Easing \(QE\) and the Vortex Economy](#) for more on this).

{§} (11/12/16){§} (13/08/18)

{§} (04/09/18) Whether businesses invested in low-wage countries or in the rapidly expanding financial markets, they found the transfer of funds across national boundaries impeded by the range of regulations imposed on financial transactions in previous decades.

Businesses joined with importers and financial institutions in demanding removal of the fiscal and financial regulations imposed by Western governments to control both investment and the money supply. In the process, national controls on economic activity have been continually reduced, freeing an internationalising economy from the demands of the communities which supply the labor and other resources for their activities.⁴⁴⁴

Over the past thirty years all the above strategies have been utilised by businesses seeking an advantage in the marketplace.

{§} (06/07/18){§} (08/07/18)

{§} (22/09/18) From the late 1970s, Western governments, at the instigation of 'economic experts', strongly encouraged the internationalization of home-grown businesses, providing tax and other incentives to such expansion. Successful companies were 'transnational'.

Most companies initially moved their labor-intensive operations 'off-shore', to take advantage of labor costs in countries where perceived needs were lower and no social welfare component was built into industrial costs. In the process they argued for further [lowering of tariff and quota barriers](#) to facilitate this 'internationalization' of economic activity.

{§} (10/08/18){§} (05/09/18) Paul Roberts has summed up the 21st century consequences well⁴⁴⁵:

When are America's global corporations and Wall Street going to sit down with President Trump and explain to him that his trade war is not with China but with them? The biggest chunk of America's trade deficit with China is the offshored production of America's global corporations. When the corporations bring the products that they produce in China to

the US consumer market, the products are classified as imports from China.

Six years ago ... I concluded on the evidence that half of US imports from China consist of the offshored production of US corporations. Offshoring is a substantial benefit to US corporations because of much lower labor and compliance costs. Profits, executive bonuses, and shareholders' capital gains receive a large boost from offshoring. The costs of these benefits for a few fall on the many—the former American employees who formerly had a middle class income and expectations for their children...

{§} (21/09/18) The US runs consistent dollar trade deficits with many other nations because of the internationally privileged position of the US dollar, derived from the [Bretton Woods Regime](#). This cemented the US dollar as the *de facto* reserve currency required to maintain the dollar parity of foreign countries which, [as France argued in 1965](#), 'amounted to automatic low-interest, dollar-denominated loans to the U.S'.⁴⁴⁶

Robert Samuelson has addressed some of the 21st century consequences for the US of its newfound (2018) determination to redress 'trade imbalances' with other nations:

...[T]he larger threat to Trump's trade agenda is the dollar's role as the major world currency. It dictates trade policy in ways not widely understood and is the ultimate cause of chronic U.S. trade deficits.

The dollar's role as the major world currency means it's used to settle trade transactions and make cross-border investments, even when Americans are not involved. ...[T]he extra dollar demand boosts its value on foreign exchange markets. U.S. exports become more expensive and U.S. imports less so.

Trade deficits result. Since 1981, the United States has had only one current account surplus. (The current account is the broadest measure of the trade balance.)

When something continues that long, it's not an aberration. It's an integral part of the global economy. In effect, the dollar provides a service to the rest of the world.

We are compensated for this service by receiving imports greater than our exports. Many Americans benefit. Imports restrain inflation and expand consumer choice; the flows of money into dollar instruments (Treasury securities, bank deposits, stocks, bonds) tend to lower interest rates.

But there are losers: most conspicuously, U.S. farmers, manufacturers and their workers. They face tougher foreign competition in both import and export markets.

(Robert J. Samuelson, ^{CE} [Trump's no-win trade war](#), *Washington Post*, August 12, 2018)

Off-shoring production and then 'importing' its products is an inevitable consequence of [hyper-globalization](#), the 21st century face of *laissez-faire* capitalism. This, in turn, results in greater international use of the US dollar to settle trade transactions and make cross-border investments. And, in turn, this maintains and enhances the relative value of US currency against

other national currencies. As Samuelson puts it: 'The extra dollar demand boosts its value on foreign exchange markets. U.S. exports become more expensive and U.S. imports less so'.

In such a reorganized world, imposing 'tariffs' on imports directly challenges the driving presumptions of globalization policies of the past half century and more⁴⁴⁷. As Paul Krugman has explained,

...Until very recently, big business and the institutions that represent its interests didn't seem to be taking President Trump's protectionist rhetoric very seriously. After all, corporations have invested trillions based on the belief that world markets would remain open, that U.S. industry would retain access to both foreign customers and foreign suppliers.

Trump wouldn't put all those investments at risk, would he?

Yes, he would — and the belated recognition that his tough talk on trade was serious has spurred a flurry of action. Major corporations and trade associations are sending letters to the administration warning that its policies will cost more jobs than they create. Meanwhile, the U.S. Chamber of Commerce has begun an advertising campaign to convince voters of the benefits of free trade....

The thing is, big business is reaping what it sowed. No single cause brought us to this terrible moment in American history, but decades of cynical politics on the part of corporate America certainly played an important role.

(Paul Krugman, ^{CE} [Big Business Reaps Trump's Whirlwind](#), *New York Times*, July 5, 2018)

In a follow-up article Krugman has cogently argued that we are no longer living in the 1950s-1960s, we now live in a complex, hyper-globalized world⁴⁴⁸:

Trump's declaration that "trade wars are good, and easy to win" is an instant classic, right up there with Herbert Hoover's "prosperity is just around the corner..."

[Of course, Trump's declaration was as attributed, Hoover's is implied from a range of comments made in speeches between 1929 and 1932]

Anatole Kaletsky has argued that:

... In principle, China can avoid any damage at all from US tariffs simply by responding with a full-scale Keynesian stimulus.

... From a Keynesian perspective, the outcome of a trade war depends mainly on whether the combatants are experiencing recession or excess demand. In a recession, tariffs can boost economic activity and employment, albeit at the cost of long-term efficiency. But when an economy is operating at or near its maximum capacity, tariffs will merely raise prices and add to the upward pressure on US interest rates. This clearly applies to the US economy today.

...[U]nless US businesses are sure the tariffs will continue for many years, they will neither invest nor hire new workers to compete with China.

Assuming that well-informed Chinese businesses know this, they will not cut their export prices to absorb the cost of US tariffs. That will

leave US importers to pay the tariffs and pass on the cost to US consumers (further fueling inflation) or to US shareholders through lower profits. Thus, the tariffs will not be "punitive" for China, as Trump seems to believe. Instead, the main effect will be to hurt US consumers and businesses, just like an increase in sales tax.

(Anatole Kaletsky, ^{CE} [The US Will Lose Its Trade War with China](#), *Project Syndicate*, September 21, 2018)

As any fan of magic spirits that live in lamps or bottles knows, releasing them is far simpler than attempting to stuff them back in again! We now live in a hyperglobalized capitalist world and it is going to take a lot more than "Trade wars [that] are ^{CE} [good, and easy to win](#)" to reverse 'decades of cynical politics on the part of corporate America'.

Of course, these consequences have not been limited to the United States. Throughout the Western World, since the mid-1970s, uncritical belief in and commitment to promoting deregulated 'globalization' and 'off-shoring' have produced similar consequences.

Many of the Western-based firms which did not move to low-wage regions, altered their focuses and forms of organization, reducing their reliance on wage labor through automating production. Others, that continued to rely on unskilled labor, gained a clear advantage through increased competition for jobs in Western countries as the numbers of unemployed grew ⁴⁴⁹.

Businesses, in the face of union opposition, argued that if automation was not allowed they could not remain viable in the new climate of international economic competition. Given the burgeoning unemployment and obvious 'globalization' of economic competition, neither governments nor labor unions were able to counter such demands and by the mid-1980s the move to automation was commonplace. The major costs of production now centered in technology rather than labor.

What started out as a move to automation by labor-intensive industries to counter international competition, became a general move by industry to take advantage of the new forms of automation made possible by developments in computer technologies.

Kukowski and Boulton (1995) described the Sony Corporation's moves to automation:

Sony management described the following as an example of the benefits gained from the company's factory automation activities: It took three to four months to start up Sony's original production lines in Japan, but it required only two to three weeks to bring replicated lines up to speed in Singapore and France. Changing models required only 9.1 % of additional capital investment in Sony's first changeover, 3.5% in the second changeover, and only 1.5% in the third changeover.

In addition, the move to automation resulted in improved quality. The best defect rate using manual labor was 2000 parts per million (PPM), compared to 20 PPM after the first week of automation.

Sony's personnel policy was to remove employees from manual labor jobs through automation so that 'they could become more creative in solving problems and improving operations'. Due to Sony's strong knowledge base in automation and its focus on design for manufacturability, between 1987 and 1990 it increased sales by 121 %

with an increase of only 35 employees.

(^{CE} Kukowski & Boulton 1995, ch. 5 s. 3)

{S} (18/04/16) The Sony policy of removing 'employees from manual labor jobs through automation so that "they could become more creative in solving problems and improving operations"' was, of course, disingenuous. Typically, the problem-solving skills required in the new plants required a level of expertise beyond that held by manual laborers. The numbers of such people in a fully automated plant, as Kukowski and Boulton showed, was far smaller than required in a non-automated factory.

Not only did low-skilled workers find their jobs under threat by these moves, increasing numbers of skilled workers found that their positions had disappeared as automated processes displaced them⁴⁵⁰. As the authors say, a 121 per cent increase in sales by the company was accompanied by the employment of a further thirty-five workers⁴⁵¹.

Just-In-Time and Total-Quality-Control: Let's be *flexible* ! 🐼

The new catch-cry of industry, taken up and echoed by First World government, educational, health and other institutions became 'flexibility'. As a Report to the Alberta Government on new economic practices in the 1990s explained:

Human resource consultants Olmsted and Smith said that:

With much of foreign competitors' success credited to cheap labor and with technological advances that permit work to be performed by fewer but more sophisticated employees, American companies are focusing on assessing and redirecting labor costs in order to become more profitable
[1989, p. vii].

In 1993 the U. S. Labor Secretary Robert Reich said:

Firing workers to cut costs has gone so far that even reasonably healthy companies are cutting jobs. The cost of these butcher strategies is borne by all, not only in lost output but in higher taxes.

... With the worst of the layoffs behind them, companies are searching for ways to become 'lean and mean' but effective, and 'flexibility' is today's buzzword.

Flexibility is increasingly viewed as providing ways to manage time, space and people more effectively within the upswings and downturns of a global economy. It is also seen as a way to attract and retain good employees in a labor market that is steadily becoming more competitive.

Two different strategies have begun to emerge about how to create a more flexible workplace. The first strategy would create flexibility by using a 'core' workforce and a 'contingent' workforce to manage the workload. The second is to allow flexible working hours and various forms of reduced working hours to meet demand.

(Alberta Labor 1994, p. 3)

As Mittleman (1994) claimed, Fordist industrial organization was now most usually employed in the remaining labor-intensive industries. Those which

had moved to new technologies usually also moved to new forms of organization.

These often included the networking of small, closely interlinked companies or company divisions, usually controlled by a 'parent' company, each of which took responsibility for production of a particular product component; accepted responsibility for 'managing' their workforces; and could be manipulated to minimize costs when their product component was in lower demand (insulating the parent company from such activity).

{§} (10/04/16) The new organization of production, often called Just-In-Time (JIT) production processes, coupled with Total-Quality-Control (TQC) systems of surveillance, emphasized direct worker responsibility for the quality of output, coupled with direct accountability to authorities for performance.

The term 'just in time' refers to the relationship anticipated between supply and demand. This form of organization aims to reduce the inventories of manufacturers to a minimum, relying on efficient production techniques to produce item components as they are required. It also has quality control built into the process of production, rather than relying on post-production testing⁴⁵².

JIT processes require a direct link between the supplier and the marketplace. This form of organization allows for rapid responses to increases, decreases and changes in demand. It therefore assumes rapid filling of orders, rapid scaling down of production as markets become saturated, and rapid retooling and reorganization as products are altered or displaced to meet new demand.

As in Sony's case, factories, workplaces and assemblies of employees/contractors can be built quickly to meet particular demand, and dismantled and moved just as quickly. And the facility is built at the source of demand. [Thomas Palley described all this](#) as 'barge economics':

The new model can be labeled "barge economics" (Palley, 2007b) because it is as if factories are placed on barges that float between countries to take advantage of lowest costs – which can be due to under-valued exchange rates, low taxes, subsidies, absence of regulation, or abundant cheap exploitable labor.

Trade remains central because goods must cross borders and hence the need for trade agreements. However, barge economics is fundamentally different from comparative advantage trade theory. Free trade is about cross-border exchange of goods and services but production is immobile. Globalization is about creating flexible international production networks configured on the principle of global cost arbitrage. This difference is reflected in the policy debate.

The original trade debate was about taking down tariff barriers. Now, the debate is about property rights and investor protection. Unfortunately, this simple but essential insight regarding the difference between trade and globalization is obscured because orthodox economics asserts globalization is merely an extension of comparative advantage theory which motivated the free trade era.

(Thomas Palley, ^{CE} [The theory of global imbalances](#), 2014, p.15)

This, in the 1990s, resulted in a shift of investment in industry away from low-wage countries and back into major markets.

It emphasized the development of a skilled, versatile, mobile and yet expendable labor force⁴⁵³ which could rapidly respond to changes in market preferences, rather than a workforce which supplied low-skilled, cheap labor inputs⁴⁵⁴. It requires flexible employment arrangements, the use of short-term contracts rather than long-term commitment to maintenance of a stable body of employees, and 'internationally competitive' wages and conditions.

In introducing these changes, businesses capitalised on the high (but disguised) unemployment levels in developed countries to institute new styles of relationship between managers and employees, based on employee uncertainty and 'management by stress' (Sewell & Wilkinson 1992, p. 279).

In a very real sense, businesses, in the 1990s, renounced responsibility for the social welfare of their employees along with renouncing responsibility for meeting the social welfare requirements of the communities within which they operated. Their responsibilities related to ensuring 'economic efficiency', not to contribution to the quality of life of those they employed.

Many businesses, since the 1990s, have become international organizations, geared to exploiting temporary markets wherever they arise and geared, equally, to the economically efficient use of all inputs, including labor⁴⁵⁵.

In the 21st century the new employment arrangements have become common-place. This has led to a euphemisation of the term 'temporary workers'. They are now 'the contingent workforce', an established, central focus in 'human resource management'⁴⁵⁶.

The move to temporary employment was also a move toward increasing stress amongst employees. Since any downturn in company performance resulted in the layoff of temporary staff, those who were in this category - or those who felt that they were next in line to be reduced to temporary status - felt a constant sense of insecurity. They were driven to perform by the fear that if they were seen as less than totally committed to improved performance they would be the first to go.

Do not go gently into that dark night! 🦉

{§} (20/01/16) Not only have the new management techniques introduced increased 'economic efficiency', coupled with decreased contribution to social welfare costs of the communities in which they operate, they have also introduced endemic stress to those communities. Increasing numbers of people live in constant fear of losing their jobs, and therefore their incomes⁴⁵⁷. More and more people live with a gnawing sense of threat which they cannot escape.

In the new climate which dissociates businesses from 'social responsibility', this increase in stress is seen as positively contributing to 'economic efficiency'. Of course, even in this area, such increases in stress are of short-term value. In the long term, they result in decreased not increased performance from employees⁴⁵⁸. However, economic experts have not

shown versatility in thinking through such consequences of their logically-constructed models.

These techniques veil a number of consequences for employees and for the businesses which employ them. First, although employees are grouped into teams, in the interests of quality control, team members are required to monitor the performance of colleagues. Since the teams are small, if the quality of production is poor, all members are under threat. There is no security of tenure ⁴⁵⁹.

Adam Smith, in 1776, provided clear warning of the dangers involved in assuming that 'Merchants and master manufacturers', in pursuing their own interest, have the wellbeing of the community in mind⁴⁶⁰:

To widen the market and to narrow the competition, is always the interest of the dealers. To widen the market may frequently be agreeable enough to the interest of the public; but to narrow the competition must always be against it, and can serve only to enable the dealers, by raising their profits above what they naturally would be, to levy, for their own benefit, an absurd tax upon the rest of their fellow-citizens.

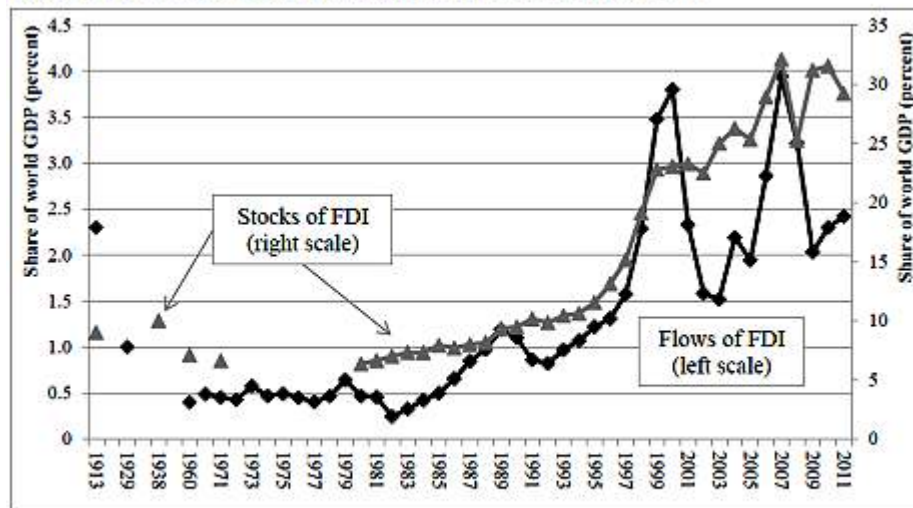
In this far more flexible era of production, what firms needed was rapid access to markets and a close relationship between design and production processes. That is, with social welfare costs being reduced through minimizing employment and a widening gap between labor productivity and hourly worker compensation ⁴⁶¹, firms could relocate production closer to markets.

Many companies relocated in Western countries or in maquiladoras on the borders of major markets. In consonance with this return to high-wage areas, there were concerted political campaigns aimed at lowering or removing the residual social welfare components of industrial costs in Western countries. There was an equally [determined push to lower the real hourly compensation rate](#) for employees in relation to productivity.

As borders have become increasingly permeable through processes of deregulation, and transport networks have become increasingly efficient, international control of production and marketing has become more sophisticated. An international fragmentation of corporate organization has occurred, with apparently independent, but tightly integrated, 'multinationals' controlling component manufacture, product assembly and marketing.⁴⁶²

Corporations have been able to decouple product design and the organization of production from component and product manufacture and product marketing, resulting in what can best be termed pseudo-foreign direct investment in low cost regions around the world. As [Subramanian and Kessler \(2013\)](#) have explained:

Figure 2.2 Stocks and Flows of Foreign Direct Investment, 1913–2011



Sources: Authors, based on data from Baiocchi 1996 for 1913–70, Dunning 1983 for stocks and UNCTAD various years for flows for 1970–2011.

A related feature of this era of hyperglobalization is the rise of multinational corporations and the sharp surge in flows of foreign direct investment (FDI), which have both caused and been caused by cross-border and other flows of goods and services. Since the early 1990s (broadly coinciding with the era of hyperglobalization), FDI flows have surged, growing substantially faster than GDP (figure 2.2). Global FDI as a share of world GDP, which hovered around 0.5 percent, increased sevenfold, peaking at close to 4 percent just before the onset of the recent global financial crisis. Even discounting the two surges of 1997–2000 and 2005–08, the general trend is steadily increasing. Global FDI stocks (which are less volatile than flows) jumped from less than 10 percent of GDP in the early 1990s to 30 percent in 2011. FDI flows, and stocks, now surpass levels achieved in the first golden era of globalization, before World War I. By 2009, there were more than 80,000 multinationals, accounting for about two-thirds of world trade (UNCTAD 2010).⁴⁶³

{§} (11/01/16) National borders and 'parochial' legislatures are now seen as impediments which can and should be overcome to ensure genuinely deregulated, internationalized free markets. The consequence of this mindset has, in the 2nd decade of the 21st century, resulted in a range of, often secretly negotiated, sovereignty-threatening, 'free trade' agreements aimed, not only at ensuring further deregulation of trade but, more importantly, at minimizing the effectiveness of 'parochial' legislation in regulating and controlling internationalized corporate organization and activity.

In the 21st century, [hyperglobalization](#) is becoming the new face of *laissez-faire* capitalism. Tsuyoshi Kawase, in an assessment of the Trans-Pacific Partnership (TPP) agreement, spelt out one of the major consequences of such agreements:

At the conclusion of the TPP agreement, leading figures including Akira Amari, Japan's state minister in charge of the TPP, repeatedly called it a "21st century agreement". By this definition, the TPP is an agreement that facilitates trade in parts and intermediate goods as well as the accompanying international movement of services, data,

people, and know-how. It goes beyond trade in finished products predicated on the division of labour and based on the theory of comparative advantage. Trade in parts and intermediate goods has been growing with the advancement of information and communications technologies (ICTs) prompting more companies to unbundle their production processes and leading to the development of international supply chains. Richard Baldwin calls this chain of factors the "trade-investment-services-intellectual property nexus" (Baldwin 2012) and an agreement designed to facilitate the formation of such nexuses is what is meant by a 21st century agreement.

(Tsuyoshi Kawase, ^{CE} [The TPP as a set of international economic rules](#), VOX: CEPR's Policy Portal, 10 January 2016)

{§} (20/07/17) Dean Baker, in an essay entitled '^{CE} [The Battle Over the Trans-Pacific Partnership and "Fast Track" Gets Hot](#) ' (*Truthout*, 27 April 2015), provided an insight into the nature of such trade deals:

... [T]he TPP is not primarily about reducing trade barriers. The TPP is essentially a pact in which the Obama administration invited industry representatives to get together a wish list and see what they could impose on the other parties to the deal.

Since formal trade barriers are already low, very little time was spent on cutting tariffs or ending quotas. Most of the deal is about imposing a business-friendly regulatory structure. The rules in the TPP can be used to challenge any consumer, labor or environmental regulation approved at the state, local or federal level. The enforcement powers will rest with an extra-judicial dispute settlement mechanism that will impose penalties that are not subject to appeal.

President Obama of the US summed up the problem while selling the virtues of the Trans-Pacific Partnership:

... What we're negotiating will be by far the most progressive, high-standard trade agreement in history. Labor agreements are enforceable. Environmental agreements are enforceable. If and when this agreement is completed, you're going to have countries who have very low, if any, environmental standards in the past suddenly having obligations to deal with issues like deforestation or dealing with overfishing their waters or pollution or child labor. Those are all going to be suddenly enforceable provisions.

... [W]hen you look at some of the provisions that we're negotiating in TPP, we are raising the standards in many countries, in places like Malaysia or Vietnam, in ways that directly help workers there, directly help the environment, directly go after some of the trends that are causing climate change. And if you're a progressive, you want higher standards, enforceable standards, in those regions.

(WSJ Interview Transcript: President Obama on TPP, China, Japan, Pope Francis, Cuba, *Wall Street Journal*, Washington Wire, Apr 27, 2015)

{§} (24/01/16) Responsibilities of sovereign governments, charged with protecting the rights of their populations, [are being 'internationalized'](#). In a brave new *laissez faire* world, responsibility for legislation passes from governments to "interested parties" in international "trade agreements".

With such agreements, the guiding maxim becomes [Henry Thoreau's \(1849\) conclusion](#):

"That government is best which governs least"; and I should like to see it acted up to more rapidly and systematically. Carried out, it finally amounts to this, which also I believe, - "That government is best which governs not at all"; and when men are prepared for it, that will be the kind of government which they will have. Government is at best but an expedient; but most governments are usually, and all governments are sometimes, inexpedient.

(^{CE} [Thoreau 1849](#))

Now, international agreements, negotiated in secret between 'interested parties', carry the responsibilities of regulation, handed "extra-judicial dispute settlement mechanism[s] that will impose penalties that are not subject to appeal" by sovereign governments or their peoples⁴⁶⁴.

As Jonathan Weisman explained:

The Trans-Pacific Partnership - a cornerstone of Mr. Obama's remaining economic agenda - would grant broad powers to multinational companies operating in North America, South America and Asia. Under the accord, still under negotiation but nearing completion, companies and investors would be empowered to challenge regulations, rules, government actions and court rulings - federal, state or local - before tribunals organized under the World Bank or the United Nations.

Backers of the emerging trade accord, which is supported by a wide variety of business groups and favored by most Republicans, say that it is in line with previous agreements that contain similar provisions. But critics, including many Democrats in Congress, argue that the planned deal widens the opening for multinationals to sue in the United States and elsewhere, giving greater priority to protecting corporate interests than promoting free trade and competition that benefits consumers.

(Jonathan Weisman, '^{CE} [Trans-Pacific Partnership Seen as Door for Foreign Suits Against U.S.](#) ', *New York Times*, March 25, 2015)

{§} (03/02/16) With the negotiations finalized, the Labor Advisory Committee, established as part of "[The Obama administration's corporate-heavy network of official trade advisers](#) ", issued its required report to the US Congress "reflecting the opinions of the Labor Advisory Committee (LAC) on the Trans-Pacific Partnership (TPP)". The first two paragraphs of its Executive Summary read:

On behalf of the millions of working people we represent, we believe that the TPP is unbalanced in its provisions, skewing benefits to economic elites while leaving workers to bear the brunt of the TPP's downside. The TPP is likely to harm the U.S. economy, cost jobs, and lower wages.

The primary measure of the success of our trade policies should be increasing jobs, rising wages, and broadly shared prosperity, not higher corporate profits and increased offshoring of America's jobs and productive capacity. Trade rules that enhance the already formidable economic and political power of global corporations - including investor-to-state dispute settlement, excessive monopoly rights for pharmaceutical products, and deregulatory financial services and

sanitary and phyto-sanitary rules - will continue to undermine worker bargaining power, here and abroad, as well as weaken democratic processes and regulatory capacity across all 12 TPP countries.

(R. Thomas Buffenbarger, Chair, Labor Advisory Committee (LAC), [Report on the Impacts of the Trans-Pacific Partnership](#), December 2, 2015)⁴⁶⁵

{§} (17/04/16) We are entering the [twilight of the democratic nation-state](#)⁴⁶⁶.

Do not go gently into that dark night...
Rage, rage against the dying of the light.

[And then We Deregulated Finances and Currencies!](#) 🐼

Concurrently with the move to JIT and TQC processes, all over the world there were insistent demands for fiscal and financial deregulation. It was claimed that this would both facilitate the 'internationalization' of productive enterprises, taking advantage of 'cost anomalies' in different parts of the world; and enable a 'healthy' speculation in currencies and stocks and bonds⁴⁶⁷.

As the attack on investment and fiscal regulations became increasingly effective in the late 1970s and early 1980s, people began investing money in the rapidly expanding international currency, bond and stock markets. These provided more lucrative options for investors than developing alternative forms of productive enterprise. As Susan Strange described:

Changes in the global financial structure in recent decades can be considered under five main headings:

(1) the system has *grown* enormously in size, in the number and value of transactions conducted in it, in the number and economic importance of the markets and the market operators;

(2) the *technology* of finance has changed as fast as the technology in any manufacturing or productive sector in the world economy;

(3) the global system has *penetrated* national systems more deeply and effectively than ever before - though some people are apt to retort that there is nothing new in international banking or international debt, the degree to which both have played a growing part in national economies and societies is quite new;

(4) The provision and marketing of credit have become overall a much less regulated and much *more competitive* business than it used to be when national systems were less integrated in the global system; and, not least,

(5) the *relation of demand for and supply of credit* has changed rather radically, with very large implications for the world political economy and for the material prospects of many social groups and social institutions in the future.

(Strange 1994, p. 232)

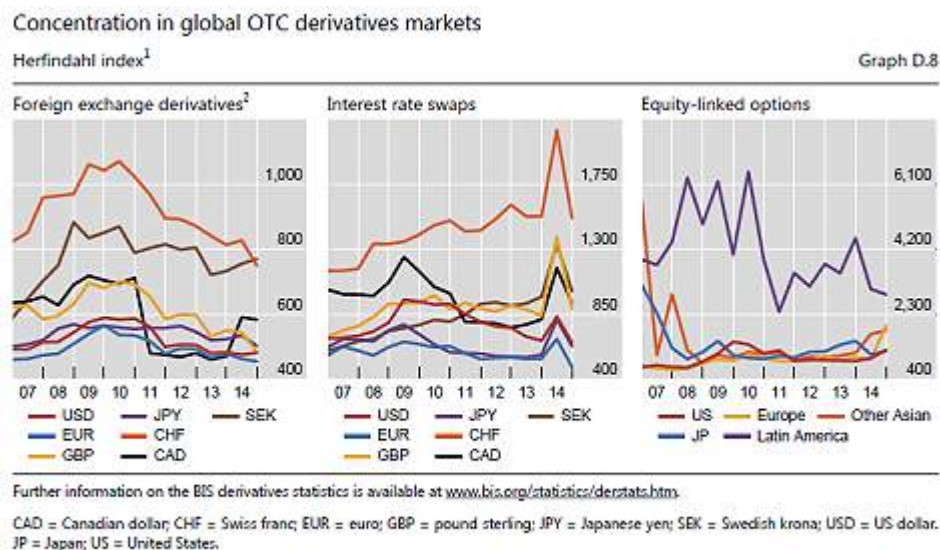
Although it is difficult to quantify the growth in international financial speculation, there is no doubt that it has eclipsed investment in productive enterprise over the past three decades.

Trillions of dollars are shifted daily to take advantage of fluctuating currency values and changes in the value of stocks and bonds based on short-term predictions related to movements in interest rates, government decisions, perceived threat to profits, and short-term profit-taking. Ralph Nader summarized changes over the past twenty years:

... financial market activity has skyrocketed in the past few decades: The value of transactions is now 70 times greater than the size of the real global economy. Trading volume has grown exponentially, skyrocketing from 188 billion shares of stock traded on the Nasdaq and the New York Stock Exchange in 1995 to nearly 1 trillion in 2011. Each year, the notional value of over-the-counter derivatives traded worldwide totals trillions more.

(Ralph Nader, ^{CE} [Ralph Nader on a simple way to avoid the fiscal cliff: Tax stock trades](#), *Washington Post* Saturday, December 1, 2012)

The ^{CE} [Triennial Central Bank Survey](#) of foreign exchange turnover in April 2013 provided a picture of the size of Foreign Exchange and OTC Derivatives Markets activity:



(^{CE} [BIS Statistics: Charts](#), Derivatives Statistics: Graph D8, p. A16)

As it explained:

The preliminary ^{CE} [global results](#) from the 2013 Triennial Central Bank Survey of Foreign Exchange and OTC Derivatives Markets Activity show that trading in foreign exchange markets averaged \$5.3 trillion per day in April 2013. This is up from \$4.0 trillion in April 2010 and \$3.3 trillion in April 2007. FX swaps were the most actively traded instruments in April 2013, at \$2.2 trillion per day, followed by spot trading at \$2.0 trillion.

(BIS, 5 September 2013.

See, ^{CE} [Triennial Central Bank Survey of foreign exchange and derivatives market activity in 2013](#), updated 7 November 2013, for more detail.

The 2013 Triennial Survey was published in the December 2013 issue of the ^{CE} [BIS Quarterly Review](#).)

Government decisions around the world are increasingly made with an eye to 'market response' to their policies, and news bulletins almost obsessively report 'market fluctuation' based on reactions to policy decisions, or even to chance comments by politicians. And financial markets, conversely, react to such reports of their own responses, thus magnifying short-term investment responses to often marginally important (and sometimes barely relevant) government activity.

'Entrepreneurs', since the 1980s, are not 'industrialists' but players in international currency, bond and stock trading and [experts in financial manipulation](#) ⁴⁶⁸. They know a great deal more about Wall Street possibilities than about new productive enterprise ⁴⁶⁹.

Things have not improved in the 21st century. Movements in share and currency values usually have [little to do with the world of productive enterprise](#). They are all-too-often driven by wild and fanciful speculations of 'expert commentators', self-interested predictions of predators in the 'marketplace of finances', and fanciful tales spun by purveyors of 21st century snake-oil ⁴⁷⁰.

Transient Benefits of Globalization

{§} (29/01/16)

{§} (19/10/18) Effectively, in the short-term, what the removal of tariff barriers in the 1980s did was to transfer the difference in wage rates between laborers in First World and Third World countries into the pockets of those who retained their employment, and therefore their incomes, in First World countries⁴⁷¹.

For the bulk of the population, the lowering of prices meant an increase in discretionary income. This allowed middle-income earners to join in the new speculative investment boom of the 1980s. This, in turn, gave them a vested interest in changes in working conditions which might positively contribute to increased investment returns.

That, of course, led them to support arguments for further deregulation and 'streamlining' of business, reduction in government expenditures and taxation 'relief'.

The transfer of income from low to middle wage earners resulted in a transient sense of affluence. Consequently, there was less pressure on employers to give regular wage increases to provide increased income for expanding wants and needs during the first years of this transfer of work to Third World communities.

In the 1980s real wages grew more slowly in First World countries (In the US, for 80% of the male workforce and 50% of all workers, real wages fell through the period)⁴⁷². As Josh Bivens, Lawrence Mishel, and John Schmitt have explained for the US,

...[R]elative employer power in the labor market has indeed increased substantially in recent decades, but the source of this growth is not predominantly explained by growing labor market concentration—it is instead explained by an intentional policy assault on the market power of American workers.

(Josh Bivens, Lawrence Mishel, and John Schmitt, ^{CE} [It's not just monopoly and monopsony](#): How market power has affected American wages, p.11, *Economic Policy Institute*, April 25, 2018)

Not only did real wage returns fall for more than 50% of workers in the US (a result experienced by workers in most other Western communities), for those who initially benefitted from this transfer in wealth, an expansion in discretionary income was followed by an expansion in perceived needs. As the initial flush of felt prosperity waned, more and more middle-income earners accepted neoliberal arguments for 'governmental downsizing' and tax reform, aimed at providing them with further discretionary income.

{§} (25/08/16) In a time when wage increases had become closely linked with increases in 'productivity', that is with increases in company profits resulting not from price increases but from an improved ratio between wage costs and material output (e.g. [German experience](#)), one way of expanding incomes was through reducing government taxes and charges - introducing 'user-pays' schemes which placed the same demands on all people, regardless of income.

{§} (04/11/18) This new emphasis on reductions in government spending, once again effectively shifted income from low-wage to middle- and high-wage individuals⁴⁷³. This resulted in further widening the gap between low-wage earners and middle- and upper-income earners⁴⁷⁴.

As Mishel and Bivens (2011) explained,

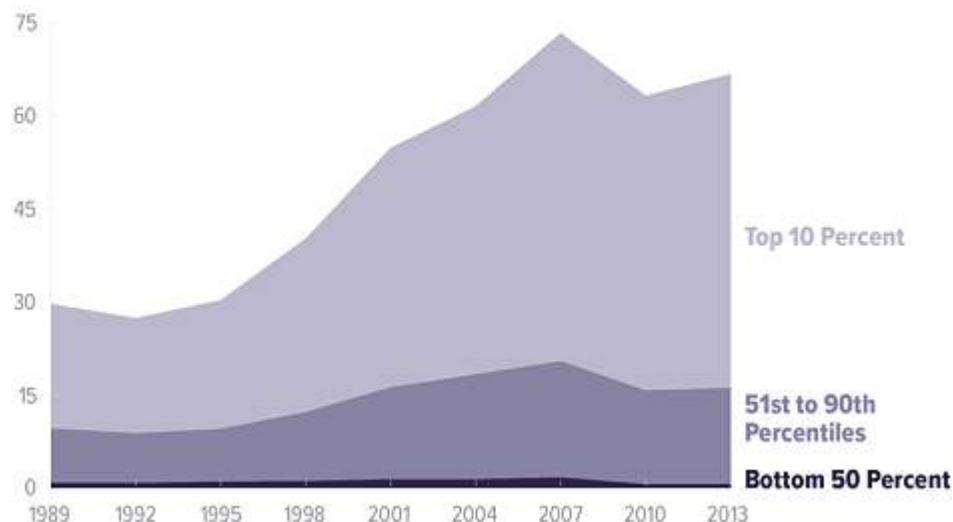
The bottom 60 percent of households actually had less wealth in 2009 than in 1983, meaning they did not participate at all in the growth of wealth over this period.

(^{CE} [Occupy Wall Streeters are Right About Skewed Economic Rewards in the United States](#). *Economic Policy Institute* Briefing Paper No.331)

A report by the US Congressional Budget Office illustrated the shift in wealth distribution in the United States over the period 1989 to 2013.

Holdings of Family Wealth

Trillions of 2013 Dollars



As the report says,

Over the period from 1989 through 2013, family wealth grew at significantly different rates for different segments of the U.S. population. In 2013, for example:

- The wealth of families at the 90th percentile of the distribution was 54 percent greater than the wealth at the 90th percentile in 1989, after adjusting for changes in prices.
- The wealth of those at the median was 4 percent greater than the wealth of their counterparts in 1989.
- The wealth of families at the 25th percentile was 6 percent less than that of their counterparts in 1989.

The distribution of wealth among the nation's families was more unequal in 2013 than it had been in 1989. For instance, the difference in wealth held by families at the 90th percentile and the wealth of those in the middle widened from \$532,000 to \$861,000 over the period (in 2013 dollars). The share of wealth held by families in the top 10 percent of the wealth distribution increased from 67 percent to 76 percent, whereas the share of wealth held by families in the bottom half of the distribution declined from 3 percent to 1 percent.

(US Congressional Budget Office, ^{CE} *Trends in Family Wealth, 1989 to 2013*, August 18, 2016)

In the 1980s, Western middle-income earners experienced a sense of affluence at the very time that unemployment statistics showed a rapid growth in the numbers of people who could no longer find work, and in the numbers of those who had to accept lower wages and deteriorating work conditions in order to retain employment.⁴⁷⁵

This, in turn, lessened the sense of threat amongst the more articulate members of Western communities which would otherwise have accompanied a rise in unemployment statistics in the community. Those most directly affected by the changes could, therefore, find little support from the bulk of the population.

Not even the labor unions, which were trapped by the dual effects of this shift, could mount an effective campaign against the relocation of industry and deteriorating work conditions for low-paid workers. Labor leaders found that they simply could not motivate the majority of Western employees in the face of their new-found affluence ⁴⁷⁶.

Over time, however, the savings which middle-income earners had experienced with the lowering of tariff barriers, were whittled away. The wants of those whose real incomes had been improved by the import of low-wage manufactures expanded, so that, over time, the requirements of such people became greater, effectively reducing their discretionary incomes.

Now, First World countries had lost their labor-intensive industries - or had mechanised them, or had established 'informal sweat-shops' in which people are subjected to 'Third World conditions and pay' - and the initial advantages to consumers which had accrued from the internationalization of competition began to disappear.⁴⁷⁷

Public-Private Partnership: We need to 'Stimulate' Private enterprise

{§} (04/09/17) {§} (24/01/18){§} (23/02/18){§} (03/07/18)

{§} (02/12/18) The lowering of tariff barriers in First World countries and the resulting distortion of First World economies gave doctrinaire, right-wing economic experts a platform from which to argue for drastic reformation of First World economies.

Pointing to the distortions and their effects, right-wing politicians argued that the burgeoning unemployment and its side effects in increased crime, increased youth unemployment, and ghettoizing of low-waged residential districts were the result of economic distortion *within* First World countries.

It was argued that well-meaning, but short-sighted governments had expanded governmental services beyond the capacity of their economies to absorb the associated costs ⁴⁷⁸. The only way in which First World countries could regain the economic initiative would be for governments to step back from their failed attempts at 'economic management' and allow 'market forces' to rectify the problem. As [Herbert Spencer](#) put it, "There is No Alternative' (TINA) (*Social Statics* (1851), pp. 42, 307) ⁴⁷⁹.

High on the lists of remedies for unemployment and the renovation of economies were:

- ★ the establishment of 'individual contracts';
- ★ the removal of 'collective bargaining' by workers;
- ★ the lowering of minimum wage rates⁴⁸⁰ ;
- ★ the watering down of maximum hour rates;
- ★ the removal of price protection;
- ★ and the scaling down of social welfare benefits.

All those provisions which had been central to the 1930s 'New Deal' in the USA and which had been echoed in other Western countries were now under attack as 'economic luxuries' which no country could permanently afford.⁴⁸¹

Ronald Reagan, in his inaugural address had set the scene for what has followed:

...These United States are confronted with an economic affliction of great proportions. We suffer from the longest and one of the worst sustained inflations in our national history. It distorts our economic decisions, penalizes thrift, and crushes the struggling young and the fixed-income elderly alike. It threatens to shatter the lives of millions of our people.

Idle industries have cast workers into unemployment, human misery, and personal indignity. Those who do work are denied a fair return for their labor by a tax system which penalizes successful achievement and keeps us from maintaining full productivity.

But great as our tax burden is, it has not kept pace with public spending. For decades we have piled deficit upon deficit, mortgaging our future and our children's future for the temporary convenience of the present. To continue this long trend is to guarantee tremendous social, cultural, political, and economic upheavals.

You and I, as individuals, can, by borrowing, live beyond our means, but for only a limited period of time. Why, then, should we think that collectively, as a nation, we're not bound by that same limitation? We must act today in order to preserve tomorrow. And let there be no misunderstanding: We are going to begin to act, beginning today. ..

In this present crisis, government is not the solution to our problem; government is the problem.

(Ronald Reagan: "Ⓔ [Inaugural Address](#)," January 20, 1981. Online by Gerhard Peters and John T. Woolley, *The American Presidency Project*)

In 2017, the process and its 'justifications' remain potent. The self-proclaimed political 'centrist', French President Emmanuel Macron, has demonstrated this in his 'reformation' of French labor relations. As Juliette Legendre has described⁴⁸²:

His first year of presidency... has proven that he is neither a centrist nor an avant-garde leader, but rather an old-fashioned, right-leaning neoliberal determined to overhaul France's hard-won social model under the guise of modernism and emancipation.

Cole Stangler explained:

Give him credit for consistency at least. Amid all the equivocations shaping his career, French President Emmanuel Macron has remained singularly committed to the cause of remaking labor law to favor employers. Since his Socialist predecessor, François Hollande, appointed him economy minister in 2014, the former investment banker has repeatedly argued that France must reform its labor code along pro-business lines in order to boost job growth. And on August 31, his recently elected government unveiled a long-awaited proposal to do so.

As Macron's prime minister, Edouard Philippe, put it, the reforms are a "necessary" tool to reduce unemployment, which currently stands at 9.5 percent. If this is the goal, success may be partial at best. Ⓔ [Similar efforts](#) in the world's most highly developed countries have cast doubt on the supposed link between labor deregulation and job growth.

But even if they do bring down unemployment, the reforms are likely to be overshadowed by the grave consequences at the workplace and damage to the country's social fabric. At their core, the proposed changes weaken unions' collective-bargaining rights and make it easier for companies to lay off workers....

Compared with the pro-business employment model that prevails in the United States, the government's reforms may seem modest. But they strike at the foundation of the French system, which seeks to provide workers with a more level playing field for their negotiations with employers.

(Cole Stangler, Ⓔ [The False Promise of Macron's Labor Reforms](#): The

French president's proposed labor code would have grave consequences for workers, *The Nation*, September 22, 2017)

{§} (25/04/18) In the climate of reform engendered by neoliberal arguments, rather than economic enterprises contributing to government social welfare expenditures, the emphasis has been reversed. Government should provide stimulus to private enterprise. Nathan Jensen has described the US scene in 2018:

Every year, states and local governments give economic-development incentives to companies to the tune of between \$45 billion and \$80 billion. Why such a wide range? It's not sloppy research; it's because many of these subsidies are not public.

For the known subsidies, such as Maryland's recent [€] [\\$8.5 billion incentive bid](#) for Amazon's second headquarters, the support includes cash grants for company relocations, subsidized land, forgiving company taxes on everything from property taxes to sales taxes and investments in infrastructure for the company. Maryland is even offering to give 5.75 percent of each worker's salary back to the company, which is the maximum state income tax rate for individuals. Employees will pay taxes that will be [€] [routed back to Amazon](#)....

Economic development all across the country is getting less open — and both Democrats and Republicans are doing it. In fact, in many cases, the politicians themselves aren't even the ones negotiating for the public....

(Nathan M. Jensen, [€] [Do Taxpayers Know They Are Handing Out Billions to Corporations?](#) *New York Times*, April 24, 2018)

Mitchell and Manning (1991) explained the 1980s move to privatize and [corporatize](#) Government:

During the Reagan administration, the ideas of privatization, deregulation, and public-private partnerships became entwined in the USA, as they had during the Thatcher years in Great Britain ...

They are the primary components of an industrial policy founded in what has come to be called *neo-orthodox economics*. Along with supposedly tight fiscal policies and judicious monetary policy, they make up the core of both the Thatcher and Reagan approaches to promoting economic growth and development by unleashing the powers of the private marketplace ...

[With the emergence of the Third World 'Debt Crisis' in the mid-1980s, the OECD, UN, World Bank and IMF provided policy direction to Third World countries.]

Their prescription for Third World governments, *economic adjustment*, was drawn directly from the Thatcher/Reagan doctrines of neo-orthodox economics: cutbacks in public expenditures, privatization, deregulation, and public-private partnerships [PPP].

New loans from the Bank or the IMF today enforce the adoption of such policies ... and the USA Agency for International Development [US AID] promotes public-private partnerships as the key to achieving higher rates of economic growth ...

PPPs themselves, rather than being the centrepiece of a development strategy, are primarily a set of institutional relationships between the government and various actors in the private-sector and civil society ...

In the typical confusion of terms, US AID and other donor agencies promote privatization and government subsidies to private entrepreneurs in the name of building public-private partnerships ...

But privatization is privatization and subsidies are subsidies; public-private partnerships they are not.

(Mitchell & Manning 1991, pp. 46-9)

Under the New Deal, private enterprises were required to incorporate a public social welfare component into the costs of production. However, under neoliberal direction in the 1980s and 1990s, the 'public-sector' provided 'incentives' to private enterprise, believing that such stimulation of industry was needed to ensure a growth in employment and therefore increased social welfare⁴⁸³.

In 2018 Public-Private Partnership deals are in the process of morphing into Private Enterprise capture of the public realm.

Danny Westmeat, *Seattle Times* staff columnist, in an article entitled 'This City Hall, brought to you by Amazon', describes the local and regional government bidding process instituted by Amazon for its 'new, proposed 50,000-employee HQ2'. As he says,

...There's rising worry that corporations are taking over America. But after reviewing a slew of the bids by cities and states wooing Amazon's massive second headquarters, I don't think "takeover" quite captures what's going on.

More like "surrender."

Last month Amazon announced it got 238 offers for its new, proposed 50,000-employee HQ2. I set out to see what's in them, but only about 30 have been released so far under public-record acts.

Those 30, though, amply demonstrate our capitulation to corporate influence in politics. There's a new wave, in which some City Halls seem willing to go beyond just throwing money at Amazon. They're turning over the keys to the democracy....

Example: Chicago has offered to let Amazon pocket \$1.32 billion in income taxes paid by its own workers. This is truly perverse. Called a personal income-tax diversion, the workers must still pay the full taxes, but instead of the state getting the money to use for schools, roads or whatever, Amazon would get to keep it all instead.

"The result is that workers are, in effect, paying taxes to their boss," says a report on the practice from Good Jobs First, a think tank critical of many corporate subsidies.

Most of the HQ2 bids had more traditional sweeteners. Such as Chula Vista, California, which offered to give Amazon 85 acres of land for free (value: \$100 million) and to excuse any property taxes on HQ2 for 30 years (\$300 million). New Jersey remains the dollar king of the subsidy sweepstakes, having offered Amazon \$7 billion to build in Newark.

But more of a bellwether to me are proposals that effectively would put Amazon inside the government.

Some are small. Boston has offered to set up an "Amazon Task Force" of city employees working on the company's behalf. These would include a workforce coordinator, to help with Amazon's employment needs, as well as a community- relations official to smooth over Amazon conflicts throughout Boston. (Surely Amazon can handle these things itself?)

But the most far-reaching offer is from Fresno, California. That city of half a million isn't offering any tax breaks. Instead it has a novel plan to give Amazon special authority over how the company's taxes are spent....

(Danny Westmeat, ^{CE} [This City Hall, brought to you by Amazon](#), *Seattle Times*, Originally published November 24, 2017; Updated December 28, 2017)

Kenneth Thomas has explained the outcome of Amazon's self-promotional orchestration of competition between US city governments for the dubious 'privilege' of hosting an Amazon Headquarters: New York City and Arlington, Virginia (why stop at one when city governments are so desperate to subsidize private enterprise?):

Well, what did you expect? With 238 entrants and 20 finalists, the Amazon HQ2 location tournament resulted in a resounding victory for Amazon: Billions of dollars in subsidies and binders full of detailed information on the contestants. Plus, we got a surprise twist at the end, when Amazon announced it would choose two "headquarters" instead of one. Of course, I never thought that having two headquarters made economic sense ("Doesn't that defeat the idea of a headquarters as a central coordinating site?" I asked last year), and the same is even truer when you have three "headquarters."

(Kenneth Thomas, ^{CE} [Amazon Wins!!!](#), *Angry Bear*, November 30, 2018)

(For a picture of what is happening in this emerging [corporatized](#) United States of America, see ^{CE} [Amazon Killer?](#) posted by Yves Smith on the blog site *Naked Capitalism*, January 23, 2018)

At the same time, the social welfare costs of the past became illegitimate imposts which made productive enterprises uncompetitive and so cost jobs.

Social welfare imposts were, according to the new logic of the 1990s, counterproductive. Instead of promoting social welfare they created unemployment and consequent social misery.

By sleight of hand, social welfare demands made of economic enterprises were considered irresponsible, but the tapping of public resources by private enterprises was considered socially responsible⁴⁸⁴.

Private businesses were now competing with businesses which were able to tap the resources of countries where no social welfare component was included in production. So, Western enterprises should be compensated by government for any continuing residual social welfare costs associated with production (see [Conglomerates and the Progressive modernization of Poverty](#) for more on the consequences of this activity over the past half century).

Only in this way could governments ensure that enterprises based within their territories were able to compete 'on a level playing field' with those based in Third World territories where they not only had few, if any, social welfare imposts, but were also publicly subsidised through a range of 'incentives' in order to ensure that they remained in the territory ⁴⁸⁵.

Conclusion 🐈

★ Rather than creating costs, both regulation and deregulation shift them... Regulation and deregulation each consists of lower costs for one party and higher costs for the other.
(Samuels & Shaffer 1982, p. 467)

★ `Well! I've often seen a cat without a grin,' thought Alice; `but a grin without a cat! It's the most curious thing I ever saw in my life!'
(Lewis Carroll *Alice's Adventures in Wonderland*)

The social welfare component of production and financial activity costings is disappearing. Like the Cheshire cat, in many countries around the world we are left with little more than the grin. Economic and financial activity have been globalized and public debt in Western countries has become a major concern:

★ The health care model in Canada is delivered through a publicly-funded system where many go to their doctor's office and show them a health card. But in this day and age of deficits, debt and costs, can Canada still afford this system?

The Canadian federal government's public debt stands at more than \$526.7 billion and maintains a budget deficit of approximately \$57 billion. Most provinces across the country are also attempting to sustain deficits, such as Ontario, which is running a \$22 billion deficit.

([⌚ Rising costs, deficits could force Canada to revise health system](#)
Andrew Moran, Toronto Headlines Examiner, June 2nd 2010)

★ Irish Prime Minister Brian Cowen, whose government is close to collapse, unveiled a 15 billion-euro (\$20 billion) four-year austerity plan that immediately drew accusations of overconfidence in assuming the crippled Irish economy can grow.

"The size of the crisis means that no one will be sheltered from the contribution that has to be made toward national recovery," he told a news conference.

The plan includes thousands of public sector job cuts, phased-in increases in Ireland's value-added tax (VAT) rate from 2013 and social welfare savings of 2.8 billion euros by 2014, but does not touch the country's ultra-low corporate tax rate.

([Ireland austerity plan draws skepticism](#), Padraic Halpin and Carmel Crimmins, *Reuters* Dublin, Wed Nov 24, 2010)

★ It is important to bear in mind the definition of unsustainability: it is a circumstance when, regardless of the sovereign's efforts, debt relative to GDP (and therefore debt servicing relative to GDP) will grow indefinitely. In those circumstances, the economic net present value of the sovereign's debt is less than the face value of the debt; moreover, it will likely continue to fall until a restructuring is undertaken and growth resumes.

(^{CE} *Sovereign Debt Restructuring: Messy or Messier?* Anne Krueger, January 4, 2003, International Monetary Fund, Washington, D.C.)

★ Greece reached agreement with the International Monetary Fund (IMF), the European Commission, and the European Central Bank (ECB) on a focused program to stabilize its economy, become more competitive, and restore market confidence with the support of a €110 billion (about \$145 billion) financing package....

Greece faces a dual challenge. It has a severe fiscal problem with deficits and public debt that are too high; and it has a competitiveness problem. Both need to be addressed for Greece to be placed on a path of recovery and growth.

First, the government's finances must be sustainable. That requires reducing the fiscal deficit and placing the debt-to-GDP ratio on a downward trajectory. Since wages and social benefits constitute 75 percent of total (non-interest) public spending, public wage and pension bills - which have grown dramatically in recent years - have to be reduced. There is hardly any other room for maneuver in terms of fiscal consolidation.

Second, the economy needs to be more competitive. This means pro-growth policies and reforms to modernize the economy and open up opportunities for all. It also means that costs must be controlled and inflation reduced so that Greece can regain price competitiveness.

(^{CE} *Europe and IMF Agree €110 Billion Financing Plan With Greece*, IMF Survey online, May 02, 2010)

The removal of social costs from production and financial activity costs in Western economies has produced its inevitable consequence. [sovereign debt](#) has grown steadily over the past thirty years as governments have gone into deficit to cover those costs. In the past several years, as governments have been required both to provide rescue packages for banking systems and 'stimulate' their economies to avoid or minimize recession, that debt has blown out.

Nations which, prior to 2008, were largely coping with the costs of scaled down versions of earlier public social welfare costs, now find themselves with unsustainable debt. Another crisis similar to that of 2008 would introduce many of them to structural adjustment programs similar to that currently being implemented in Greece ⁴⁸⁶.

Western nations are beginning to understand what 'structural adjustment' really means in a globalized neoliberal world. They just did not take the problems seriously when Third World countries complained about the effects of such programs over the past thirty years.

Nation-states, once firmly in control of economic activity within their borders are, in a new deregulated, privatized world, decreasingly able to shield their populations from the exploitative consequences of unregulated and internationalized market exchange.

Now, there is no international forum capable of limiting and directing the bargaining advantages of businesses whose holdings and turnover eclipse those of the countries with which they do business. No longer is the economy the means by which communities meet their needs and wants. Now communities service an internationalized economy which need accept no reciprocal responsibilities for their welfare.

In subordinating their interests and populations to the globalized market place, Western peoples have sacrificed the regulatory 'protections' established after the 1929 crash. It will be extraordinarily difficult to re-establish such protections.

We are entering the twilight of the democratic nation-state.

Do not go gently into that dark night...

Rage, rage against the dying of the light.

Chapter 9: Global Capitalism, Third World Development: Is the Sweat Shop the Destination or the start of a Take Off into Self-Sustained Growth? †

Global Capitalism, Third World Development

✴ The Imaginary 'Development Specialist' World

✴ The Reality

Third World Communities *are* Changing - but into What?

- Examples of non-Western Understandings of Reality
- Unraveling Communities and Population Growth
- Status, Possessions, Land Tenure and Utilization
- Brutality, Despotism, Corruption and Communal Disintegration
- From the Holocene to the Tropical Paleogene (56-48 mya)
(Simple Steps to Changing the World)
- Open-ended and Closed Utilization of the Material Environment
(The Key to Sustainable Lifestyles)

Enter the Europeans

From Developmentalism to Privatization

- Primary Product Exports and Import Substitution Industry
 - A Classic Capitalist Conundrum
- Let's 'Add Value' to Primary Product Exports!
- Government should get out of The Economy
- The Neoliberal Experiment - They've got to do as we tell them!

Privatization: the Antidote to Political Opportunism and Corruption!

- Underwrite Private Borrowing: You Can't Lose!
- Debt-Equity Conversion Programs - Swapping the Family Farm!
- The Paradox of Increased Production and Decreased Returns
- Economies of Scale and Impoverishment of Small Producers
- The Sweat Shop is the Destination - unless you're protected!

Conglomerates and the Progressive modernization of Poverty

Conclusion

⌘

One of the saddest features of the 'Third World Development' drive is that, in the process of reorganizing utilization of their environments, non-Western communities have been disrupted.

Many of them are disintegrating, victims of the well-meaning 'development' activities of Western experts ⁴⁸⁷.

As S. N. Sangmpam claimed:



- ★ modernization theory assumes an imaginary society because the real society in the Third World is perceived as 'transient'.
(Sangmpam (1994 p. 1))

The Imaginary 'Development Specialist' World: 🐦

- ★ It is possible to identify all societies, in their economic dimensions, as lying within one of five categories: the traditional society, the preconditions for take-off, the take-off, the drive to maturity, and the age of high mass-consumption.

...Once it was demonstrated that growth was possible, the consequences of growth and modernization, notably its military consequences, unhinged one traditional society after another, pushed it into the treacherous period of preconditions, from which many, but not all the world's societies have now emerged into self-sustained growth...

We can be confident ... that to the degree that consumer sovereignty is respected and real incomes increase we will see similar - but not identical - income-elasticities of demand and, therefore, similar patterns of structural evolution in different societies as they go through the high-consumption phase.

Now, ... consider this question: what lies beyond? What will happen to societies when income provides such good food for virtually all that it raises questions of public health by its very richness; where housing is of an order that people are not tempted to exert themselves much to improve it; where clothing is similarly adequate; where a Lambretta or Volkswagen is within the grasp of virtually all... ?

(^{CE} Rostow (1961 pp. 4, 90-1))

The Reality: 🐦

- ★ In 2001, 924 million people, or 31.6 per cent of the world's urban population, lived in slums. The majority of them were in the developing regions, accounting for 43 per cent of the urban population, in contrast to 6 per cent in more developed regions.



Within the developing regions, sub-Saharan Africa had the largest proportion of the urban population resident in slums in 2001 (71.9 per cent) and Oceania had the lowest (24.1 per cent). In between these were South-central Asia (58 per cent), Eastern Asia (36.4 per cent), Western Asia (33.1 per cent), Latin America and the Caribbean (31.9 per cent), Northern Africa (28.2 per cent) and Southeast Asia (28 per cent).

With respect to absolute numbers of slum dwellers, Asia (all of its sub-regions combined) dominated the global picture, having a total of 554 million slum dwellers in 2001 (about 60 per cent of the world's total slum dwellers).

Africa had a total of 187 million slum dwellers (about 20 per cent of the world's total), while Latin America and the Caribbean had 128 million slum dwellers (about 14 per cent of the world's total) and Europe and other developed countries had 54 million slum dwellers (about 6 per cent of the world's total).

... in many cities, there are more poor people outside slum areas than within them. Slum areas have the most visible concentrations of poor people and the worst shelter and environmental conditions, but even the most exclusive and expensive areas will have some low-income people. In some cities, slums are so pervasive that rather than designate residential areas for the poor, it is the rich who segregate themselves behind gated enclaves.

(UN Agency for Human Settlements, [Ⓔ] *The Challenge of Slums: Global Report on Human Settlements 2003* p. xxv, xxvi)

Third World Communities *are* Changing - but into What? 🐼

{§} (10/09/17){§} (19/02/18) In this discussion we will examine the experiences of Third World nations as they became "unhinged" and attempted to "emerge into self-sustained growth" (to use Rostow's colourful, optimistic phraseology); as they attempted to 'develop' into capitalist success stories over the past 60 years. We will briefly contextualize that examination by looking at pre-Western forms of environmental organization and understanding.

The West has, over the past five hundred years, viewed such understandings as irrelevant; relics of prehistory; eclipsed by "the world of contemporary technology" and the rational understandings it has unveiled to the world. W. W. Rostow, that doyen of economic development specialists⁴⁸⁸, explained it:

A ... challenge which clearly relates to the stages of growth is the fate of societies that appear still trapped in the preconditions for take-off. They are not traditional societies, because the world of contemporary technology is so powerful and intrusive that it has introduced elements of modernity in all nations. Nevertheless, perhaps 20% of the human race [⁴⁸⁹] - a billion or so men women and children - lives in countries that have not yet attained self-sustained growth...

The second stage of growth embraces societies in the process of transition; that is, the period when the preconditions for take-off are developed; for it takes time to transform a traditional society in the ways necessary for it to exploit the fruits of modern science, to fend off diminishing returns, and thus to enjoy the blessings and choices opened up by the march of compound interest.

([Ⓔ] 1961 pp. xxii, 6)

It is indeed true of [Western ideologues](#), convinced in their dogmas, that,

...even high intelligence is no vaccine for the stupidity of excess hubris and unconditional love of ones own theories and ideology.

In the 1st decades of the 21st century, most Third World communities are transient. As we have discussed elsewhere ⁴⁹⁰, most post-colonial

territories *are* in various stages of change. They are slowly, but inevitably, metamorphosing into communities which exhibit similarities with the pre-colonial communities from which they came.

Western peoples are faced with a difficult decision:

- ★ ignore the changes and continue to assert with Rostow and his many followers that Third World communities are still in the process of metamorphosing into capitalist nations - it's just taking longer than we expected!
- ★ attempt to prevent the changes;
- ★ accept the changes and live with the consequences ⁴⁹¹.

I remember, as a young child, reading a story about a little Dutch boy who was walking to school alongside a dyke wall. He had been told by his father that if he ever saw a leak in a wall he should immediately warn adults of it so that the dyke could be repaired before disastrous failure. Being a conscientious little boy, he would scan the wall as he walked, acutely aware of his responsibility for protecting his community from disaster.

On this particular morning, he saw a tiny hole in the wall and, realizing that this could be disastrous, decided that the best thing to do would be to stick his finger into the hole to stop the water from breaching the dyke wall. The story ⁴⁹² has poor little Hans dying in his successful attempt to save his community from disaster.

As I read the story my mind worked overtime (as the minds of small boys are wont to do). What would happen if little Hans was standing there with his finger in the hole and, a little further down the dyke wall, another hole should appear? Perhaps we would have little Hans attempting to save a small part of the wall while all the rest disintegrated around him!

Welcome to the 21st century!

Western governments and international organizations find themselves with their fingers in dyke walls. If they don't keep the holes plugged, the walls around them will collapse. And more and more holes are appearing all the time.

We're going to be busy people if we're going to keep all the holes plugged in this century!

As we examine post 2nd World War experiences in Third World countries, we need to bear in mind that these experiences mask a deep, historical disruption of non-western communities. Those communities were, all-too-often, forcibly included in Western European colonies, with scant regard for their own peculiar identities, to serve the interests of the colonizing powers.

That disruption, however, did not result in the loss of pre-European understandings of the world. It merely obscured them. The chaos and turmoil found in many non-Western countries in the early 21st century can be traced back to their experiences over the past 150 years ⁴⁹³.

To understand the differences between Western capitalist communal organization and interaction and the pre-existing forms of organization and interaction in non-Western communities, we need to examine how such communities were organized before colonisation by Western European powers. This is, of course, how they still would be organized - with inevitable accommodations to outside influences - if left to their own devices.

To do justice to such a preliminary exploration of non-Western forms of understanding and organization is beyond a discussion of this kind. The best we can do here is refer to two explanations of such communities which can be accessed on the Internet. The discussion which follows will bounce off those explanations.

The first example is an excellent study by Paul Liffman of the "Wixaritari (Huichols) in the community of San Andres Cohamiata", living in 90,000 square kilometres of western and north-central Mexico. The study was part of a larger undertaking by a team of anthropologists studying the people of the region. The *Journal of the Southwest*, ([Ⓔ] Vol. 42 Issue 1, 2000), has a number of other research articles by team members, focusing on similar issues in the region.

In this study, entitled [Ⓔ] *Gourd vines, Fires, and Wixarika Territoriality*, Paul Liffman introduces us to an understanding of the world which is completely different to anything that people in Western capitalist communities experience or understand. Here is Liffman's explanatory summary:

Wixaritari (Huichols) in the community of San Andres Cohamiata say that the genealogies and social bonds constructed in ritual grow along divine ancestral migration paths, just as gourd vines grow out across the earth.

These ancestral vines connect the ceremonial fire of the xiriki (shrine) of a kie (rancheria), where people live, to a great temple (tuki), from which the kie's founding ancestors first "borrowed fire," to creation sites throughout 90,000 square kilometers of western and north-central Mexico.

If the rancheria expands and ramifies like a gourd vine, those ancestors' descendants must "borrow" and "register" (inscribe or legitimate) new fires, and their xirikite ultimately grow up to be tukite.

This historical process of establishing land tenure ceremonially entails fulfilling cargos (five consecutive annual cycles of ritual obligations) at the tuki, from which people make the growing gourd vine paths of divine descent extremely vivid by retracing them in sacrificial treks to the creation sites, most notably Wirikuta, the birthplace of the sun.

It is always extremely difficult for anyone to begin to see the world from a perspective that has so little in common with their own. This is why most Western people simply don't attempt it, convinced that, even if the Wixaritari and other non-Western communities do see their worlds and interact with them in such radically different ways, their ways must be riddled with superstition and highly illogical.

Concepts such as private property and public property, economic activity and political activity, fit very poorly into an understanding of the Wixaritari world. Liffman's description of Wixaritari understandings of and interactions

with the land on which they live gives a graphic illustration of the differences:

Wixarika land tenure is based on a fundamentally reciprocal-although most certainly hierarchical-Mesoamerican sacrificial economy. As with other Uto-Nahuan groups such as the Nayari (Coras) and Mexika Aztecs, the ideological basis of this system is exchange between people and the divine ancestral owners of the earth, rain, and sun.

Living people, divine ancestors, and the cosmological divinities are connected through sacrifices and offerings, at key sites of the landscape (particularly at primeval emergence sites situated in caves and springs; cf. Coyle, this volume ⁴⁹⁴).

As a result, relating the origin myths of the landscape to the site where they are narrated and leaving offerings at key points of the landscape where divine history happened so that the earth will continue to produce are intrinsic to Wixarika land tenure and political legitimacy in general.

To rewrite their understanding of their politics and systems of land tenure and use in Western terms would result in the loss of most of the meaning which they consider inherent in the *real* world, objective reality for the Wixarika. To impose Western democratic political organization and forms of individualized land ownership and use on them would directly challenge and deeply undermine their communal organization and understanding of reality.

An entirely different set of communities, the San (commonly called 'Bushmen') of the Kalahari in south west Africa, illustrates a very different approach to understanding and interacting with their environments. In an article entitled ⁴⁹⁵ *Those who have each other: San relations to the land*, Edwin Wilmsen (1989, pp. 58-9) examined a range of understandings of San kinship available in the literature and concluded that among that subgroup of the San known as Zhu,

Kinship in Zhu society, rather than being a static straitjacket, is a dynamic keyboard on which individuals play variations on a theme of options. It is, as Comaroff (1982:164) notes, up to the individual to "create and manage an effective social network."...

Within this incorporative structure of kinship, the corporate unity of Zhu landholding devolves from one generation to the next.

Property right transfers consequent on marriage are, accordingly, largely matters of reshuffling priorities among latent claims by members of a kin consort. Negotiations for, and legitimation of, marriage ties are important moments in this creative process.

To condense Bourdieu (1977:34-36; original emphasis): "to treat kin relationships as something people *make*, and with which they *do* something, is not merely to substitute a 'functionalist' for a 'structuralist' interpretation ... it is radically to question the implicit theory of [kin relationships] 'in the form of an object or an intuition' as Marx puts it.

In this perspective, Zhu bride service can be seen... as a form of devolutionary marriage payment that mediates the conflicts over land that inevitably must occur among mutually interdependent groups....

For Zhu, bride service resolves the question of personal status and locates a marriage union with its offspring within the structure of relations between persons and places. The devolution of property begins with negotiations and prestations between principals to a future marriage, primarily future co-parents-in-law.

This process may extend over a period of many years....

Devolution begins to take more concrete form with the establishment of a new household located in association with the woman's parents. The period of bride service is measured in terms of offspring, its conditions having been satisfied when two or more children have been born to the union.

(1989, pp. 58-9)

Zhu social relationships and systems of land tenure and utilization are intimately intertwined. One cannot be understood without understanding the others. Zhu communities (like other Kalahari San communities), might appear organizationally simple to Western eyes, but the realities are a complex network of subtle relationships and negotiations which the Zhu consider features of the objective reality within which they live.

The Zhu have not escaped the ravages of Western capitalist 'development'. Theirs is a sadly familiar tale replicated in thousands of hunter-gatherer communities around the world. As [Gilbert Murray, in 1900](#), said of Australian Aboriginal experience at the hands of Western peoples:

The Kanakas in Queensland, under the old indenture system, were no doubt treated both harshly and unfairly. They were kidnapped, they were brutally used, they were cheated of their miserable earnings.... But go, if you dare, into a searching comparison between the treatment of the Queensland Kanakas, who were useful beasts of burden, and that of the Queensland aborigines, who were regarded as vermin, and you will bless the lot of the half-enslaved Kanaka.

James Suzman has described the fate of the Zhu (or Ju) over the past decades of capitalist 'development':

A century ago the Ju/'hoansi were undisputed masters of this desert land. But then white farmers and colonial police arrived with their horses, guns, water-pumps, barbed-wire and cattle. They soon crushed what little resistance the Ju/'hoansi offered and claimed this land for themselves. They also quickly learnt that farming in the Kalahari Desert was labour intensive. So they formed commandos to capture "wild Bushmen", held the Ju/'hoansi's children hostage to ensure their parents' obedience and meted out regular beatings to teach them the "virtues of hard work". Deprived of their traditional lands and regarded as "childlike-like creatures of the bush", Ju/'hoansi soon became dependent on the farmers for a place to stay and food to eat.

When Namibia gained its independence from South Africa in 1990 technological advances meant that the farms were more productive and less dependent on labour than they had ever been before. And with a new government demanding that farmers provide proper pay and housing for their workers, they reduced their workforces to the bare minimum leaving many Ju/'hoansi and their dependents little option but to descend on squatter settlements like Canaan....

(James Suzman, ^{CE} [Gatherers May Hold the Key to our Economic](#)

Future: We need to rethink our relationships with the workplace,
Evonomics, February 10 2018)

It is common to all human beings that they believe that their ways are the best ways and that where other people deviate from their ways they are less than rational. Western Europeans are not exceptions to this rule. They demanded change from these groups, not because the practices they opposed were inherently bad or evil (if there is a universally valid set of criteria in terms of which such judgments can be made) but because they conflicted with their own understandings.

The Wixaritari and San communities were not passive. They reacted to the changes brought into their communities with the expansion of capitalist activity into their environments by altering communal organization, land tenure and use to accommodate changed demands. In doing so, they attempted to ensure that the fundamental presumptions in terms of which they related to their environments were preserved and maintained.

This has always been the response of non-Western communities to Western demands for change. Human beings are not able to simply drop their own understandings and live by the understandings of others. They will always try to accommodate changes they can't resist, while retaining their own understandings of the world and of themselves.

When changes forced upon them become more than they can accommodate within their own understanding of the world, they begin to lose a sense of communal identity and their communities begin to unravel ⁴⁹⁵. Wixaritari and San communities have experienced these consequences over the past forty years in central America and south west Africa.

Unraveling Communities and Population Growth 🐼

Throughout the world, non-Western communities, subjected to unrelenting demands for massive change in their interaction with their material environments, have experienced similar loss of identity, with rapidly escalating crime and violence and uncontrollable population growth.

All stable communities (both historically and in the present) have both direct and indirect means of limiting population growth. As communities disintegrate, the means of population control become decreasingly effective and population begins to grow.

Many non-Western communities have experienced rapidly increasing population growth as their communities have unraveled. The current average annual rate of population increase through sub-Saharan Africa is 2.4 percent. At this rate of increase, populations double every 30 years. Through all of the non-Western regions of the world the average annual rate of increase is 1.6 percent, with populations doubling every 44 years.

The pressures put on both material and social environments by these rates of increase are enormous.

Through the Western world, the average rate of increase is a mere 0.5 percent, with populations doubling over 139 years. Given that there are always natural events over such a period which impact on growth, Western populations have either stabilised in countries like the United States or, as in

Western Europe, with a -0.01 percent annual growth rate, are in decline.⁴⁹⁶ Population increase in Western countries comes through immigration.

People like the Wixaritari and San, don't simply reinvent themselves as Western capitalists when they are subjected to Western capitalist demands for change. They lose their sense of identity and self-worth as their indigenous status and prestige systems break down and their understanding of their environment and of themselves in terms of their environment decreasingly 'makes sense'.

Status, Possessions, Land Tenure and Utilization

People in most non-Western communities determine relative status through competitive and/or cooperative involvement in *non-material* forms of activity (e. g. ritual events, festivals, religious activities, kinship and other social involvement and activities together with involvement in the material environment). They, then, very often, require people who attain particular statuses to demonstrate their fitness for the statuses attained by obtaining the material possessions deemed correct for the status positions.

If they cannot obtain the necessary possessions, their statuses come under threat. If, on the other hand, they accumulate *more* possessions than they should, or obtain inappropriate possessions, then the rest of the community reacts, wanting to know who they think they are.

People who are able to get more than they should have usually feel an inner compulsion to limit their acquisitions in some way. If they are not able to do this, they usually feel it necessary to give the surpluses away. In doing so they can strengthen ties with other community members.

There are, of course, communities which do not tie possessions to status in this way. In such communities (e. g. the San of the Kalahari or Aboriginal Australian communities) status is not clearly linked to the accumulation of possessions and owning things does little or nothing for either status or prestige. See Sahlins (1972) for a discussion of such communities.

The ways in which communities are organized and the ways in which they interact with their material environments are two sides of a coin. If the organization of the community changes, interaction with their material environment will also change. Equally, if interaction with the material environment changes, so does the structure of the community.

When those changes are forced from outside, based on understandings of which community members are often not even aware, then community members find it increasingly difficult to make sense of their experiences. The changes forced upon them often require forms of interaction which directly contradict the basic forms of interaction of the community.

Attack the systems of land tenure and utilization in a community and you attack the organization and interactions of the community. You cannot force change in land tenure and utilization without directly attacking the cohesion of the community which reflects and incorporates those systems in its organization.⁴⁹⁷

These are not merely problems of the past, practices long-since abandoned by a more enlightened Western World. They are increasingly problems of

today and of the future. William Laurance and co-authors have spelt out some of the problems facing the African continent:

It is possible that, in recorded history, no continent has ever changed as rapidly as is presently occurring in Africa. For instance, the extractive-industries boom in Africa is notable not so much for its direct effects - which will be substantial -...but for the powerful economic impetus it is providing for new roads and railways needed for extracting high-volume minerals such as iron and coal. Development corridors promoted by Africa's mineral boom are also seen as prime locations to expand and intensify agriculture.

(William Laurance, Sean Sloan, Lingfei Weng and Jeffrey Sayer, ^{CE} [Estimating the Environmental Costs of Africa's Massive "Development Corridors"](#), *Current Biology*, Volume 25, Issue 22, November 16, 2015)

Brutality, Despotism, Corruption and Communal Disintegration

{§} (08/01/17){§} (08/08/17){§} (07/12/17){§} (24/05/18)

{§} (02/08/18)One of the saddest features of the 'Third World Development' drive in which Western capitalist nations have engaged over the past fifty years is that in the process of reorganizing utilization of their environments, [non-Western communities have been disrupted](#). Many of them are in various stages of disintegration, victims of the well-meaning 'development' activities of Western experts.

As the consequences of disruption have become increasingly apparent, in a classic 'blame the victim' response to the problems created, those same experts have urged further, deeper change to address the problems of social disintegration which their policies have induced.

Because they have been well trained as Western specialists, they take it for granted that their understanding of the world, and their forms of land tenure and utilization are the only 'reasonable' ones. So they force change upon those who don't see the world as they do or relate to the material environment as they do.

A leader in the magazine *The Economist*, entitled 'Hopeless Africa', put the Western perspective well,

No one can blame Africans for the weather, but most of the continent's shortcomings owe less to acts of God than to acts of man. These acts are not exclusively African - brutality, despotism and corruption exist everywhere - but African societies, for reasons buried in their cultures, seem especially susceptible to them.

(^{CE} [The Economist May 13th-19th 2000](#))

Brutality, despotism and corruption in communities are evidences of *communal disintegration*, not features of 'traditional cultures' as the *Economist* writer suggests.

As ^{CE} [Gustave Speth](#), Administrator of the United Nations Development Program, said of Africa in 1994(a):

We conveniently forget Africa's history. We forget that the transatlantic slave trade robbed Africa of about 12 million of its able-bodied men and women. We forget that colonialism which followed the slave trade

introduced a system of exploitation of Africa's natural resources to feed the industries of the West.

We forget the 1884/1885 Colonial Conferences of Berlin which crudely Balkanised and divided Africa into geographic areas of control by the West, with scant regard for ethnic groupings. We even forget that during the period of the cold war's geopolitical fight for spheres of influence, Africa became a focal point for the ideology and the arms that today contribute to the havoc we find in Rwanda and Burundi, in Zaire and Angola and Somalia.

{§} (19/01/17) Western capitalist developers have intruded into communities and changed the face of the material environments of peoples. They have forced new land tenure and utilization practices upon them, extracted huge 'surpluses' from their environments and now blame them for the ensuing social, political, and material environmental disintegration.

But, they have done much more than this. They have pursued 'development' at the expense of long run environmental damage to both land and sea.⁴⁹⁸

Western 'civilization' has, indeed, set the earth on an ominous trajectory. Nothing can be allowed to stand in the way of 'Western Development'.

The future will take care of itself. All that matters is that the accumulation of what 'free market' capitalism has defined as 'wealth' - produced by capitalism's entrepreneurs and 'wealth accumulators' - grows each year.

The warnings of the doomsayers can be ignored if they threaten that growth. One such warning, published on May 18, 2018, once again spells out the consequences of this [myopic pursuit of 'wealth'](#):

...[A] new analysis... shows the Earth's climate would increase by 4°C, compared to pre-industrial levels, before the end of 21st century... said Dabang Jiang, a senior researcher at the Institute of Atmospheric Physics of the Chinese Academy of Sciences. "The temperature increase would cause severe threats to ecosystems, human systems, and associated societies and economies."

In the analysis, Jiang and his team used the parameters of scenario in which there was no mitigation of rising greenhouse gas emissions. They compared 39 coordinated climate model experiments from the fifth phase of the ^{CE} [Coupled Model Intercomparison Project](#), which develops and reviews climate models to ensure the most accurate climate simulations possible.

...[M]ost of the models projected an increase of 4°C as early as 2064 and as late as 2095 in the 21st century, with 2084 appearing as the median year.

(^{CE} [Earth's climate to increase by 4 degrees by 2084](#), *Institute of Atmospheric Physics, Chinese Academy of Sciences*, 23 May, 2018)

We have learned nothing. For all the posturing and pseudo-concerned pronouncements of capitalism over the past several decades, 'development' activities, driven by the 'needs' of capitalism, are ensuring a rapidly degrading world. William Laurance and Irene Burgués Arrea have neatly summarized the era:

We are living in the most explosive era of infrastructure expansion in human history. In the next 3 years, paved roads are projected to double in length in Asia's developing nations; in the next three decades, the total length of additional paved roads could approach 25 million kilometers worldwide—enough to encircle the planet more than 600 times. Nine-tenths of all new infrastructure is being built in developing nations, mainly in tropical and subtropical regions that contain Earth's most diverse ecosystems. In a world that is projected to have 2 billion vehicles by 2030, we need a better understanding of the impacts of roads and other infrastructure on our planet, societies, and economies—and more effective planning to ensure that the benefits of infrastructure outstrip its costs....

Waves of new roads cutting into intact or critical habitats can unleash a Pandora's box of environmental ills, such as land encroachment, wildlife poaching, forest fragmentation, exotic-species invasions, and illegal mining. Even carefully managed projects can provoke societal hazards such as land speculation, corruption, cost overruns, and political conflict. In worst-case scenarios, projects can collapse, stranding large financial investments and natural assets. Unpaved tropical roads can quickly become unusable because of deep rutting from vehicle use in the wet season. For such reasons, road-expansion schemes have inconsistent, and sometimes clashing, impacts on human needs, as illustrated by their widely varying effects on the United Nations Sustainable Development Goals.

(William F. Laurance and Irene Burgués Arrea, ^{CE} [Roads to riches or ruin?](#), *Science*, Vol. 358, Issue 6362, pp. 442-444, 27 October, 2017 (See original for documentation))

The 'economic' bottom-line has proved far more potent in driving and shaping Western and other capitalist development activities over the past decades than the increasingly certain environmental catastrophe which is looming on humanity's horizon. As a 1955 Pete Seeger song put it: "When will they ever learn?"

From the Holocene to the Tropical Paleogene (56-48 mya) 🌳 (Simple Steps to Changing the World!)

{§} (31/07/18){§} (01/08/18){§} (19/08/18){§} (26/08/18){§} (07/12/18)

{§} (24/12/18) Global capitalists have embarked on an unprecedented planet-wide experiment. They have myopically reshaped the world to their 'needs', driven, not by a clear understanding of the environmental implications of their behavior, but by the 'bottom line' ⁴⁹⁹. As [William Booth explained](#) of 19th century capitalism:

Men go into banking and other businesses for the sake of obtaining what the American humorist said was the chief end of man in these modern times, namely, "ten per cent." To obtain a ten per cent. what will not men do? They will penetrate the bowels of the earth, explore the depths of the sea, ascend the snow-capped mountain's highest peak, or navigate the air, if they can be guaranteed a ten per cent.

In the process, they have destabilized the climate of the Holocene, the period reaching more than 10,000 years before the Industrial Revolution.

But, of course, capitalism's greatest fear is not increasingly erratic climatic conditions or 'global warming'. Those are simply (possibly conspiratory) nuisances which interfere with the pursuit of wealth. The real fear is that one day, the source of capitalism's wealth - the stores of carbon-based energy which have driven capitalist 'development' for three centuries - will become depleted! What will they do if/when those stores of energy run out?

That day has just receded into the remote future - certainly into a future beyond the life-spans of those who drive Capitalism's pursuit of 'wealth'! A 2018 [Ⓔ] [U.S. Geological Survey report](#) explained:

Using a geology-based assessment methodology, ...undiscovered, technically recoverable continuous mean resources of 46.3 billion barrels of oil and 281 trillion cubic feet of gas [have been found] in the Wolfcamp shale and Bone Spring Formation of the Delaware Basin in the Permian Basin Province, southeast New Mexico and west Texas.

U.S. Secretary of the Interior, Ryan Zinke provided an adulatory assessment of what this means:

Christmas came a few weeks early this year,... American strength flows from American energy, and as it turns out, we have a lot of American energy. Before this assessment came down, I was bullish on oil and gas production in the United States. Now, I know for a fact that American energy dominance is within our grasp as a nation.

Dr. Jim Reilly, USGS Director, elaborated:

In the 1980's, during my time in the petroleum industry, the Permian and similar mature basins were not considered viable for producing large new recoverable resources. Today, thanks to advances in technology, the Permian Basin continues to impress in terms of resource potential. The results of this most recent assessment and that of the Wolfcamp Formation in the Midland Basin in 2016 are our largest continuous oil and gas assessments ever released,... Knowing where these resources are located and how much exists is crucial to ensuring both our energy independence and energy dominance.

([Ⓔ] [USGS identifies largest continuous oil and gas resource potential ever](#), *EurekAlert*, 6 December, 2018)

This is Western capitalist madness⁵⁰⁰. The last thing the world needs at the start of the 21st century is a vast new source of fossil fuels! Daniel Sigman has explained:

Most scientists agree that the Holocene's warmth was critical to the development of human civilization. The Holocene was an "interglacial period," one of the rare intervals of warm climate that have occurred over the ice age cycles of the last million years. The retreat of the glaciers opened a more expansive landscape for humans, and the higher concentrations of carbon dioxide in the atmosphere made for more productive agriculture, which allowed people to reduce their hunter-gathering activities and build permanent settlements.

The Holocene differed from other interglacial periods in several key ways... For one, its climate was unusually stable, without the major cooling trend that is typical of the other interglacials. Secondly, the concentration of carbon dioxide in the atmosphere rose about 20 parts per million (ppm), from 260 ppm in the early Holocene to 280 ppm in

the late Holocene, whereas carbon dioxide was typically stable or declined over other interglacial periods.

For comparison, since the beginning of industrialization until now, the carbon dioxide concentration in the atmosphere has increased from 280 to more than 400 ppm as a consequence of burning fossil fuels.

(^{CE} [Carbon 'leak' may have warmed the planet for 11,000 years, encouraging human civilization](#), *EurekAlert*, 30 July, 2018)

(Studer, Anja S., Sigman, Daniel M. *et al*, ^{CE} [Increased nutrient supply to the Southern Ocean during the Holocene and its implications for the pre-industrial atmospheric CO₂ rise](#), *Nature Geoscience*, 30 July, 2018)

David Naafs has described the new trajectory:

... [U]nless we mitigate current levels of carbon dioxide emissions, [the world] could revert to the hot tropical climate of the early Paleogene period - 56-48 million years ago....

(^{CE} [Ever-increasing CO₂ levels could take us back to the tropical climate of Paleogene period](#), *EurekAlert*, 30 July, 2018)

(B. D. A. Naafs, M. Rohrsen *et al*, ^{CE} [High temperatures in the terrestrial mid-latitudes during the early Palaeogene](#), *Nature Geoscience*, 30 July, 2018)

Capitalist nations have been relatively adept at formulating national greenhouse-gas-emissions reduction plans. They have proved equally adept at finding ways of minimizing the impact of such reductions on their own economies. Over the past half-century many of their most [polluting industries have been offshored](#) to East-Asian nations along with their labor-intensive industries.

Those East-Asian nations, in turn, have often found ways of similarly shifting responsibility for pollution to others. Bashir, Niazi and Watto, have described the process:

After remaining flat from 2014 to 2016, global greenhouse gas emissions in 2017 increased to a record high. One contributing factor is foreign investments in coal. Many countries are working to reduce their carbon footprints within their borders, but adding to emissions by investing in coal-based power projects elsewhere in the world.

According to the Natural Resources Defense Council (NRDC), between 2007 and 2015, G20 countries financed US\$76 billion worth of overseas coal projects. China, Japan, Germany, and South Korea were responsible for US\$62 billion of the total.⁵⁰¹

After the 2015 UN Climate Change Conference (COP21), China, along with other nations, committed to cut greenhouse gas emissions. As promised, China has taken steps to substantially reduce coal use over the past few years. However, China's government has continued to finance coal-based power projects beyond its borders, especially in countries where environmental regulations and laws are weak.

In 2016 alone, China financed coal projects worth US\$6.3 billion in Egypt, Bangladesh, Pakistan, and Indonesia. In Pakistan, China plans to install coal-based power plants with a capacity of at least 7800 MW as part of the China-Pakistan Economic Corridor (CPEC) project. This investment includes excavation of coal-lignite from the Thar Desert of Pakistan. Coal-lignite emits about 1100 grams CO₂ per kilowatt-hour,

compared with natural gas, which emits 150 to 430 grams per kilowatt-hour...

The costs and consequences of such coal-based projects can stretch over decades, and they can trap developing nations in a system of carbon-intensive energy use....

(Safdar Bashir, Nabeel Khan Niazi, Muhammad Arif Watto, ^{CE} [Injustices of foreign investment in coal](#), *Science* 08 Jun 2018: Vol. 360, Issue 6393, pp. 1081)

As the 21st century unfolds, we are already experiencing the consequences:

{§} (16/01/19) Paul Voosen has described conditions 'Some 125,000 years ago, during the last brief warm period between ice ages':

Earth was awash. Temperatures during this time, called the Eemian, were barely higher than in today's greenhouse-warmed world. Yet proxy records show sea levels were 6 to 9 meters higher than they are today, drowning huge swaths of what is now dry land.

Scientists have now identified the source of all that water: a collapse of the West Antarctic Ice Sheet. Glaciologists worry about the present-day stability of this formidable ice mass. Its base lies below sea level, at risk of being undermined by warming ocean waters, and glaciers fringing it are retreating fast. The discovery, teased out of a sediment core and reported last week at a meeting of the American Geophysical Union in Washington, D.C., validates those concerns, providing evidence that the ice sheet disappeared in the recent geological past under climate conditions similar to today's. "We had an absence of evidence," says Anders Carlson, a glacial geologist at Oregon State University in Corvallis, who led the work. "I think we have evidence of absence now."

If it holds up, the finding would confirm that "the West Antarctic Ice Sheet might not need a huge nudge to budge," says Jeremy Shakun, a paleoclimatologist at Boston College. That, in turn, suggests "the big uptick in mass loss observed there in the past decade or two is perhaps the start of that process rather than a short-term blip."

(Paul Voosen, ^{CE} [Antarctic ice melt 125,000 years ago offers warning: Ice sheet apparently collapsed in a previous warm period](#), *Science*, 21 Dec 2018: Vol. 362, Issue 6421, pp. 1339)

Lijing Cheng and co-authors explain why we need not look far for the source of the necessary 'nudge to budge' the West Antarctic Ice Sheet. We might feel that the climate is warming (the 20 warmest years have all occurred in the past 22 years and the last 5 years have been the warmest on record), but, as Cheng *et al* explain, 93% of the heat trapped in a warming earth has gone, not into the atmosphere around us, but into the deep oceans - into the very regions which will provide the necessary nudge to destabilize the West Antarctic Ice Sheet:

Climate change from human activities mainly results from the energy imbalance in Earth's climate system caused by rising concentrations of heat-trapping gases. About 93% of the energy imbalance accumulates in the ocean as increased ocean heat content (OHC). The ocean record of this imbalance is much less affected by internal variability and is thus better suited for detecting and attributing human influences than

more commonly used surface temperature records. Recent observation-based estimates show rapid warming of Earth's oceans over the past few decades...

Although climate model results (see the supplementary materials) have been criticized during debates about a "hiatus" or "slowdown" of global mean surface temperature, it is increasingly clear that the pause in surface warming was at least in part due to the redistribution of heat within the climate system from Earth surface into the ocean interiors

...

(Lijing Cheng, John Abraham, Zeke Hausfather, Kevin E. Trenberth, ^{CE} [How fast are the oceans warming?](#), *Science* 11 Jan 2019: Vol. 363, Issue 6423, pp. 128-129)

As the aphorism says, "By all means hope for the best, but always plan for the worst"! What looks like centimeters now, might all-too-soon become meters!

{§} (10/01/17){§} (31/12/17)

{§} (06/02/18) Nicholas Kristof described a few of the 21st century consequences of rampant deregulated capitalism for the rest of the world:

She is just a frightened mom, worrying if her son will survive, and certainly not fretting about American politics - for she has never heard of either President Obama or Donald Trump.

What about America itself? Ranomasy, who lives in an isolated village on this island of Madagascar off southern Africa, shakes her head. It doesn't ring any bells.

Yet we Americans may be inadvertently killing her infant son. Climate change, disproportionately caused by carbon emissions from America, seems to be behind a severe drought that has led crops to wilt across seven countries in southern Africa. The result is acute malnutrition for 1.3 million children in the region, the United Nations says.

...The U.N. World Food Program has urgently appealed for assistance, but only half the money needed has been donated.

The immediate cause of the droughts was an extremely warm El Niño event, which came on top of a larger drying trend in the last few decades in parts of Africa. New research, just published in the ^{CE} [Bulletin of the American Meteorological Society](#), concludes that human-caused climate change exacerbated El Niño's intensity and significantly reduced rainfall in parts of Ethiopia and southern Africa.

The researchers calculated that human contributions to global warming reduced water runoff in southern Africa by 48 percent and concluded that these human contributions "have contributed to substantial food crises."

...^{CE} [The United States](#) single-handedly accounts for more than ^{CE} [one-quarter of the world's carbon dioxide emissions](#) over the last 150 years, more than twice as much as any other country.

The basic injustice is that ^{CE} [we rich countries produced the carbon](#) that is devastating impoverished people from Madagascar to Bangladesh. In America, climate change costs families beach homes; in poor countries, parents lose their children.

(Nicholas Kristof, SundayReview | Op-Ed Columnist, ^{CE} [As Donald Trump Denies Climate Change, These Kids Die of It](#), *New York Times*, Jan 6, 2017)

The myopic stupidity of many who live within the bubble of Western capitalism can be breath-taking⁵⁰². Many of the reader comments attached to the article demonstrate a willful ignorance hard to believe possible in a supposedly 'developed' nation.

As Anna Vignet and fellow reporters have explained and illustrated:

Next to the air we breathe, it's the planet's most precious resource: fresh water. And it's disappearing. The world's largest food company describes the lack of water as a looming catastrophe that is expected to play out in the coming decades. In this episode of Reveal, we look at what's happening in places that already are running out of water.

(Anna Vignet, ^{CE} [Water wars](#), *Reveal*, Jan 14, 2017)

{§} (28/12/18) Justin Gillis and John Schwartz, in a report entitled 'Earth Sets a Temperature Record for the Third Straight Year', have explained one of the many consequences of global warming for the world in which we all live. As they say:

Marking another milestone for a changing planet, scientists reported on Wednesday that the Earth reached its highest temperature on record in 2016 - trouncing a record set only a year earlier, which beat one set in 2014. It is the first time in the modern era of global warming data that temperatures have blown past the previous record three years in a row.

The findings come two days before the inauguration of an American president who has called global warming a Chinese plot and vowed to roll back his predecessor's efforts to cut emissions of heat-trapping gases.

The data show that politicians cannot wish the problem away. The Earth is heating up, a point long beyond serious scientific dispute, but one becoming more evident as the records keep falling. Temperatures are heading toward levels that many experts believe will pose a profound threat to both the natural world and to human civilization.

In 2015 and 2016, the planetary warming was intensified by the weather pattern known as El Niño, in which the Pacific Ocean released a huge burst of energy and water vapor into the atmosphere. But the bigger factor in setting the records was the long-term trend of rising temperature, which scientists say is being driven by increasing levels of carbon dioxide and other greenhouse gases.

(Justin Gillis and John Schwartz, ^{CE} [Earth Sets a Temperature Record for the Third Straight Year](#), *New York Times*, January 18, 2017)

Nor are those three years an anomaly. Blunden, Hartfield, and Arndt have summarized the annual global average carbon dioxide concentration at Earth's surface for 2017 ⁵⁰³:

In 2017, the dominant greenhouse gases released into Earth's atmosphere—carbon dioxide, methane, and nitrous oxide— reached new record highs. The annual global average carbon dioxide concentration at Earth's surface for 2017 was 405.0 ± 0.1 ppm, 2.2

ppm greater than for 2016 and the highest in the modern atmospheric measurement record and in ice core records dating back as far as 800 000 years. The global growth rate of CO₂ has nearly quadrupled since the early 1960s.

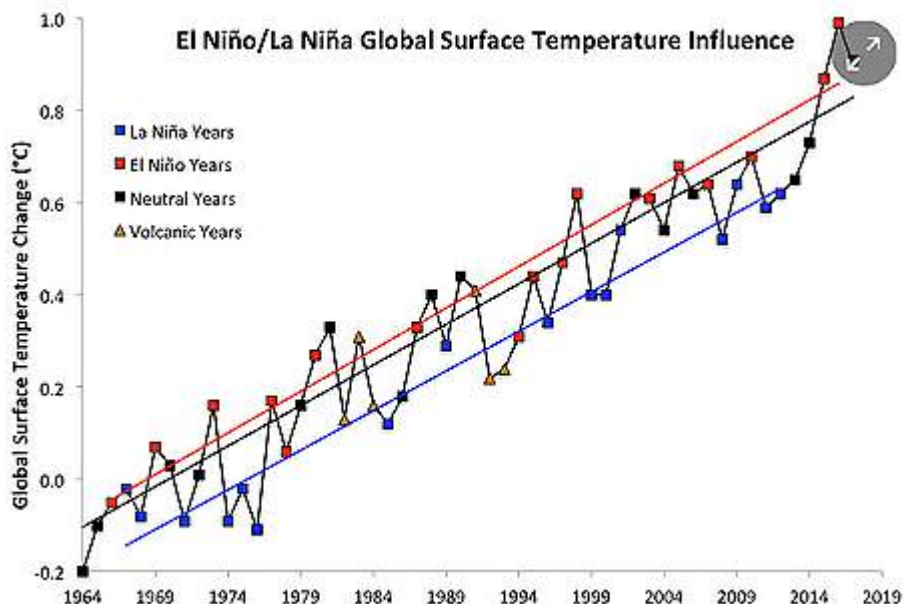
(Blunden, J., D. S. Arndt, and G. Hartfeld (eds), Abstract, [State of the Climate in 2017](#). Special Supplement to the *Bulletin of the American Meteorological Society*, Vol. 99 No.8, August 2018 [18mb pdf])

Dana Nuccitelli explained:

In fact, 2017 was the hottest year without an El Niño by a wide margin – a whopping 0.17°C hotter than 2014, which previously held that record. Remarkably, 2017 was also hotter than 2015, which at the time was by far the hottest year on record thanks in part to a strong El Niño event that year.

For comparison, the neutral El Niño conditions and the level of solar activity in 1972 were quite similar to those in 2017. 45 years later, the latter was 0.9°C hotter than the former. For each type of year – La Niña, El Niño, and neutral – the global surface warming trend between 1964 and 2017 is 0.17–0.18°C per decade, which is consistent with climate model predictions.

(Dana Nuccitelli, [2017 was the hottest year on record without an El Niño, thanks to global warming](#), *The Guardian*, 2 January, 2018)



(1964–2017 global surface temperature data from Nasa, divided into El Niño (red), La Niña (blue), and neutral (black) years, with linear trends added. Illustration: Dana Nuccitelli)

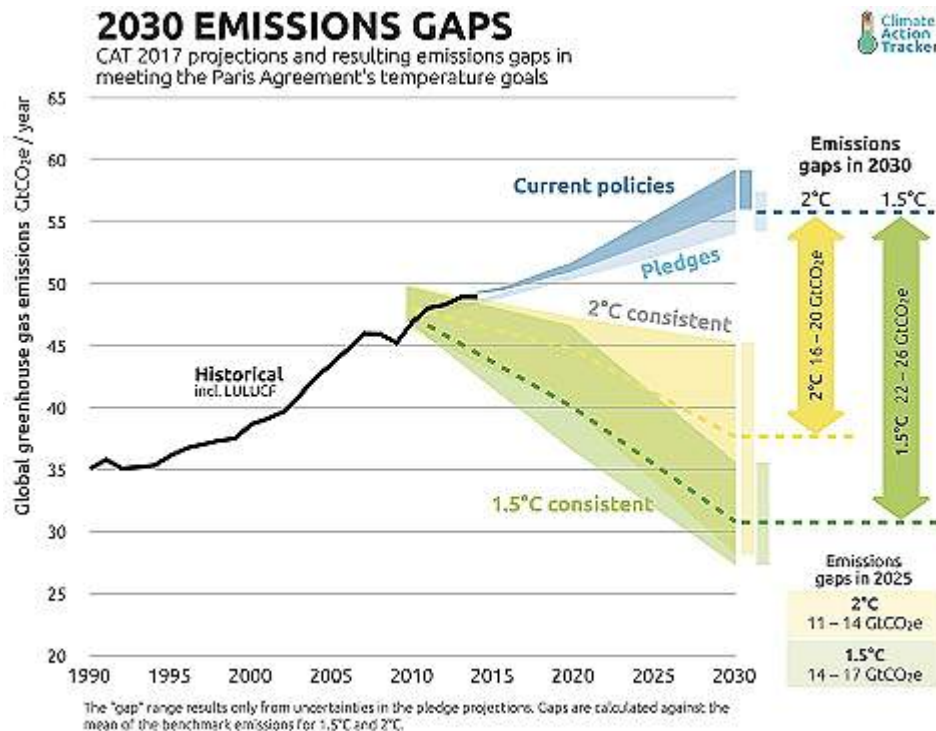
Risking accusations of being repetitive, one can only say, again, 'Nor are those [four] years an anomaly.' The *World Meteorological Organization* has explained:

2018 is on course to be the 4th warmest year on record. This would mean that the past four years – 2015, 2016, 2017 and 2018 – are also the four warmest years in the series. 2018 is the coolest of the four. In contrast to the two warmest years, 2018 began with weak La Niña

conditions, typically associated with lower global temperatures. The 20 warmest years have all occurred in the past 22 years.

(^{CE} [WMO Provisional statement on the State of the Global Climate in 2018](#), World Meteorological Organization, 29 November 2018)

Here is a chart, prepared for the ^{CE} [Climate Action Tracker](#) (15 November 2017), which assesses the expected absolute global carbon-dioxide emissions in 2020, 2025, and 2030 and compares these with benchmark emissions consistent with benchmark pathways in line with the temperature goal in the Paris Agreement (2016).



We are living in a time when capitalism is being put on trial by nature. Continue on the road which has been set and humanity might survive but at a fearful cost. Summarizing the findings of a ^{CE} [statistical study](#) released in the journal *Nature* on Wednesday 6 December 2017 (^{CE} [free pdf \(8.46 MB\) here](#)), Chris Mooney spelt out the looming danger of a warming planet:

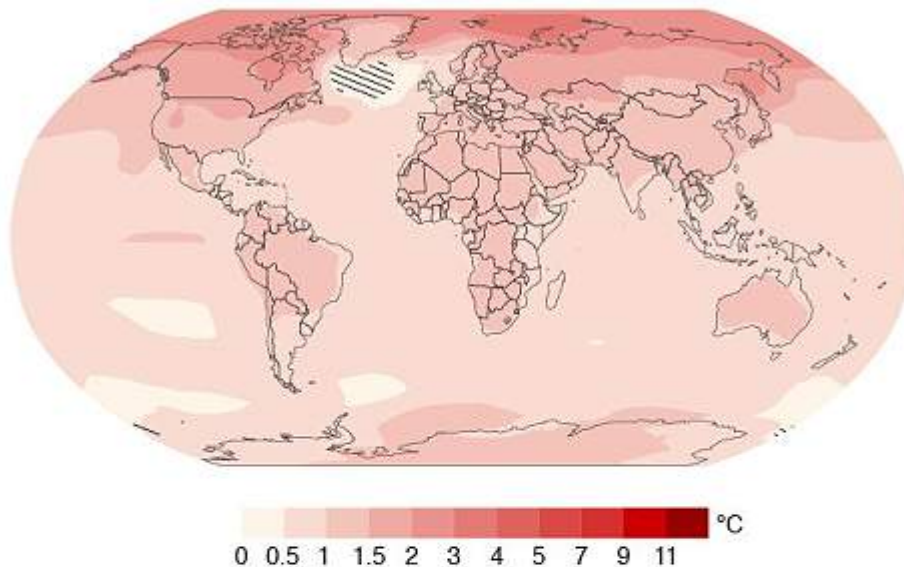
Under a high warming scenario in which large emissions continue throughout the century, the models as a whole give a mean warming of 4.3 degrees Celsius (or 7.74 degrees Fahrenheit), plus or minus 0.7 degrees Celsius, for the period between 2081 and 2100, the study noted. But the best models, according to this test, gave an answer of 4.8 degrees Celsius (8.64 degrees Fahrenheit), plus or minus 0.4 degrees Celsius.

(Chris Mooney, ^{CE} [The most accurate climate change models predict the most alarming consequences, study finds](#), *Washington Post*, December 6, 2017)

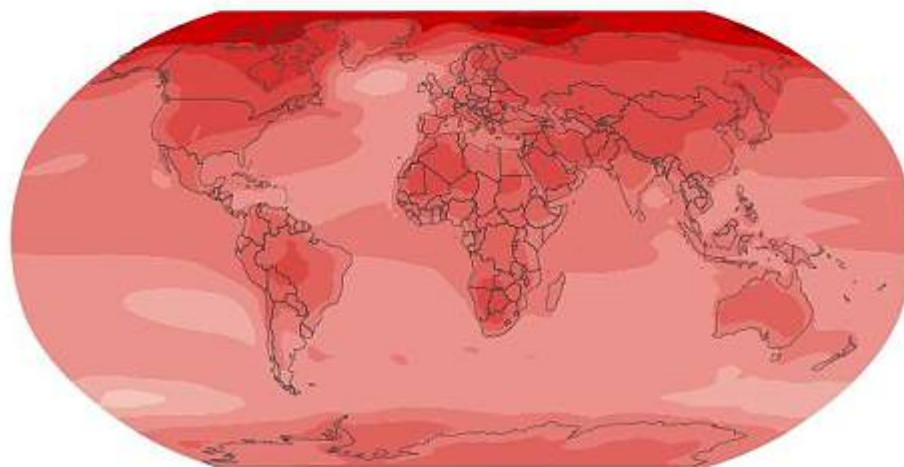
A BBC News summary, on 30 November 2016, provided a clear graphic illustrating the global warming consequences of 'business as usual' through the 21st century:

Projected temperature change (1986–2005 to 2081–2100)

If greenhouse gas emissions peak between 2010 to 2020 and then decline substantially (RCP2.6).



If greenhouse gas emissions continue to rise throughout the 21st century (RCP8.5)



Source: International Panel on Climate Change - Fifth Assessment Report (AR5)

(Mark Kinver, [Ⓒ] [Earth warming to climate tipping point, warns study](#), *BBC News, Science & Environment*, 30 November 2016)

The *National Oceanic and Atmospheric Administration (US)* [Ⓒ] [Climate site](#) has described the impact of a global temperature rise of 4 or more degrees Celsius. A [Ⓒ] [UK Met Office interactive world map](#) shows the catastrophic impact of a global temperature rise of 4 degrees Celsius on a variety of factors including agriculture, marine life, fires, weather patterns, and health.

A comprehensive assessment of both global and US focused climate trends, [Ⓒ] [Climate Science Special Report \[CSSR\]: Fourth National Climate Assessment](#), has been prepared by the US National Oceanic and Atmospheric Administration (NOAA) in collaboration with three other

agencies (the National Aeronautics and Space Administration [NASA], and the Department of Energy [DOE]). As the Executive Summary explains:

The climate of the United States is strongly connected to the changing global climate. The statements below highlight past, current, and projected climate changes for the United States and the globe.

Global annually averaged surface air temperature has increased by about 1.8°F (1.0°C) over the last 115 years (1901–2016). This period is now the warmest in the history of modern civilization. The last few years have also seen record-breaking, climate-related weather extremes, and the last three years have been the warmest years on record for the globe. These trends are expected to continue over climate timescales....

Global average sea levels are expected to continue to rise—by at least several inches in the next 15 years and by 1–4 feet by 2100. A rise of as much as 8 feet by 2100 cannot be ruled out. Sea level rise will be higher than the global average on the East and Gulf Coasts of the United States....

The magnitude of climate change beyond the next few decades will depend primarily on the amount of greenhouse gases (especially carbon dioxide) emitted globally. Without major reductions in emissions, the increase in annual average global temperature relative to preindustrial times could reach 9°F (5°C) or more by the end of this century. With significant reductions in emissions, the increase in annual average global temperature could be limited to 3.6°F (2°C) or less.

The global atmospheric carbon dioxide (CO₂) concentration has now passed 400 parts per million (ppm), a level that last occurred about 3 million years ago, when both global average temperature and sea level were significantly higher than today. Continued growth in CO₂ emissions over this century and beyond would lead to an atmospheric concentration not experienced in tens to hundreds of millions of years. There is broad consensus that the further and the faster the Earth system is pushed towards warming, the greater the risk of unanticipated changes and impacts, some of which are potentially large and irreversible.

(USGCRP, 2017: Climate Science Special Report: Fourth National Climate Assessment, Volume I [Wuebbles, D.J., D.W. Fahey, K.A. Hibbard, D.J. Dokken, B.C. Stewart, and T.K. Maycock (eds.)]. U.S. Global Change Research Program, Washington, DC, USA, 470 pp, doi: [10.7930/J0J964J6](https://doi.org/10.7930/J0J964J6))

A World Bank assessment of the impact of 4°C warming through the 21st century gives a bleak description of a 'business-as-usual' future:

*"A 4 degree warmer world can, and must be, avoided – we need to hold warming below 2 degrees," said **World Bank Group President Jim Yong Kim**. "Lack of action on climate change threatens to make the world our children inherit a completely different world than we are living in today. Climate change is one of the single biggest challenges facing development, and we need to assume the moral responsibility to take action on behalf of future generations, especially the poorest."*

The report says that the 4°C scenarios are potentially devastating: the inundation of coastal cities; increasing risks for food production

potentially leading to higher under and malnutrition rates; many dry regions becoming dryer, wet regions wetter; unprecedented heat waves in many regions, especially in the tropics; substantially exacerbated water scarcity in many regions; increased intensity of tropical cyclones; and irreversible loss of biodiversity, including coral reef systems.

"The Earth system's responses to climate change appear to be non-linear," points out PIK Director, John Schellnhuber. "If we venture far beyond the 2 degrees guardrail, towards the 4 degrees line, the risk of crossing tipping points rises sharply. The only way to avoid this is to break the business-as-usual pattern of production and consumption."

(^{CE} [New Report Examines Risks of 4 Degree Hotter World by End of Century](#), World Bank, Press Release, November 18, 2012)

The consequences for the world in which we live are already being written into the environments we share. Substitute 'Western capitalist' for 'Ozymandias' and Shelley's poem says it well:

I met a traveller from an antique land,
Who said - "Two vast and trunkless legs of stone
Stand in the desert. . . . Near them, on the sand,
Half sunk a shattered visage lies, whose frown,
And wrinkled lip, and sneer of cold command,
Tell that its sculptor well those passions read
Which yet survive, stamped on these lifeless things,
The hand that mocked them, and the heart that fed;
And on the pedestal, these words appear:
My name is Ozymandias, King of Kings;
Look on my Works, ye Mighty, and despair!
Nothing beside remains. Round the decay
Of that colossal Wreck, boundless and bare
The lone and level sands stretch far away."

Open-ended and Closed Utilization of the Material Environment 🐼 (The Key to Sustainable Lifestyles)

{§} (12/02/16){§} (19/02/17)

{§} (28/08/17) We need to understand the single most important difference between almost all non-Western orientations to the material environment and that of Western capitalism.

★ Western capitalist utilization of the material environment is open-ended, with **no upper limit to its use and a built in inflation of demand** for natural resources.⁵⁰⁴

★ Most non-Western forms of utilization are *closed*, with a ***built in upper limit to demand***.

This is *not* because non-Western people are 'more attuned' to their environments or because they are 'natural conservationists' or 'closer to the environment' than Western people.

As many studies have shown, non-Western people have shaped and molded their environments to their needs. Their aim has not been to 'live in

harmony with nature', as sometimes suggested by environmental activists in Western countries, but to utilise their environments to supply their needs and wants.

However, because their status and prestige systems have not been anchored in the accumulation of material goods and services but in some other form of activity and organization, there has been no inbuilt pressure to over-use their material environments.

Where they have done so (and this has often happened), it was the growth in population living in a region which produced problems⁵⁰⁵, not a constantly escalating demand from a stable population for more and more material possessions and ever-increasing levels of consumption, as in Western communities.

Most human activity is related not to subsistence but to the promotion and maintenance of social position and self-esteem. People in communities like those of the Wixaritari and San are focused on something other than 'private enterprise' and competitive individual material accumulation and consumption as the basis of status. So, they spend less time in material production/ consumption activities and more time in what Western capitalist people would consider 'waste' activity: in religious, ritual, social and kin-based activity of various kinds.

If they are being 'productive' what they are producing is not material goods and services but various forms of ritual, religious and social activity and organization - whatever is required of the status system which is built into the structure of their communities and into their forms of interaction with each other. So, in many non-Western communities such activities seem extravagantly elaborated to Western people.

The upshot of this focus away from the material environment is that, in the past, they more or less matched their material needs and wants to what was available in their own environments or could be traded for goods from their environments without needing to expand into the territory of neighboring groups.

Sahlins (1972) argues that many communities *underused* the resources available in their material environments. Since they matched their material needs and wants to the usual productive capacity of their environments, in good years they had surpluses and in bad years they had less than they required, but things averaged out over the years.

With material needs and wants socially circumscribed, the technologies necessary for their production remained relatively stable. There is little need to develop more sophisticated, efficient, and streamlined production techniques and technologies where those which have been developed provide both the quantity and quality of goods required and where requirements do not constantly escalate⁵⁰⁶. Rather, people spend their time in pursuits which directly relate to the requirements of the social templates of their communities, through which they achieve increased social status and respect.

When Western people arrived in non-Western regions, they demanded that those communities produce a 'surplus' from their material environments for export to Western countries. This required local inhabitants to use their material environments not only to supply their own needs and wants, but to

supply, additionally, a range of products sought by Western traders and 'developers'.

Utilization of their environment was, therefore, almost immediately, raised to long-run unsustainable levels.

Inevitably, the environments of communities where these demands were made became progressively more degraded as the years passed. As Gustave Speth (1994(b)) claimed ⁵⁰⁷, most of the soil and other environmental deterioration of the past fifty years has occurred in non-Western regions of the world. Westerners use their own environments to the limits of sustainability, but readily, and unthinkingly, push the environments of other communities over the edge. (For more on this, see [Rights and Resources 2011-2012](#))

In the jargon of Western capitalism, non-Western communities, prior to Western intrusion, were naturally oriented to 'sustainable lifestyles', to *living within their environmental means*. This is why such advanced material cultures as those of Han China, Korea and Japan, although well aware of the existence of other lands and peoples, and although placing neighboring peoples into tributary relationships, did not greatly expand their accumulative and productive activities into their environments.

For the Chinese, Koreans and Japanese, throughout thousands of years of elaborate political organization and advanced material culture, North America was less than a week's sailing time away. And they had the sophisticated craft necessary to make such journeys with ease on a regular basis. Yet, when Western Europeans invaded and subjugated the indigenous inhabitants of the North American continent there were no communities of Chinese, Koreans or Japanese to deal with.

Why not?

Because, despite their elaborate material cultures, status and prestige were not primarily determined by competitive individual material accumulation and consumption. They, more or less, lived within their environmental means.

This is equally true of Aboriginal Australians. Of course they reshaped their environment to better suit their requirements, and of course that meant that Australia, after their arrival, was a different land to Australia before their arrival. But they did not utilise their material environment to, and beyond, its limits. They did not, in Western capitalist terms, 'realize the potential' of their material environments.

As Tonkinson (1978, p.18) put it, Aboriginal people stressed, not the mundane skills and techniques for surviving in harsh surroundings, but "the imperative of conformity to Dreamtime laws... it is spiritual rather than ecological imperatives that have primacy in guaranteeing their way of life".

The Aboriginal people of Australia, like non-Western peoples in most parts of the world, understood reality, and interacted with the world in ways which are difficult for Western peoples to understand.

{§} (03/01/16) With the advent of capitalism in Europe as the driving force to individual and communal activity, Western Europeans set out to discover the "riches" of the world and appropriate them⁵⁰⁸.

From the early predatory adventures of traders, explorers and privateers, to state and capitalist enterprise organized invasions of the rest of the world, Western Europe imposed its self-interested ambitions on the planet. Over five hundred years it metamorphosed from an insular feudally organized region into a rampant colonizing power. By 1914 it controlled more than 80% of the world. And it controlled it for one reason; to exploit its resources.

Not only was there very little interest in the organization and understandings of the communities they invaded, there was little or no understanding of, or interest in, the consequences of their activities for invaded populations. As Gilbert Murray explained for the British (and his explanation could be applied with equal or greater force to the other Western European colonizing powers),

A slave is ultimately a man spared in war; a man whom you might kill, but whom you prefer to keep, in order to make him work for you.

It is abundantly clear, if one considers the question, that this has historically been the position of most of the subject races in the British Empire. And it is in a sense their condition still. Those whom we cannot utilize we exterminate; those whom we can utilize we protect, and often enable to increase in numbers.

([Ⓔ] 1900, p. 152)

Obafemi Awolowo was equally clear in describing the British invasion of Nigeria,

Britain ... sought to impose her rule on the various tribes that inhabited the country in order to attain her own selfish ends.

There was... no question of trusteeship. This was the result of a later compunction of conscience which usually dawns on any evil-doer who is not hardened beyond redemption. Those tribes with whom she first came into contact resisted the unwarranted attack on their political independence. They were overpowered by force of arms. Thereafter, each tribe was faced with a choice of one of two roads leading to subjection: defeat or surrender...

(1947, p. 24)

The fable held by Western peoples⁵⁰⁹, from the outset, told a story of humanitarian selflessness. Rudyard Kipling [put into words](#) what the enlightened of Western Europe believed to be their responsibility. They had to:

Take up the White Man's burden -
...To seek another's profit,
And work another's gain....

Fill full the mouth of Famine
And bid the sickness cease...

This was (and still is) the fable. The reality was (and is) harsh. As Awolowo explained, "There was... no question of trusteeship. This was the result of a

later compunction of conscience which usually dawns on any evil-doer who is not hardened beyond redemption."

When Western people entered non-Western territories, they quickly began to reorganize the invaded environments to contribute to the snowballing production and consumption needs of the West ⁵¹⁰. They oversaw an expansion in utilization of available resources, stepping up production and export to the raw materials markets of Western Europe.

This ushered in a period in which non-Western regions were reorganized to mass produce particular commodities for European markets. Regions became devoted to 'mono-agricultural' export, to large-scale production of a very few primary commodities for export ⁵¹¹, rather than for the communities whose environments were reorganized. Where mono-agricultural development in large holdings was not feasible, indigenous communities were re-organized to emphasize cash-cropping, producing agricultural products required for European markets on small-holdings.

Over time, such regions became very vulnerable to fluctuations in market demand for their produce. In any period of economic downturn in the West, local people, increasingly reliant on cash income from commodity exports for their subsistence, found their source of income diminished, and therefore their subsistence under threat.

Further, the inherent drive of the capitalist system to reduce costs, resulted in constantly decreasing returns to raw materials producers. In turn, this resulted, inevitably, in constant pressure to increase production quantities. Naturally, this led to further pressure on prices and a spiral of over exploitation of the environment simply to maintain subsistence lifestyles ⁵¹².

Once Western economic forces gained control in non-Western areas, whether local peoples were or were not oriented to the same acquisitive and consumptive drives as Western people, they soon found their environments being reorganized to suit Western needs.

Increasing numbers found themselves involved in wage labor, in cash cropping, and in placing increasing productive demands on their own environments. And, as in Western Europe in earlier centuries ⁵¹³, increasing numbers of people found themselves displaced from their subsistence resource bases as Western forms of productive organization and ownership were imposed and more and more land became individually owned and committed to commercial crop production.

Since most non-Western communities limited their needs and wants to the productive potential of their own environments, any additional demands, beyond those of their own communities, very soon expanded use of the environment beyond sustainability.

Even where there was no alienation of land for commercial purposes, new demands placed on environments to provide not only for the ongoing needs of local communities, but also crops for sale to gain cash income for new goods offered by Western traders, placed new pressures on local environments. In the long run, the new demands, stimulated by Western trade and directly required by Western authorities, led to the depletion of their resources, and forced increasing numbers of people into wage labor as the primary means of subsistence.

Whether non-Western people adopted Western status systems or not, their environments could not be protected from the constantly escalating productive demands of the West ⁵¹⁴.

The current environmental crises of the vast majority of Third World countries are not, as many Western experts would have us believe, a consequence of uncontrolled population growth ⁵¹⁵ and ineffective and inefficient technologies. They are, rather, the consequences of attempting to reorganize non-Western communities to live by Western presumptions. The West has required them to utilise their environments, not only to meet their own needs and wants, but also to contribute to the snowballing needs and wants of the Western world.

The production stimulated in and forced upon Third World communities was not focused on the needs and wants of those communities. It was focused on the needs and wants of Western communities. It was, and still is export oriented production.

We have dealt at some length with the establishment of Western European colonies elsewhere ⁵¹⁶. Here we pick up that story in the post 2nd World War era.

As we deal with issues of the past 60 years, it is important to remember the historical background of those Third World communities. It is equally important to remember that the issues dealt with here are *additional* to all those other problems we have explored elsewhere ⁵¹⁷.

From Developmentalism to Privatization 🇵🇸

The presumption that governments had a responsibility to manage their economies underwrote political activity in both Western and Third World countries in the post-Second World War years. This assumption, and the practices that followed from it have, in the literature, usually been referred to as 'developmentalism'.

Worldwide economic activity was considered to be the result of the interaction of many separate, but interconnected, 'national economies', each controlled by a national government. Each government tried to ensure that the economy was managed and 'developed' to provide the best possible returns for all community members within its own borders. As colonial territories gained independence, this presumption of separation and responsibility for internal 'development' passed to the new governments - with a little help/direction from their erstwhile colonial masters ⁵¹⁸.

It was assumed, by Western authorities, that post-colonial governments had little expertise in managing economies. Most colonial powers used this presumption as justification for retaining strong economic ties and controls. Not only did they provide economic management advice, they linked economic assistance with scrutiny of economic performance. This enabled them to provide constant economic direction as a condition of aid.

Inevitably, therefore, the economies of most post-colonial countries remained strongly tied to economic actors in the former centers of colonial power. Independence brought little change in economic organization or in the established emphasis on export-oriented production, feeding industrial enterprises in the Western World ⁵¹⁹.

Governments, it was asserted, needed to be funded from within their own territories. A prerequisite for 'take-off into self-sustained growth' in Third World countries was, therefore, the establishment of necessary infrastructures for industrial development.

Money and effort were to be spent on major development projects: on building dams, in constructing ports, in constructing road and rail networks, and other infrastructural requirements of an industrialized country - in the process, creating massive **sovereign debt** in those countries.

Whereas it was assumed that First World governments managed their economies in the interests of their populations, Third World governments were assumed to be managing their economies in the interests of 'economic development'.

Primary Product Exports and Import Substitution Industry 🇵🇸

These developments, from 1950 to the 1970s, were assumed to be focused on two kinds of industrial development:

- ★ the export of raw materials and agricultural produce to the Western World,
- ★ and the development of import substitution industry (ISI) within the country.

It was recognized that few Third World countries could develop competitively viable export industries in the short term. It was assumed, however, that if a range of protective tariffs and import restrictions were imposed on the import of particular commodities, local industries would develop to supply the local market. As they grew in strength, they could then reorient their activities toward export, thus providing a base for further export-oriented production.

This apparently logical development plan was, however, fraught with many hidden pitfalls. As Erica Schoenberger explained,

Investments in developing-country markets such as India, Brazil, Argentina, or Mexico were driven mainly by extremely high protectionist barriers associated with import substitution policies.

In general, these markets were not sufficiently large to sustain optimum volume production, so costs tended to be high in any case (see Holmes 1983; Nofal 1983). Nor were they large enough to allow for fully integrated or wholly self-contained production.

Thus the system as a whole functioned on the basis of long-distance - sometimes extremely long-distance - supply lines.
(Schoenberger 1994, p. 55)

Import substitution policies failed to recognize two fundamental problems.

1. Local businesses, having to import all their technology and rely on overseas expertise in establishing enterprises (as well as supplying a far smaller market than major overseas exporters), could not hope to compete with overseas products. The cost of such import substitutions was usually much higher than that of the previously imported items.
2. In communities which still saw purchased commodities as alternatives to locally-produced items (for which the expertise still existed in most communities), demand fell as price increased.

ISI businesses, with few exceptions, failed to expand as anticipated in the face of falling demand coupled with expanding costs. In some countries industries were, in the interests of development, subsidised to make their products affordable. This, of course, defeated the initial reasons for their establishment. They were supposed to generate revenue for government and provide a base for further industrial development.

A Classic Capitalist Conundrum 🐞

As import substitution failed to fulfill its mooted potential, to meet their growing debt commitments and fund further 'development' activities, countries placed increasing emphasis on the export of primary commodities to generate income. This resulted in constantly expanding production and export of raw materials to industrialized countries.

Until the mid-1960s, with the industrialized world in a period of booming growth following the Second World War, this expansion was absorbed with little reduction in price. However, from the mid-1960s, as industrialized production started to contract in the face of over-supply, prices of primary commodities began to fall.

Countries, relying on primary product sales to fund their development activities and service their debts, found themselves caught in a classic capitalist conundrum:

- As prices fell countries needed to export greater quantities to meet their commitments.
- As supply increased, prices fell.
- ⌚ Since they had little short-term alternative, Third World countries then had to attempt further to increase supplies to maintain their incomes.

During the same period, First World demand for primary products fell. During the 1980s, primary commodity imports to industrialized countries fell by more than nine per cent, resulting in a primary commodity glut on world markets. Together with the move of labor intensive industry to low-wage regions, these factors led to falling prices for finished goods in industrialized countries and an increasingly serious debt problem in Third World countries.

Third World countries had relied on the twin strategies of primary commodity export and the development of import substituting industry to kick-start their economies into what W. W. Rostow (1961), in a wonderfully optimistic turn of phrase, had called a 'take-off into self-sustained growth'. They found, to their dismay, that the anticipated rewards of their sustained attempts at 'development' had led them into a state of chronic indebtedness.

First World development agencies, looking for reasons for the failure of their confidently promoted development schemes and projects, in large measure found them, not in the rationale of the plans themselves, but in the 'corruption' of Third World governments.

From the mid-1960s, it became fashionable in development circles to speak of the endemic corruption of politics and government in Third World nations. Patron-clientism, which was and is an expression of the 'personalization' of leadership which is standard in most of the world (other than in Western countries), came to be seen as a major obstacle to development ⁵²⁰.

Let's 'Add Value' to Primary Product Exports! 🐘

{§} (08/05/16) From the early 1970s, with import substitution failing to deliver the expected rewards, and primary commodity prices faltering, development agencies began to look elsewhere for the key to successful Third World development.

An important alternative to import substitution was, obviously, the further processing of primary commodities within the country of origin, rather than shipping raw materials for processing in industrialized countries. Primary commodities should have 'value-added' to them prior to shipment.

Rather than shipping raw materials, money should be spent on processing plant, thus earning exporting countries additional income and, in the process, kick-starting their economies through the establishment of a processing industry which would take advantage of, and stimulate further, infrastructural developments.

Unfortunately, the enthusiasm of 'development experts' once again outstripped their expertise. While it seemed logically sound to develop 'value-added' enterprises in Third World countries, the rationale failed to take into account the existing industries in industrialized countries.

No industry voluntarily commits suicide, and no industry in the industrialized world was going to help a competitive industry in a Third World country to become established.

- The expertise was not provided;
- outdated technology was supplied;
- the supply of raw materials, limited to the country itself, was usually smaller, less reliable and more costly than the raw materials supply to industrialized industry (based on multiple supply sources and competition among suppliers);
- and, most importantly, the network of purchasers established by processing industries in industrialized countries was not available to Third World suppliers.

With all the disadvantages stacked against Third World 'value-added' industry, it was inevitable that Third World enterprises would fail to compete against their well established rivals. Not only was this true, but, given that demand in industrialized countries was shrinking or stalled, the timing for such value-added industrial expansion was less than propitious. Once again, an anticipated success story turned into a financial millstone for Third World countries.

Again, development agencies looked for reasons for the failure and saw the problem not as lying in the development direction established by themselves but in the performance of governments. The reasons for failure lay in the lack of expertise in government, in political interference, in the siphoning of capital out of businesses and into the hands of politicians, bureaucrats and their supporters.

There was substantial evidence that businesses caught in the web of patron-client networks were often milked for funds. However, once again, rather than seeking to understand the phenomenon, patron-clientism and 'corruption' came to be seen as stumbling blocks to economic development.⁵²¹

Government should get out of The Economy 🐼

{§} (21/07/17) In the mid to late 1970s, as aid agencies took stock of yet another round of failed plans and projects, they did so in the intellectual and ideological climate of neoliberalism. The problem was now perceived as one of public distortion of private enterprise. Governments should not be involved in economic enterprise. Rather, governments were there to provide a stable backdrop to private economic activity.

As Third World countries, burdened by insupportable debts, [turned to the International Monetary Fund for assistance](#), they found themselves faced with a new set of development requirements. The old had failed, but, at last, aid agencies had the touchstone to development - privatization⁵²².

No longer should governments actively seek to develop the economies of their territories. Now they should provide the kinds of political and economic environments which would stimulate the natural entrepreneurial instincts of their populations.

From the mid-1970s, economic conditions began to deteriorate around the world as a result not only of rapidly increasing oil prices resulting from the monopoly practices of OPEC (a cartel formed by major oil producing and exporting countries to control oil prices), but also from a general stagnation in economies around the world.

Everywhere, and in every economic area, the world seemed to be producing more than it could reasonably consume and so markets faltered and prices fell. This provided an excellent platform for economic theorists and practitioners who were opposed to the 'soft', 'uneconomic' policies of developmentalism.

Neoliberal economic experts managed to convince governments everywhere that the only way in which countries could ensure long-term 'economic well-being' was through removing those programs and regulations which distorted 'market activity'. It was in the distortion of processes of economic exchange that the evils of the 1970s and 1980s could be located.

In this brave new world, it would be the responsibility of governments to provide a stable political and social environment and provide the necessary institutional frameworks within which private, independent individuals, whether real or artificial, could engage in uninhibited, competitive, accumulative exchange.

Governments, it was argued, should get out of economics. Economic activity should be 'deregulated'. The presumption was that when markets were freed from government interference, nations and communities would reap the rewards which accrue to those which operate within streamlined, efficient economies. As Haworth described:

Contemporary theoretical discussion around Public Choice Theory, Agency Theory and Transaction Cost Analysis has presented a view of government as parasitical on individual interests and resources. In this critique, politicians and civil servants are transformed from Weberian constructs, offering public service on a professional and vocational basis, to self-interested abusers of resources coerced from the people...

It follows from these arguments that the state as government requires substantial pruning of its purview and an equally important reorientation of its functions. This is perhaps most succinctly captured by Friedman who baldly argued for government which:

... maintained law and order, defined property rights, served as a means whereby we could modify property rights and other rules of the economic game, adjudicated disputes about the interpretation of the rules, enforced contracts, promoted competition, provided monetary framework, engaged in activities to counter technical monopolies and to overcome neighbourhood effects widely regarded as sufficiently important to justify government intervention, and which supplemented private charity and the private family in protecting the irresponsible, whether madman or child ... the

consistent liberal is not an anarchist.

[Friedman & Friedman 1962, p. 34]

(Haworth 1994, p. 28)

Neoliberal attitudes to government⁵²³ were well summed up by Cristobal Kay:

The neoliberals are ... hostile to the state and trade unions, advocating privatization, liberalization, private entrepreneurship and deregulation of the labor markets. The state is seen as the source of most of the development problems of the LDCs [Less Developed Countries].

They argue that state interventionism (or *dirigisme* in Lal's terminology) has created distortions in the price mechanisms which has resulted in the misallocation of productive resources and therefore lower rates of growth. The neoliberal slogan is that imperfect markets work far better than imperfect governments and planning.

(Kay 1993, p. 695)

The Neoliberal Experiment: They've got to do as we tell them! 🐼

{§} (20/06/17) Western economic advisers had far greater direct power to influence political behavior in Third World nations, through management of structural adjustment programs, as those nations found themselves unable to handle their accumulated debt ⁵²⁴. They were, therefore, able to demand broader changes than could be achieved in Western countries.

They were not slow to exercise their muscle! The demands they made were driven by a belief in the efficacy of 'free markets'; by a strong belief in the power of the marketplace to deliver social welfare; by a belief in the justice of 'user pays' principles of welfare delivery; and, more generally, by the neoliberal ideology which underpinned unregulated capitalism from the 17th century and had been honed in Western thought as a consequence of experiences in the 1920s and 1930s ⁵²⁵.

It became inevitable that neoliberal 'development' advisers would argue for the 'privatization' of Third World government agencies and activities. Government should not be involved in the marketplace, so all services and goods supplied by government should be divested to private investors. The only responsibility of government was to ensure safety and equity amongst its populace.

Since neoliberal principles were universally valid, they could be applied wherever governments found themselves in economic difficulty.

... As President Kaunda of Zambia put it, 'The IMF does not care whether you are suffering economic malaria, bilharzia or broken legs. They will always give you quinine'.

The policy prescriptions ... reflect[ed] the Fund's political and economic ideology rather than the interests of the developing countries.

(Cheru 1989, p. 37)

In Western nations, the movement towards privatization resulted in a range of government agencies being sold in order to be operated by private individuals or firms for private profit. ⁵²⁶

In the Third World, the [consequences of this neoliberal belief](#) in the efficacy of 'market-led recovery' were far more dramatic.

Both the International Monetary Fund and the World Bank developed programs for the reorientation of Third World economies which directly reflected the basic assumptions of the neoliberal belief in the power of private enterprise to kick-start Third World economies. These policies came to be known collectively as 'Structural Adjustment Programs' (SAPs) ⁵²⁷.

Governments were fundamentally affected by structural adjustment programs in a number of ways⁵²⁸.

First, the old active involvement in planning and promoting economic development, assumed under previous development regimes, disappeared. The government should now avoid any involvement in planning and promoting economic activity. This should be left to the 'private-sector'.

Second, the government should divest itself of all those areas of service provision which, in the past, had largely been its rationale for existence. Now, those government departments and agencies involved in the delivery of services to the population should be sold to private enterprise. Governments should, in this new climate, distance themselves from service provision.

This policy of privatization originated, as Mitchell and Manning explained, in First World government reorganization:

The contemporary idea of public-private partnerships as an approach to economic development had its origins in American and British public policy during the late 1970s.

Faced with a mushrooming budget deficit and a stagnant economy, the Carter administration tried to curb government spending through the introduction of *zero-based budgeting* and championship of the concept of *privatization*.

The former meant justifying government spending programs each year during the annual budgeting cycle. The latter advocated spinning off feasible programs to the private-sector, where they would be operated on a for-profit basis ...

Both tactics were meant to save the government money, and perhaps make the economy work more efficiently, by broadening the sphere of activity directed by market forces.

(Mitchell & Manning 1991, pp. 45-6)

The emphasis on privatization in the 1980s and 1990s was primarily a movement away from treating individuals as 'citizens' to treating them as 'clients' and 'customers' (see Sharp 1994, p. 4), from seeing the population as members of a co-operative community, to seeing them as competitive, individualized consumers.

Individuals were required to accept the costs of services as individually attributable. Any who required 'subsidization' in order to meet their needs and wants were therefore exposed as 'inefficient,' as a 'cost' on other individuals, as a 'tax burden'.

This movement from community to individual responsibility was based on a definition of all acceptable exchange as competitively balanced and

individualized.⁵²⁹ Social responsibility had, therefore, to be legislated and 'public watchdogs' appointed to ensure that those who relied on 'subsidies' to make ends meet were not 'cheating' and 'defrauding' the system.

Privatization: the Antidote to Political Opportunism and Corruption 🐞

In Third World countries, an implicit purpose of this privatization of service provision was to sever the political connection with revenue raising. This was supposed to reduce the level of political opportunism and corruption associated with service provision and the siphoning of resources from government coffers into political networks.

For some inexplicable reason⁵³⁰, the 'experts' assumed that economic enterprises, if they were made responsible for public welfare, would not engage in such activity.

'Development specialists' considered this to be a *political* problem. In order to reduce political involvement in business organization and activity, it was considered necessary to deregulate private enterprise; to remove the legislative levers which could be manipulated by politicians and their associates to ensure access to revenue from private business.⁵³¹

Once this happened, since transnational companies could now develop their activities within Third World countries with less need for political sponsorship (and with no need to assume a public welfare responsibility for people in the communities in which they operated), business activity quickly passed into the hands of foreign entrepreneurial forces.

Transnational companies have learned, over the past thirty years, to utilise their superior international integration in order to maximize their control within national boundaries⁵³².

Underwrite Private Borrowing: You Can't Lose! 🐞

Not only have neoliberals seen big government as the *bete noire* of development and emphasized privatization of government activity and the [deregulation of private enterprise](#) to counter this, they have also seen such government as responsible for the debt crisis of Third World countries.

Since the late 1970s, First World lenders have remained concerned about [the ability of Third World countries to service debts](#), in part accumulated during the heady days of the 1970s.

During the 1970s, OPEC countries tried to reinvest windfall profits from the rapid rise in oil prices around the world. First World banks, embarrassed by the large amounts of money available for investment, were less than cautious in their lending policies, encouraging Third World governments and private enterprises to borrow heavily on very little security.

Many development advisers believed that the flood of investment finance resulting from the OPEC-led oil price rises, if tapped by Third World enterprises, would ensure rapid industrial development, provided governments agreed to act as guarantors.

Banks and other lending agencies ([including IMF and World Bank officials](#)), seeing this as a way of guaranteeing their investments, strongly backed this

claim. They argued that this, 'risk-free', backing was the only way in which enterprises in Third World countries could be assured of investment funding.

They advised governments, therefore, to underwrite private enterprise borrowings, assuring them that future investment returns would not only meet debt repayments but also generate increasing public revenues.

One of the consequences of the flood of money made available to Third World elites through this new inflow of investment funds ⁵³³ was a rapid inflation in the purchasing power of those who had access to the borrowed money.

As Briones and Zosa described for the Philippines:

The benefits of the debt have long been enjoyed by the governing and favored elite, and they are still reaping the benefits of the current debt management strategy. The masses, on the other hand, bear the burden of debt service through expenditure cuts in economic and social welfare services in the national budget.

(Briones & Zosa 1994, p. 258)

Third World elites, linked through a range of patron-client relationships, gained access to money borrowed by both government and business interests and were able to use this money to further their own status aspirations. This resulted in an inflation in expectations amongst elites.

In communities where social templates are not primarily based on material accumulation, any inflation in the material requirements of those with status, in time, becomes firmly institutionalized. Once this happens, statused people are locked into those levels of expenditure. If they cannot fund their status requirements they lose credibility and become less useful to those who rely on them for support.

Their clients, therefore, find themselves having to shore up the credibility of their patrons by supplying the necessary funds to ensure their credibility. In Third World countries, once access to foreign funds disappeared, this resulted in a rapid reduction in the material quality of life for those of lower status as they were called on to meet the shortfall.

Rather than the anticipated 'trickle down' effect, assumed to result inevitably from investment of the borrowed funds in productive enterprise and the consequent increase in labor requirements, Third World communities experienced the reverse.

Communities experienced a 'trickle up' effect as patrons sought new avenues of funding for their new needs and clients realized that their patrons were only useful if they could retain their status positions, which required them to contribute to the costs of those needs.

During the 1980s, those Third World governments and private enterprises which had gained access to the windfall funds of the 1970s inevitably found themselves unable to meet debt servicing costs. First World lenders became concerned that they might default on their loans and took steps to ensure that this would not happen ⁵³⁴.

During the 1980s, international agencies like the IMF, at the instigation of worried creditors, devised and applied structural adjustment programs to deal with the resultant debt crises in Third World countries. One of the features of these programs was the emphasis placed not only on the privatization of government services, but also on the need to attract foreign direct investment (FDI).

Development experts and First World creditors managed to convince many governments that they could lure investors into Third World countries and, simultaneously, tackle their debt burden. This could be done, they claimed, through the promotion of a variety of debt reduction schemes through which investors could avail themselves of national assets at bargain basement prices.

These 'debt-equity conversion programs' ⁵³⁵ offered foreign investors national assets in exchange for debt write-offs. A favorite target for this kind of deal was the privatization of government assets in the course of structural adjustment programs devised and overseen by the World Bank and the International Monetary Fund.

The schemes involve governments in reducing debts, primarily to commercial banks, in exchange for government assets or for private-sector assets, often bought with discounted local currency. This is best explained through an example.

The following is a debt-equity swap arranged by General Motors in Mexico. The summary comes from the presiding Judge Stephen Swift's summation of a case brought before the US Tax Court by the US Inland Revenue Service against General Motors for understating its gains in the transaction:

In October 1987, G.M. Trading paid \$600,000 to the Nederlandsche Middenstandsbank N.V. Bank (NMB) for \$1.2 million of U. S. dollar-denominated debt guaranteed by the Mexican government, reflecting the prevailing market discount rate of 50% for such debt.

The company incurred \$34,000 in fees as a result of the transaction.

In November 1987, the Mexican Ministry of Finance and Public Credit deposited 1,736,694,000 pesos - equal to \$1,044,000, or \$1.2 million at a 13% discount - into an account established in Procesos' favor.

Procesos then transferred 173,670 shares of its class B stock - one share for every 10,000 pesos or remaining fraction thereof - to the Mexican government, which transferred them to G.M. Trading in exchange for cancellation of the \$1.2 million dollar-denominated debt.

The Internal Revenue Service argued, and the court agreed, that G.M. Trading realized a \$410,000 gain on the debt-equity exchange - the fair-market value of the 1,736,694,000 pesos less its \$634,000 cost of participating in the exchange.

(Zobrist, Wichman, Murai & Ichiki 1992)

As this example illustrates, debt/equity transfers often involved an initial transfer of debts incurred by private enterprises in Third world countries to the government.

The buy-out of Procesos by G.M. Trading was based on an initial Mexican Government bail-out of the company to the tune of \$US1 044 000, for which G.M. Trading paid a total of \$US634 000 in external funds.

It is important to understand why the Mexican Government had to assume Procesos' debt.

Third World governments had been encouraged by both development and banking advisors to underwrite private enterprise borrowings, assuring them that future investment returns would not only meet debt repayments but also generate increasing public revenues.

As private enterprises failed in the 1980s, governments found themselves responsible for their external borrowings.

Short of defaulting on their commitments, there were two principle ways in which Third World governments grappled with the mounting debt burden created by private enterprise failure:

- ★ They could assume responsibility for the debt, and pay it out in local currency through the transfer of resources to transnational companies, as in the above case, or
- ★ they could buy back the debt papers from banks themselves at a fifty per cent discount, though this, of course, usually required further borrowing of 'hard currency' to fund the buy-back - usually at high interest rates because the credit worthiness of governments facing such difficulties was obviously low.

The result of either practice created new problems for Third World governments ⁵³⁶.

It is little wonder that political leaders in Third World countries, by the 1990s, were speaking of a new age of colonialism, in which those major assets of Third World countries which were not already foreign owned passed into the hands of transnational companies at bargain-basement prices.

In these arrangements, Third World governments often became partners in public-private partnerships dominated by overseas interests. Those interests invariably argued for further reorganization of national economies along neoliberal lines, decreasing government involvement in economic activity, and further deregulating economic and financial activity.

This, in turn, further **facilitated the free movement of capital and enabled the ready transfer of profits** from Third World countries into the rapidly expanding financial markets of the West.

The Paradox of Increased Production and Decreased Returns 🐦

There are a number of important consequences of reorganizing communities in terms of neoliberal principles.

The first is that uninhibited competition will always act to drive down costs and prices. The most successful firm will be the one which is able to lower costs, and therefore lower price, and so gain an edge over rivals in the marketplace.

Over time, this inevitably puts downward pressure on primary commodity prices; on the raw materials of production or the basic production inputs. As those prices decrease, small holdings become non-viable and small-holders are forced to sell and move off the land. The processes of land and resource

consolidation and constantly increasing economies of scale result, inevitably, in the movement of people out of the countryside and into the burgeoning slums of Third World towns and cities ⁵³⁷.

The consequences are the rural-urban migration phenomenon of the past fifty years and the emergence of a growing population of people who have lost access to subsistence resources and must rely on whatever money they are able to obtain from activity in towns for subsistence. This, in turn, has resulted in large informal economies in most Third World countries ⁵³⁸.

Formal economic activity will always focus on areas where money is to be made. That is, by definition, production will continue to expand until it is surplus to requirements. Western economies are premised upon a supply *glut*, not on supply *scarcity*.

This feature, in a truly 'free' and 'unregulated' market, in combination with the consequences outlined above, results in the stimulation of production at ever reduced cost. Once an individual or firm has invested capital in production, it is often difficult in the real world to diversify. So, the only way to maintain income as prices are being driven down is to increase production.

This results in a paradox.

The less profitable that production becomes, the greater the effort to increase production to compensate for falling returns through increased sales. Until, of course, the firm or individual can no longer compete and the business collapses.

The consequences of this are, of course, that constantly increasing demands are made of the environment. At the very time when those involved are *least able* to afford the costs of environmental protection, they are being forced into expanded utilization of the resources available to them.

Under such circumstances, relatively costly conservation programs are beyond the means of those whose activity is most likely to result in long-term environmental degradation. This has, in many Third World countries, resulted in [looming environmental disaster](#).

As long as there is money to be made from an activity, the number of producers will continue to multiply and the exploitation of resources will continue to expand until they are in short supply. That is, economic activity becomes premised on a *scarcity of resources*. As resources become scarce, people, inevitably, utilise those which are only marginally productive.

This process has been compounded in Third World countries through the expropriation of resources for capitalist development ⁵³⁹.

While resources are available, the number of suppliers and the volume of production will continue to expand until production exceeds the requirements of the marketplace. This has been an experience shared by most Third World communities over the past fifty years.

What starts as a specialised product for a niche market, becomes the flavor of development programs as word passes from one aid organization to another. Before long, the market has been saturated and the investment made in necessary infrastructure becomes added to the debt load of the country.

Economies of Scale and Impoverishment of Small Producers

In almost all cases, the number of suppliers greatly exceeds the number of buyers, the market forces competition upon suppliers, forcing down prices until returns on production are marginal. At that point, and not before then, production stops expanding. With production marginally in excess of market requirements, producers remain in competition and economic success depends on reorganization of production to trim costs.

Those producers who do not reorganize production, or do so less effectively, become uncompetitive and drop out of production. This, over time, leads to economies of scale so that small producers find themselves unable to compete with large producers.

As the size of productive enterprises grows, the sophistication of production also increases as producers look for new ways of cutting costs, leading to increased use of machinery and other forms of cost-reducing and production-increasing technology. As this happens, the capital requirements of being involved in production escalate, making it less likely that newcomers can successfully enter into the marketplace to challenge the dominance of the large players.

Many Third World countries, in trying to develop viable industrial sectors, have found themselves in just this position in relation to already industrialized countries.

With the emergence of Just-In-Time production processes ⁵⁴⁰, they become relegated to the position of suppliers of cheap labor until the industries which have relocated to take advantage of that resource re-tool with emerging technology and relocate nearer their major markets (or take advantage of the lower costs offered elsewhere through [hyperglobalization](#)). Consequently, in attempts to attract and then retain industry to their regions, [governments find themselves having to offer greater and greater incentives](#), sometimes supplying most of the necessary infrastructural supports, in order to lure companies to relocate.

Of course, the smaller the necessary investment in establishing a factory, the easier it is for the business to relocate elsewhere in pursuit of cheaper labor or more attractive inducements. Third World governments find themselves subsidising transnational corporations in order to ensure that they locate and remain in their countries.

At times, returns to Third World countries barely cover their outlays in attracting and retaining transnational corporate investment ⁵⁴¹.

Since only those producers who are able to respond to market forces will survive, those who find themselves no longer able to economically compete in a particular product area will, if they are to remain economically viable, have to find other products for which there remains a strong demand. That is, they will have to diversify.

Long-term economic success in the Western marketplace requires access to, and understanding of, the emerging technologies for reducing costs and increasing production and/ or sufficient grasp of market realities to be able to predict future demand and gear production to that prediction.

In the real world, of course, few small operators are able to rapidly change from one form of production to another as the market becomes saturated.

This kind of rapid response to market demand requires sophisticated technologies, organization and information ⁵⁴².

Small producers do not have access to the necessary information, technology and organizational expertise and so are unable to successfully compete with transnational companies. Instead, as profitability drops, production tends to expand until the cash reserves of producers are expended and they have been driven into debt. Then, already in debt, they are forced out of production.

There is little possibility of diversifying into more profitable forms of production since that would require capital and they have already used their surplus in a vain attempt to remain viable in the current form of production. This scenario is played out all over the world as product supply to the market reaches saturation levels.

Since the aim of production is to make money, the only way in which a producer can ensure that he or she remains in a profitable venture, other than through cutting costs and increasing production, is through cornering the necessary resources for that production, that is through gaining a monopoly in an area of production. This is seldom possible in primary production, and Western nations have laws limiting the possibility of monopoly control of production since it is well understood that cartel price-fixing arrangements, or the cornering of a market by a single producer, limits the possibilities of production and therefore erodes the efficiency of the marketplace.

The inevitable end result of this play of market forces is not increased well-being for small producers, but marginal subsistence. Only those producers which are prepared to lower prices until they can just survive will remain. All others will lose market share.

The Sweat Shop is the Destination - unless you're protected! 🐼

{§} (19/01/17) In a deregulated world, the sweat shop is not a step on the road to 'economic development', it is the destination of most Third World people who aspire to Western-style economic development.

Western economic forces, given free rein, lead to people living lives of borderline starvation, of endemic poverty, with the few who control access to finance and resources, or who can become involved in international corporate activity, able to maintain wealthy lifestyles ⁵⁴³.

One of the important reasons why Western nations introduced baseline wage rates through the last part of the 19th and the 20th centuries has been because without them market forces would have reduced the bulk of the population to this level. Now, through deregulating national economies and universalizing competition, those countries which decide to retain basic wage rates find themselves unable to compete in labor-intensive production with countries which do not have basic wage rates.

Inevitably, therefore, those who are ideologically committed to allowing market forces free play argue that it is 'rational' to remove basic rates. But rational for whom? If the consequences of allowing market forces free rein is the long-term impoverishment of the majority of the population then what is rational in terms of the marketplace becomes irrational in terms of the long-term well-being of communities of people.

The presumption that there is an 'unseen hand' ensuring that what is good for the marketplace is good for society is an ideological one. It is not based upon a rational assessment of the long-term results of organizing society to serve the marketplace. Rather, it is based upon an historical argument which certain sections of Western European communities used in justifying a break with feudalism and a loosening of government restrictions on profit making ⁵⁴⁴.

The organization of society to serve the marketplace was not to the advantage of the majority of people in the 18th or 19th centuries. Its success for Western nations during the 20th century and to the present has been based upon privileged access to the resources of the world and low-cost primary production to an expanding world market.

{§} (21/02/16) The last three decades have ushered Western communities into a 'new world order'. Western nations have accepted the arguments of neoliberal economics that in order to ensure 'economic efficiency', national economies need to be deregulated and opened to worldwide competition.

Of course, the arguments are logically impeccable, given the forces now driving international economic organization and activity. In a deregulated world, those communities which don't deregulate cannot compete in the international marketplace⁵⁴⁵. But the reason they can't compete is that they have retained those minimum standards of well-being which were set in place during times of economic protection and regulation.

Conglomerates and the Progressive modernization of Poverty 🐼

{§} (22/01/16){§} (16/06/17) {§} (23/01/18){§} (02/02/18){§} (07/07/18){§} (23/09/18){§} (20/11/18)

Internationalized business has become globalized, consolidated into insulated, self-sustaining conglomerates ⁵⁴⁶ and increasingly profitable. Those conglomerates might operate within a globalized 'free market', but they manage to contrive either monopoly or cartel conditions for themselves wherever they operate.⁵⁴⁷

Nothing sums up the sad reality better than Davos. The super-rich gather to congratulate themselves on their 'achievements'⁵⁴⁸ and Western politicians join in the partying. As the 2018 Oxfam report, prepared for the party, has put it:

Last year saw the biggest increase in the number of billionaires in history, with one more billionaire every two days. There are now 2,043 dollar billionaires worldwide. ...Billionaires also saw a huge increase in their wealth, enough to end extreme poverty seven times over. 82% of all of the growth in global wealth in the last year went to the top 1%, whereas nothing went to the bottom 50%.

...All over the world, our economy of the 1% is built on the backs of low paid workers ...who are paid poverty wages and denied basic rights.

(^{CE} Oxfam Briefing Paper – January 2018)

In countries around the world, corporations gain the cooperation of political players and government officials, blurring the boundaries between the

'public' and 'private' realms. While neoliberal economists and fellow travelers have insisted that "governments should not be involved in economic enterprise", there has been little protest about the involvement of major corporations in government. Economic enterprises have become major players in governments around the world.

Haris Tabakovic and Thomas Wollmann have investigated and described the behaviors and motivations of regulatory agency employees in the United States over the past half century. As they explain,

Many regulatory agency employees follow brief, public sector experience with more lucrative work at the firms they used to regulate. In several industries, the practice is so common that these agencies appear to have "revolving doors." This may begin with—and partly be motivated by—firms' desires to hire workers with agency experience. The concern, however, is that it leads to a *quid pro quo*: lax supervision is exchanged for future employment.

Whether explicit or tacit, this arrangement can have first order welfare consequences stemming from policies that are ineffective at correcting market failures and unmotivated to protect the public interest.... Despite this concern, there is no empirical work studying individual public-to-private sector transitions among regulatory agency employees *at the decision level*.

(Haris Tabakovic and Thomas Wollmann, [Ⓔ] [From Revolving Doors to Regulatory Capture? Evidence from Patent Examiners](#), April 2, 2018 (published by the *National Bureau of Economic Research*: NBER Working Paper No. 24638, Issued in May 2018))

[Ⓔ] [Creswell and White \(2008\)](#), in an article in the *New York Times*, provided a description of the kinds of blurring which occur. As they explained,

The power and influence that Goldman wields at the nexus of politics and finance is no accident. Long regarded as the savviest and most admired firm among the ranks - now decimated - of Wall Street investment banks, it has a history and culture of encouraging its partners to take leadership roles in public service ⁵⁴⁹.

The interconnections they describe are not unique to Goldman Sachs. Corporations everywhere, attempt to institute similar relationships with government and political partners.

Praful Bidwai (2010) claims that in India,

Washington-style practices of corporate lobbying have crept up on New Delhi politics, subverting the policy-making process to meet the profit imperatives of private corporations. The new trend of corporate lobbying in India presents a real and serious threat to democracy.

...Lobbyists have come to acquire enormous clout, to the point of influencing the choice of Cabinet minister, nominating key bureaucrats, and formulating economic and industrial policies at the nuts-and-bolts level.

([Ⓔ] [Bidwai May 2010](#))

The *Center for Responsive Politics* has provided an in-depth examination of lobbying in the United States between 1998 and 2018. In an introduction to their [Ⓔ] [Lobbying Database](#), they summarize:

In addition to campaign contributions to elected officials and candidates, companies, labor unions, and other organizations spend billions of dollars each year to lobby Congress and federal agencies. Some special interests retain lobbying firms, many of them located along Washington's legendary K Street; others have lobbyists working in-house. We've got totals spent on lobbying, beginning in 1998, for everyone from AAI Corp. to Zurich Financial. (See also: ^{CE} [Foreign Lobby Watch](#).)

Of course, corporate lobbying is the tip of an iceberg. As Creswell and White (2008) explained for Goldman Sachs,

It is a widely held view within the bank that no matter how much money you pile up, you are not a true Goldman star until you make your mark in the political sphere.

There is an interchange of personnel between government agencies and private corporations as individuals supply expertise and networking links to both through short term contract activities. At times it can be difficult to distinguish between corporate and government staffing as people move between public and private organizations - usually justified as 'selecting the best people for the job'.

For these corporations, competition can be controlled by internal corporate protections; by limiting business interaction and promotion to those which are included under a common corporate umbrella; and by securing favorable business-government relations for themselves at the expense of possible competitors. This provides them with a powerful platform from which to negotiate favorable terms of trade with both Western and Third World governments and communities.

Protective regulation for populations has been weakened or removed within national boundaries, leaving communities and individuals open to free market exploitation. To take advantage of the new conditions, international corporations, using their extensive legal and political expertise and connections, have invented their own forms of protective insulation from the impoverishing effects of internationalized 'free competition'.

It is scarcely surprising that, to maintain their contrived advantage, they will continue to vociferously denounce public regulation of economic activity as contrary to the spirit of 'free markets'. The markets are only truly 'free', however, for those who cannot insulate themselves from its effects in similar ways.

In the long run, in a deregulated worldwide economy, the only winners are those who can insulate themselves from its consequences: those who can, through various subterfuges, gain and maintain monopoly or cartel-like control of business transactions. For the rest, since costs are always driven down, and prices are similarly adjusted to the margins, the logical outcome of allowing market forces free play is that businesses become uncompetitive or marginally profitable. ^{CE} [Iglesias and de Almeida](#) (2011 p. 1,3) explained why:

Many recent models of trade dynamics use the simple idea of wealth exchanges among economic agents in order to obtain a stable or equilibrium distribution of wealth among the agents. In particular, a plain analogy compares the wealth in a society with the energy in a

physical system, and the trade between agents to the energy exchange between molecules during collisions.

In physical systems, the energy exchange among molecules leads to a state of equipartition of the energy and to an equilibrium situation where the entropy is a maximum.

On the other hand, in the majority of exchange models, the system converges to a very unequal condensed state, where one or a few agents concentrate all the wealth of the society while the wide majority of agents shares zero or almost zero fraction of the wealth. So, in those economic systems a minimum entropy state is attained.

...a frequent outcome in [free market] models is *condensation*, i.e. concentration of all available wealth in just one or a few agents. This final state corresponds to a kind of equipartition of poverty: All agents (except for a set of zero measure) possess zero wealth while one, or a few ones, concentrate all available resources.

(See [An inevitable concentration of wealth and stalling of market exchange](#) for more on this).

There seems to be a force at work in the 'free' marketplace, driving down production costs and prices and, in the process, reducing the bulk of people involved in small-scale production to penury.

As Paul Burkett described of the 1980s:

The severe economic crisis experienced in most of the periphery in the 1980s is shown by World Bank data. During the 1980-88 period, the average annual growth rate of real per capita gross domestic product (GDP) in the countries of Sub-Saharan Africa (excluding South Africa) was -2.4 per cent. For Latin America and the Caribbean, per capita GDP growth averaged -0.7 per cent.

Overall, per capita GDP shrank at an average annual rate of -0.8 per cent in the countries that the World Bank classifies as 'low-income' (excluding China and India).
(Burkett 1991, p. 475)

Burkett asked why centuries

...of production for the world market left the majority of Third World people with appallingly low living standards?

and concluded:

One answer is that it is the global capitalist economy that *itself* reproduces underdevelopment and poverty in the Third World.
(1991, p. 477)

Over the past thirty years, the world has become aware of a growing population of destitute people living not only in Third World slums and areas of rural depression, but also in First World cities ⁵⁵⁰.

The implementation of structural adjustment programs in Third World countries seems to have resulted in a process of patterned disorder. People have lost access to subsistence resource bases, communities have been disrupted, poverty has become endemic in many areas of the Third World, and the disparity between the rich and the poor has grown more pronounced in both Third World and industrialized countries.

For many people in Third World countries, [globalization seems like a conspiracy of the rich](#) and economically powerful [against the poor and defenceless](#). As Marjorie Mbilinyi, author of *Big Slavery: The Crisis of Women's Employment and Incomes in Tanzania* (1991), said in an interview at the University of Guelph:

We could have a lot of despair in Africa right now. Many of us see this as a moment of mass genocide. And it's a very conscious one, we think, on the side of at least some big government actors as well as some of the actors in agencies like the World Bank and the IMF.

The peoples of Africa are being steadily impoverished. They are also being dispossessed of their lands.

Governments like Tanzania, partly in response to popular demand, had begun to nationalize assets and try to guide the economy in the direction that would meet the basic needs of the people and increase national control and make it more inward oriented. Now we have complete reversal so that it is almost worse than in the colonial period. (Mbilinyi 1994)

Fantu Cheru claimed of African experience:

The overwhelming consensus among the poor in Africa today is that development, over the past 25 years, has been an instrument of social control. For these people, development has always meant the progressive modernization of their poverty.

The absence of freedom, the sacrifice of culture, the loss of solidarity and self reliance which I personally observed and experienced in many African countries, including my own, explains why a growing number of poor Africans beg: please do not develop us! (Cheru 1989, p. 20)

Conclusion 🐦

★ Nearly one billion people alive today - one in every six human beings - are slum dwellers, and that number is likely to double in the next thirty years, according to UN-HABITAT's new publication *The Challenge of Slums: Global Report on Human Settlements 2003*.

Unprecedented urban growth in the face of increasing poverty and social inequality, and a predicted increase in the number of people living in slums (to about 2 billion by 2030), mean that the United Nations Millennium Development goal to improve the lives of at least 100 million slum dwellers by 2020 should be considered the absolute bare minimum that the international community should aim for, according to the report to be released in October 2003.

The locus of poverty is moving from the countryside to cities, in a process now recognized as the "urbanization of poverty." The absolute number of poor and undernourished in urban areas is increasing, as are the numbers of urban poor who suffer from malnutrition, say the report's authors.

(^{CE} [UN - HABITAT: Twenty First Session of the Governing Council](#), 16 - 20 April 2007, Nairobi, Kenya)

There are strong international pressures for the deregulation of economic activity within national borders and for the lowering of tariff barriers and other forms of restrictive import and export regulations.

International business is becoming truly independent of national governments and increasingly able to play countries and regions off against each other in negotiating investment terms. And, in the process, is increasingly able to escape responsibility for funding social welfare needs of the communities within which it operates.

(See: Louise Story, [As Companies Seek Tax Deals, Governments Pay High Price](#) (*New York Times*, December 1, 2012) for more on this.)

In efforts to limit the effects of this internationalization, there have been a number of bilateral and regional trade agreements and organizations established ⁵⁵¹. They have attempted to mimic the conglomerate organization of international business, trying to gain the advantages of internationalization while maintaining some control over regional economic activity. In large measure, however, they provide further support to transnational economic activity and provide little regulation.

It has been said before ⁵⁵², but bears reiteration:

Nation-states, once firmly in control of economic activity within their borders are, in a deregulated, privatized world, decreasingly able to shield their populations from the exploitative consequences of unregulated and internationalized market exchange. Those countries with few bargaining counters become those most vulnerable to demands by transnational business for ever more favorable conditions of trade and access to their resources.

For many people in Third World countries, the free-market economic order is one in which they have lost what power they once had to control their own destinies. They do not even have the recourse of the colonial past to appeal to the colonizing power to limit exploitation within their regions.

Now, there is no international forum capable of limiting and directing the bargaining advantages of business conglomerates whose holdings and turnover eclipse those of the countries with which they do business.

No longer is the economy the means by which communities meet their needs and wants. Now communities service an internationalized economy which need accept no reciprocal responsibilities for their welfare.

chapter 10: ♣

The Nature and Importance of Public and Private Credit Only Believe...

Introduction

The Distinction between Democratic and Plutocratic Organization;

- The Importance of Public Control of Private Credit Creation
 - What are Central Reserve Authorities?
 - The Nature of Government Bonds or 'Debt Securities'
 - US 'Debt Securities' *must* be bought on 'The Open Market'

How Democratic Capitalist Governments Generate Credit (and *manage perceptions* of economic stability)

- The management of perceived credit stability
- Only Believe...
- How credit is generated

The Relation Between Government Debt and Private Wealth

- Regulation of Private Credit Creation
- Governments Bail Out Big Banks

Blowing Bubbles

- Wolves and Sheep

The Nature of Taxation in Democratic Capitalist Nations

Conclusion

Introduction ♣

{§} (15/05/16){§} (15/06/16) There is an old Evangelical song my mother taught me as a small child. She told me that it was very important to understand its meaning:

Only believe, only believe, all things are possible - only believe!
(Referring to a remark made by Jesus: Mark Ch.9 V.23)

This topic ⁵⁵³ demonstrates the efficacy of that song's message in a capitalist world: a world shaped by, and shaping, deeply held, historically forged ideologies.

Let's start this discussion by stipulating that capitalism runs on 'credit': the reification of a particular form of value - 'exchange value'.

Credit is the unitized, quantifiable reification of a particular form of value believed to exist within commoditized objects - legitimized independently of commodities, through a process of tokenization (it's real because we 'know' it's real and we know that it's real because it is tokenized - which is why economic literature very often seems to confuse the terms 'credit' and 'money' (*tokenized credit*)).

As Carl Wennerlind (2013) explained:

Credit, as is often forgotten, is nothing more than belief, confidence and imagination. If enough people believe that a certain amount of value will be generated in the future or in a distant place, that value can be used today, either for consumption, investment or debt

restructuring. It is this capacity to transfer [*presumed*] value through time and space that gives credit an appearance of magic.

The objective, in capitalist societies, is to accumulate 'credit' and to enjoy the privileges which the possession and exchange of credit can secure.

{§} (08/08/16) As explained elsewhere, we, in Western communities, [live in a commoditized world](#). The Western need to accumulate credit inevitably results in more and more of the forms of activity, interaction and organization which people perceive as important to themselves, being exploited for 'profit' or, as Adam Smith put it, "[the acquisition of fortune](#)".

{§} (06/01/16){§} (16/06/16) With credit creation no longer legitimized by tying it to the putative value of gold or some other commodity⁵⁵⁴, it can, at last, be recognized for what it always has been: credit creation '[out of thin air](#)'. Beardsley Ruml, Chairman of the Federal Reserve Bank of New York (1941-1946), spelt out what this means ([or could mean](#)) for the United States (and any other democratically organized capitalist nation with a similar central banking system):

The United States is a national state which has a central banking system, the Federal Reserve System, and whose currency, for domestic purposes, is not convertible into any commodity. It follows that our Federal Government has final freedom from the money market in meeting its financial requirements.

(Beardsley Ruml, '⌘ [Taxes For Revenue Are Obsolete](#) ', ⌘ [American Affairs](#), January 1946;

See '[What Taxes are Really For](#)' for more on this.)

{§} (14/03/16)

{§} (01/06/18) At the start of the 21st century there are two competing systems of governance, each with its own set of presumptions as to the primary source of legitimately created credit⁵⁵⁵ :

➤ In *democratically organized* capitalist societies, credit originates in the public realm. Sovereign governments⁵⁵⁶ establish and maintain central banking systems which manage and regulate credit supply and are able, as necessary, to create credit 'out of thin air'⁵⁵⁷. Private banks, which are prone to create credit of their own, are responsible to central banks and subject to public oversight and regulation.

➤ {§} (12/03/16) In *laissez faire* (that is, plutocratically organized) capitalist societies, [it is believed](#) that all credit originates (or should originate) in 'private money markets'. Private banks create credit 'out of thin air'. (Though a surprising number of devotees to this view of the world also subscribe to the "[intermediation of loanable funds](#) (ILF) model of banking" fallacy.⁵⁵⁸)

Governments in need of credit should borrow what they need from private money markets. Central banks should be independent entities, responsible and responsive to private money markets⁵⁵⁹. Governments should, in economic matters, be subservient to the marketplace and any attempt at regulation is a move to economic inefficiency⁵⁶⁰.

Simon Johnson has explained the post 1970s transition from democratically organized capitalist societies to *laissez faire* (that is, plutocratically organized) capitalist societies and the consequences of that shift for control of financial regulation in the United States:

President Donald Trump has a broad deregulation agenda, supported by House and Senate Republicans. Most of the key powers to regulate finance have already been delegated to the Federal Reserve – ironically by the Dodd-Frank legislation itself. And the president appoints the people who have complete control over regulation at the Fed. This is a dangerous combination.

Trump... knows very well what he wants with regard to the relationship between government and business: he wants the government to stop telling business what to do. On this issue, the president stands in a direct line of ideological descent from Ronald Reagan, who strongly believed that government was the problem.

Historically, Congress set financial rules and the Federal Reserve – along with other regulators – decided on implementation. In the decades leading up to the crisis of 2008, there was a broad bipartisan consensus in favor of allowing large financial firms to do as they saw fit. That included borrowing more and running up their debt relative to the size of their shareholder equity. The reasoning, which was fully endorsed at the Fed, was that such large firms – with assets in the trillions of dollars – employed smart people who could figure out how to manage highly leveraged balance sheets safely.

In September 2008, the wave of failures and near-failures at global banks (and insurance companies and mutual funds) demonstrated that this view was deeply mistaken. But the political system's overall response was paradoxical. Instead of stripping powers from central banks, the Federal Reserve – as well as the Bank of England and the European Central Bank – became much more powerful.

There were two reasons for this outcome. First, central banks had the tools – cheap credit and expansionary monetary policy – necessary to avert a deeper crisis. Second, modern finance is far too complex and evolves too fast for any piece of legislation to address fully. Someone has to be in charge of oversight in a more detailed way. The crisis damaged the Fed's reputation, but all plausible alternative regulators looked worse. So the Dodd-Frank legislation ended up granting even more power to the Fed, making it in effect the Supreme Court of Finance...

What we have now... is an extreme delegation of authority that precludes transparency and accountability. The Fed can substantially change the details of how resilient the banks are without any further congressional action. Congressional intent does matter – and the Republicans have clearly indicated that the needle should point toward letting the bigger banks do what they want.

That is a shortsighted approach, and shifting the political burden of pursuing it to an unelected body is extremely dangerous. The next time a crisis erupts, the legitimacy of the Fed – and other central banks – will be called directly into question.

(Simon Johnson, ^{CE} [Controlling the Supreme Court of Finance](#), *Project Syndicate*, May 31, 2018)

As Western nations, seemingly inevitably, dismantle their New-Deal-inspired legislation which placed control of credit creation firmly within the public arena, they are losing control of credit creation and regulation and [becoming subservient to internationalized plutocratic forces](#). As they transition from democratic to plutocratic forms of governance the institutions and processes set in place during the New Deal period (roughly the mid-1930s to early 1970s) are increasingly being warped to reflect *laissez faire* requirements⁵⁶¹.

So, in capitalist societies, there are (potentially) *two* primary sources of legitimately created credit: Sovereign Governments (the *Public* realm) and *Private Banks*: two entities which can conjure credit from '[thin air](#)' (see [James Galbraith \(2010\)](#)).

{§} (05/01/16) In Western capitalist societies there has long been a divide between those who believe that all credit is created within the private marketplace, without government interference (*Laissez-faire* economic activity - or 'free market fundamentalism', [leading, inevitably, to plutocracy](#)); and those who believe that in democratically organized capitalist societies private economic activity [presupposes sovereign credit and currency creation](#) and oversight in the 'public' (or 'government') realm.

The Distinction between Democratic and Plutocratic Organization 🐼

{§} (31/01/16){§} (01/01/17){§} (27/03/17){§} (29/06/17){§} (09/05/18)

Democratically organized capitalist societies presume the primacy of the community over the marketplace⁵⁶².

{§} (13/07/17) *Laissez faire* (that is, plutocratically organized) capitalist societies, by default, [presume the primacy of the marketplace](#) over the community⁵⁶³.

{§} (19/07/16) This distinction is not trivial ⁵⁶⁴.

In the first case, [control of credit ultimately resides in the public sphere](#). Democratically organized governments establish central banking authorities which control the monetary base, generate credit and administer publicly determined regulations ensuring the economic wellbeing of their populations and both monetary and financial stability.

{§} (23/03/17) One of the most important achievements of the New Deal period was to clarify and consolidate public underwriting, supervision and regulation of credit creation and distribution.⁵⁶⁵

In the second case, [no such public responsibilities are recognized](#). Transactions between private parties are free of government 'interference'. As Thomas Huxley put it,

...The State is simply a policeman, and its duty is neither more nor less than to prevent robbery and murder and enforce contracts. It is not to promote good, nor even to do anything to prevent evil, except by the enforcement of penalties upon those who have been guilty of obvious and tangible assault upon purses or persons.
(1893, p. 258)

One of the central aims of the neoliberal resurgence in the post-New Deal era has been the [dismantling of the New Deal legislative understandings and measures](#) which ensured public control of credit creation and distribution. As [Margaret Thatcher](#) explained to the faithful at the 1983 British Conservative Party conference, "There is no such thing as public money; there is only taxpayers' money" ⁵⁶⁶.

{§} (27/01/16) Much of the economic confusion which exists within 21st century Western capitalist societies stems from failure to recognize the incompatibility of these two options. One either has democracy or one has plutocracy⁵⁶⁷ - one can't have both.

{§} (11/06/17) It's robber barons⁵⁶⁸ and their minions⁵⁶⁹ or, as Abraham Lincoln expressed it:

"We here highly resolve ... that government of the people, by the people, for the people, shall not perish from the earth"
(Gettysburg Address, November 19, 1863).⁵⁷⁰

Beardsley Ruml spelt out the Roosevelt administration's understanding of the nature of credit within a democratically organized capitalist society:

...our Federal Government has final freedom from the money market in meeting its financial requirements.

With control of its own 'printing presses', government could *create credit* as required. The journal editor of Ruml's paper summarized:

...[G]iven (1) control of a central banking system and (2) an inconvertible currency, a sovereign national government is finally free of money worries and need no longer levy taxes for the purpose of providing itself with revenue.

An explanation issued by the US Federal Reserve in 1939 put it even more clearly:

Federal Reserve Bank credit... does not consist of funds that the Reserve authorities "get" somewhere in order to lend, but constitutes funds that they are empowered to create.

The process of creation is one of giving the promises of the Federal Reserve Bank - in the form of Federal Reserve notes and reserve deposits - in exchange for the promises made by others to the Federal Reserve Banks, the reason for the exchange being that the Federal Reserve Banks' promises are recognized by law as having a particular monetary utility not possessed by the promises of individuals or of private institutions.

That is, Federal Reserve Bank promises - or "liabilities," as they are commonly called - serve in the form of Federal Reserve notes as the principal element of the circulating medium, and they serve in the form of reserve deposits as a basis for the extension of credit by member banks. These are the specific uses of the funds that have their source in Federal Reserve Bank credit.

([The Federal Reserve System - Its Purposes and Functions](#), First Edition, May 1939, US Federal Reserve, p.85)

(See Jan Kregel, ^{CE} [Wright Patman's Proposal To Fund Government](#)

One of the signal achievements of the New Deal period was this clarification of the credit issuing responsibility of democratically organized sovereign governments. What had been implied since the formation of the Bank of England in 1694 and its subsequent close interaction with the British Treasury and Exchequer (see ^{CE} [Pierre Ortlieb \(2018\)](#); ^{CE} [Thomas Russell \(1916 pp. 81-90\)](#); [What are Central Reserve Authorities?](#); and [Central banks are state institutions](#)) was, at last, formally recognized and employed in economic direction and regulation - resulting in [prolonged economic stability](#) and improving social equity⁵⁷¹ within democratically organized Western nations.

[The Importance of Public Control of Private Credit Creation](#)

{§} (11/02/18){§} (08/06/18)

Of course, as Voltaire (amongst others) is reputed to have observed, with great power comes great responsibility. With the power to create credit comes the responsibility to regulate its supply and the Roosevelt administration, through a range of legislative measures stemming from the [Pecora Commission's findings](#), instituted far-reaching private and public financial reforms. Amongst the most important were measures designed to strengthen government control of credit creation and distribution.

Francis Bacon, in a 1625 essay, summed up the state's responsibility:

Above all things, good policy is to be used, that the treasure and moneys, in a state, be not gathered into few hands. For otherwise a state may have a great stock, and yet starve. And money is like muck [manure], not good except it be spread. This is done, chiefly by suppressing, or at least keeping a strait [strict] hand, upon the devouring trades of usury, ingrossing [accumulating (cf. [Blackstone \(Intro. p.17\)](#))] great pasturages, and the like.

(Francis Bacon, ^{CE} [Of Seditions and Troubles, Essays](#), No. 15 (1625))

{§} (15/09/18) Discussions of entries in [a democratically organized government's accounts](#), through which it keeps track of the credit/currency

- it has issued to (debit entries - i.e. Government 'spending')
- and has withdrawn from (credit entries - i.e. Government 'taxes')

the private sector, have all-too-often [assumed that the term 'debit' necessarily presumes 'debt'](#) - though, of course, in this case the term being used is [a bookkeeping convention](#) which *does not* presume 'debt'⁵⁷². In consequence, far too many people, who should know better, become concerned about the 'debt' which the government is accumulating in issuing credit. Of course, the credit is *created*, not borrowed or taken from some stockpile of credit - whether held by the government or any other entities (metaphysical or corporeal)

It needs to be emphasized that this understanding of the nature of 'sovereign debt' was not new. Thomas Macaulay, in 1849, had clearly explained the consequences of increasing the 'national debt' for Great

Britain, starting from the accession of James II to the British throne in February 1685.

In the course of a narrative dealing with what he described as 'an important fiscal revolution', Macaulay described the process through which Great Britain launched into 'sovereign debt'. Once this happened it became inevitable that the process would be formalized and legitimized through the establishment of the Bank of England.

How little we have learned in the past three or more centuries. Then, as now, there was 'anguish and despair' among those who *knew* that descent into a 'debt laden future' would 'permanently cripple the body politic'. As he says,

...At every stage in the growth of that debt the nation has set up the same cry of anguish and despair. At every stage in the growth of that debt it has been seriously asserted by wise men that bankruptcy and ruin were at hand. Yet still the debt went on growing; and still bankruptcy and ruin were as remote as ever.

When the great contest with Lewis the Fourteenth [Louis XIV of France] was finally terminated by the Peace of Utrecht, the nation owed about fifty millions; and that debt was considered, not merely by the rude multitude, not merely by foxhunting squires and coffeehouse orators, but by acute and profound thinkers, as an incumbrance which would permanently cripple the body politic; Nevertheless trade flourished; wealth increased; the nation became richer and richer....

(Thomas Babington Macaulay, ^{CE} *The History of England from the Accession of James II. Volume 4*, Chapter 19, P. 327, Longman, Green, London 1864)⁵⁷³

Pierre Ortlieb (2018) has expanded on this:

...[T]he history of central banks shows them to be far more intertwined with states and treasuries than current commentary or policy would suggest. At their founding, central banks frequently served not as constraints on the state, but rather as fiscal agents of the state. The inception of the Bank of England (BoE) in 1694, for example, was the result of a compromise that granted the state loans to finance its war with France, while the BoE was granted the right to issue and manage banknotes. As a result of this bargain, the market for public debt in the United Kingdom exploded in the 18th century, and government debt peaked at 260 percent of GDP during the Napoleonic wars. This both facilitated the expansion of Britain's hegemonic financial position and enabled the industrial revolution, as borrowing at low risk made vast industrial development possible.

(Pierre Ortlieb, ^{CE} *Victorian despite themselves: central banks in historical perspective*, *Economic Questions*, September 9, 2018)

What are Central Reserve Authorities? 🐼

{§} (02/02/17)

{§} (29/06/18) One of the many admirable features of the US New Deal period was the willingness of the US administration to [ensure a well-informed public](#). In 1939, the Board of Governors of the US Federal Reserve System

published a book entitled *The Federal Reserve System: Its Purposes and Functions*. As it explained in the foreword:

This book is intended primarily for students, bankers, business men, and others who desire an authoritative statement of the purposes and functions of the Federal Reserve System. It is neither a primer, nor is it an exhaustive treatise. The aim has been to have it cover the middle ground between those extremes and to make it clear and readable without neglect of essentials.

The Federal Reserve System is twenty-five years old this year. Its operations have become a factor of great importance in American economic life. While they chiefly concern banks and the Government, their effects extend into all forms of economic activity and are felt indirectly by everyone.

It is desirable, therefore, that the Federal Reserve System be as fully understood as possible by the public in whose interest it was established and in whose interest it is administered.

(*The Federal Reserve System - Its Purposes and Functions*, First Edition, May 1939, US Federal Reserve)

The clarity of its explanation and description of the Federal Reserve System makes this [suppressed book](#) an enduring source of information for all who wish to understand the nature of Central Reserve authorities in sovereign nations.

{§} (25/01/16){§} (19/11/16){§} (01/12/16) Historically, there has been confusion over the nature of credit and the roles of government and private money markets in its creation. In large part this has been an inevitable consequence of the quasi-private nature of the formation of the Bank of England in 1694 and its subsequent history (see: [Ⓔ] [Thomas Russell](#) (1916 pp. 81-90); [Ⓔ] [The Bank of England Restriction. 1797-1821](#), *The North American Review* Vol. 105, No. 217 (Oct., 1867), pp. 393-434; [Ⓔ] [When Britain went fiat and the skies remained above](#), Bill Mitchell, *Billy Blog*, November 30, 2016).

The Bank of England provides a description of its history and nature:

The beginnings of the Bank

The revolution of 1688, which brought William and Mary to the throne, gave England political stability for the first time in nearly a century.

Businesses flourished, but the public finances were weak and the system of money and credit was in disarray. The goldsmith bankers, who had begun to develop the basic principles of banks as deposit-takers and lenders, had been damaged by the lax financial management of the Stuart kings.

There were calls for a national or public bank to mobilise the nation's resources, largely inspired by the Dutch example of the Amsterdam Wisselbank. Many schemes were proposed. The successful one, from Scottish entrepreneur William Paterson, invited the public to invest in a new project. The public subscriptions raised £1.2 million in a few weeks, which formed the initial capital stock of the Bank of England and was lent to Government in return for a Royal Charter. The Royal Charter was sealed on 27 July 1694, and the Bank started its role as

the Government's banker and debt manager...

(^{CE} [History of the Bank of England, Bank of England](#), accessed 03 December, 2016)

The quasi-private nature of US Federal Reserve Banks has continued to muddy the waters to the present⁵⁷⁴. As a US Federal Reserve FAQ explains:

The 12 regional Federal Reserve Banks, which were established by the Congress as the operating arms of the nation's central banking system, are organized similarly to private corporations - possibly leading to some confusion about "ownership." For example, the Reserve Banks issue shares of stock to member banks. However, owning Reserve Bank stock is quite different from owning stock in a private company. The Reserve Banks are not operated for profit, and ownership of a certain amount of stock is, by law, a condition of membership in the System. The stock may not be sold, traded, or pledged as security for a loan; dividends are, by law, 6 percent per year.

(*US Federal Reserve Board* : Current FAQs: ^{CE} [Who owns the Federal Reserve?](#))

{§} (27/06/17) While there is still, in the 21st century, some confusion in Western sovereign nations as to the nature of Central Banks, it is important to remember that in Western nations, *Central Banks are State Institutions*. No matter how loudly neoliberal aficionados might proclaim Central Bank independence⁵⁷⁵, they are creatures of Government and no more independent of government than are Treasuries or Ministries of Finance.

Keynes, in 1933, before the Roosevelt administration's clarification of the credit issuing responsibility of democratically organized sovereign governments, reflected that confusion in an open letter to Roosevelt. In it he referred to government *Loan* expenditure⁵⁷⁶ when describing government's role in the "stimulation of output by increasing aggregate purchasing power":

...[A]s the prime mover in the first stage of the technique of recovery I lay overwhelming emphasis on the increase of national purchasing power resulting from governmental expenditure which is financed by Loans and not by taxing present incomes. Nothing else counts in comparison with this. In a boom inflation can be caused by allowing unlimited credit to support the excited enthusiasm of business speculators. But in a slump governmental Loan expenditure is the only sure means of securing quickly a rising output at rising prices.

(^{CE} [An Open Letter to President Roosevelt](#), John Maynard Keynes, Oxford, England, FDRL: PPF: 140: Frankfurter, Felix, December 16, 1933)

{§} (17/10/16) This apparent presumption of the need for Government borrowing in private money markets to fund government spending has been perpetuated to the present amongst many who [profess to be 'liberal' economic commentators](#). Paul Krugman, in an Op-Ed piece in the *New York Times* illustrates this:

...the mismatch between desired saving and the willingness to invest has kept the economy depressed. Remember, your spending is my income and my spending is your income, so if everyone tries to spend less at the same time, everyone's income falls.

There's an obvious policy response to this situation: public investment. We have huge infrastructure needs, especially in water and transportation, and the federal government can borrow incredibly cheaply - in fact, interest rates on inflation-protected bonds have been negative much of the time (they're currently just 0.4 percent). So borrowing to build roads, repair sewers and more seems like a no-brainer.

(^{CE} [Ideology and Investment](#), *New York Times*, Oct. 26 2014)

The question has to be - "Why borrow?". As [Beardsley Ruml](#) (1946) explained: "...our Federal Government has final freedom from the money market in meeting its financial requirements" ⁵⁷⁷.

{§} (03/10/16) The presumption (by those who deeply believe in the preeminence of 'internationalized free markets' guided by an 'invisible hand') that government is not (or should not be) an *issuer but a user of credit* leads to the presumption that 'government debt' (created by the generation and dispersal of credit to fund government activity) needs to be, as US Federal Reserve Chairman (1987-2006) Alan Greenspan put it, 'repaid'; and that future government commitments 'owed' to 'the public' need to be 'funded'. ⁵⁷⁸

[The Nature of Government Bonds or 'Debt Securities'](#)

{§} (31/12/16){§} (30/01/17) {§} (23/09/17){§} (25/03/18)

{§} (12/06/18) Let's start this discussion by stipulating that the sleight-of-hand process of relabeling government agencies' *unencumbered sovereign credit* requirements as 'government debt' and then 'selling' that 'debt' to private institutions and investors as 'Government Debt Securities' is an attempt to validate private credit creation as the only source of Government credit.

As [Damian Paletta](#) explained of the burgeoning US federal deficit. It is,

...the difference between what the *government earns* in revenue and *spends* on programs. (My emphasis)

There is a substantial group of 'experts' whose belief that all credit originates in the private sphere (and so, Sovereign governments must 'earn' the 'income' they *use*) is justified, in their own minds, by a felt need to account for a [US legal directive](#) which stipulates that

...direct [and guaranteed] obligations of the United States ... may be purchased only in the open market.

[US 'Debt Securities' must be bought on 'The Open Market'](#)

{§} (22/03/18) [Daniel Thornton](#) explained the means by which the US treasury and Federal Reserve is legally required to 'finance deficit spending'⁵⁷⁹:

The Fed is forbidden by law to purchase government securities directly from the government. The government first sells securities to the private sector and the Fed then purchases securities from the private sector, specifically, government securities dealers.

The 1935 directive states that 'direct [and guaranteed] obligations of the United States ... may be purchased *only in the open market*'. This, of course, begs the question: Why would this directive exist if it was not based

on an understanding that all credit is created in the private marketplace?
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It is only when one examines that directive more closely that it becomes apparent that this is an 'unexplained' and unjustified amendment tacked onto a piece of 1935 US legislation during its passage through the US House of Representatives. This occurred during a period when Roosevelt's legislative attempts to consolidate New Deal legislation were being most [vociferously opposed](#). The directive was, indeed, an attempt to derail the New Deal legislation and it has, since the 1950s, proved most effective in doing so.

The relabeling of a sovereign government's future sovereign credit needs as 'debt' seems deliberately designed to enable private financial institutions to [impose a private sector 'tax'](#) (disguised as ['interest rates on the country's debt'](#)) on government credit channeled into the real economy. As S. W. Adams put it in 1957:

Why should the people give to bankers U.S. Bonds, and pay an annual interest on these bonds, that they might use their own credit? Why should the Government have to borrow its own money (use its own credit) when forced to use more revenues than current taxes afforded? ([☞ The Federal Reserve System Its Purposes And Functions](#) : As Originally Published, Washington, D.C., 1939, A Reprint of a Suppressed Public Document Published by OMNI Publications, May 1, 1958)

{§} (23/01/17) Belief in a [self-existent, self-sustaining economic environment](#), governed by its own peculiar principles of organization and behavior, seems to lead, almost inevitably, to a [belief that all credit is \(or, in an ideal world, should be\) created within that realm](#). Allowing government a central credit-creating/controlling responsibility within that environment is presumed to threaten the integrity of the autonomous economy.

{§} (03/02/17) [Daniel Thornton's claim](#) that "the U.S. Treasury has only one option for financing deficit spending - issuing debt", or Bill Mitchell's use of the term ['public debt instruments'](#) in describing the nature of public bonds, conflate government bonds and 'government debt'. However, there is no 'natural law' of financing which requires this.

Eccles, in 1947, explained the origin and purpose of the legislative amendment to the US Banking Act of August 23, 1935 which underpins all this. It was an amendment designed to serve the interests of [Private Sector bond dealers](#), pushed through the House of Representatives [by their lobbyists](#)⁵⁸¹, and it has no logical purpose other than ensuring Private sector Bond Dealers' incomes!

{§} (22/01/17) Sovereign Government bonds are not the means by which 'the government sells debt to non-government bond dealers'.

Sovereign Bonds are sovereign bonds (just as currency is currency)⁵⁸².

It needs to be remembered that we are speaking of [sovereign](#) bonds. Bonds issued by private bodies and/or by [non-sovereign public bodies](#) are indeed issued to raise revenue. Those who purchase bonds issued by lower levels of government or by private entities are lending credit to the issuers for an interest return. This has been neatly explained by Jerry Brown:

...[A] state government like California is not the currency issuer and actually does have to fund its spending projects. Bonds are one way California can do that. And those bonds may have the effect of reducing other people's spending power, (while increasing California's in the short term) especially depending on how the Fed rates them as collateral and how liquid the market on second hand California bonds is. There is always a real risk of default involved with a state government or corporate type bond that is not in any way comparable to default risk on a US government bond which is zero for all intents and purposes.

(Jerry Brown, Commenter on Bill Mitchell's blog '☺ [More fun in Japanese bond markets](#)', *Billy Blog*, February 7, 2017)

{§} (11/02/17) Sovereign bonds are, of course, not equivalent to currency. The purposes are quite different.

In the case of sovereign bonds, the purposes are two-fold:

1. They provide security to those who are looking for [a safe haven for surplus credit](#) and, in the process, set the baseline for interest rates in the economy.
2. They are [one of the means](#) by which sovereign governments can withdraw excess credit from the economy (the inducement of an interest return on credit employed in purchasing them is used to encourage their purchase).

{§} (20/02/17) Of course, when sovereign bonds are sold in private sector 'bond markets' 'to support government spending'⁵⁸³, the credit/currency employed in their purchase is withdrawn from the private realm and so [reduces available sovereign credit/currency](#) in that realm.

{§} (09/03/17) [Michael Kalecki \(1943\)](#) explained the source of the confusion well:

To understand this process it is best, I think, to imagine for a moment that the government pays its suppliers in government securities. The suppliers will, in general, not retain these securities but put them into circulation while buying other goods and services, and so on, until finally these securities will reach persons or firms which retain them as interest-yielding assets. In any period of time the total increase in government securities in the possession (transitory or final) of persons and firms will be equal to the goods and services sold to the government. Thus what the economy lends to the government are goods and services whose production is 'financed' by government securities. ***In reality the government pays for the services, not in securities, but in cash, but it simultaneously issues securities and so drains the cash off; and this is equivalent to the imaginary process described above.***

(My emphasis)

To use one of US president Donald Trump's favorite sayings: 'How Sad, so sad' that neoliberal ideologues (including those attempting to advise President Trump) should presume the 'imaginary process' to be 'reality' and the real process to be 'imaginary'!

Kalecki was writing in 1943. By the 1950s, as Adams explained, neoliberal 'experts' were claiming that sovereign bonds should be issued, not simply to

pay for government expenditures, but to raise the credit 'needed' to pay for their expenditures from private banks. After all, as those 'experts' 'knew', all credit originates in the private realm. Sovereign bonds were, 'obviously', 'debt securities'.

The implication of Kalecki's explanation is that Government is able, through the issuing of bonds, 'to cover Government spending', ensuring that credit supply in the private sector is minimally affected by Government activity. In order to *increase* private credit supply, a government can issue bonds of lesser value than government spending; to *decrease* private credit supply, it can issue bonds of greater value than its spending. And, the effect of all this on processes of redistribution is positive since those who engage in bond market activity are, overwhelmingly, those who have accumulated credit.

So long as government spending flows directly into the real economy, bypassing the banks, this will directly affect credit availability in the real economy. And, since the prevailing belief in this neoliberal world is that, as Kalecki has explained, government spending is "'financed' by government securities", the private sector can remain blissfully unaware of the process by which government stimulates or dampens private economic activity and engages in redistributive activity.

So, the [claim by neoliberal ideologues](#) that 'Every dollar of increased government spending must correspond to one less dollar of private spending' can, only superficially, seem justified.

{§} (16/02/17) Sovereign government bonds are **not**:

- * Public debt instruments;
- * Government debt sold to non-government bond dealers;
- * 'The public's holdings of government debt';
- * 'Debt securities issued by a government to support government spending';
- * Or any other of the multiple phrases which, when applied to *sovereign bond sales*, convey no intelligible information but seem, rather, to be [employed to obscure reality](#).

These phrases, when applied to sovereign bond sales are, as *Merriam-Webster's English Dictionary* explains, 'logical nonsense'.

To restate the obvious: All *sovereign bond sales* reduce available sovereign credit in the sector in which they are purchased - whether that is or is not the assumed purpose of the sales. However, *they do not increase* sovereign credit available to sovereign governments, nor do they increase sovereign 'debt' loads. Since sovereign credit is **always** created as needed, credit issued to repay bond principal to bond holders on maturity is also *created* when needed.

In the second case, currency is:

1. A tangible expression of sovereign credit circulating within the economy - and so can be held as an alternative to sovereign reserves by those who do not have access to sovereign reserve accounts.
2. And, of course, it can be used to purchase sovereign government bonds (withdrawing the currency from circulation - just as sovereign reserve

funds used to purchase sovereign government bonds sequester those reserves).

{§} (03/04/17) Neoliberal explanation might attempt to [conflate sovereign government bonds with 'government debt'](#), but, in reality, [no debt is created in issuing bonds](#), and no debt is purchased when those bonds are sold. No matter how much bond markets might fluctuate, those fluctuations are contained within the private sector 'bond markets'. They have as little impact on a sovereign Government's ability to 'fund its commitments' as fluctuation in the watermelon market!

Of course, if a government 'believes' that fluctuations in private bond markets (or private watermelon markets!) will 'bring down the government' then the resulting behaviors and consequent voter reactions might well do that. However, the government's predicament is not brought about by fluctuations in the markets but by ideologically driven reactions to market behavior. Bill Mitchell has commented on all this:

...Apparently, this narrative alleges that if bond markets are not 'confident' (whatever that means) then they will stop begging treasury departments for more debt issues and the government, in question, will run out of money and then pensions will stop being paid and the public service will be sacked and public trains and buses will stop running and before we know it the skies will blacken and collapse on us.

The narrative ignores the usual statistics that bid-to-cover ratios are typically high (hence my 'begging' terminology) which are supplemented by well documented cases where the bond dealers (including banks etc) do actually beg central banks to stop driving yields down in maturity segments where these characters have pitched their "business model" (read: where they make the most profits).

The facts are exactly the opposite to the neo-liberal pitch. Currency-issuing governments never need to worry about how bond markets 'feel'. Essentially, the bond markets are irrelevant to the ability of such a government to design and implement its fiscal plans.

...So next time you hear an economist or a politician talk about how bond markets have to be satisfied and they use that as a justification for hacking into public spending (and driving up unemployment and poverty rates) you know they are lying and are frauds.

The bond traders **never** have to be satisfied. They can be forced to live on crumbs by the central bank if it so chooses.

(Bill Mitchell, ^{CE} [Currency-issuing governments never have to worry about bond markets](#), *Billy Blog*, April 3, 2017)

{§} (16/03/18) Capitalism is, indeed, the playground of ideologues.⁵⁸⁴

The reasoning which requires [credit to originate in the marketplace](#) was well illustrated in a speech given by the then Federal Reserve Board Chairman, Alan Greenspan, ⁵⁸⁵ in 2001:

...The substantial surpluses in retirement programs (especially social security) in recent years and in the nearer-term budget projections are on a cash basis. Were we fully accruing the benefit liabilities inferable from existing law, these retirement programs would currently be in

deficit, and contingent liabilities amounting to about \$10 trillion for social security alone would have been added to the current debt to the public.

...I have long argued that paying down the national debt is beneficial for the economy: It keeps interest rates lower than they otherwise would be and frees savings to finance increases in the capital stock, thereby boosting productivity and real incomes. But the current budget projections are such that we need to consider what path of debt reduction is best for the economy...

(^{CE} [Remarks by Chairman Alan Greenspan: The paydown of federal debt](#), Before the Bond Market Association, White Sulphur Springs, West Virginia (via videoconference), April 27, 2001.)

The presumption that a sovereign government is (or should be) a user and not an issuer of credit results in 'government borrowing' in the private marketplace to fund its use of credit and so creates a real public debt which must be repaid.

This dangerously [tautologous understanding of the nature of 'government debt'](#) is not unique to Greenspan, it is merely an iteration of that free-market fundamentalism which [Thomas Huxley \(1871\)](#) described in the second half of the 19th century (though, as an [Ayn Rand acolyte](#), Greenspan has been particularly susceptible to tautologous reasoning).

Free-market fundamentalism has driven concern over the need to 'rein in expenditure' for much of the past forty years in Western economic circles. It has also ceded the [private financial marketplace unwarranted influence over sovereign governments](#).

[How Democratic Capitalist Governments Generate Credit \(and *manage perceptions* of economic stability\)](#)

{§} (14/08/17){§} (19/10/17) [Nothing is 'lost' or 'owed' by the government](#) when it issues currency and other forms of credit. The 'debit' entry is an idiosyncrasy of double-entry profit-and-loss bookkeeping. This accounting convention, through which the quantity of credit issued by government can be regulated and tracked through time (necessarily for ensuring long-term credit and currency stability) can all-too-easily, but, of course, illogically, be considered a Government *liability* which must be 'repaid'⁵⁸⁶.

Equally, of course, since government creates credit, there is no point in stockpiling it. Credit withdrawn from the private sector reduces available sovereign credit in that sector, but it *does not increase 'government wealth'* and does not increase some imaginary sovereign credit stockpile - nor does it back-fill a putative 'deficit' pit (except in the minds of those who feel compelled to believe that such stockpiles and pits exist!). It is, however, recorded as a credit entry in the government's accounts so that the quantity of sovereign credit available in the private sector can be tracked through time.

[The management of perceived credit stability](#)

{§} (19/01/16){§} (17/10/17)

{§} (13/02/18) In the real world, governments must fund their activities without engaging in behavior which might result in various forms of price inflation or

in a crisis in confidence as to the 'real worth' of credit and currency. As Samuelson put it: "What is important about the budget... is whether it is inflationary or deflationary, not whether [it is] balanced or unbalanced."

So, they cannot simply fund their activities by issuing credit. The upshot is that a government must **generate the credit needed to fund its activities while maintaining a stable monetary base**. There are two basic ways in which this can be done:

- First, and most obviously, a government can 'tax and spend'. As Francis Bacon put it:

Good policy is to be used, that the treasure and moneys, in a state, be not gathered into few hands. For otherwise a state may have a great stock, and yet starve. And money is like muck [manure], not good except it be spread.

There is nothing complicated in this: the government withdraws credit from the private realm, and distributes a similar quantity of credit to that withdrawn through its various activities - the order in which these occur is irrelevant since the government does not 'need' tax revenue in order to distribute credit.

Over time, the monetary base remains stable and government spending results in private economic activity - it stimulates the economy through its activities. While such activity results in credit redistribution (**required to ensure ongoing, optimal credit circulation**), it does *not* result in diminished access to credit within the private sector.

- Second, and far more problematically, governments can (and unfortunately far too many have) become players in the private realm, **borrowing the credit** required to fund their activities from **unsecured-credit-creating banks** (a logical redundancy).

(Since the mid-1970s, with the **triumph of neoliberalism**, the removal of social costs from production and financial activity costs in Western economies (and insistence that governments should 'borrow' credit, not create it), has produced its inevitable consequence. Sovereign debt has grown steadily as governments have increasingly borrowed in the private financial marketplace and gone into deficit to cover those costs.)

The logic of public borrowing within the private sector is dubious at best. The aim cannot be to limit the expansion of credit within the private sector since such borrowing is, inevitably, funded by **private credit creation**. Once governments engage in such activity, they *do* create private sector 'debts' which must be repaid.

In fact, **if they do not become profit-making players in the private realm, they will, ultimately, have to resort to creating credit** ⁵⁸⁷ in order to meet the loan and interest obligations they have incurred (*doubling* the credit creation consequences of their activity and rewarding the banks for their participation by matching their unsecured credit creation with newly acquired government-guaranteed credit - small wonder that banks delight in funding government activity!).

It is this pernicious propensity of governments to indulge in private market borrowing to fund activity which causes much of the confusion in people's minds as to the dangers of a 'debt burden' bequeathed to future generations.

Deficits based on private sector borrowing are public debts owed to the lenders and generate all the costs associated with borrowing in private money markets.

Deficits reflecting government (i.e. Central Bank) created credit are not debts and generate no such costs. Bookkeeping entries, shown as debits and credits and generating 'interest' obligations between government agencies are illusory - as are "[credits, advances, or overdrafts to the government by the central bank](#)" (cf [Ⓔ] [Code of Good Practices on Transparency in Monetary and Financial Policies: Declaration of Principles](#), International Monetary Fund, Washington, D.C. September 1999, p. 10).

Beardsley Ruml (1946), Chairman of the Federal Reserve Bank of New York, provided a clear explanation of the difference between sovereign credit generation and private sector borrowing to fund government activity:

Free of the Money Market

Final freedom from the domestic money market exists for every sovereign national state where there exists an institution which functions in the manner of a modern central bank, and whose currency is not convertible into gold or into some other commodity.

The United States is a national state which has a central banking system, the Federal Reserve System, and whose currency, for domestic purposes, is not convertible into any commodity. It follows that our Federal Government has final freedom from the money market in meeting its financial requirements. Accordingly, the inevitable social and economic consequences of any and all taxes have now become the prime consideration in the imposition of taxes. In general, it may be said that since all taxes have consequences of a social and economic character, the government should look to these consequences in formulating its tax policy. All federal taxes must meet the test of public policy and practical effect. The public purpose which is served should never be obscured in a tax program under the mask of raising revenue.

(Beardsley Ruml, [Ⓔ] [Taxes For Revenue Are Obsolete](#) ', [Ⓔ] [American Affairs](#), January 1946;

See '[What Taxes are Really For](#)' for more on this.)

{§} (05/05/17) In most capitalist societies, increases in total spending and moderate inflation are deemed to be signs of 'economic health'. So, in most years, government spending *should* exceed government revenue collection. Galbraith, Wray and Mosler (2009) explained:

Federal spending can, and almost always does, exceed tax receipts. And that is almost always a good thing because it provides the wherewithal to allow the nongovernment sector to save in the form of highly desired, safe, dollar-denominated financial assets. Further, there is an important counterbalancing asset to the government's liability: the accumulated financial, physical, and human capital of our nation that is available to be called upon should we ever need to mobilize capital to serve the public purpose.

(James K. Galbraith, L. Randall Wray, Warren Mosler, ^{CE} [The Case Against Intergenerational Accounting: The Accounting Campaign Against Social Security and Medicare](#), Public Policy Brief, No. 98, The Levy Economics Institute of Bard College, 2009 p. 22)

{§} (31/03/16) The use of the term 'government liability' in the above quotation needs to be recognized for what it is. If Beardsley Ruml's explanation is correct then any 'liability' incurred by government in funding infrastructural activity and services through central-bank-generated credit is merely a reflection of the features of double entry bookkeeping (a means of keeping track of quantities of credit generated through time), not a liability which *must* be 'funded' by future revenue raising. As [The Federal Reserve explained in 1939](#), "Federal Reserve Bank promises - or "liabilities," as they are commonly called - serve in the form of Federal Reserve notes as the principal element of the circulating medium".⁵⁸⁸

As the authors suggest, in most years, government spending *should* exceed government revenue raising. 'Balanced budgets' lead to assumed economic 'stagnation' and consequent 'bear markets'.

[James Galbraith \(2010\)](#) explained how perceived 'economic growth' is achieved in capitalist societies:

To put things crudely, there are two ways to get the increase in total spending that we call "economic growth." One way is for government to spend. The other is for banks to lend. Leaving aside short-term adjustments like increased net exports or financial innovation, that's basically all there is. Governments and banks are the two entities with the power to create something from nothing. If total spending power is to grow, one or the other of these two great financial motors - public deficits or private loans - has to be in action.

And, one might add, in the interests of simplicity and economic stability, if governments wish to remain 'free of the Money Market', they should be very wary of crossing the wires of the two options through which spending might be financed. Governments should 'tax and spend'. This can be a nuanced process with lags between taxation and spending. Spending can (and usually does) precede taxation (or even occur without compensating taxation) for so long as the money supply is *perceived* to be stable. As [we've already seen](#), it's all about *long-term perceived balance* - with spending growth and inflation subliminally factored into the perceived stability.

James Galbraith explained why Government expenditures benefit 'ordinary people':

For ordinary people, public budget deficits, despite their bad reputation, are much better than private loans. Deficits put money in private pockets. Private households get more cash. They own that cash free and clear, and they can spend it as they like. If they wish, they can also convert it into interest-earning government bonds or they can repay their debts. This is called an increase in "net financial wealth." Ordinary people benefit, but there is nothing in it for banks.

{§} (12/06/16){§} (14/01/17){§} (27/04/17) In the first two decades of the 21st century, the Western World is rife with ideologues, simplistic thinkers and opportunists who have, in one way or another, gained political power and now (ignoring the importance of perceived stability) whip up hysteria about 'budget deficits' and snow-balling 'government debt', demanding immediate reductions in government expenditure to [ensure 'balanced budgets'](#).

{§} (24/05/17) Paul Krugman describes it,

The doctrine of expansionary austerity - the proposition that cuts in government spending would actually cause higher growth despite their direct negative impact on demand, thanks to the confidence fairy...

But expansionary austerity was and is such a convenient doctrine politically that, like insistence on the magical effects of tax cuts, it has proved unkillable.

(Paul Krugman, [Ⓔ] [The Expansionary Austerity Zombie](#), *New York Times*, Opinion Pages, November, 20, 2015)

{§} (05/06/17) All-too-often, neoliberal ideologues (particularly those with an Ayn Rand bias) insist on the need for lower rates of taxation as essential for 'economic health' (Krugman's "magical effects of tax cuts" based on 1920s 'scientific taxation' arguments⁵⁸⁹).

Often, perversely, those not strongly infected with [Ayn Rand tautologies](#) argue for the logic of reduced taxation but increased spending (usually [focused on military expenditures](#), reliant, apparently, on those 'magical effects' of tax cuts) - which, of course, all-too-easily leads to private sector borrowing (usually [through issuing government bonds](#)) ⁵⁹⁰.

{§} (19/05/16) The underlying presumption which drives much of this is that all credit is (or, should be) created in the private marketplace: that sovereign governments should not issue credit, since this, inevitably, increases 'government debt' which will, inevitably, result in increased taxation which will, inevitably, depress private economic activity.

And, of course, if governments borrow what they need from the private realm then (if one fails to understand that private banks *create* credit 'from thin air') "every dollar of increased government spending must correspond to one less dollar of private spending" - the "[intermediation of loanable funds \(ILF\) model of banking](#) " fallacy⁵⁹¹.

As one true believer, John Cochrane, put it:

If the government borrows a dollar from you, that is a dollar that you do not spend, or that you do not lend to a company to spend on new investment. Every dollar of increased government spending must correspond to one less dollar of private spending. Jobs created by stimulus spending are offset by jobs lost from the decline in private spending. We can build roads instead of factories, but fiscal stimulus can't help us to build more of both....

The government should borrow to finance worthy projects, whose rate of return is greater than projects the private sector would undertake with the same money, spreading the taxes that pay for them over many years, after making sure its existing spending meets the same cost-benefit tradeoff. Just don't call it 'stimulus,' don't claim it will solve

our current credit problems, 'create jobs' on net, or do anything to help the economy in the short run...

(John H. Cochrane, ^{CE} [Fiscal Stimulus, Fiscal Inflation, or Fiscal Fallacies?](#), Myron S. Scholes Professor of Finance, University of Chicago Booth School of Business, Version 2.5 Feb 27 2009)

To allay any suspicion that this was a carelessly written piece, unlikely to be representative of Cochrane's writing, he has obligingly recommitted his ideas to print in a *Wall Street Journal* essay entitled ^{CE} [Ending America's Slow-Growth Tailspin: The U.S. economy needs a dramatic legal and regulatory simplification](#) (WSJ, May 2, 2016 - behind a pay wall).

As Bill Black has suggested:

Don't try to search for Cochrane's logic, this is simple dogma and protection of his elite patrons...

When I criticize Mankiw and Cochrane I am not picking on obscure theoclassical economists, but rather what their movement considers its stars. The public has no idea how radical the views of these people are, how often and destructively their predictions and policies have failed, and how impervious their dogmas are to change when their predictions fail. The naked shilling for their elite patrons is the moldy cherry on their odious sundae.

(William K. Black, ^{CE} [Cochrane Proposes "Restoring the Rule of Law" by Letting CEOs Defraud with Impunity](#), *New Economic Perspectives*, May 18, 2016)

Yes, in capitalist societies economics and 'the economy' are the playground of secondary ideologies and magic formulae. All-too-often, 'very serious people' promote [cartoon capitalism](#), a realm in which simplistic reasoning and impenetrable logic enhance mystique!

Unquestionably, Cochrane, [like so many Western conservatives](#), is a true (and credulous) believer. He has unshakeable faith in the necessity for, and *Summum Bonum* consequences of, deregulated, self-correcting internationalized free markets. His [objective reality](#) requires that they be defended against the evils of 'big government', 'public spending' and enterprise-destroying taxation at all costs. To paraphrase (and with apologies to) the apostle Paul:

...without faith it is impossible to please [the Free Market], because anyone who comes to [it] must believe that [it] exists and that [it] rewards those who earnestly seek [it]

(^{CE} [Hebrews Ch.11 V.6, NIV](#))

{§} (01/07/16) Cochrane's sophistic portrayal of the apparently non-existent private impact of public spending raises more questions than it could possibly answer, yet similar understandings are all-too-common in 21st century economic discourse.

The consequence, of course, is that since governments should not engage in profit-making activity; should minimize taxation; and should not create credit, they must engage in unsustainable private sector borrowing to fund their activities⁵⁹² - which is why the Cochranes of this world have no hesitation in endorsing [Henry Thoreau's \(1849 conclusion\)](#):

"That government is best which governs least"; and I should like to see it acted up to more rapidly and systematically. Carried out, it finally amounts to this, which also I believe, - "That government is best which governs not at all"; and when men are prepared for it, that will be the kind of government which they will have.

The logic of these approaches escapes me, but I grew up (and in my early years, was positively involved) in a strongly Pentecostal environment and am well aware that belief welcomes the non-rational in a world where the counter-intuitive reinforces faith. The apostle Paul explained the nature of faith in his Letter to the Hebrews:

Now faith is confidence in what we hope for and assurance about what we do not see.

(Hebrews Ch.11 V.1 New International Version)

How credit is generated 🐼

{§} (11/08/17)

{§} (03/03/18) The *issuer* of sovereign currencies and related forms of 'credit' or 'wealth' is government (however one wishes to define that term). In accounting terms, this process is usually recorded as a 'debit' in that government's accounts - which can, all-too-easily, but erroneously, be equated with a 'debt' which the government owes to itself or to 'the public', as Alan Greenspan suggested.

{§} (28/11/17) Government 'debt' (in the form of sovereign credit creation - *which should fund the capitalist infrastructural commons*) is private wealth (wherever it is incurred/created).

{§} (03/03/16) We are, of course, talking about the 'sovereign' level of government which controls the monetary base that underwrites private economic activity. Lower levels of government, which rely on access to credit in much the same way as private entities, should be subject to similar regulation and oversight by the controller of the monetary base ⁵⁹³.

{§} (15/05/17) Of course, ideally, all levels of government are in complementary, symbiotic relationship and funding processes at the sovereign level should be available to lower levels of government, subject to necessary sovereign constraints. As Galbraith explained,

Governments and banks are the two entities with the power to create something from nothing. If total spending power is to grow, one or the other of these two great financial motors - public deficits or private loans - has to be in action.

{§} (04/03/16){§} (20/08/17) *Public spending (whether sovereign, regional, state or local in focus) should be publicly, not privately, funded and should be directed to those individuals (real or 'artificial') which deliver the services and infrastructure funded by government*⁵⁹⁴.

{§} (12/04/17) The most certain means of stimulating the real economy is *not* by channeling sovereign credit into the banking system - that tends to be absorbed by the financial institutions and diverted into any of a variety of financial activities designed to grow bank profits, not the real economy. Rather, public spending should flow directly into the real economy⁵⁹⁵.

Banks will benefit through the normal processes of private economic activity as that government spending takes effect. Private financial institutions such as banks should provide financial services *within* the private sector, not be conduits of public credit to the private sector.

Inevitably, financial institutions will loudly protest that government spending should be channeled through them. However, we should remember Galbraith's explanation of the value of government spending in the private sector: "Ordinary people benefit, but there is nothing in it for banks".

The sovereign level of government in a democratic society *should be responsible for ensuring the wellbeing of lower levels of government*.

In a [bottom-up democracy](#), most of the local and regional services will be in the hands of local and regional authorities. However, the only branch of government that is able to create credit as required is the sovereign level of government.

So, if ongoing credit support is not provided by the sovereign level of government, in any general downturn of the economy, local and regional authorities are left to the tender mercies of private sector generators of credit to cover fluctuations in costs of services: Governmental welfare services are more costly in economic downturns and less costly in times of economic prosperity.

Responsible symbiotic relationships between various levels of government become essential to ensure that non-sovereign levels of government do not become increasingly indebted to private sector financial institutions through being required, whenever there is a downturn, to turn to them for support.

In a truly symbiotic governmental system, there should *never* be a situation where local and regional authorities must issue 'bonds' in order to raise credit for necessary services.

Without sovereign government support, lower levels of government are left in the unenviable position of having to scale back community support services in times of economic downturn. The alternative is to become increasingly indebted to the private sector. This ensures that, as illustrated below, when economic prosperity returns they are left with inflated borrowings and payments to private sector financial institutions. These, inevitably, continue to hobble those services in good times and prevent the buildup of resources for future downturns.

The only reasonable solution to all this is for the sovereign level of government to provide *institutionalized* necessary [credit support on a non-profit basis to lower levels of government](#) when they need it.

In the absence of adequate sovereign funding support, lower levels of government need to find alternative, sustainable, funding sources. Sarah Anderson and Chuck Collins have canvassed a number of these in an article entitled 'How to Reduce Poverty and Inequality Through State Government Taxes'. As they explain:

New progressive taxes are needed at the state level to generate much-needed revenue for anti-poverty programs while also curbing the excessive power the wealthiest 1% currently hold over our political system. Case in point: the new federal tax law that will lower taxes on the wealthy, despite majority support among U.S. taxpayers for

substantial taxes on the rich. And while opponents will no doubt argue the contrary, a joint Stanford University-Treasury Department report shows that high taxes do not drive millionaires to move across state lines.

Here is a menu of the some of the most promising options:

- Taxes on High-income Earners...;
- State Estate Taxation...;
- Tax on Companies With Extreme Gaps Between CEO and Worker Pay...;
- High-end Real Estate Taxes to Fund Affordable Housing and Other Priorities...;
- Carried Interest Tax...;
- Financial Transaction Tax...;
- Capital Gains Tax...;
- Luxury Taxes...;

and

- State Payroll Tax On High Incomes...;
(Sarah Anderson and Chuck Collins, ^{CE} [How to Reduce Poverty and Inequality Through State Government Taxes](#), *Inequality*, Blogging Our Great Divide, March 02, 2018)

Yes, there are alternatives to issuing government 'bonds', raising necessary revenue through borrowing from the private sector. Though, of course, in this absurd neoliberal age in which so many of the 'authoritative' voices are beholden to those whose 'wealth' is enhanced by reducing, not increasing, taxation, these means of generating public revenue will be vehemently opposed.

When governments (at whatever level) fund activity through private borrowing (or even through contracting financial institutions to act as funding intermediaries) they can, all-too-easily, find themselves with exorbitant debt servicing costs which cripple their ability to provide necessary public services. Effectively, financial institutions can [impose a 'tax' on government credit](#) channeled into the real economy.⁵⁹⁶

Though logically unnecessary (and of dubious value to the real economy), this is [a common predicament](#) in which state and local authorities far too often find themselves. David Sirota has illustrated the problem:

When a city is forced to spend more on Wall Street fees than on basic public services, it is the sign of trouble. When that city is one of America's biggest population centers, it is the sign of a burgeoning crisis.

That's the key takeaway from ^{CE} [a recent report](#) looking at what has been happening in Los Angeles over the last few years. Published by the union-backed Fix LA Coalition, the report details how the city has slashed its spending in the wake of revenue losses from the Wall Street-engineered financial crisis. Yet, as the analysis shows, the city is nonetheless still being crushed by Wall Street - in this specific case, it is being forced to spend \$300 million a year on financial fees. For some

context, that's more than the city spends each year maintaining all of its roads.

([Ⓔ] [How Wall Street Financial Fees Choke Our Cities](#): L.A. is on the hook for millions of dollars in the same scheme that has plagued cities across America (*In These Times*, May 9, 2014).)⁵⁹⁷

The Relation Between Government Debt and Private Wealth

{§} (24/10/16){§} (04/05/17) The use of the term 'debt' to describe the creation/distribution of sovereign credit is unfortunate since it [leads to confusion](#) between this fundamentally creative role of government in wealth generation and economic stimulus and private spending which is the [dissipation](#) of credit.

{§} (02/04/16) There is, and historically has been, an apparent confusion in the minds of many US (and other Western government) legislators as to the nature of 'government deficits' and 'government debt'. Using a simplistic presumption that 'household budgets' (and/or 'business budgets') and 'government budgets' are analogous⁵⁹⁸, they have argued that government debt should be eliminated or reduced to as low a level as possible⁵⁹⁹.

As [Margaret Thatcher explained](#):

...[S]omeone has to add up the figures. Every business has to do it, every housewife has to do it, every Government should do it, and this one will.

In the attempt they have, inevitably, withdrawn credit from their economies, starving them of the funds needed to ensure economic wellbeing.

As Paul Samuelson put it in an interview with Mark Blaug⁶⁰⁰ :

I think there is an element of truth in the view that the superstition that the budget must be balanced at all times [is necessary]. Once it is debunked [that] takes away one of the bulwarks that every society must have against expenditure out of control.

There must be discipline in the allocation of resources or you will have anarchistic chaos and inefficiency. And one of the functions of old fashioned religion was to scare people by sometimes what might be regarded as myths into behaving in a way that the long-run civilized life requires.

We have taken away a belief in the intrinsic necessity of balancing the budget if not in every year, [then] in every short period of time. If Prime Minister Gladstone came back to life he would say "uh, oh what you have done?"...

(Bruce Bartlett, [Ⓔ] [A Balanced Budget: Worthy Superstition?](#), CapitalGainsandGames.com, 30 April 2010)

Far too many Western politicians (and economists) now believe that the superstition is reality. So, they set about reordering reality to the requirements of the myth their progenitors contrived, irrationally insisting on an "intrinsic necessity of balancing the budget"⁶⁰¹.

Frederick Thayer (1996) provided a description and explanation of the historical relation between government debt and private wealth in the United States:

Since 1791, the earliest data available, the national debt has been increased in 112 years, decreased in 93 years. 57 of those balanced-budget, debt-reduction years have been concentrated in six sustained periods of varying length. Also since 1791, there have been six significant economic depressions among the innumerable "business cycles." Each sustained period of budget-balancing was immediately followed by a significant depression. There are as yet no exceptions to this historical pattern.

This is the record of six depressions:

1. 1817-21: in five years, the national debt was reduced by 29 percent, to \$90 million. A depression began in 1819.
2. 1823-36: in 14 years, the debt was reduced by 99.7 percent, to \$38,000. A depression began in 1837.
3. 1852-57: in six years, the debt was reduced by 59 percent, to \$28.7 million. A depression began in 1857.
4. 1867-73: in seven years, the debt was reduced by 27 percent, to \$2.2 billion. A depression began in 1873.
5. 1880-93: in 14 years, the debt was reduced by 57 percent, to \$1 billion. A depression began in 1893.
6. 1920-30: in 11 years, the debt was reduced by 36 percent, to \$16.2 billion. A depression began in 1929.

There has been no sustained period of budget-balancing since 1920-30, and no new depression, the longest such period in our history.

The question is whether this consistent pattern of balance the budget-reduce the national debt-have a big depression is anything other than a set of coincidences. According to economic myths, none of these sequences should have occurred at all. How on earth, for example, could we virtually wipe out the national debt in the mid-1830s, then fall immediately into one of the six recognized collapses in our history? Those who write about the desirability of reducing the national debt frequently praise Andrew Jackson for his vigorous pursuit of such a goal, but do not mention "depression" in the same breath. It is helpful to the maintenance of economic myth to say little about depressions in textbooks, thus making it easy to avoid looking at connections considered impossible anyway.

(Thayer, Frederick C., ^{CE} [Balanced Budgets and Depressions](#), *The American Journal of Economics and Sociology*, April 1996)

Regulation of Private Credit Creation

Of course, all this assumes effective regulation of *private* credit creation. Banks and similar credit facilitating entities [lend and trade on the basis of an assumption of 'credit-worthiness'](#) (that is, a presumption of either government-guaranteed collateral security or sufficient 'equity' - similarly backed, accumulated and 'congealed' credit (aka 'assets') - to cover their commitments). They are, therefore, able to *create* credit to the extent that

those with whom they deal believe in their ability to cover their commitments and the extent to which 'regulatory capital adequacy requirements'⁶⁰² are effective (see [here for further explanation](#)).

James Galbraith (2010) has provided a clear explanation of some of the key differences between public deficit spending and private bank lending:

...the deficit phobia of Wall Street, the press, some economists and practically all politicians is one of the deepest dangers that we face. It's not just the old and the sick who are threatened; we all are. To cut current deficits without first rebuilding the economic engine of the private credit system is a sure path to stagnation, to a double-dip recession - even to a second Great Depression. To focus obsessively on cutting future deficits is also a path that will obstruct, not assist, what we need to do to re-establish strong growth and high employment.

To put things crudely, there are two ways to get the increase in total spending that we call "economic growth." One way is for government to spend. The other is for banks to lend. Leaving aside short-term adjustments like increased net exports or financial innovation, that's basically all there is. Governments and banks are the two entities with the power to create something from nothing. If total spending power is to grow, one or the other of these two great financial motors - public deficits or private loans - has to be in action.

For ordinary people, public budget deficits, despite their bad reputation, are much better than private loans. Deficits put money in private pockets. Private households get more cash. They own that cash free and clear, and they can spend it as they like. If they wish, they can also convert it into interest-earning government bonds or they can repay their debts. This is called an increase in "net financial wealth." Ordinary people benefit, but there is nothing in it for banks.

And this, in the simplest terms, explains the deficit phobia of Wall Street, the corporate media and the right-wing economists. Bankers don't like budget deficits because they compete with bank loans as a source of growth. When a bank makes a loan, cash balances in private hands also go up. But now the cash is not owned free and clear. There is a contractual obligation to pay interest and to repay principal. If the enterprise defaults, there may be an asset left over - a house or factory or company - that will then become the property of the bank. It's easy to see why bankers love private credit but hate public deficits. (James K. Galbraith, ^{CE} [In Defense of Deficits: A big deficit-reduction program would destroy the economy two years into the Great Crisis](#), *The Nation*, March 22, 2010)

As Dan Kervick has explained,

...Due to a combination of deliberate policy choices and historical contingencies, societies have chosen to institute complex monetary and credit systems in which the generation of the most commonly used means of exchange is primarily a market-driven phenomenon, but one that is heavily regulated and supplemented by government agencies that also issue their own forms of money.

We can also note that those latter forms of narrow government money usually play a foundational role in constraining and underpinning the broader forms of money, since they are needed to settle the

obligations that are incurred by issuing those broader forms of money.

(^{CE} [Hyper-Endogeneity](#), *New Economic Perspectives*, August 30, 2013)

In bubble-promoting economic conditions, where regulatory capital adequacy requirements are weak or ineffective, the perceived inflation in the 'value' of whatever is driving the inflating bubble becomes the guarantee of private lenders' ability to cover their commitments, enabling increasingly unchecked growth of unsecured credit. As Robert Shiller put it:

A "speculative bubble,"... is "a situation in which news of price increases spurs investor enthusiasm, which spreads by psychological contagion from person to person, in the process amplifying stories that might justify the price increase." This attracts "a larger and larger class of investors, who, despite doubts about the real value of the investment, are drawn to it partly through envy of others' successes and partly through a gambler's excitement."

That seems to be the core of the meaning of the word as it is most consistently used. Implicit in this definition is a suggestion about why it is so difficult for "smart money" to profit by betting against bubbles: the psychological contagion promotes a mindset that justifies the price increases, so that participation in the bubble might be called almost rational. But it is not rational.

(Robert J. Shiller, ^{CE} [Bubbles Forever](#), *Project Syndicate*, Jul. 17, 2013)

(See Charles Mackay (1852), *Memoirs of Extraordinary Popular Delusions* , for a description of bubbles and their consequences in 18th and 19th century Western Europe)

John Kay has provided a delightful article dealing with some of the features of bubble blowing. As he says,

Embezzlement, Galbraith observed, has the property that "weeks, months, or years elapse between the commission of the crime and its discovery. This is the period, incidentally, when the embezzler has his gain and the man who has been embezzled feels no loss. There is a net increase in psychic wealth." Galbraith described that increase in wealth as "the bezzle."

(John Kay, ^{CE} [The Bezzle Years](#), *Project Syndicate*, October 7, 2015)

A prime responsibility of regulators of credit supply is to ensure that unsecured-credit-creating entities have sufficient reserves to cover their commitments should they need to do so. In a deregulated world it becomes easier for private banks and similar financial entities to effectively subsume the role of government and issue their own credit with little or no government-guaranteed collateral security.

In the short run, as found in the 1920s and again in the 1980s, this can appear to result in economic growth and wealth creation (the 'bezzle'), giving credence to the naive claims of free-marketeers and fellow travelers that deregulation leads to economic growth and wellbeing.

However, the unchecked growth of credit with [inadequate regulatory oversight](#) and/or government-guaranteed collateral security leads, inevitably, to an over-supply of credit with all the consequent problems of over-supply - as we all found to our cost in the post-2007 global financial crisis. Robert Skidelsky has succinctly described the consequences:

We all know how the global economic crisis began. The banks over-lent to the housing market. The subsequent burst of the housing bubble in the United States caused banks to fail, because banking had gone global and the big banks held one another's bad loans. Banking failure caused a credit crunch. Lending dried up and economies started shrinking.

So governments bailed out banks and economies, producing a [sovereign debt](#) crisis. With everyone busy deleveraging, economies failed to recover. Much of the world, especially Europe, but also the slightly less sickly US, remains stuck in a semi-slump.

([Ⓔ] [Economic Rebalancing Acts](#), *Project Syndicate*, Jun. 30, 2013)

How unfortunate that those responsible for this pathological proliferation of unsecured credit should then be rewarded by being handed the government credit needed to legitimize their unsecured extravagances because their behavior had made them 'too-big-to-fail' - confirming the widely held belief that governments bail out big banks.⁶⁰³

Governments Bail Out Big Banks

{§} (29/08/18){§} (01/09/18){§} (08/09/18)

{§} (25/10/18) This is a tale of missed opportunities; of Obama's meaningless chants of 'Yes We Can': devoid of vision, devoid of a 'New Deal'; of [pigs at a trough](#) and their facilitators; and of those who saw the problems but devised no solutions, promoted no vision of a Western future which would, once again, be focused on government 'of the people, by the people, for the people' and have dismissed the visions of others as '[impossible dreams](#)'.

This is a tale of people in positions of authority and power and 'experts', who [lacked a vision of the possible](#) and [had a vested interest](#) in maintaining the *status quo*.

In a 2018 self-congratulatory essay, the chief US architects of the 2008 Global Financial Crisis (GFC) 'solutions', which steered politicians away from 'New Deal' policies and toward a massive bailout of the primary culprits of the crisis, argue for ensuring that their 'solutions' should be enshrined in law as means of dealing with the inevitable next crisis⁶⁰⁴:

Many of the actions necessary to stem the crisis, including the provision of loans and capital to financial institutions, were controversial and unpopular. To us, as to the public, the responses often seemed unjust, helping some of the very people and firms who had caused the damage. Those reactions are completely understandable, particularly since the economic pain from the panic was devastating for many.

The paradox of any financial crisis is that the policies necessary to stop it are always politically unpopular. But if that unpopularity delays or prevents a strong response, the costs to the economy become greater. We need to make sure that future generations of financial firefighters have the emergency powers they need to prevent the next fire from becoming a conflagration. We must also resist calls to eliminate safeguards as the memory of the crisis fades. For those working to keep our financial system resilient, the enemy is forgetting.

(Ben S. Bernanke, Timothy F. Geithner and Henry M. Paulson Jr., [Ⓔ]

What We Need to Fight the Next Financial Crisis: Congress has taken away some of the tools that were crucial to us during the 2008 panic. It's time to bring them back, *New York Times*, September 7, 2018)

As they say, the enemy is, indeed, forgetting: how an opportunity to reset the burgeoning inequality of the previous forty years was squandered and the diversion of wealth to the very richest was entrenched. [Saez and Zucman](#) explained:

Wealth inequality has considerably increased at the top over the last three decades. By our estimates, almost all of this increase is due to the rise of the share of wealth owned by the 0.1% richest families, from 7% in 1978 to 22% in 2012, a level comparable to that of the early twentieth century.

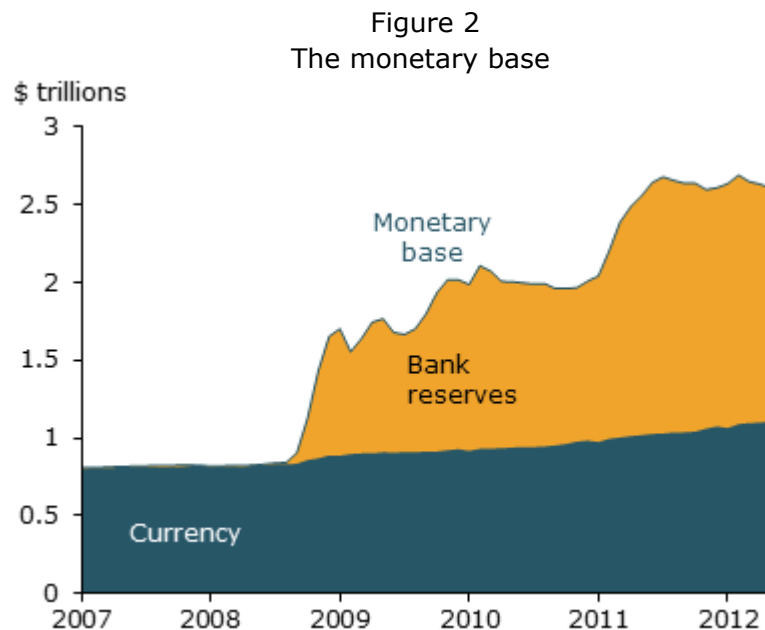
It is a tale which reaffirms a 2500 year old aphorism:

Where there is no vision, the people perish
(^{CE} [Proverbs 29:18](#) (King James Version of Bible))

Where was the true champion of 'The People', the visionary Western politician with a new vision of a 'New Deal' future, in the early 21st century?

As ^{CE} [Yellen \(2007\)](#), describing east Asian experience in the late 1990s, put it, there was "a perception that the governments of these nations stood ready to intervene to forestall bank failures".

John Williams (CEO, Federal Reserve Bank of San Francisco) provided a graphic illustration of what happened in response to the 2007-9 banking crisis in the US:



As he explained:

The monetary base is the sum of U.S. currency in circulation and bank reserves held at the Federal Reserve. Figure 2 shows the key components of the monetary base since 2007. Up until late 2008, it consisted mostly of currency, with a small amount of bank reserves held mostly to meet regulatory requirements. Since then, the

monetary base has risen dramatically, primarily because of a \$1.5 trillion increase in bank reserves...

But, once the economy improves sufficiently, won't banks start lending more actively, causing the historical money multiplier to reassert itself? And can't the resulting huge increase in the money supply overheat the economy, leading to higher inflation? The answer to these questions is no, and the reason is a profound, but largely unappreciated change in the inner workings of monetary policy.

The change is that the Fed now pays interest on reserves. The opportunity cost of holding reserves is now the difference between the federal funds rate and the interest rate on reserves...

As a result, in a world where the Fed pays interest on bank reserves, traditional theories that tell of a mechanical link between reserves, money supply, and, ultimately, inflation are no longer valid. In particular, the world changes if the Fed is willing to pay a high enough interest rate on reserves. In that case, the quantity of reserves held by U.S. banks could be extremely large and have only small effects on, say, the money stock, bank lending, or inflation.

(John C. Williams, ^{CE} [Monetary Policy, Money, and Inflation](#), FRBSF Economic Letter, July 9, 2012)

(See these graphs for [US monetary base expansion from 1984 to 2013](#).)

John Talbot provided a speculative explanation of the significance of the ongoing increase in US bank reserves:

... back in 2008, Hank Paulson, our treasury secretary at the time, convinced Congress over a weekend that he needed \$700 billion of TARP [Troubled Asset Relief Program] funds to get the toxic assets off our commercial banks' books. Amazingly, within weeks of being given the funds by Congress, Paulson decided not to proceed with the purchase of toxic assets from the banks, instead giving away hundreds of billions of dollars to the commercial and investment banks and funding a series of bailouts - giving money to Chrysler, General Motors and AIG (some of which immediately found its way back to the commercial and investment banking community).

... I believe the reason Paulson didn't pursue his original toxic-asset purchasing plan is because such a purchase would have created a market price for these assets, and then all of the banks would have had to mark their poor-quality assets to this low market price. This would have resulted in the bankruptcy of almost all the major commercial and investment banks, because their leverage was so high that they couldn't withstand such a hit to their equity.

... What I believe the Fed did next was fraudulent and deceitful, its full impact still hidden from the American public, who want bank reform.

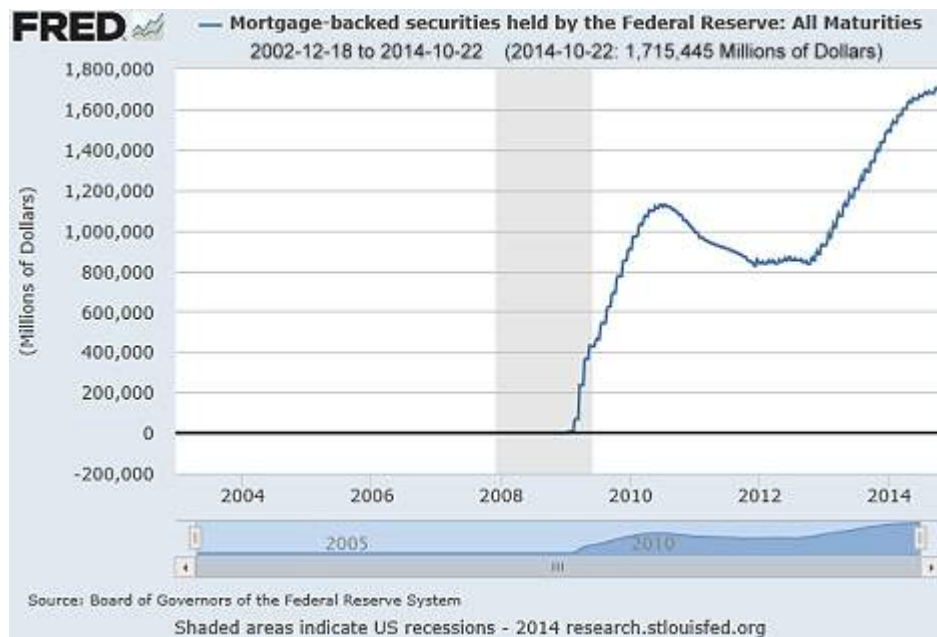
The Fed, I am convinced, went to these commercial banks and offered to take many of their toxic mortgage assets off their books, often accepting them as collateral for loans to the banks. In exchange, the Fed credited the commercial banks with an increase in the reserves held at the Fed, so long as the banks agreed not to withdraw the excess reserves immediately. Magically, the Fed was able to take a bad asset like a CDO [^{CE} [collateralized debt obligation](#)] and transform it

into a sparkling good asset: bank reserves at the Fed.

(John R. Talbott, [Ⓔ] [The trillion-dollar fraud](#), *Salon*, May 2, 2010)

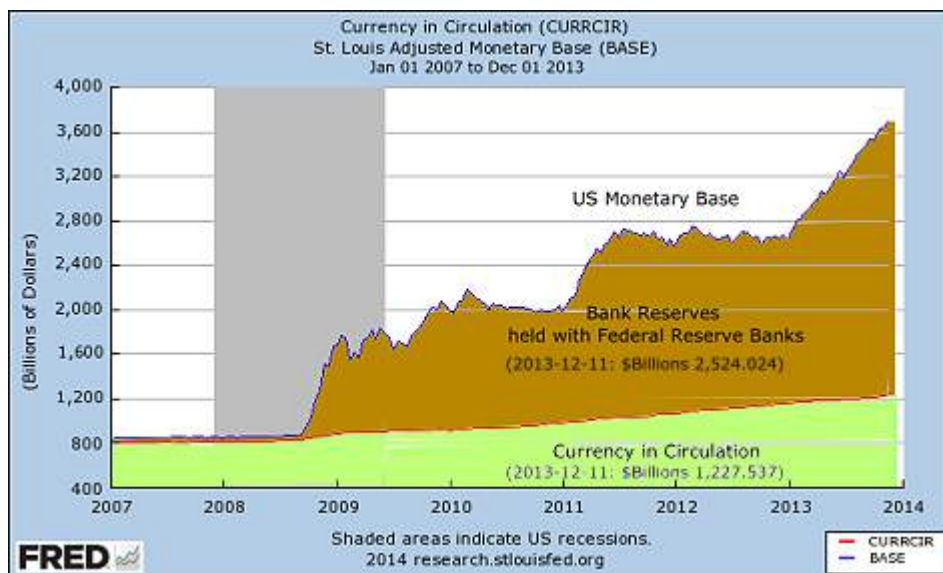
{S} (18/02/16) The US Federal Reserve effectively legitimized the [extraordinarily profligate behavior of the too-big-to-fail banks](#) by taking some of their greatest consequent liabilities and transforming them into 'sparkling good assets': bank reserves at the Fed - albeit as 'collateral for loans' which were later repaid ⁶⁰⁵.

Concurrently, as shown in the graph below, the Fed purchased longer-term securities⁶⁰⁶ from its [Ⓔ] [designated Primary Dealers](#) (in the US, the major 'too-big-to-fail' banks), paid for by creating bank reserves (converting the unsecured-credit created by banks to fund their acquisitions into interest-earning, government-guaranteed bank reserves ([legitimizing further unsecured-credit creation](#)) and, in the process, insulating those institutions from the vagaries of an uncertain market-place⁶⁰⁷).



In the process they vastly expanded those banks' federal bank reserves, giving them a license to create credit with few, if any Federal Bank checks on their activities.

Bank reserves held with Federal Reserve Banks (in billions of dollars) from January 01 2007 to December 01 2013



There is, indeed, nothing new under the sun. Abraham Lincoln, in a speech to the Illinois legislature, Jan. 1837:

These capitalists generally act harmoniously and in concert to fleece the people, and now that they have got into a quarrel with themselves, we are called upon to appropriate the people's money to settle the quarrel.

(^{CE} [Speech to Illinois legislature](#), Jan. 1837. See Vol. 1, p. 24 of *Complete Works of Abraham Lincoln*, ed. by Nicolay and Hay (New York: F.D. Tandy Co., 1905))

Joseph Stiglitz has given a post-2008 Global Financial Crisis version of this⁶⁰⁸:

...Those responsible for managing the 2008 recovery (the same individuals bearing culpability for the under-regulation of the economy in its pre-crisis days, to whom President Barack Obama inexplicably turned to fix what they had helped break) found the idea of secular stagnation attractive, because it explained their failures to achieve a quick, robust recovery. So, as the economy languished, the idea was revived: Don't blame us, its promoters implied, we're doing what we can....

...[T]here is nothing that inherently prevents our economy from being run in a way that ensures full employment and shared prosperity [my emphasis]. Secular stagnation was just an excuse for flawed economic policies. Unless and until the selfishness and myopia that define our politics – especially in the US under Trump and his Republican enablers – is overcome, an economy that serves the many, rather than the few, will remain an impossible dream.

{S} (21/04/16) There is [little need for these 'too-big-to-fail' banks to draw-down](#) excess bank reserves⁶⁰⁹. They are, after all, not only receiving a guaranteed interest return on those holdings from the Fed but are able to create credit to the extent that those with whom they deal believe in their ability to cover their commitments⁶¹⁰. In this new climate of excess bank reserves, ^{CE} 'regulatory capital adequacy requirements' are irrelevant.

{S} (16/02/16) Given the [close ties which exist](#) between many Federal Reserve Bank senior staff and the major banks, it would be interesting to know

whether they were aware of the likely consequences of their actions. (It would be, [Ⓔ] as Krugman puts it, [Ⓔ] 'surprising, and a bit dismaying', given their assumed expertise, if they were not!)⁶¹¹

It is time to comprehensively re-regulate economies, insulating them from the corrosive consequences of [hyperglobalization](#). Any deployment of idle bank reserves in stimulating real economic activity will otherwise be sabotaged by 'the fragmentation of manufacturing across borders - the famous slicing up of the value-added chain - as individual production stages are located where the costs of production are lowest.'⁶¹²

Not only is it essential that we re-regulate to protect internal productive activity, job creation and wage rates; it is equally important to [claw back bank reserves](#) to bring them into line with long-established requirements. If this is not achieved the effect will, over time, be similar to enhanced bank deregulation. (There is more than one way to skin a cat - apologies to cat lovers! One can drive for deregulation and/or one can emasculate regulators by inflating bank reserves, making their levers decreasingly effective.)

{§} (14/01/16) The banks, of course, are less likely to 'fail', but they are more, not less, likely to use their new-found power to manipulate markets and concentrate the control of credit in their own hands. Without such claw-back, the US 'Fed' will have effectively [abdicated responsibility for credit creation and redistribution to the too-big-to-fail banks](#), their private equity partners and 'alternative asset managers'⁶¹³. Gillian Tett has highlighted this problem (addressed in the [1934 Pecora Commission report](#) and regulated through the associated legislation):

The US Office of the Comptroller of the Currency recently warned that the activities of non-banks has fuelled a boom in risky corporate loans - and warned banks not to "skirt rules" by teaming up with non-banks to create more credit.

(Gillian Tett, [Ⓔ] [The real titans of finance are no longer in the banks](#), *Financial Times*, February 13, 2014)

As Barry Eichengreen says:

Central banks should focus on developing more effective macro-prudential instruments. They should widen the regulatory perimeter - that is, they should work to bring nonbank financial institutions under their regulatory umbrella. They should use the resulting instruments and powers preemptively.

(Barry Eichengreen, [Ⓔ] [Leaners of Last Resort](#), *Project Syndicate*, 11 June 2014)

Bank reserves, at unprecedented levels, are not being employed to fund development in the mundane economy of material production and consumption. Instead, they provide interest-bearing, government-guaranteed collateral security for [Ⓔ] [vortex economic activity](#). The casino style behavior of players in the emergent realm of internationalized electronic wealth manipulation, relocation, redistribution and accumulation is now backed by interest-bearing 'bank reserves at the Fed'. Keynes warned of the dangers of the [casino capitalism](#) that wreaked havoc in the 1920s and 1930s:

... the position is serious when enterprise becomes the bubble on a whirlpool of speculation. When the capital development of a country becomes a by-product of the activities of a casino, the job is likely to be ill-done.⁶¹⁴

Klaus Schwab has described the consequences:

The Fed's QE policy, and variants of it elsewhere, have caused the major central banks' balance sheets to expand dramatically (from \$5-6 trillion prior to the crisis to almost \$20 trillion now), causing financial markets to become addicted to easy money. This has led, in turn, to a global search for yield, artificial asset-price inflation, and misallocation of capital.

(Klaus Schwab, ^{CE} [The Global Economy in 2014](#), *Project Syndicate*, Jan 6, 2014)

Gerald Epstein and Juan Antonio Montecino summed up the consequences for the US well. The resulting dysfunctions have seriously affected both people and productive economies throughout the world:

A healthy financial system is one that channels finance to productive investment, helps families save for and finance big expenses such as higher education and retirement, provides products such as insurance to help reduce risk, creates sufficient amounts of useful liquidity, runs an efficient payments mechanism, and generates financial innovations to do all these useful things more cheaply and effectively.

All of these functions are crucial to a stable and productive market economy. But after decades of deregulation, the current U.S. financial system has evolved into a highly speculative system that has failed rather spectacularly at performing these critical tasks.

What has this flawed financial system cost the U.S. economy?

How much have American families, taxpayers, and businesses been "overcharged" as a result of these questionable financial activities?

In this report, we estimate these costs by analyzing three components: (1) rents, or excess profits; (2) misallocation costs, or the price of diverting resources away from non-financial activities; and (3) crisis costs, meaning the cost of the 2008 financial crisis. Adding these together, we estimate that the financial system will impose an excess cost of as much as **\$22.7 trillion between 1990 and 2023**, making finance in its current form a net drag on the American economy....

The financial crisis of 2007–2008, whose massive costs are still being felt in many parts of the country, made clear to most Americans that the financial system is broken and needs serious reconstructive surgery. It has also become apparent that the dysfunctions of finance go far beyond the dramatic crashes; even when the system seems to be operating "normally," it costs most of us dearly on a daily basis and puts the long-term prosperity of our economy at risk.

These dysfunctions involve overcharging for brokerage services, predatory lending, and generally charging high fees for financial services; misallocating human talent from productive employment in technology, education, and health care to less socially productive employment; reorienting non-financial corporate behavior from

longterm investment to short-term speculation that costs jobs, wages, and productivity growth; and choosing poor investments that put people's retirement incomes at risk.

The flip side of this coin is that a relatively small number of owners and operatives in the financial sector make significant salaries, bonuses, and profits as a result of these practices. Yet finance does not simply create a zero sum game that transfers income and wealth from customers to bankers and bank owners. It is worse than that: The destructive aspects of finance also negatively affect the overall health of the economy, both in the short run and in the long run.

That is, finance has operated in recent years as a negative sum game. This means that it costs us more than a dollar to transfer a dollar of wealth to financiers—significantly more. So even if you think our financiers deserve every penny they get, it would be a lot cheaper simply to write them a check every year than to let them continue business as usual.

(Gerald Epstein and Juan Antonio Montecino, *Overcharged: The High Cost of High Finance*, Roosevelt Institute, Pp. 2-4, July 2016)

Blowing Bubbles 🐘

{§} (07/05/18){§} (17/11/18)

{§} (19/11/18) That dramatic expansion in central banks' balance sheets has ensured financial institutions access to [trillions of dollars in bank reserves](#). As a result, the too-big-to-fail banks, their private equity partners and 'alternative asset managers' have been handed unprecedented power to fund bubbles to their short-term advantage (ensuring, of course, that borrowers' collateral is real, secure, transferable and discounted ⁶¹⁵) - making that 4-fold increase in the monetary base between October 2007 and October 2015 a gift that, for those too-big-to-fail banks, keeps on giving!

Michael Hudson has spelt out the bottom line of predatory capitalism:

The big economic question is – and has always been – what will happen if debts cannot be paid? Will there be a debt writedown in favor of debtors (as has been done for large corporations), or will creditors be allowed to foreclose (as is always done on personal debtors and mortgage-holders), leading to their political takeover of the assets of the economy – and the government's public sector?

(Michael Hudson, [Ⓔ] [...and Forgive Them Their Debts](#), August 13, 2018)

Tobias Adrian, Fabio Natalucci, and Thomas Piontek have described the 2018 growth of predatory lending in the United States. As they say, 'with interest rates extremely low for years and with ample money flowing through the financial system, yield-hungry investors are tolerating ever-higher levels of risk and betting on financial instruments that, in less speculative times, they might sensibly shun':

We warned in the most recent [Ⓔ] [Global Financial Stability Report](#) that speculative excesses in some financial markets may be approaching a threatening level. For evidence, look no further than the \$1.3 trillion global market for so-called leverage loans, which has some analysts

and academics sounding the alarm on a dangerous deterioration in lending standards. They have a point.

This growing segment of the financial world involves loans, usually arranged by a syndicate of banks, to companies that are heavily indebted or have weak credit ratings. These loans are called “leveraged” because the ratio of the borrower’s debt to assets or earnings significantly exceeds industry norms....

At this late stage of the credit cycle, with signs reminiscent of past episodes of excess, it’s vital to ask: How vulnerable is the leveraged-loan market to a sudden shift in investor risk appetite? If this market froze, what would be the economic impact? In a worst-case scenario, could a breakdown threaten financial stability?

It is not only the sheer volume of debt that is causing concern. Underwriting standards and credit quality have deteriorated. In the United States, the most highly indebted speculative grade firms now account for a larger share of new issuance than before the crisis. New deals also include fewer investor protections, known as covenants, and lower loss-absorption capacity. This year, so-called covenant-lite loans account for up 80 percent of new loans arranged for nonbank lenders (so-called “institutional investors”), up from about 30 percent in 2007. Not only the number, but also the quality of covenants has deteriorated.

Less investor protection

The volume of loans with fewer investor protections, known as covenants, has grown in the United States, and quality has weakened.

(percent of issuance)



Source: Standard & Poor's Leveraged Commentary and Data; IMF staff calculations; and Moody's.

Note: 2018 data is through Q3. Moody's Loan Covenant Quality Index score is a yearly average; data are unavailable from 2008 to 2010 due to lack of rated leveraged loan issuance.



INTERNATIONAL
MONETARY FUND

(Tobias Adrian, Fabio Natalucci, and Thomas Piontek, ^{CE} [Sounding the Alarm on Leveraged Lending](#), IMFBlog, November 15, 2018)

Those who 'know' that banks will finally use their inflated interest-bearing 'bank reserves at the Fed' to stimulate real economic development will enthusiastically approve the increased lending associated with such manipulation.

Dan Eberhart has described the Shale Oil 'industry' through the 2nd decade of the 21st century,

The shale industry has historically sought more than 40% of the capital it needs from debt and equity markets, and its appetite for outside financing to fuel the U.S. oil and gas boom of the last decade has been downright voracious. According to a Wall Street Journal analysis of FactSet data, the companies behind the boom have spent \$265 billion more than they generated from operations since 2010.

Energy experts continue to raise expectations for the shale sector's potential – the United States is projected to emerge as the undisputed global oil and gas leader over the next decade – but a key

consideration is whether the sector will continue to have access to the capital it needs to achieve these lofty forecasts.

There should be no reason for concern. Producers survived the worst downturn in history and recently pushed U.S. oil production to record levels – with an output of 10 million barrels a day likely to be surpassed soon. Domestic oil prices have firmed up above \$60 per barrel, recently hitting their highest level since 2014. Exports of both oil and gas are ramping up, with global demand for U.S. LNG finally expected to lift domestic gas prices, which have been throttled by oversupply for years.

Industry cash flows are rising, balance sheets are getting stronger, and producers are hedging more production to lock in attractive prices on future production – providing a critical sense of financial security for lenders.

(Dan Eberhart, [Ⓔ] [The Challenges Of Funding The U.S.'s Shale Boom 2.0](#), *Forbes*, 26 January, 2018)

As Justin Mikulka has explained:

The U.S. shale oil industry hailed as a “revolution” has burned through a quarter trillion dollars more than it has brought in over the last decade. It has been a money-losing endeavor of epic proportions.

(Justin Mikulka, [Ⓔ] [How Wall Street Enabled the Fracking 'Revolution' That's Losing Billions](#), *DeSmog*, 4 May, 2018)

Bubbles will appear [not as bubbles](#) but as evidence of the long-awaited recovery (the [Greenspan delusion](#) which persisted for nineteen years). However, as [Ⓔ] [Eugene Linden](#) put it: "...speculators love a bubble economy because bubbles always pop".⁶¹⁶

Greenspan's (and others') calm acceptance of bubbles as part of 'normal' economic activity has been examined by Oscar Jordà, Moritz Schularick and Alan Taylor (June 2015). As they have explained, prior to the 2008 crisis, "policymakers and economists preferred to ignore bubbles, arguing that they couldn't exist, or couldn't be detected, or not reliably, or that nothing could or should be done, or there might be unintended consequences, and so on":

What risk do asset price bubbles present to the economy? Naturally, in the wake of the largest financial crisis since the Great Depression, the causes and consequences of extended mispricing of financial assets have climbed to the top of the agenda for macroeconomists and policymakers. It has become harder to dismiss such bubble episodes as rare aberrations and exclude them from macroeconomic thinking on axiomatic grounds.

In the pre-crisis consensus, to a large extent, policymakers and economists preferred to ignore bubbles, arguing that they couldn't exist, or couldn't be detected, or not reliably, or that nothing could or should be done, or there might be unintended consequences, and so on. Researchers and central bankers imagined that the problem of depressions had been solved and that the financial sector would be self-stabilizing. The financial stability role of central banks was mostly regarded as secondary, if not quaintly vestigial. The crisis exploded these and other myths which had taken hold based on very little firm

empirical evidence, and with scant regard for the lessons of history. The Former Fed Chairman very publicly resiled from old beliefs: he stepped away from a benign neglect approach to markets' irrational exuberance, admitted the "flaw" in his worldview, and began to entertain, as above, the possibility that central banks might need to pay heed to bubbles, or at least some of them, rather more seriously than before.

(Oscar Jordà, Moritz Schularick and Alan Taylor, [Ⓔ] [Leveraged Bubbles](#), NBER Conference Paper (EASE15), June 2015)

The drive to deregulation which produces such consequences is based in a presumption that 'free markets' are 'naturally' self-correcting. As Bill Black put it, demonstrating Greenspan's predilection for [Ayn Rand style reasoning](#):

At the heart of Greenspan's failure lies an ethical void in the brand of economics that has dominated American universities and policy circles for the last several decades, a brand known as "free market fundamentalism" or the "neoclassical school." (I call it "theoclassical economics" for its quasi-religious belief system.) Mainstream economists who follow this school assert a deeply flawed and controversial concept known as the "efficient market hypothesis," which holds that financial markets magically regulate themselves (they automatically "self-correct") and are thus immune to fraud. When an economist starts believing in that kind of fallacy, he is bound to become blind to reality. Let's take a look at what blinded Greenspan:

1. Greenspan knew that markets were "efficient" because the efficient market hypothesis is the foundational pillar underlying modern finance theory.
2. Markets can't be efficient if there is control fraud, so there must not be any.
3. Wait, there are control frauds! Tens of thousands of them.
4. Then control fraud must not really be harmful, or markets would not be efficient.
5. Control fraud, therefore, must not be immoral. As crime boss Emilio Barzini put it in *The Godfather*, "It's just business."

As delusional and immoral as this "logic" chain is, many elite economists believe it.

(William K. Black, May 29, 2013, [Ⓔ] [How Elite Economic Hucksters Drive America's Biggest Fraud Epidemics](#), *Alternet*)

Greenspan (Chairman of the US Federal Reserve 1987-2006), however, [true believer that he obviously is](#), has reaffirmed his faith in 'an international version of Adam Smith's "invisible hand"'. A deregulated, internationalized free market will, inevitably, and in a timely manner, 'self-correct'. Markets, left to themselves, really are 'efficient'.

In 1997 he spelled out his abiding faith in 'the market-stabilizing private regulatory forces' which 'should gradually displace many cumbersome, increasingly ineffective government structures' in future decades:

As the history of American banking demonstrates, private market regulation can be quite effective, provided that government does not

get in its way.

Indeed, rapidly changing technology is rendering obsolescent much of the old bank examination regime. Bank regulators are perforce being pressed to depend increasingly on ever more complex and sophisticated private market regulation.

(^{CE} [Remarks by Chairman Alan Greenspan](#) At the Annual Conference of the Association of Private Enterprise Education, Arlington, Virginia April 12, 1997)

In 2011, he again assured anyone still listening that unsecured speculative investment bubbles and illusory wealth creation are merely 'notably rare exceptions' to the remarkable stability of deregulated free markets!

The problem is that regulators, and for that matter everyone else, can never get more than a glimpse at the internal workings of the simplest of modern financial systems. Today's competitive markets, whether we seek to recognise it or not, are driven by an international version of Adam Smith's "invisible hand" that is unredeemably opaque. With notably rare exceptions (2008, for example), the global "invisible hand" has created relatively stable exchange rates, interest rates, prices, and wage rates.

In the most regulated financial markets, the overwhelming set of interactions is never visible. This is the reason that interpretation of contemporaneous financial market behaviour is subject to so wide a variety of "explanations", especially in contrast to the physical sciences where cause and effect is much more soundly grounded.

(Alan Greenspan, ^{CE} [Dodd-Frank fails to meet test of our times](#), *Financial Times*, March 29, 2011)

One can but wonder what planet he lived on during the roller coaster years of his Federal Reserve chairmanship.

Charles Ferguson (2010) neatly summarized the bubble inducing consequences of the deregulation of US financial institutions from the 1980s (spanning the duration of Greenspan's Federal Reserve chairmanship):

Starting in the 1980s, and heavily influenced by laissez-faire economics, the United States began deregulating financial services. Shortly thereafter, America began to experience financial crises for the first time since the Great Depression. The first one arose from the savings-and-loan and junk-bond scandals of the 1980s; then came the dot-com bubble of the late 1990s, the Asian financial crisis; the collapse of Long Term Capital Management, in 1998; Enron; and then the housing bubble, which led to the global financial crisis. Yet through the entire period, the U.S. financial sector grew larger, more powerful, and enormously more profitable. By 2006, financial services accounted for 40 percent of total American corporate profits.

(^{CE} [Larry Summers and the Subversion of Economics](#), *The Chronicle of Higher Education*, October 3, 2010)

It is time to move beyond the free-market tautologies of the past forty years to which Greenspan so obviously subscribed.

{§} (27/04/18) Unless governments have in place effective regulatory powers and are able to require (and enforce) sufficient formal reserves to cover private lending and spending, they effectively [lose control of credit creation](#) and distribution, leading to unsecured speculative investment bubbles and illusory wealth creation⁶¹⁷.

Paul Krugman, commenting, approvingly, on a paper delivered by Larry Summers at the 14th Annual IMF Research Conference (November 8, 2013), suggests that, perhaps, economies like that of the United States need bubbles to achieve anything close to full-employment:

So how can you reconcile repeated bubbles with an economy showing no sign of inflationary pressures? Summers's answer is that we may be an economy that needs bubbles just to achieve something near full employment - that in the absence of bubbles the economy has a negative natural rate of interest. And this hasn't just been true since the 2008 financial crisis; it has arguably been true, although perhaps with increasing severity, since the 1980s.

(Krugman, November 16, 2013, ^{CE} [Secular Stagnation, Coalmines, Bubbles, and Larry Summers](#))

And, again, in a *New York Times* article entitled '^{CE} [A Permanent Slump?](#) ' (November 17, 2013):

...Mr. Summers went on to draw a remarkable moral: We have, he suggested, an economy whose normal condition is one of inadequate demand - of at least mild depression - and which only gets anywhere close to full employment when it is being buoyed by bubbles.

I'd weigh in with some further evidence. Look at household debt relative to income. That ratio was roughly stable from 1960 to 1985, but rose rapidly and inexorably from 1985 to 2007, when crisis struck. Yet even with households going ever deeper into debt, the economy's performance over the period as a whole was mediocre at best, and demand showed no sign of running ahead of supply. Looking forward, we obviously can't go back to the days of ever-rising debt. Yet that means weaker consumer demand - and without that demand, how are we supposed to return to full employment?

Again, the evidence suggests that we have become an economy whose normal state is one of mild depression, whose brief episodes of prosperity occur only thanks to bubbles and unsustainable borrowing.

...as Mr. Summers said, the crisis "is not over until it is over" - and economic reality is what it is. And what that reality appears to be right now is one in which depression rules will apply for a very long time.

{§} (23/03/16) That 'economic reality' to which Krugman alludes is inevitable within a globalized neoliberal economic world.

{§} (09/06/17) If wealth is drained from the bottom 60+% of the population, to [accumulate within the top 5%](#), and [stimulus funds become trapped within Federal Reserve bank reserves](#), the absence of generalized inflation, "with households going ever deeper into debt" and "the economy's performance... mediocre at best", is scarcely surprising⁶¹⁸. Deregulated financial institutions, gifted vastly inflated and interest-bearing bank reserves,

together with access to the accumulating wealth of the top 5%, are free to indulge in bubble blowing, resulting in, as ^{CE} [Robert Shiller \(2013\)](#) put it,

..."a situation in which news of price increases spurs investor enthusiasm, which spreads by psychological contagion from person to person, in the process amplifying stories that might justify the price increase." This attracts "a larger and larger class of investors, who, despite doubts about the real value of the investment, are drawn to it partly through envy of others' successes and partly through a gambler's excitement."

Many who become enmeshed in such schemes are duped by often impressively connected and apparently 'professional', but under- or unregulated, financial advisers intent on ensnaring the unwary. Others are driven to it through despair of ever finding any other means of climbing out of the financial mire into which members of the increasingly disenfranchised lower 95% too often find themselves⁶¹⁹.

As Jefferson put it "they have divided their nations into two classes, wolves and sheep".

Sridhar Natarajan has described the 2018 consequences as a global proliferation of extreme wealth has provided private banks with a lucrative target population, bypassing and sidelining those who have already lost almost everything:

A global proliferation of extreme wealth over the past decade is providing banks with opportunities to land new clients. That's helped Goldman Sachs's private-banking arm -- long dwarfed by units at firms including Morgan Stanley, Bank of America Corp. and JPMorgan Chase & Co. -- win lucrative business in recent years.

"The world seems to be growing rich people faster than we can grow advisers to cover them," Chief Executive Officer ^{CE} [Lloyd Blankfein told investors](#) in February. The firm has about 700 private-wealth advisers, each generating an average of \$4.5 million of revenue, he said.

The private wealth management unit works with individuals, families, foundations and endowments who typically entrust more than \$40 million with the firm. It falls under the investment-management division, which also includes Goldman Sachs Asset Management....

Goldman Sachs had \$458 billion of assets from high-net-worth individuals at the end of 2017. Rivals Morgan Stanley and Bank of America, which target a wider swath of clients, both have more than \$2 trillion.

(Sridhar Natarajan, ^{CE} [Goldman Taps John Mallory to Head Unit Targeting America's Super-Rich](#), *Bloomberg*, April 24, 2018)

When conditions like these emerge, governments lose control of credit creation and distribution, leading to unsecured speculative investment bubbles, illusory wealth creation and, as the bubbles burst, further concentration of wealth in the hands of those who funded the bubbles.

Stable economic conditions and relatively full employment emerge when governments take their responsibilities seriously, ensure effective, socially responsible, economic regulation, and engage in credit redistribution to ensure real economic health and the well-being of their populations.

It is, of course, inevitable that neoliberal economists and fellow travelers will develop 'explanations' which flow from their ideological presumptions to justify 'free trade', globalization and the presumed reality of Adam Smith's "invisible hand": where deregulated, internationalized free markets inevitably, and in a timely manner, 'self-correct'. The result, however, is a world in which fewer and fewer persons and corporations concentrate the wealth of the society - a world where 'economic health' requires 'bubbles'; where, as Paul Krugman puts it, the 'normal state' of the economy is:

...one of mild depression, whose brief episodes of prosperity occur only thanks to bubbles and unsustainable borrowing.

'Unsustainable borrowing' is the *raison d'être* of bubble economies. [Those who fund bubbles seldom do so benignly](#). Bubbles are only truly profitable when the value of the foreclosed, discounted collateral of those induced to engage in 'unsustainable borrowing' is transferred to the lenders⁶²⁰.

Rebecca Burns, Michael Donley and Carmilla Manzanet (2014) have examined the consequences of the burst housing bubble in the US since 2008:

...Seeing a profitable opening in the wake of the foreclosure crisis, investment groups have worked diligently to bring a "rentership society" into being. During the past two years, investors have bought approximately 200,000 single-family homes, mostly foreclosures, in urban areas nationwide, with plans to convert them into rental properties. In Atlanta, one such investment group purchased 1,400 homes on a single day in April of last year.

This investor-led feeding frenzy has sent home sales and prices rising again, leading some commentators to hail a "robust housing recovery." But it's one that's happening largely without homeowners.

...Long a *bête noire* for progressive activists because of its history of buying out troubled companies and then shipping jobs overseas, Blackstone began its foray into real estate in 2012, when it created a subsidiary called Invitation Homes to purchase and manage single-family rental homes. Invitation Homes has since become the largest owner of single-family homes in the United States, spending more than \$7 billion to gobble up 41,000 properties.

...Blackstone is backed by a host of companies that bear direct responsibility for the foreclosure crisis, including Morgan Stanley, CitiBank and Bank of America. After first making money from the housing bubble that crashed the economy, then benefitting from the federal bailout, banks and investors now stand ready to profit all over again by cleaning up the mess they made.

(Rebecca Burns, Michael Donley & Carmilla Manzanet, [Game of Homes: The private-equity firm Blackstone could be your next landlord](#), *In These Times* and The Institute For Public Affairs, March 31, 2014)

The performance of the poorly regulated 'Hedge Funds' industry over the past several decades provides a salutary example of similar activity. Greg Fisher (2012), reviewing Simon Lack's *The Hedge Fund Mirage* (John Wiley & Sons, 2012), summarized Lack's examination of Hedge Fund performance:

Lack estimates that from 1998-2010 investors collectively lost \$308 billion in hedge funds while the industry earned fees of \$324 billion.

As he concluded:

...One wonders why the assets continue to flow in. Here's how the book begins: "If all the money that's ever been invested in hedge funds had been put in treasury bills instead, the results would have been twice as good."

...Lack is an industry insider, having spent a career at JPMorgan, where he helped to allocate more than \$1 billion to hedge funds and to seed emerging hedge fund managers. Immersed in the industry, he eventually came to the conclusion that: "While the hedge fund industry has generated fabulous wealth and created many fortunes, it has largely done so for itself." ... "Star-struck investors have too often equated enormous financial success amongst managers with high returns for clients... Faulty or weak analysis, performance chasing, shortage of skepticism, and a desire to be associated with winners without proper regard for terms have all caused the sorry result."

(Gregg S. Fisher, ^{CE} [Chasing the Mirage of Hedge Fund Returns](#), *Forbes*, Personal Finance, 1/23/2012)

Les Leopold has summed up the rewards obtained by those who engage in such 'financial strip mining':

...[T]he true robber barons run hedge funds and private equity companies. They make billions, not millions, and they do it not by running businesses, but by siphoning wealth away from companies, consumers, students and governments.

...Hedge funds and their close cousins - private equity firms and the proprietary trading desks at large banks - are financial strip miners. Rather than create new products and services, they tear wealth away from the real economy...

(Les Leopold, ^{CE} [Studies of Bloated CEO Pay Miss the Fattest Cats in America](#), *Moyers & Company*, April 21, 2014)

Such predator-friendly, roller-coaster conditions arise as capitalist societies devolve from democratic to plutocratic organization. In well regulated democratically organized capitalist societies, bubbles are anomalies!

For more on this see: [The post-1970s erosion of bank regulation which ultimately led to the 2007-9 crisis](#)

The Nature of Taxation in Democratically Organized Capitalist Nations

{S} (10/12/16) Too much [government 'debt'](#) can, amongst other things, result in various forms of price inflation and in a crisis in confidence as to the 'real worth' of money. So, in the long run, government cannot simply continue to issue credit indefinitely. It must, over time, balance credit availability with desired levels of economic activity and public confidence in the 'value' of credit. Amongst the controls through which it achieves these ends is taxation.

{S} (06/04/17) Since government must maintain a balance between availability of credit for economic activity of various kinds, and confidence in the value

of money, it must keep control of the money supply and should only tax or 'rein in expenditure' to *pay down its deficit* if it wants to regulate the growth of economic activity⁶²¹. Such measures withdraw credit from the economy and result in consequent economic contraction. However, it is simplistic to merely equate 'taxation' with deflation and economic contraction.

{§} (03/06/16){§} (16/09/17) {§} (29/03/18){§} (08/04/18)

In democratically organized capitalist societies, taxation is not simply about withdrawing credit from the private sector (and it is *not about 'raising revenue'*). It is, far more importantly, about [ensuring an equitable redistribution of wealth](#) through the society: quite literally taking from the rich and redistributing the wealth through the society to ensure continued credit circulation and consequent 'economic health'.

Franklin Roosevelt, in a 1936 speech, put it clearly:

...One sure way to determine the social conscience of a Government is to examine the way taxes are collected and how they are spent. And one sure way to determine the social conscience of an individual is to get his tax-reaction.

Taxes, after all, are the dues that we pay for the privileges of membership in an organized society.

As society becomes more civilized, Government - national, State and local government - is called on to assume more obligations to its citizens. The privileges of membership in a civilized society have vastly increased in modern times. But I am afraid we have many who still do not recognize their advantages and want to avoid paying their dues...

Taxes are the price we all pay collectively to get those things done.

To divide fairly among the people the obligation to pay for these benefits has been a major part of our struggle to maintain democracy in America.

Ever since 1776 that struggle has been between two forces. On the one hand, there has been the vast majority of our citizens who believed that the benefits of democracy should be extended and who were willing to pay their fair share to extend them. On the other hand, there has been a small, but powerful group which has fought the extension of those benefits, because it did not want to pay a fair share of their cost.

That was the line-up in 1776. That is the line-up in this campaign. And I am confident that once more - in 1936 - democracy in taxation will win.

Here is my principle: Taxes shall be levied according to ability to pay. That is the only American principle.

(Franklin D. Roosevelt: "[Address at Worcester, Mass.](#)," October 21, 1936. Online by Gerhard Peters and John T. Woolley, The American Presidency Project)

{§} (19/09/17) The importance of both clearly legislated *public* welfare programs coupled with various processes of wealth redistribution in democratically organized capitalist societies cannot be too strongly stressed⁶²². As has been suggested elsewhere, [private philanthropy is not a](#)

reasonable substitute for publicly legislated and guaranteed social welfare programs and processes. Nor is it reasonable to leave equitable wealth redistribution to plutocratic largesse. As Fred Guerin explained,

A society that genuinely cares for its citizens' well-being has little need for manufactured, top-down charity because such a society builds institutions that democratically enable all citizens to participate in a shared commons, where no one need suffer the indignity of gross injustice, burdensome debt or soul-destroying poverty.

Bill Mitchell has clearly addressed these issues:

Neo-liberal economists have long endorsed a BIG [basic income guarantee] as a way of avoiding starvation in a world where they want charitable services to be privately supplied.

These economists hate collective solutions to social problems. Just read Milton Friedman's 1994 Introduction to F.A. Hayek's 50 Anniversary edition of *The Road to Serfdom* where he expressed disdain for the "growing intellectual support of collectivism" and suggests that the main game is to defeat any semblance of collective action (which he considers tantamount to socialism).

(Bill Mitchell, ^{CE} [A basic income guarantee is a neo-liberal strategy for serfdom without the work](#), *Billy Blog*, April 5, 2017)

{§} (16/04/18) Josh Bivens has cogently argued that there is a need for both a jobs guarantee and a universal basic income for those who need access to such income. Further, as he explains, both job guarantee programs and universal basic income programs should focus on the 'quality of life' not only afforded to those who rely on such programs but as a means of ensuring a minimum quality of life experience within the society. Here is a summary of his 'recommendations for creating jobs and economic security in the U.S.':

- **We need to maintain aggregate demand at levels consistent with macroeconomic full employment.** The most important task facing policymakers is ensuring that aggregate demand (spending by households, businesses, and governments) at the *national* level is high enough to support maximum sustainable levels of employment (or *macroeconomic full employment*). This aggregate demand management is the task of macroeconomic policy—specifically, fiscal, monetary, and exchange rate policies. If aggregate demand is too low, no other job creation strategy can work at scale until the shortfall is fixed.
- **We need to make sure the resulting job growth is widely shared.** Complementary policies should be enacted to ensure that the maximum sustainable level of aggregate demand nationally is spread as widely as possible across workers, regions, and communities.
 - To make a given level of aggregate demand as "job-intensive" as possible, policies aimed at reducing average hours of work should be pursued. Efforts to reduce working time include paid family and medical leave, paid vacations, allowing work-sharing subsidies in the unemployment insurance system, and preserving recent increases in the salary threshold below which hourly workers automatically qualify for overtime pay.

- To ensure that the maximum national level of aggregate demand is spread widely across regions and communities, we can use the strategic deployment of public investments like infrastructure, energy efficiency, and early child care and education. These investments are crucially important to undertake even if they result in no net new jobs at all. But their deployment can be prioritized in part based on their potential for creating jobs in communities that need them. In the jargon of macroeconomists, this means leaning more heavily on targeted fiscal policy and less on untargeted monetary policy to maintain nationally appropriate levels of aggregate demand.
- **We need to then address remaining stubborn pockets of unemployment through targeted policies and programs, including a “public option for employment.”** Once genuine full employment is achieved nationally, and once this national full employment is spread widely across the country through reduced work hours and increased public investments, there will still be pockets of unemployment remaining. To address these remaining unemployment hot spots, policymakers should begin building capacity to undertake the direct hiring of people for public service jobs that can serve as a “public option for employment.” The public-sector managerial capacity to do this at scale in the very near term is likely limited. A key priority should be building this managerial capacity up quickly.
- **We need to focus on boosting job *quality* as well as quantity.** Policymakers should focus on boosting job *quality* of both new and incumbent jobs as well as simply creating more jobs. The most widespread labor market problem facing U.S. workers is near-stagnant wage growth faced by the bottom 70 percent of workers over recent decades. Solving this job quality problem will require boosting the economic leverage and bargaining power of low- and moderate-wage workers through a range of policy interventions, from targeting macroeconomic full employment to modernized labor standards to rewriting the rules governing globalization.
- **We need to ensure that people’s basic economic security is not so tightly linked to their employment.** Finally, policymakers should aim to delink some key measures of economic security from employment. For example, health and retirement benefits can be expanded through existing social insurance models (say by expanding Social Security and Medicare) rather than remaining tightly linked to particular jobs.
(Josh Bivens, ^{CE} [Recommendations for creating jobs and economic security in the U.S.:](#) Making sense of debates about full employment, public investment, and public job creation, *Economic Policy Institute*, March 27, 2018)

These do, indeed, seem to be necessary elements of a genuine, quality-of-life-ensuring, social safety net in a truly democratic society. They need to be accompanied by effective means of taxation to ensure an equitable, ongoing redistribution of wealth through the society.⁶²³

We need, constantly, to remind ourselves that 'the economy' is not a separate, self-contained, autonomous environment, governed and defined by its own peculiar sets of 'natural laws'. Economic activity is *embedded* within the fabric of societies (it is *an aspect of social life*, the means by which human beings ensure their material wellbeing).

In consequence, any 'programs' designed to enhance the [infrastructures of capitalism](#) and/ or the wellbeing of individuals and communities should be seen not as *economic* programs but as elements of [The Commons](#) in capitalist societies, constrained and informed by all the tensions, ideological biases and flaws of social organization and interaction in such societies.

This is well illustrated in the various discussions and explanations of the virtues and flaws of such programs as ensuring a universal basic income (UBI) to all people - attempting to resolve the problem identified by Jesus in his observation that 'The poor you will always have with you' (^{CE} [Matthew 26:11](#) (NIV)) - or a universal jobs guarantee - attempting much the same result as envisaged by promoters of UBIs.

The problems associated with devising such programs informed a somewhat awkward discussion of the nature of a 'jobs guarantee', or, alternatively, of a 'universal basic income' program. This discussion was generated by a Bill Mitchell blog posting (April 4, 2018) entitled ^{CE} [Basic income guarantee progressives cosy up with the worst CEOs in the world](#).

As Mitchell commented in response to questioning by readers:

I started writing about the JG (buffer stocks) in 1978. I have written millions of words since and published lots of articles, books, and major consulting reports etc on the topic...

And yet, despite his attempts, one is left with the impression that Mitchell himself is more than a little uneasy about the solutions he envisages. He is clearly well aware of the problems/ contradictions involved in devising 'universal' programs for what are, essentially, grass-roots problems - best dealt with through what [Alexis de Tocqueville](#) called the '[principle of association](#)' within [democratically educated and empowered](#) local communities.

Pavlina Tcherneva has discussed all this in a Working Paper entitled *The Job Guarantee: Design, Jobs, and Implementation*. As she explains:

The job guarantee (JG) is a public option for jobs. It is a permanent, federally funded, and locally administered program that supplies voluntary employment opportunities on demand for all who are ready and willing to work at a living wage. While it is first and foremost a jobs program, it has the potential to be transformative by advancing the public purpose and improving working conditions, people's everyday lives, and the economy as a whole.

This working paper provides a blueprint for operationalizing the proposal. It addresses frequently asked questions and common concerns. It begins by outlining some of the core propositions in the existing literature that have motivated the JG proposal. These propositions suggest specific design and implementation features. (Some questions are answered in greater detail in appendix III). The paper presents the core objectives and expected benefits of the

program, and suggests an institutional structure, funding mechanism, and project design and administration....

The JG is first and foremost a program that provides decent jobs at decent pay, but it resides within a broader policy agenda. A comprehensive policy reform that aims to address income insecurity must incorporate other forms of nonwage income support. These would include expanding Social Security and Disability benefits, reducing the retirement age and working week, and instituting a federal-level paid family leave. Furthermore, while the JG will go a long way to reducing individual and household poverty, an anti-poverty agenda ought to also include a universal child allowance policy, universal childcare, free school lunches, and a public healthcare option, to name a few.

(Pavlina R. Tcherneva, ^{CE} [The Job Guarantee: Design, Jobs, and Implementation](#), *Levy Economics Institute of Bard College*, Working Paper No. 902, pp. 2, 8, April 2018)

This is, as she points out, a 2018 updating and expanded version of 'Franklin D. Roosevelt's call for an [Economic Bill of Rights](#)'. It includes far more than a simple Jobs Guarantee. It would require a revolutionary reorganization of capitalism focused, indeed, on 'government of the people *by the people*'. And, in order to ensure its success it would, of course, require a concurrent set of policies to ensure effective means of credit redistribution through time.

{§} (25/02/16) Unless democratic capitalist societies pursue effective redistributive policies, they inevitably, over time, devolve from democracy to plutocracy.

Using thermodynamic dissipative processes as an analogy, economic activity is the dissipation of credit over time. In order to avoid the inevitable [long-term entropic consequences of credit dissipation](#), the issuer of credit needs to be able to 'reset' credit distribution through time. This is usually accomplished through taxation (and other processes of revenue collection) and redistribution ⁶²⁴.

Beardsley Ruml, Chairman of the Federal Reserve Bank of New York in the latter stages of the Roosevelt Administration, addressed the post-New Deal understanding of the nature and purpose of taxation in an article entitled '^{CE} [Taxes For Revenue Are Obsolete](#) ' (^{CE} [American Affairs](#), April 1946). As Ruml explained:

What Taxes Are Really For

Federal taxes can be made to serve four principal purposes of a social and economic character. These purposes are:

1. As an instrument of fiscal policy to help stabilize the purchasing power of the dollar;
2. To express public policy in the distribution of wealth and of income, as in the case of the progressive income and estate taxes;
3. To express public policy in subsidizing or in penalizing various industries and economic groups;
4. To isolate and assess directly the costs of certain national benefits, such as highways and social security.

In the recent past, we have used our federal tax program consciously for each of these purposes. In serving these purposes, the tax program is a means to an end. The purposes themselves are matters of basic national policy which should be established, in the first instance, independently of any national tax program.

Among the policy questions with which we have to deal are these:

Do we want a dollar with reasonably stable purchasing power over the years?

Do we want greater equality of wealth and of income than would result from economic forces working alone?

Do we want to subsidize certain industries and certain economic groups?

Do we want the beneficiaries of certain federal activities to be aware of what they cost?

These questions are not tax questions; they are questions as to the kind of country we want and the kind of life we want to lead. The tax program should be a means to an agreed end. The tax program should be devised as an instrument, and it should be judged by how well it serves its purpose.

Since, as Ruml explained, taxes are not 'needed' in order to fund revenue raising, "the public purpose which is served should never be obscured in a tax program under the mask of raising revenue". Taxes should never be considered 'government income'. They serve two primary purposes: to maintain a stable monetary base and to redistribute credit through the society.

{§} (05/03/16) {§} (30/04/16) Governments should never shy away from 'wealth taxes'⁶²⁵. They are necessary to counter the inevitable long-term entropic consequences of credit dissipation, ensuring continued credit circulation and consequent 'economic health'.

Thomas Piketty and Emmanuel Saez (2013) provide a compelling case, with historical contextualization, for progressive inheritance, income and wealth taxes in democratically organized capitalist societies. As they summarize:

...We emphasize three main rationales for capital taxation.

First, the frontier between capital and labor income flows is often fuzzy, thereby lending support to a broad-based, comprehensive income tax.

Next, the very notions of income and consumption flows are difficult to define and measure for top wealth holders. Therefore the proper way to tax billionaires is a progressive wealth tax.

Finally, there are strong meritocratic reasons why we should tax inherited wealth more than earned income or self-made wealth (for which individuals can be held responsible, at least in part). This implies that the ideal fiscal system should also entail a progressive inheritance tax, in addition to progressive income and wealth taxes.

We then confront our prescriptions with historical experience. Although there are significant differences, in particular regarding the wealth tax, we argue that observed fiscal systems in modern democracies bear

important similarities with this ideal triptych.

(Thomas Piketty and Emmanuel Saez, ^{CE} [Rethinking capital and wealth taxation](#), September 17, 2013)

{§} (24/05/16) 'Tax and spend' is what governments do (or ought to do!). It is the primary means by which credit distribution is reset through time, countering the long-term entropic consequences of credit dissipation! This does not require 'big government'. It merely requires effective processes of redistribution ⁶²⁶. How that is achieved will always be determined by the secondary ideologies of those in power.

{§} (10/06/16) The equitable distribution of credit through any society requires both taxation and redistribution. Josh Biven has explained the problem in the US over the past forty years and suggested ways in which to address it:

...To put it simply, the rise in inequality has easily been the biggest factor driving underperformance of income growth for the bottom and middle. We define this underperformance in two ways in this paper. The first is essentially definitional - income growth for the bottom 90 percent of households that significantly lags economy-wide average growth (that is, slower growth than what the economy could have delivered to all households). That is, any increase in inequality should be seen as a potential economic policy failure. The second definition of underperformance is simply income growth for the bottom 90 percent that is significantly slower than what these households experienced in earlier economic eras....

Since the rise of inequality has been the biggest cause of disappointing income growth for the vast majority, reversing (or at least stopping) this rise in inequality is obviously key to accelerating future living standards' growth for this group. In short, an economic strategy that does not aim to explicitly confront inequality would severely shortchange the living standards of the vast majority. Given this, it is bizarre indeed to argue that policymakers should not make it a priority to reverse (or at least stop) recent decades' trends toward greater inequality.

Those arguing for ignoring distribution and focusing only on growth often claim (at least implicitly) that progressive redistribution and growth conflict, and that strategies aimed explicitly at progressively redistributing income will hamstring overall growth. In fact, recent economic history in the U.S. strongly indicates that it is regressive redistribution and growth that are in conflict; the package of policy changes that led to the rise in inequality did nothing to boost overall growth of the economy. Instead, as inequality rose, overall growth rates fell. In short, equity and efficiency are often not in conflict. And an ambitious agenda that restores economic power to the vast majority can make the economy grow both fairer and faster.

(Josh Bivens, ^{CE} [Progressive Redistribution Without Guilt: Using Policy to Shift Economic Power and Make U. S. Incomes Grow Fairer and Faster](#), *Economic Policy Institute*, Report 107762, June 9, 2016)

{§} (30/07/16) One of the important functions of government in democratically organized capitalist societies is [administration, development and maintenance of what, under feudalism, was termed 'the commons'](#). As capitalism has matured, more and more features of the physical, social and

intellectual realms have become recognized as commodities and, therefore, as being available for divestment to private individuals, to be 'profitably' developed. In the process, government responsibilities have been weakened and warped to individualized, self-interested ends.

Earlier in the Report Biven argues for well defined 'public' responsibilities of government and suggests some of the ways in which 'we can fix the problem':

How we can fix the problem: Income redistribution over the last few decades has been a zero-sum process, with gains at the top essentially coming straight out of the pockets of the bottom 90 percent of Americans. This zerosum dynamic means that intelligent policies - including but going way beyond smarter and fairer taxing and spending - can convert these lost potential gains for the bottom and middle into actual income increases without harming overall economic growth. We should:

- Use the levers of macroeconomic policy (monetary, fiscal, and exchange-rate policy) to target genuine full employment.
- Make investments that markets are not making - in early childhood education, infrastructure, school construction, energy efficiency, and public health care.
- Strengthen antitrust regulations and look for other opportunities to introduce competition to private markets, such as public options for health insurance and retirement savings.
- Reregulate many activities of the financial sector to squeeze out the activities that don't enhance productivity or create efficiency but simply enrich well-placed actors within finance. A financial transactions tax is the clearest example of a policy that can stop this income skimming.
- Enact climate-change mitigation measures - realizing that policies beyond simply increasing the market price of greenhouse gas emissions can play large and useful roles.
- Strengthen regulations and institutions that help shift bargaining leverage from capital-owners and corporate managers to low- and middle-income workers. Key examples include higher minimum wages and labor law reform that allows willing workers to join unions and bargain collectively.

In large part, the rhetoric which employs 'tax and spend' as a pejorative epithet, assumes that government should not be involved in the distribution and redistribution of credit: the 'free market' will sort it all out! Both history and an examination of models of trade dynamics provide fairly convincing evidence that it does not and cannot (see Thomas Piketty (Trans. Arthur Goldhammer) ^{CE} *Capital in the Twenty-First Century* (Harvard University Press, April 2014) for an historical examination of the reasons why deregulated 'free markets' *cannot* ensure the redistribution of credit through time). As Godley and Lavoie (2007a) explained:

a particular level of government expenditure relative to tax rates, and also relative to GDP, is essential if stable, noninflationary growth and full employment are to be achieved

(Wynne Godley and Marc Lavoie, [Ⓔ] *Fiscal Policy in a Stock-Flow Consistent (SFC) Model*, Levy Economics Institute Working Paper No. 494, April 2007a, p. 3).

{§} (10/11/17) Let's not buy into the currently common view that we should take advice on all this from those who have accumulated wealth and, of course, will determinedly and strenuously defend their 'right' to retain it ("it's mine I tell you...mine...mine...mine!!") - the path to plutocracy. ⁶²⁷

Robert Reich (2014) has summed up the consequences of governmental *failure to redistribute US national wealth* through the past several decades:

When billionaires supplant political parties, candidates are beholden directly to the billionaires. And if and when those candidates win election, the billionaires will be completely in charge.

(Robert Reich, [Ⓔ] *The New Billionaire Political Bosses*, March 25, 2014)

In this 21st century, the specter of elected democratic offices both bought and *perverted by plutocrats through 'lobbyists' and other surrogates* haunts Western democracies. Sadly, in a capitalist world, 'money talks'. It also *enables the subversion of true democracy*. Sam Pizzigati, describing yet another Wall Street banker's State gubernatorial campaign, summed it up:

Murphy may... prove to be an excellent governor who moves his state toward significantly greater equality. Or he may prove to be a blundering know-it-all whose incompetence discredits the progressive positions he now champions. Murphy's tenure, in other words, figures to be a crapshoot.

In a deeply unequal America, with wealth concentrated outrageously at our economic summit, we see these sorts of crapshoots all the time. We vote for mega millionaires who say the right things. We hope against hope they'll make these right things happen.

Voters shouldn't have to gamble like this. We need a more equal America. We need a mass movement that fights for one.

(Sam Pizzigati, [Ⓔ] *Have We Now Reached Peak Goldman Sachs?* Still another Wall Street banker is assuming a position of power in America's political firmament. Could this latest power grab have, for once, a happy ending? *Inequality: Blogging Our Great Divide*, November 09, 2017)

Conclusion

Without controls ensuring the distribution and redistribution of credit through society, wealth, in capitalist societies, tends, over time, to *concentrate in fewer and fewer hands*. Any government which abdicates responsibility for ensuring such redistribution is failing in its primary duty of care within a democratic capitalist system.

One of its most important responsibilities is to ensure that adequate credit is available to all sectors and actors within the society and that the wealth of the society is not concentrated and held in too few hands (however the term 'hands' might be defined).

So, with one hand, governments withdraw wealth from the private sector, and with the other, they 'spend' (or redistribute) a similar quantity of credit

to stimulate economic activity. The focuses of taxation (credit withdrawal) and spending reveal a great deal about the social priorities (and secondary ideologies) of those who control this redistribution.

All this has *nothing to do with 'socialism'!* Credit supply and redistribution are necessary functions of the administrators of credit within any society, whatever the locus of economic activity and control in that society.

Questions about the involvement of government in the normal economic life of any community are separate from *and should never be confused with* this primary responsibility of government for the supply and distribution of credit within the society. (This '[redistributive](#)' responsibility is not solely a feature of government within a capitalist society. It is a prime responsibility of any formal or informal system of leadership in communities.)

Chapter 11: Participatory Democracy: It is time to Reconstitute The Commons

The Interdependent, Informed Will of 'The People'

Elitist Elective Government

Participatory Democracy

Democracy is *not* a Spectator Sport


The Creation and Circulation of Credit in a capitalist democracy

Threat of the Profit-Driven Privatization of Government

Government: 'Of The People, By The People'

The Interdependent, Informed Will of 'The People' Where there is no Vision, 'The People' Perish

{§} (03/01/17){§} (18/02/17){§} (30/04/17){§} (22/06/17){§} (17/07/17) {§} (10/08/17){§}
(10/04/18){§} (16/07/18){§} (19/12/18)

{§} (30/12/18) No democracy can survive long if its citizens succumb to self-indulgent hedonism and ignorant disengagement from the public responsibilities of citizenship. As Roman rulers learned more than two thousand years ago, to disenfranchise citizens, engross them in  bread and circuses.

True democracy is a 'bottom-up' form of government. Government of the people, by the people, for the people presumes a 'people' who:

1. understand what it means to live in democratic communities and a democratic society;
2. have been educated to understand their responsibilities and the implications of their decisions/actions;
3. take their responsibilities seriously. And, equally importantly,
4. They must clearly understand both the [nature and logic of credit creation](#) and circulation in a democratic capitalist nation

{§} (08/03/17)

{§} (30/11/17) In a democratic state, the preparation of citizens for their duties of government cannot be left to 'private enterprise' ⁶²⁸. It must, by definition, be a central feature of 'The Commons'⁶²⁹ - freely available to all of its current and future citizens, and centrally focused not on 'careers' within the private realm but on the civic responsibilities of citizenship - at all levels.⁶³⁰

{§} (24/06/17) A comment on a blog posting entitled 'They Go Together: Freedom, Prosperity, and Big Government' on the blog site *Naked Capitalism* puts it in a nutshell:

This article reminds me of that most ideal and wonderful of all statements about what our government should be: the Preamble to the

Constitution:

"We the People of the United States, in Order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defence, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America."

We the People... .that's a pretty big government!

Do you see anything in the Preamble about the right to get filthy rich? Or perhaps protection of corporations at the expense of everything else? Or perhaps "Corporations are people too?"

I think the truth has been staring us in the face in this country all along but most of us have had the blinders of greed and self interest strapped onto us from a very early age....

([justanotherprogressive](#), April 28, 2017)

The site *Naked Capitalism* continues to serve as an important forum for many who increasingly recognize that 'democracy', in the early 21st century, is in urgent need of root and branch reformation. The [hollowed out shell of democratic government](#) has been hijacked by the descendants of 19th and early 20th century free-marketeers.

New Deal democracy has, [over the past sixty years and more](#) (much of my adult lifetime) been [quite consciously remodeled](#) to serve the interests of those who believe themselves to be the 'wealthy elite'. Newton Finn, in a comment on an essay by Peter Dorman, put it well:

There is much to be said for striving to understand the relatively recent history which has brought us to the current social/economic/environmental crisis, but there's also something to be said for a much longer view. Writing in the late 19th Century, delineating the pitfalls of capitalism and anticipating the global plutocracy looming in the distance, Edward Bellamy talked about "the rule of the rich," ⁶³¹ which had been in place since the demise of the early agrarian village. Whether as slaves of ancient empires, serfs of feudalism, or wage-slaves of capitalism, the impoverished many had served the interests of the wealthy few throughout recorded history, and the pattern of submission to wealth and its associated power had accordingly become deeply ingrained into human consciousness, as the way things simply are and are meant to be.

The only antidote to these millennia of social conditioning, Bellamy believed, was the idea of democracy, which had made a fitful appearance among the wealthy in ancient slave societies, but had really been born, albeit only partially and ideally, in the American Revolution. Read again the Preamble to the Declaration of Independence—give the words a liberal, living interpretation as opposed to a strict historical construction—and Bellamy's fundamental point becomes as self-evident as the sacred equality of all persons, the inherent rights which flow from this equality, and purpose of government as an instrument, created by the people, to secure that equality which both undergirds and expresses those inherent rights.

In short, the polar opposite, the mortal enemy, of the consummate "rule of the rich" which we now call neoliberalism, is democracy—not

the faux democracy we know today but full-blown democracy, which embraces not only the political arena but extends itself boldly into the crucial economic arena as well.

(Newton Finn, Comment on an essay by Peter Dorman, [Neoliberalism as Structure and Ideology](#), posted on the *Naked Capitalism* site by Yves Smith, December 29, 2018)

Participatory Democracy

{§} (15/04/17) Preparation of citizens for their duties of government is a prime responsibility of the State and it cannot be allowed to be [subverted to serve special interests](#). As [Franklin Roosevelt explained](#), echoing both Thomas Jefferson and Abraham Lincoln's Gettysburg Address,

the liberty of a democracy is not safe if the people tolerate the growth of private power to a point where it becomes stronger than their democratic state itself. That, in its essence, is Fascism - ownership of Government by an individual, by a group, or by any other controlling private power.

Thomas Jefferson put it in a nutshell:

I know no safe depository of the ultimate powers of the society but the people themselves; and if we think them not enlightened enough to exercise their control with a wholesome discretion, the remedy is not to take it from them but to inform their discretion by education. This is the true corrective of abuses of Constitutional power.

([Thomas Jefferson to William Charles Jarvis](#), September 28, 1820)

[Stephen Morris](#) summed it up, "Democracy is *not* about 'electing leaders'. That is elitist 'elective' government". This misunderstanding and subversion of bottom-up democracy is "the essential flaw in Popper's philosophy of Platonic Paternalism, the belief system embraced by Elites throughout the developed world."

As Popper explained of his 'theory of democracy':

Please note that this discounts the notion of rule by the people, and even of popular initiative. Both are replaced with the very different idea of *judgement by the people*.

(Karl Popper, 2000, *The Lessons of This Century*. London: Routledge, p. 72).⁶³²

[Bill Black](#) put it well:

Libertarians glorify von Hayek's bigoted glorification of elites as our moral superiors who have a right to rule and plunder our Nation. [Tyler Cowen](#) calls plutocracy and pervasive plunder a "hyper-meritocracy," but it is a rule by the most unethical for the most venal of purposes and it is the greatest enemy of merit and justice

Neil Gabler, summing up US President Trump's first year in the job, has illustrated Black's assertion⁶³³:

Trump is certainly an authoritarian, but he is more of a tinhorn dictator, a tiny, negligible man who, rather than inflating himself with the nation's grandeur, has managed to deflate the nation with his own insipidness. Thanks to him, America is now a banana republic...

Now she is hopelessly diminished — a wealthier version of the corrupt nations in the developing world that we used to ridicule. And we owe it all to Donald Trump for making America small again.

(Neil Gabler, [Ⓔ] [America the Banana Republic](#): Thanks to Trump the tinhorn dictator and those who elected him, this country is no longer a beacon of freedom, but a laughingstock, *Moyers & Company*, November 29, 2017)

Paul Krugman (long before President Trump loomed as an incredible presidential candidate in US politics) in a 2008 *New York Times* piece entitled 'OK, we are a banana republic' summed up the direction in which the nation was headed:

...[W]hat we now have is non-functional government in the face of a major crisis, because Congress includes a quorum of crazies and nobody trusts the White House an inch.

As a friend said last night, we've become a banana republic with nukes.

(Paul Krugman, [Ⓔ] [OK, we are a banana republic](#), *New York Times*, September 29, 2008)

{§} (26/02/17) Western states have lost the plot. [Education has been subverted](#) to preparing people, not for the duties of citizenship but for private purposes. In a democratic state, civic responsibilities must always take precedence over private responsibilities. As Alexis de Tocqueville (1835) explained of the early 19th century US communities he observed:

In no country in the world has the principle of association been more successfully used or applied to a greater multitude of objects than in America. Besides the permanent associations which are established by law under the names of townships, cities, and counties, a vast number of others are formed and maintained by the agency of private individuals...⁶³⁴

Democracy is *not* a Spectator Sport 🐼

{§} (14/03/17){§} (18/05/18)

{§} (23/10/18) The government of a 21st century democratic state is complex. None of us (including those venal 'hyper-meritocratic elites') is born with an ability to understand our responsibilities within that state. It is the responsibility of the state itself to ensure that understanding. It is the responsibility of every citizen to ensure that the way in which those state responsibilities are pursued is centrally focused on empowering all citizens and ensuring that they both understand and take their responsibilities seriously.⁶³⁵

{§} (06/03/17){§} (01/06/17) As has been said,

Democracy is not a spectator sport. If we don't participate in it, it ceases to be a democracy.

But, it does require all participants to understand the possibilities of/for involvement within their local, regional and national civic structures and their varied responsibilities within them if it is to be successful⁶³⁶. Thomas Jefferson, writing to George Wythe, put it clearly:

Preach, my dear Sir, a crusade against ignorance; establish and improve the law for educating the common people. Let our countrymen know that the people alone can protect us against these evils, and that the tax which will be paid for this purpose is not more than the thousandth part of what will be paid to kings, priests and nobles who will rise up among us if we leave the people in ignorance...

☞ (Letter from Thomas Jefferson to George Wythe, 13 August 1786)

Franklin Roosevelt explained his understanding of the 'paramount functions of the schools in a democracy':

Democracy cannot succeed unless those who express their choice are prepared to choose wisely. The real safeguard of democracy, therefore, is education. It has been well said that no system of government gives so much to the individual or exacts so much as a democracy.

Upon our educational system must largely depend the perpetuity of those institutions upon which our freedom and our security rest. To prepare each citizen to choose wisely and to enable him to choose freely are paramount functions of the schools in a democracy.

(Franklin D. Roosevelt: "☞ Message for American Education Week," September 27, 1938. Online by Gerhard Peters and John T. Woolley, *The American Presidency Project*)

Their education and training should predispose them to democratic activism, or, perhaps, more appropriately, as Al Giordano (2009) argued, to democratic *organizing*.⁶³⁷

{§} (09/06/16){§} (01/08/16){§} (02/01/17) One of the important functions of government in democratically organized capitalist societies is administration, development and maintenance of what, under feudalism, was termed 'the commons'. In non-capitalist societies the commons, as [Ganshof has suggested](#), were not *owned* by *anyone*. They were resources to which all 'free' persons were entitled, without any attempt to ascribe ownership.

{§} (19/04/17) This did not mean, as the simplistic 'tragedy of the commons' implies, that the commons were subjected to rampant competitive individualized exploitation. Rather, as [explained elsewhere](#), long-term utilization of the commons presumes communities organized in terms of an 'interdependent self', not an 'independent self' ⁶³⁸.

Of course, it was this presumption of common, 'interdependent' responsibility - which did not need to be legislated - which made it possible for Western Europeans to plant their flags on 'unclaimed' and 'unowned' territory and [pronounce ownership](#). It was this which [allowed them to proclaim Australia - and many other more heavily populated regions of the world - terra nullius](#) : unowned land (and, of course, resources).

The Creation and Circulation of Credit in a capitalist democracy 🐼

{§} (23/12/18)

{§} (13/01/19) Stripped down to its bare essentials, the creation and circulation of credit in a capitalist democracy starts with the funding of all public commons needs through [creation of credit by the central reserve authority](#). That credit, inevitably, will flow through to the private sector which will be

invigorated by the injection of the funds. And, as is the nature of private economic activity, that [credit will eventually pool within the 'top end of town'](#): in the coffers of major corporations and other private entities.

The only limitations on the funding of the credit requirements of public commons institutions, processes and activities are those of [resource availability](#) and the [will of government to take responsibility](#) for maintaining economic stability through [well-crafted taxation policies](#) which remove excess credit from the economy when it has fulfilled its varied purposes. Inevitably, this will require removing surplus credit from extreme accumulations of credit within the private realm.

As was true during the 1950s to early 1970s within most capitalist democracies, extreme wealth must be subject to extreme levels of taxation. Failure to take taxation responsibilities seriously will, as the world has witnessed since the 1970s, result in [absurd levels of wealth accumulation](#); the [curtailing of public credit creation](#); and the destabilization of both economies and communities ⁶³⁹.

As has been observed elsewhere, [with great power comes great responsibility](#). The citizens of a democratic capitalist nation need to fully understand the [nature and purpose of such taxation](#).

It was the failure of nations to adequately educate their citizens that led to successful plutocratic challenges to progressive taxation regimes as 'unfair' and penalizing the 'wealth creators' of capitalism. Of course, those 'wealth creators' are actually capitalism's arch credit accumulators and hoarders.

They are the ultimate beneficiaries (through [condensation](#)) of the public credit creation and public funding in which democratic governments engage while ensuring the wellbeing of communities and of the commons institutions, processes and activities funded and supported by government.

And, as is the wont of private 'wealth creators', they strongly believe that government has no right to be funding and developing communal institutions and services. Those are potentially lucrative sources of wealth for private sector 'owners' and should be divested to private individuals within the 'economy', to be 'profitably' developed.

[Threat of the Profit-Driven Privatization of Government](#)

{§} (31/07/16) The [division of the world into 'public' and 'private' spheres](#) is uniquely a capitalist enterprise. Everything has an 'owner' with *exclusive* rights to access and use. If one cannot determine a 'private', that is, non-public, owner then, by default it 'belongs' to the 'state': to the 'government'. But, since this is the default, and essentially 'pre-capitalist' state, the government merely holds custodial title until public ownership can be transferred to private entities.

{§} (18/08/16){§} (15/09/16) As capitalism has matured, more and more features of the physical, social and intellectual realms have become [recognized as commodities](#) and, therefore, available for divestment to private individuals within the 'economy', to be 'profitably' developed. It is this default capitalist need to convert anything and everything into money-making commodities - objects which can be exclusively exploited for profit by real or artificial individuals - which [enfeebles both social and political life](#) in Western democracies.

{§} (28/03/17) Once profit and loss reasoning is employed in the organization of communities or provision/ delivery of government services, "the natural tendency is to confiscate the budget for public goods and extort the captive population". The 'natural' focus of individualized, self-oriented capitalism is on meeting the independent, self-interested, accumulative 'needs and wants' of each interactant in social interactions. The '[natural' focus of interdependence](#)' is the other party in an interaction, rather than the independent needs and wants of the interactants.⁶⁴⁰

{§} (14/09/16) A focus on 'profit' drives, and justifies, the dismantling of both governmental responsibilities and the presumed obligation of people, as members of democratic communities, to accept ongoing responsibility for the organization and administration of community affairs through what de Tocqueville (1835) called the "principle of association".

{§} (13/09/16) True democracy [springs from 'the people'](#). It is, as Lincoln phrased it: "government of the people, by the people, for the people". As Alexis de Tocqueville explained:

In no country in the world has the principle of association been more successfully used or applied to a greater multitude of objects than in America. Besides the permanent associations which are established by law under the names of townships, cities, and counties, a vast number of others are formed and maintained by the agency of private individuals...

The citizen of the United States is taught from infancy to rely upon his own exertions in order to resist the evils and the difficulties of life; he looks upon the social authority with an eye of mistrust and anxiety, and he claims its assistance only when he is unable to do without it. This habit may be traced even in the schools, where the children in their games are wont to submit to rules which they have themselves established, and to punish misdemeanors which they have themselves defined. The same spirit pervades every act of social life. If a stoppage occurs in a thoroughfare and the circulation of vehicles is hindered, the neighbors immediately form themselves into a deliberative body; and this extemporaneous assembly gives rise to an executive power which remedies the inconvenience before anybody has thought of recurring to a pre-existing authority superior to that of the persons immediately concerned.

(Alexis de Tocqueville (1835), [Ⓔ] [Democracy in America](#) , Vol. 1, Ch. 12, 'Political Associations in the United States', quoted in Lambert Strether, [Ⓔ] [Clinton, Sanders, the American Principle of Association \(and Fascism\)](#), *Naked Capitalism*, July 27, 2016)

{§} (09/10/16) So long as capitalism is perceived as the unrestrained conversion of 'public assets' into *exclusive*, private, 'profitable', economic possessions, the *inclusive* social and political 'principle of association' will be diminished and [Roosevelt's claim](#) that "as society becomes more civilized, Government - national, State and local government - is called on to assume more obligations to its citizens" will not 'make sense'.

{§} (23/07/17){§} (29/12/17) Over the past half century, the drive to corporatization⁶⁴¹ and privatization has diminished Western democracies everywhere, but especially in the Western Anglosphere. Evan Jones (2015) vented his frustration at the myopic determination of Australian politicians to 'managerialise' and privatize the commonweal:

Trashing the public interest

The current crop of polities would rather destroy or sell off a public school or a public park than build one. The public heritage is merely a treasure chest to be plundered.

The dismantling of the vocational training system in Australia is representative of the parlous environment. The cynicism and myopia behind this dismantling – transparently strategic rather than accidental – is diabolical and a shocking indictment of the current political class.

The new era began with [Hawke-Keating federal labour](#). Did Prime Minister Bob Hawke and Treasurer Paul Keating know what they were doing?

... Managerialism? Codswallop. Although managing a sizeable public service is not easy, managerialism did not provide the answer. Politicising the senior executive service a mistake. Ditto contracting out. Contracting out involves not an economising of the public purse but rather the reverse — a legitimisation of carpetbaggers on the public teat. Ditto [public-private partnerships](#). (Note the "commercial in confidence" secrecy that has followed contracting out and public-private partnerships.) Ditto the corporatisation of public enterprises. All these procedures were sold on a variety of lies.

Then came uncritical privatisation. The public has never wanted it, but the public was not (and is not) asked its opinion nor its preferences. (Evan Jones, ^{CE} [Whence the Commonweal: The Rise of the Dunces](#), *Independent Australia*, 9 September, 2015)

Both 'new-left' and 'conservative-right' Australian politicians have indulged in the game. Both have displayed a readiness to subject the nation to neoliberal 'managerialism' and privatization. As Jones put it:

The majority of the current crop of people in political office know no history and have no concept of "the public interest". They are either in it for the personal privileges or are there as flunkies for powerful selective interests....

{§} (05/01/17) There has to be a redefinition of 'government' as a 'bottom up' expression of the interdependent will of 'the people'⁶⁴². As J. D. Alt has suggested:

... [T]he primary purpose of the state, the strategic mission of the federal government, is to empower the basic units of our social fabric: our households, communities, and local economies. Big businesses and corporations can take care of themselves, and have much to offer and contribute - but it is only by nurturing the health and vigor of the basic units of our society that we can, in fact, create a more perfect union. And this is not a task that big business, pursuing corporate profits, is disposed or interested in undertaking.

Is this position anti-corporate? Am I anti-big business? Only a fool would think or say so. American corporations and businesses which are producing real goods and services - and more power to them - require for their success, above all else, customers with the means to buy those goods and services. And who are those customers? They cannot be any other than the basic units of the social fabric we've been talking about: our households, communities, and local economies.

This is why we are fooling ourselves if we believe that we, as a sovereign nation, cannot or should not pay our households and communities to undertake the things they need to accomplish. And why should we severely limit that support because politicians and economic pundits tell us there isn't "enough money" - when, in fact, our Federal Reserve system creates, out of thin air, trillions of dollars every year to make good the profits of our capitalist system?

Yes! It's true! Where do you think the dollars come from when, at the end of every business day, America's bank accounts are bigger than the day before? Why should we not use that same ability to create money for the "social profits" that will come if we pay our local communities to create the services and infrastructures they need? If we create dollars, at the bat of an eye, to pay for the profits of the car industry, why shouldn't we create dollars to pay towns and neighborhoods to provide their children with pre-school learning and day-care centers?

If we create dollars to pay for the profits of a middle and upper-class house-building industry, why shouldn't we create dollars to pay local communities to build the affordable housing needed by families still trying to climb the economic ladder? All of these payments - profit-making AND not profit-making - accomplish the same thing: they pay people wages to produce particular goods and services that other people need. Why, then, do we say that one is good and the other bad? One is possible and the other is not? Why do we limit ourselves, as a sovereign democracy, to creating money ONLY for those goods and services that generate a profit?

(J. D. Alt, ^{CE} [The Charade](#), *New Economic Perspectives*, September 12, 2016)

This will give both legitimacy and [necessary support](#) to continuing, grass-roots, *public* responsibility for the [commonweal](#) ; the '[development](#)' of well defined '[public](#)' responsibilities which *cannot*, by definition, be transferred to private entities.

Bill Mitchell, in the blog posting below, has elaborated on similar themes (see also this discussion: ^{CE} [Performing artists bear the brunt of austerity under neo-liberalism](#) (January 4, 2017)).

I do, however, question his suggestion that such community development projects and activities should be funded 'at a minimum wage'. As he cogently argues, *these should not be seen* as 'make-work' jobs, to be displaced at the soonest possible time with 'real work'. Such activities are the stuff of healthy, active democratic communities which contribute primarily to the commonweal rather than profit-driven private enterprise.

I would also question the [designation of such activity as 'work'](#). It seems important that democratic capitalist communities should learn to clearly

distinguish between activity aimed at ensuring the commonweal and activity aimed at ensuring profitable private enterprise ('gainful employment')⁶⁴³:

... [D]uring the Great Depression, US President Roosevelt's New Deal was introduced as the private sector was in full-scale retreat from job creation. The Public Works Administration (PWA), which was part of the New Deal, created hundreds of thousands of jobs and the work helped restore ageing public infrastructure (such as, roads, dams and bridges).

Many new buildings were constructed during this period (schools, recreational spaces, libraries, hospitals), which have delivered benefits to the generations that followed.

Harry Kelber (2008) wrote that the WPA meant that:

Thousands of unemployed writers, actors, musicians and painters were given an opportunity to earn a modest livelihood from their artistic talents ... and to enrich the lives of countless culturally-deprived citizens. The productions of the WPA Theater Project, for example, entertained a phenomenal audience totaling 60 million people, a great many who had never before seen a play.

(Kelber, H. (2008) '☞ [How the New Deal Created Millions of Jobs To Lift the American People from Depression](#)', *The Labor Educator*, May 9, 2008)

The Tennessee Valley Authority was a huge hydro-electricity project introduced during this period and brought electricity and prosperity to some of the poorest rural areas of the US.

At the time, Kelber (2008) notes that the private electricity providers stridently opposed the challenge to their monopoly control. The upshot was that the project forced them to reduce their power charges.

In general, the dynamism of the public sector at that time caused huge outcries from the capitalists who didn't want challenges to their cosy profit making industries from public sector enterprise.

But societal well-being was unambiguously advanced.

There are many other examples of public sector job creation outcomes that have left valuable legacies over the years across many countries.

(Bill Mitchell, ☞ [Work is important for human well-being](#), *Billy Blog*, September 14, 2016)

It is through the development of vibrant, interdependently oriented communities that Hardin's (1968) *simplistic* '☞ [tragedy of the commons](#)' must be neutered as a free-market capitalist argument for the privatization of 'the commons'.

Unless that happens, Western individuals, ideologically committed to living in a free-market capitalist world, will continue to argue for the transfer of government assets into the private realm and democratic capitalist societies will, inevitably, over time, [devolve from democracy to plutocracy](#).

Chapter 12:

The US President, Pentagon and the Military Industrial Complex

Introduction: US Discretionary Spending Foci

Short-circuiting Political Safeguards Against Impulsive War Making
Prosecuted by Unaccountable 'War Heroes'

Expediency as Morality: Means limited only by Ends

Nations Without Moral Compasses: Adrift in Dangerous Times

A Cold, Calculated Determination To Ensure Overwhelming Military
Supremacy

The Potential for the Disastrous Rise of Misplaced Power Exists and
Will Persist

An Orwellian 'Newspeak' World

{§} (25/02/18) {§} (03/04/18) {§} (06/04/18)

- ★ US military spending accounts for more than 50 percent of all federal discretionary spending.
- ★ Responsibility for political oversight of military authorities and activities in the United States has, over the past half-century, been progressively 'streamlined', short-circuiting long-established political safeguards against the possibility of impulsive war making.
- ★ In the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. (Eisenhower (1961))
- ★ The madness of the Cold War policy of 'mutually assured destruction' has, in this 21st century, mutated in the US into a cold, calculated determination to ensure overwhelming military supremacy.
- ★ President Trump, elected US pitchman for Western armaments factories: A multi-billion-dollar arms deal...: "Tremendous investments in the United States."⁶⁴⁴
- ★ Countries in the richest quintile of world population appear to have accounted for about 97% of world arms exports and about 65% of world arms imports.
- ★ Countries in the most democratic quintile of world population appear to have accounted for 92% of world arms exports and about 54% of world arms imports. The most democratic quintile was **the only degree-of-democracy quintile with a positive arms trade balance.**
(US Department of State, ^{CE} World Military Expenditures and Arms Transfers 2017)
- ★ In this brave new borderless world, Western forces, armed and funded as never before, are supported by a Western-based 'intelligence', 'surveillance' and military industrial complex which are unaudited; out of control; and justifying their burgeoning power through seeking out

and dealing with presumptuously pronounced threats to 'freedom' and 'democracy' around the world.

- ★ Some 1,271 government organizations and 1,931 private companies working on programs related to counterterrorism, homeland security and intelligence exist in about 10,000 locations across the United States.
- ★ We live in an Orwellian 'Newspeak' world. US (and other Western) main stream media (MSM) continue to play their part in promoting and then air-brushing Western military activity, ambitions and consequences.

Introduction: US Discretionary Spending Foci 🇺🇸

{§} (18/02/18){§} (22/02/18){§} (10/03/18){§} (03/12/18){§} (15/12/18)

{§} (05/01/19) The [budgetary focus of a democratic capitalist nation](#) reveals the true priorities and intentions of that nation. As the second decade of the 21st century draws to a close, what are the budgetary priorities of Western capitalist nations?

The budgetary foci of the United States of America should concern all people who value [government of the people, by the people, for the people](#). In 2018, its discretionary spending priorities, in dollar values, overwhelmingly focus on its military and 'defense' capabilities and activities. Not only does it spend more than 50 percent of its discretionary budget on its military⁶⁴⁵, it has, additionally, committed itself to an upgrading and refocusing of its nuclear capabilities at a cost of more than \$40 billion a year for the next three decades.

The US Department of Energy's National Nuclear Security Administration (NNSA) provided a justificatory explanation of its priorities and plans over the next thirty years. In its ^{CE} [Fiscal Year 2018 Stockpile Stewardship and Management Plan](#) (SSMP), it describes its plans to "ensure the safety, security, and effectiveness of the U.S. nuclear stockpile and to maintain the scientific and engineering tools, capabilities, and infrastructure that underpin the nuclear security enterprise". ⁶⁴⁶

William Broad and David Sangerjan, in a 2016 *New York Times* article, summed up the proposed developments:

...[W]hile the North Koreans have been thinking big — claiming to have built a hydrogen bomb, a boast that experts dismiss as wildly exaggerated — the Energy Department and the Pentagon have been readying a line of weapons that head in the opposite direction.

The build-it-smaller approach has set off a philosophical clash among those in Washington who think about the unthinkable.

...The explosive innards of the revitalized weapons may not be entirely new, they argue, but the smaller yields and better targeting can make the arms more tempting to use — even to use first, rather than in retaliation.

Gen. James E. Cartwright, a retired vice chairman of the Joint Chiefs of Staff who was among Mr. Obama's most influential nuclear strategists, said he backed the upgrades because precise targeting allowed the

United States to hold fewer weapons. But "what going smaller does," he acknowledged, "is to make the weapon more thinkable."

...The B61 Model 12, the bomb flight-tested last year in Nevada, is the first of five new warhead types planned as part of an atomic revitalization estimated to cost up to \$1 trillion over three decades. As a family, the weapons and their delivery systems move toward the small, the stealthy and the precise.

(William J. Broad and David E. Sangerjan, ^{CE} [As U.S. Modernizes Nuclear Weapons, 'Smaller' Leaves Some Uneasy](#), *New York Times*, January 11, 2016)

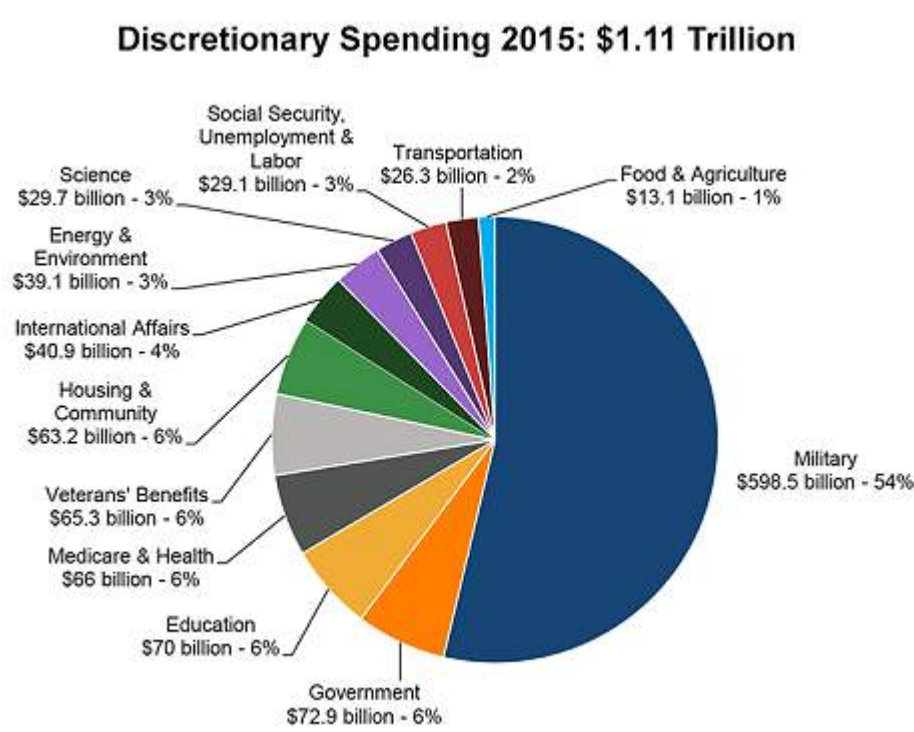
{S} (28/03/16){S} (26/07/16){S} (10/09/16)

{S} (03/11/17) 'A strange new military has emerged in the United States. Think of it, if you will, as a post-democratic force that prides itself on its warrior ethos rather than the old-fashioned citizen-soldier ideal. As such, it's a military increasingly divorced from the people, with a way of life ever more foreign to most Americans (adulatory as they may feel toward its troops). Abroad, it's now regularly put to purposes foreign to any traditional idea of national defense' (William Astore, March 22, 2016).

{S} (29/07/16){S} (06/08/16) As Eisenhower explained in 1960: "The total influence [of that Military-Industrial Complex] - economic, political, even spiritual - is felt in every city, every State house, every office of the Federal government"⁶⁴⁷.

{S} (07/08/16) The website ^{CE} [National Priorities Project](#) has illustrated the degree to which, to the present, 'defense' dominates and justifies federal budgetary spending in the United States - which, in its own mind, has, for more than half a century, been 'a nation under foreign threat':

In fiscal year 2015, military spending is projected to account for 54 percent of all federal discretionary spending, a total of \$598.5 billion.



{§} (09/09/16){§} (16/05/17){§} (19/05/17) Now, the US Military-Industrial Complex is being funded as no other military has been funded in Western history (eclipsing the combined funding of the [next nine nations in the world](#))

Neta Crawford has spelt out US 'war on terror' costs over the past 18 years in a report subtitled 'A Summary of the \$5.6 Trillion in Costs for the US Wars in Iraq, Syria, Afghanistan and Pakistan, and Post-9/11 Veterans Care and Homeland Security':

As of late September 2017, the United States wars in Iraq, Afghanistan, Pakistan and Syria and the additional spending on Homeland Security, and the Departments of Defense and Veterans Affairs since the 9/11 attacks totaled more than \$4.3 trillion in current dollars through FY2017. Adding likely costs for FY2018 and estimated future spending on veterans, the costs of war total more than \$5.6 trillion.,,

(Neta C. Crawford, [Ⓔ] [Costs of War](#), Watson Institute, Brown University, November 2017)

Lest it be imagined that the US Military Industrial Complex is a careful steward of such astronomical sums, Idrees Ali and Mike Stone, in a *Reuters* report, put that delusion to rest ⁶⁴⁸:

The Pentagon has failed what is being called its first-ever comprehensive audit, a senior official said on Thursday, finding U.S. Defense Department accounting discrepancies that could take years to resolve.

Results of the inspection - conducted by some 1,200 auditors and examining financial accounting on a wide range of spending including on weapons systems, military personnel and property - were expected to be completed later in the day.

"We failed the audit, but we never expected to pass it," Deputy Secretary of Defense Patrick Shanahan told reporters, adding that the findings showed the need for greater discipline in financial matters within the Pentagon.

(Ali and Mike Stone, Pentagon fails its first-ever audit, official says, *Reuters*, November 16, 2018)

Short-circuiting Political Safeguards Against Impulsive War Making Prosecuted by Unaccountable 'War Heroes'

{§} (05/11/17) {§} (15/04/18){§} (05/05/18){§} (06/09/18){§} (16/09/18){§} (20/09/18){§}
(18/10/18){§} (30/10/18)

{§} (03/11/18) Presumptuous hubris has, over the past half century and more, become the hallmark of US presidential foreign policy. None demonstrate this more clearly than Donald Trump. But, he is [not unique in his impetuous presumption](#) of the right to extend his powers beyond those ceded to past Presidents⁶⁴⁹ by the US Congress under the 'authorizations for use of military force (AUMF)'.

From the 1950s attacks on Vietnam and surrounding territories, this has, for US presidents, included unauthorized presumptuous [bombing raids on targets](#) in other sovereign nations.⁶⁵⁰

Apparently all Trump needed to justify his actions in 2018 were 'media reports' in the Main Stream Media ⁶⁵¹. No need for Congressional approval or 'scientific evidence', he heard it in the media! Carol Morello, Anne Gearan and Missy Ryan explain the results well:

President Trump declared victory Saturday in the largest application of military force he has ordered, as the U.S. ambassador to the United Nations vowed that the United States is ready to launch another strike if the Syrian government uses chemical weapons in the future.

"Mission Accomplished!" Trump tweeted a day after the allied assault on Syrian facilities that the United States, Britain and France say are part of a large chemical weapons program. The phrase was the same one the last Republican president, George W. Bush, employed to his regret in 2003, when the Iraq War was far from over.

"I spoke to the president this morning, and he said, 'If the Syrian regime uses this poisonous gas again, the United States is locked and loaded,' " U.N. Ambassador Nikki Haley said at an emergency Security Council meeting called by Russia, the Syrian government's most powerful ally.

"When our president draws a red line, our president enforces the red line," she added.

(Carol Morello, Anne Gearan and Missy Ryan, ^{CE} [President Trump declares victory as Pentagon details U.S.-led strikes in Syria](#), *The Washington Post*, April 14, 2018)

Responsibility for political oversight of military authorities and activities in the United States has, over the past half-century, been progressively 'streamlined', short-circuiting long-established political safeguards against the possibility of impulsive war making. [Rebecca Gordon](#) has described the process:

During the second half of the 20th century, Congress repeatedly ceded its constitutional power to declare war to successive executive administrations....

From Vietnam to Central America, Kosovo, Afghanistan, Iraq, Syria, Yemen, Somalia, Libya, Kenya, Cameroon, Uganda, South Sudan, Democratic Republic of Congo, Central African Republic, Djibouti, Niger..., the Western world has found itself drawn into ill-considered, poorly justified, and increasingly impetuous war-making. US executive administrations have used those ceded powers to embroil 'Coalitions of the Willing' in 'years of fruitless wars, most now "generational" conflicts with no end in sight', which have encouraged the creation and spread of terror groups and the disintegration of order across significant parts of the planet.

{§} (19/06/17){§} (30/07/17) The next step in the empowerment of that Western military industrial complex has now been taken. In 2017, the US has moved another step closer to abdication of the principle of political responsibility for military activity⁶⁵². President Trump has:

...outsourced the decision on how to proceed militarily in Afghanistan to the Pentagon, a startling break with how former President Barack Obama and many of his predecessors handled the anguished task of sending Americans into foreign conflicts.

Marjorie Cohn has described the 2017 maneuverings of President Trump's appointees to further expand presidential power to wage war:

Defense Secretary James Mattis and Secretary of State Rex Tillerson told the Senate Foreign Relations Committee on October 30 that the Trump administration has all the legal authority it needs to kill people anywhere in the world. But just in case Congress wishes to update its old Authorization for the Use of Military Force (AUMF), Mattis and Tillerson told them how to do it: Write a blank check to the president. (Marjorie Cohn, ^{CE} [Mattis, Tillerson Want Blank Check to Wage Illegal War](#), *Truthout*, November 04, 2017)

In 2018, the US president, Donald Trump, has acted on presumption of that 'blank check'.

Marjorie Cohn, in a closely reasoned essay entitled '^{CE} [Trump Sets Deadly Precedent by Hiding Rationale for Bombing Syria](#)' (*Truth-Out*, Wednesday, February 21, 2018) has outlined Trump's presumption of the right to extend his powers beyond those ceded to past Presidents by the US Congress under the 'authorizations for use of military force (AUMF)' to include unauthorized presumptuous bombing raids on targets in other sovereign nations.

With little apparent objection from Congress, Trump has assumed the right to attack other nations without any other authorization than 'the president's authority as Commander in Chief and Chief Executive under Article II of the Constitution "to defend important U.S. national interests."' In 2018, President Trump and his administration are already invoking that 'blank check' which Mattis and Tillerson requested from Congress.

Danny Sjrursen has explained it well:

The Dangerous Evolution of Article II of the Constitution

When you get right down to it, all the debate over AUMFs is little more than a charade. It hardly matters whether Congress ever updates that post-9/11 document. When, for instance, President Trump recently sent missiles soaring against the Assad regime in response to an alleged chemical attack on a suburb of Damascus, neither he nor his advisers even bothered to suggest that the strike fell under that AUMF. Instead, they simply claimed that Trump was exercising his presidential prerogative under ^{CE} [Article II, Section 2, of the Constitution](#), which makes him commander-in-chief.

(Danny Sjrursen, ^{CE} [War and the Imperial Presidency: Congress Offers a Bipartisan Blank Check to Donald Trump](#), *Tom Dispatch*, May 3, 2018)

Nick Turse has summarized US war-making over the past half century:

...[T]he United States has not won a major conflict since 1945; has a trillion-dollar national security budget; has had 17 military commanders in the last 17 years in Afghanistan, a country plagued by 23,744 "security incidents" (the most ever recorded) in 2017 alone; has spent around \$3 trillion, primarily on that war and the rest of the war on terror, including the ongoing conflict in Iraq, which then-defense secretary Donald Rumsfeld swore, in 2002, would be over in only "five days or five weeks or five months," but where approximately

5,000 U.S. troops remain today; and yet 74% of the American people still express high confidence in the U.S. military.

Let the math and the implications wash over you for a moment. Such a calculus definitively disproves the notion that “the conventional army loses if it does not win.” It also helps answer the question of victory in the war on terror. It turns out that the U.S. military, whose budget and influence in Washington have only grown in these years, now wins simply by not losing — a multi-trillion-dollar conventional army held to the standards of success once applied only to under-armed, under-funded guerilla groups.

Unlike in the Vietnam War years, three presidents and the Pentagon, unbothered by fiscal constraints, substantive congressional opposition, or a significant antiwar movement, have been effectively pursuing this strategy, which requires nothing more than a steady supply of troops, contractors, and other assorted camp followers; an endless parade of Senate-sanctioned commanders; and an annual outlay of hundreds of billions of dollars. By these standards, Donald Trump’s open-ended, timetable-free “Strategy in Afghanistan and South Asia” may prove to be the winningest war plan ever. As he described it:

“From now on, victory will have a clear definition: attacking our enemies, obliterating ISIS, crushing al-Qaeda, preventing the Taliban from taking over Afghanistan, and stopping mass terror attacks against America before they emerge.”

Think about that for a moment. Victory’s definition begins with “attacking our enemies” and ends with the prevention of possible terror attacks. Let me reiterate: “victory” is defined as “attacking our enemies.” Under President Trump’s strategy, it seems, every time the U.S. bombs or shells or shoots at a member of one of those 20-plus terror groups in Afghanistan, the U.S. is winning or, perhaps, has won. And this strategy is not specifically Afghan-centric. It can easily be applied to American warzones in the Middle East and Africa — anywhere, really.

Decades after the end of the Vietnam War, the U.S. military has finally solved the conundrum of how to “out-guerrilla the guerrilla.” And it couldn’t have been simpler. You just adopt the same definition of victory. As a result, a conventional army — at least the U.S. military — now loses only if it stops fighting. So long as unaccountable commanders wage benchmark-free wars without congressional constraint, the United States simply cannot lose...

(Nick Turse, ^{CE} [The U.S. Military is Winning. No, Really, It Is! A Simple Equation Proves That the U.S. Armed Forces Have Triumphed in the War on Terror](#), *TomDispatch*, September 4, 2018)

Expediency as Morality: Means limited only by Ends Nations Without Moral Compasses: Adrift in Dangerous Times 🇺🇸

{§} (07/01/19){§} (11/01/19) Not only does the US now have 'unaccountable commanders', it has insisted that members of the US military and CIA personnel are beyond the reach of international prosecutors.

President Trump (September 10, 2018) threatened to ban ICC judges and prosecutors from entering the United States, sanction their funds in the

United States financial system, and, prosecute them in the United States criminal system if they formally open an investigation into US war crimes.

Bolton, Trump's national security advisor, has claimed that

The ICC [International Criminal Court] constitutes a direct assault on the concept of national sovereignty, especially that of constitutional, representative governments like the United States.

As former Secretary of State [Condoleezza Rice](#) and President Barack Obama (amongst others) have explained, America and all that it does in the world is a reflection of the fact that the US is "on the right side of history".

Geoffrey Aronson has explained the mindset well:

America observes the world from the relative safety of its faraway shores and sees conflicts shaded in black or white. The complex and nuanced ambiguities that define all conflicts are avoided, if not denied outright. Far easier to man the battlements, when, as US President Barack Obama is fond of saying, America and all that it does in the world is a reflection of the fact that the US is "on the right side of history".

Moral clarity is the rule - for the American public and policymakers alike - an easy and clean divide between good guys and bad guys. In my youth it was a backyard game of cowboys versus Indians, or the real battles pitting nasty Communists, whether in Cuba, Moscow, or Vietnam, against true-blue Americans and their trustworthy allies.

Who then are today's outliers, those who have lost history's coin toss?...

What happens... when the moral clarity that Americans crave is itself a mirage?

Dividing the world into good guys and bad guys makes it easier to pick a winner and mobilise popular and military support for its victory - Syria being the most recent case in point.

But is this the best way to understand how the world really works, let alone to make it the lodestar for your policies?

(Geoffrey Aronson, ^{CE} [Is America on the right side of history?](#) America sees conflicts shaded in black or white and avoids all complex and nuanced ambiguities., *Aljazeera*, 15 Oct 2016)

Mujib Mashal, writing in the *New York Times* (Dec. 31, 2018) has described the consequences of a belief that morality can, finally, be reduced to expediency, that, in clandestine extra-military operations, the ends justify the means:

At a time when the conventional Afghan military and police forces are being killed in record numbers across the country, the regional forces overseen by the C.I.A. have managed to hold the line against the most brutal militant groups, including the Haqqani wing of the Taliban and also Islamic State loyalists.

But the units have also operated unconstrained by battlefield rules designed to protect civilians, conducting night raids, torture and killings with near impunity, in a covert campaign that some Afghan and

American officials say is undermining the wider American effort to strengthen Afghan institutions....

...[S]enior Afghan and international officials say that the two most effective and ruthless forces, in Khost and Nangarhar Provinces, are still sponsored mainly by the C.I.A....

In nearly every case examined by The Times, the victims' families said they were at a loss for where to seek justice, or an explanation of why they had been raided. And nearly every government official in those areas expressed helplessness about the strike forces' operations.

(Mujib Mashal, ^{CE} [C.I.A.'s Afghan Forces Leave a Trail of Abuse and Anger](#): The fighters hold the line in the war's toughest spots, but officials say their brutal tactics are terrorizing the public and undermining the U.S. mission, *New York Times*; December 31, 2018)

The truly sad postscript to all this is that, back in 2001, the US justified its invasion of a sovereign nation not only because it gave sanctuary to 'terrorists', but, also, because of the outrageous abuses which it claimed were being perpetrated by the Taliban government of Afghanistan against the population.

These, of course, were outrages to which it had, in fact, as [William Blum has described](#), turned a blind eye during its support of those same 'terrorists' in the 1980s. Now, it being expedient to do so, those morally outraged Western crusaders and their 'coalition of the Willing' have adopted the tactics of the mujahideen. Condemnation of similar 'terror' tactics by the Taliban and claimed determination to eliminate the perpetrators has 'justified' the Coalition's 17 year-long, ongoing, occupation of the country.

Marjorie Cohn has summed it up:

Once again, the United States is blackmailing countries that would send Americans to face justice in the International Criminal Court. Trump's National Security Adviser John Bolton is leading the charge to shield US and Israeli war criminals from legal accountability.

On September 10, Bolton told the right-wing Federalist Society that the United States would punish the ICC if it mounts a full investigation of Americans for war crimes committed in Afghanistan or of Israelis for human rights violations committed in the Occupied Palestinian Territories....

On September 10, the same day Bolton vilified the ICC before the Federalist Society, Donald Trump issued a statement saying that if the ICC formally opens an investigation, his administration would consider negotiating "even more binding, bilateral agreements to prohibit nations from surrendering United States persons to the ICC." He threatened to ban "ICC judges and prosecutors from entering the United States, sanction their funds in the United States financial system, and, prosecute them in the United States criminal system," as well as "taking steps in the United Nations Security Council to constrain the Court's sweeping powers."

(Marjorie Cohn, ^{CE} [John Bolton Escalates Blackmail to Shield US War Criminals](#), *Truthout*, September 14, 2018

see also: Marjorie Cohn, ^{CE} [As Trump Orders US Out of Afghanistan, Notorious CIA-Backed Units Will Remain](#), *TruthOut*, January 6, 2019)

A Cold, Calculated Determination To Ensure Overwhelming Military Supremacy

{§} (05/03/18){§} (08/03/18){§} (05/11/18)

{§} (23/11/18) As [with global warming](#), so with military power and weapons controls: Western capitalists have myopically reshaped the world to their 'needs', driven, not by a clear understanding of the environmental or geopolitical implications of their behavior, but by the economic 'bottom line'.

US president Trump, commenting on a Saudi Arabian deal guaranteeing long-term, increasing flows of armaments from US armaments factories to one of the most unstable regions of the world: "That was a tremendous day, Tremendous investments in the United States."

Noam Chomsky has summed it up well:

Humanity faces two imminent existential threats: environmental catastrophe and nuclear war....These are the most critical and urgent questions that have arisen in all of human history...

There have been many monsters in the past ... but it would be hard to find one who was dedicated to undermining the prospects for survival of organized human society, not in the distant future — in order to put a few more dollars in overstuffed pockets.

It's hard to find words to describe what is happening before our eyes.

The same is true of the second truly existential threat: nuclear war. A few weeks before the election, Trump announced that the US is withdrawing from the INF treaty, which eliminated short-range missiles deployed in Western Europe and Russia — extremely hazardous weapons, which have only a few minutes flight-time to Moscow, posing a decapitation threat, a sudden attack that would destroy any possibility of response. That, of course, sharply increases the danger of a nuclear response to warnings given by automated systems that have often failed in the past, thus ending all of us.

Anyone familiar with the record knows that it's a virtual miracle that we have so far avoided terminal nuclear war. The threat, which was already grave, was heightened by the Trump [Ⓔ] [nuclear posture review](#) that authorized new destabilizing weapons and lowered the threshold for nuclear attack.

(C.J. Polychroniou, [Ⓔ] [Noam Chomsky: Moral Depravity Defines US Politics](#), *Truthout*, November 21, 2018)

Given the disingenuous justificatory language of the *US Nuclear Posture Review* (2018), it would be prudent to consider carefully the implications of its outlined intentions and ambitions ⁶⁵³.

Chomsky has examined one of the many 21st century consequences of the expanding powers of the US administration and pentagon: ["the US missile systems have been improved by such a huge factor that they are now capable of instantly wiping out"](#) any perceived nuclear challenge to its vaunted supremacy (how fortunate the world is that the [US has a sane, intelligent, empathic leadership and government](#)).

[Chomsky's description](#), on April 24, 2017, of the goads which ensured what has followed, sets the scene:

...the US missile systems have been improved by such a huge factor that they are now capable of instantly wiping out the Russian deterrent.

[and] This is massive overkill and nuclear stability is gone, and of course, the Russians know this. What that implies is that if they ever feel a threat, they're just going to be compelled to launch a preemptive strike because otherwise they're dead, you know? And that means we're all dead.

As Hans Kristensen, Matthew McKinzie and Theodore Postol [explained](#):

The US nuclear forces modernization program has been portrayed to the public as an effort to ensure the reliability and safety of warheads in the US nuclear arsenal, rather than to enhance their military capabilities. In reality, however, that program has implemented revolutionary new technologies that will vastly increase the targeting capability of the US ballistic missile arsenal.

This increase in capability is astonishing - boosting the overall killing power of existing US ballistic missile forces by a factor of roughly three - and it creates exactly what one would expect to see, if a nuclear-armed state were planning to have the capacity to fight and win a nuclear war by disarming enemies with a surprise first strike.

US Democratic Senator Mark Warner used a US foreign-policy think tank forum (March 2, 2018) to spell out the prevailing Washington 'Consensus' on the need for this absurd nuclear weapons enhancement program. The forum discussion was framed by a report on "[The Return of Global Russia](#)" (Paul Stronski and Richard Sokolsky, *Carnegie Endowment for International Peace*, December 2017) 'a reassessment of the Kremlin's international agenda, which focuses on Russia's new activist foreign and military policies':

"Again, this is not a newsflash," Warner said about the reemergence of Russia. "Too often, those of us who are caught up in the day-to-day, who's up, who's down in Washington, we're all caught up in the latest news cycle. And I'm concerned that we can miss, by this failure to step back, how all these events actually form a context, and are basically presenting themselves in what I believe is an alarming picture of the -- in a sense, the new Russia, and how it's emerging as a threat to both the United States and our allies."

"If we just think about, for a moment, even the terminology," he observed. "Let me go down some of the litany -- bots, paid trolls, click farms, little green men, distributed denial of service. In the last couple of years, national security leaders have been forced to learn a whole new language, in terms of dealing with 21st-century threats. Our long-standing rival Russia has clearly reimagined in the world, and with a new playbook to exploit our very openness in our society, to divide us from within, and it's cut us off from our allies."

"Some commentaries -- commentators have tried to define this as a new phase of the Cold War. But what we're experiencing now, to me, doesn't resemble the Cold War that I recall growing up with. Back then, we had a clear sense of who our adversary was... Today's conflict, I believe, is much more amorphous. The traditional tools of the Cold War, Mr. Putin has his -- at his disposal a wide array of nonconventional weapons and tools; tools like cyber attacks, energy

deals, hacking, selective leaking, and a bot army to sow and spread his disinformation."

"Many of these tools are actually deployed by nonstate surrogates, thereby giving Russia the ability to claim deniability when their hand or their agents are caught taking some of these actions."

Warner also said: "The bottom line: I believe -- rather than a framework of an old Cold War, I believe we're now engaged in a fight in the shadows, and I'm not sure that's a fight that we're currently winning."

(Tim Hains, ^{CE} [Sen. Mark Warner Speech At Carnegie Endowment On "Return Of Global Russia"](#), *RealClear Politics*, March 2, 2018)

Mikhail Gorbachev, in an October 25, 2018 essay entitled 'A New Nuclear Arms Race Has Begun', explained the direction in which the US administration is taking the world in the 2nd decade of the 21st century:

A new arms race has been announced. The I.N.F. [Intermediate-Range Nuclear Forces] Treaty is not the first victim of the militarization of world affairs. In 2002, the United States withdrew from the Antiballistic Missile Treaty; this year, from the Iran nuclear deal. Military expenditures have soared to astronomical levels and keep rising.

As a pretext for the withdrawal from the I.N.F. Treaty, the United States invoked Russia's alleged violations of some of the treaty's provisions. Russia has raised similar concerns regarding American compliance, at the same time proposing to discuss the issues at the negotiating table to find a mutually acceptable solution. But over the past few years, the United States has been avoiding such discussion. I think it is now clear why.

With enough political will, any problems of compliance with the existing treaties could be resolved. But as we have seen during the past two years, the president of the United States has a very different purpose in mind. It is to release the United States from any obligations, any constraints, and not just regarding nuclear missiles.

The United States has in effect taken the initiative in destroying the entire system of international treaties and accords that served as the underlying foundation for peace and security following World War II....

Faced with this dire threat to peace, we are not helpless. We must not resign, we must not surrender.

(Mikhail Gorbachev, ^{CE} [A New Nuclear Arms Race Has Begun](#): President Trump says he plans to withdraw from a nonproliferation treaty that I signed with Ronald Reagan. It's just the latest victim in the militarization of world affairs., *New York Times*, October 25, 2018)

The preemptive nature of the US nuclear arms 'modernization' and 'enhancement' program, apparently aimed at a 'capacity to fight and win a nuclear war by disarming enemies with a surprise first strike', leaves Russia with little or no option other than to respond in like manner. As CBS News has reported:

Russia has tested an array of new strategic nuclear weapons that can't be intercepted, President Vladimir Putin announced Thursday, marking a technological breakthrough that would dramatically increase Russia's military capability and boost the Kremlin's global position. Speaking in

a state-of-the-nation speech, Putin said the weapons include a nuclear-powered cruise missile, a nuclear-powered underwater drone and new hypersonic missile.

He said the creation of the new weapons has made NATO's U.S.-led missile defense "useless," and means an effective end to what he described as Western efforts to stymie Russia's development.

(^{CE} [Putin touts new weapons in Russia's nuclear arsenal](#), CBS/AP, 01 March, 2018)

{§} (27/03/18) This is Military-Industrial Complex Budgetary Justification 101:

- Determine what budgetary increases are wanted;
- Create the conditions which will ensure the emergence of a 'credible threat' to justify those increases;
- Define that 'credible threat' and garner 'political' support in promoting its reality among 'the public';
- Goad the, now defined and alerted, external 'threat' into some kind of public affirmation of its consequent intentions;
- Declare that, in the light of that affirmation, 'There Is No Alternative' to a massive build up in preemptive nuclear and conventional strike power.

NASA has explained it to 'younger students':

Sir Isaac Newton first presented his three laws of motion in the "Principia Mathematica Philosophiae Naturalis" in 1686. His third law states that for every action (force) in nature there is an equal and opposite reaction. In other words, if object A exerts a force on object B, then object B also exerts an equal and opposite force on object A. (Glenn Research Center, ^{CE} [Newton's Third Law](#), NASA, [accessed 05 March, 2018])

One can only assume that the Russian reaction is precisely what was planned for by an administration and military industrial complex which has committed itself to spending \$40 billion a year for the next thirty years to 'upgrade' and 'enhance' its nuclear capabilities and a further \$110 billion over the next two years (2018-19), added to its already grossly over-inflated \$600+ billion [non-nuclear military budget](#).

Welcome to 'Cold War Mark II': A new nuclear arms race justified by a reinvented external nuclear threat - 'The Russians' will nuke us if they think they can get away with it!!⁶⁵⁴

The influence of the military industrial complex is being felt in every community, every country and by every ally and every potential or pronounced foe in all those 150 countries (and counting) which have been subjected to the, all-too-often lethal, extra-legal ministrations of an increasingly independent Western military-industrial complex⁶⁵⁵.

Tom Engelhardt has summed it all up well:

Osama bin Laden managed to involve the United States in 16 years of fruitless wars, most now "generational" conflicts with no end in sight, which would only encourage the creation and spread of terror groups,

the disintegration of order across significant parts of the planet, and the displacement of whole populations in staggering numbers.

At the same time, he helped turn 21st-century Washington into a war machine of the first order that ate the rest of the government for lunch. He gave the national security state the means — the excuse, if you will — to rise to a kind of power, prominence and funding that might otherwise have been inconceivable. In the process — undoubtedly fulfilling his wildest dreams — he helped speed up the decline of the very country that, since the Cold War ended, had been plugging itself as the greatest ever.

In other words, he may truly be the (malign) genius of our age. He created a terrorist version of call-and-response that still rules Donald Trump's Washington in which the rubblized generals of America's rubblized wars on an increasingly rubblized planet now reign supreme. (Tom Engelhardt, [Ⓔ] [Osama Bin Laden's America](#): The apocalyptic humiliation of 9/11 has shown us just what the al-Qaida leader could goad a triumphalist Washington into. *Moyers & Company*, November 2, 2017)

And,

It's clear that, while there is no way to adequately count all civilian casualties from America's twenty-first-century air wars, "towers" of dead noncombatants have been piled atop one another in Iraq, Afghanistan, and elsewhere. This next-to-eternal version of war, with all its destructiveness and "collateral damage" (which a few organizations have tried their best to document under difficult circumstances), should be the definition of state barbarism and terror in a world without mercy. That none of this has proven effective in the very terms that the bombers themselves set seems to matter little indeed.

Put in more graphic fashion, does anyone doubt that the Kurdish wedding slaughter (assumedly by an Islamic State suicide bomber) was a barbaric act? If not, then what are we to make of the eight documented cases - largely ignored in this country - in which U.S. air power eviscerated similar wedding parties in three countries (Afghanistan, Iraq, and Yemen) between December 2001 and December 2013, killing almost 300 celebrants?

Of course, you already know the answer to that question. In our world, there is only one type of barbarism: theirs.

(Tom Engelhardt, [Ⓔ] [A 9/11 Retrospective: Washington's 15-Year Air War](#), *TomDispatch*, September 8, 2016)

{§} (11/09/16) In this brave new borderless world, Western forces, armed and funded as never before, are supported by Western-based 'intelligence', 'surveillance' and military industrial complexes which are unaudited; out of control; and justifying their burgeoning power through seeking out and dealing with presumptuously pronounced threats to 'freedom' and 'democracy' around the world⁶⁵⁶.

The Potential for the Disastrous Rise of Misplaced Power Exists and Will Persist 🐦

{§} (19/07/18)

{§} (23/07/18) Dana Priest and William Arkin, in a 2010 *Washington Post* investigation into 'Top Secret America' entitled, 'Æ [A hidden world, growing beyond control](#)', have outlined the top-secret world the United States' government has created in response to the terrorist attacks of Sept. 11, 2001.

The first two decades of the 21st century have witnessed an unprecedented, and largely undocumented, growth in the 'intelligence' and 'surveillance' capabilities of US agencies; of 'what amounts to an alternative geography of the United States, a Top Secret America hidden from public view and lacking in thorough oversight'⁶⁵⁷.

As the authors explain:

"There has been so much growth since 9/11 that getting your arms around that - not just for the CIA, for the secretary of defense - is a challenge," Defense Secretary Robert M. Gates said in an interview with *The Post* last week.

In the Department of Defense, where more than two-thirds of the intelligence programs reside, only a handful of senior officials - called Super Users - have the ability to even know about all the department's activities. But as two of the Super Users indicated in interviews, there is simply no way they can keep up with the nation's most sensitive work.

"I'm not going to live long enough to be briefed on everything" was how one Super User put it. The other recounted that for his initial briefing, he was escorted into a tiny, dark room, seated at a small table and told he couldn't take notes. Program after program began flashing on a screen, he said, until he yelled "Stop!" in frustration.

"I wasn't remembering any of it," he said.

Underscoring the seriousness of these issues are the conclusions of retired Army Lt. Gen. John R. Vines, who was asked last year to review the method for tracking the Defense Department's most sensitive programs. Vines, who once commanded 145,000 troops in Iraq and is familiar with complex problems, was stunned by what he discovered.

"I'm not aware of any agency with the authority, responsibility or a process in place to coordinate all these interagency and commercial activities," he said in an interview. "The complexity of this system defies description."

Nick Turse, in a report on that 'strange new military', America's elite forces, describes some of its features:

They're some of the best soldiers in the world: highly trained, well equipped, and experts in weapons, intelligence gathering, and battlefield medicine. They study foreign cultures and learn local languages. They're smart, skillful, wear some very iconic headgear, and their 12-member teams are "capable of conducting the full spectrum of special operations, from building indigenous security forces to identifying and targeting threats to U.S. national interests."

They're also quite successful. At least they think so.

"In the last decade, Green Berets have deployed into 135 of the 195 recognized countries in the world. Successes in Afghanistan, Iraq, Trans-Sahel Africa, the Philippines, the Andean Ridge, the Caribbean, and Central America have resulted in an increasing demand for [Special Forces] around the globe," reads a statement on the website of U.S. Army Special Forces Command.

The Army's Green Berets are among the best known of America's elite forces, but they're hardly alone. Navy SEALs, Air Force Air Commandos, Army Rangers, Marine Corps Raiders, as well as civil affairs personnel, logisticians, administrators, analysts, and planners, among others, make up U.S. Special Operations forces (SOF). They are the men and women who carry out America's most difficult and secret military missions. Since 9/11, U.S. Special Operations Command (SOCOM) has grown in every conceivable way from funding and personnel to global reach and deployments. In 2015, according to Special Operations Command spokesman Ken McGraw, U.S. Special Operations forces deployed to a record-shattering 147 countries - 75% of the nations on the planet, which represents a jump of 145% since the waning days of the Bush administration. On any day of the year, in fact, America's most elite troops can be found in 70 to 90 nations.

(Nick Turse, [Ⓔ] [Iraq, Afghanistan, and Other Special Ops "Successes": America's Elite Forces Deploy to a Record-Shattering 147 Countries in 2015](#), *TomDispatch*, October 25, 2015)

For an annually updated picture of World Military Expenditures and Arms Transfers, see this U.S Department of State site: [Ⓔ] [World Military Expenditures and Arms Transfers](#). As the site introduction says,

The "World Military Expenditures and Arms Transfers" (WMEAT) series of reports is designed to be a convenient reference on annual military expenditures, arms transfers, armed forces, selected economic data, and relative indicators consisting of pertinent military-economic ratios. The aim is to provide the arms control and international security community with useful, comprehensive, and accurate data, accompanied by analyses and highlights.

The 2015 edition of the report summarizes:

During the period, about 78% of the world arms trade, by value, appears to have been supplied by the United States, about 11% by the European Union, about 5% by Russia, less than 2% by China. The U.S. share of the world arms market appears to have grown, while the E.U. share appears to have diminished, with no clear trend in the Russian and Chinese shares.

Countries in the richest quintile of world population appear to have accounted for about 96-97% of world arms exports and about 70% of world arms imports, regardless of whether quintiles are based on national GDP per capita at a real market exchange rate or at purchasing power parity. By either standard, the richest quintile was the only GDP-per-capita quintile with a positive arms trade balance.

Countries in the most democratic quintile of world population appear to have accounted for 92% of world arms exports and about 58% of world arms imports. The most democratic quintile was the only degree-of-democracy quintile with a positive arms trade balance.

(^{CE} [World Military Expenditures and Arms Transfers, 2015 edition](#), pp. 4,5)

{§} (01/04/16) As [Eisenhower warned](#), Western nations and peoples should be very cautious: alert to the dangers of becoming enmeshed in [perpetual preparation for, and involvement in, dubious military interventions around the world](#), provoked and promoted by that US-based 'military-industrial complex' which is increasingly shaping foreign and domestic policy in Western democracies.

{§} (12/04/16) It is all-too-easy to create and foment conditions which can later be used to justify military interventions aimed at quelling 'terrorist' threats to the security of Western democracies. And, cynical though this might seem, motivated much less by noble concern for the well-being or safety of human beings than by a cold, calculating, sociopathic concern for profit and power, whatever the cost in human lives; 'collateral' destruction; and violation of sovereign and human rights⁶⁵⁸.

In a depressingly clear explanation of the ongoing evolution of United States' 'special forces' (and of course of similar forces elsewhere in the Western World), Nick Turse has summed up their impact in countries around the world:

...[O]n any given day, more than 8,000 exceptionally well-equipped and well-funded special operators from a command numbering roughly 70,000 active-duty personnel, reservists, and National Guardsmen as well as civilians are deployed in approximately 90 countries. Most of those troops are Green Berets, Rangers, or other Army Special Operations personnel. According to Lieutenant General Kenneth Tovo, head of the U.S. Army Special Operations Command until his retirement last month, that branch provides more than 51% of all Special Operations forces and accounts for more than 60% of their overseas deployments. On any given day, just the Army's elite soldiers are operating in around 70 countries...

For years, U.S. Special Operations forces have been in a state of seemingly unrestrained expansion. Nowhere has that been more evident than in Africa. In 2006, just 1% of all American commandos deployed overseas were operating on that continent. By 2016, that number had jumped above 17%. By then, there were more special operations personnel devoted to Africa -- 1,700 special operators spread out across 20 countries -- than anywhere else except the Middle East...

Last year, in fact, Secretary of Defense Mattis noted that the lines between U.S. Special Operations forces and conventional troops were blurring and that the latter would likely be taking on missions previously shouldered by the commandos, particularly in Africa. "So the general purpose forces can do a lot of the kind of work that you see going on and, in fact, are now," he said.

(Nick Turse, ^{CE} [Commandos Sans Frontières: The Global Growth of U.S. Special Operations Forces](#), *TomDispatch*, July 17, 2018)

The ^{CE} [United States Special Operations Command](#) (USSOCOM), in a glossy promotional publication entitled: ^{CE} [The 2016 Fact Book](#), lists and provides general information on a few of the organizations under its umbrella (many

others, like **SEAL Team 6** (whose nefarious activities are detailed below), are 'classified' units and so not included in information supplied by USSOCOM):

Special Forces

Special Forces (Green Berets) units perform seven missions - unconventional warfare, foreign internal defense, special reconnaissance, direct action, combatting terrorism, counter-proliferation, and information operations. These missions make Special Forces unique because they are employed in peacetime, conflict and war. The Special Forces motto is "De Oppress Liber - to Free the Oppressed."

Rangers

The 75th Ranger Regiment is a unique Special Operations Force comprised of the specially selected and well trained Soldiers constantly tested for the privilege of serving in the Regiment. Rangers conduct large-scale Joint Forcible Entry operations while simultaneously executing surgical Special Operations raids across the globe. The 75th Ranger Regiment's motto is "Rangers Lead The Way."

Army Special Operations Aviators

Army Special Operations Aviators are highly trained and ready to accomplish the very toughest missions in all environments, anywhere in the world, day or night, with unparalleled precision. The professionalism and capabilities of Army Special Operations Aviation are developed through a "train as you fight" mentality.

Civil Affairs Soldiers

Civil Affairs units support military commanders by working with civil authorities and civilian populations in the commander's area of operations during peacetime, contingency operations and war. Civil Affairs specialists identify critical requirements needed by local citizens in war or disaster situations.

Military Information Support Operators

MISO cover a broad range of U.S. political, military, economic and ideological activities used by the U.S. government to secure national objectives. MISO units develop, produce and disseminate truthful information to foreign audiences in support of U.S. policies.

Training Cadre

The U.S. Army John F. Kennedy Special Warfare Center and School assesses, trains, educates and manages Army Special Operations Force Operators for Special Forces, Military Information Support Operations and Civil Affairs.

Sustainment Soldiers

Sustainers are responsible for providing logistical, medical and signal support for Army Special Operations Forces worldwide in support of contingency missions and warfighting commanders.

It summarizes its mission:

What USSOCOM Does:

- Civil Affairs - Counterinsurgency - Counterterrorism - Countering Weapons of Mass Destruction - Direct Action - Foreign Humanitarian Assistance - Foreign Internal Defense - Hostage Rescue and

Recovery - Military Information Support Operations - Security Force Assistance - Special Reconnaissance - Unconventional Warfare

Admiral Eric T. Olson, U.S. Navy Commander, United States Special Operations Command, summed up USSOCOM's mission before the Senate Armed Services Committee On The Posture Of Special Operations Forces (March 4, 2008):

America's Special Operations Forces (SOF) are organized, equipped and trained, and then deployed by USSOCOM to meet the high demands of Geographic Combatant Commanders (GCCs) around the world. The range of special operations is wide, the geographic dispersion is great, the quality is exceptional and the results are impressive.

Although most special operation forces deployed from the United States since the attacks of 9/11 have served in and around Iraq and Afghanistan, we clearly understand the enduring value of a global presence. We are proud to be serving in about 60 countries today [expanded to more than 135 countries by 2016].

(^{CE} [Statement Of Admiral Eric T. Olson](#), U.S. Navy Commander United States Special Operations Command Before The Senate Armed Services Committee On The Posture Of Special Operations Forces March 4, 2008; See also the website ^{CE} [Special Operations Command \(SOCOM\)](#) for up-to-date information on its operations and activities)

{§} (30/03/16){§} (09/08/16) Eisenhower (belatedly - and, perhaps, remorsefully) explained to the American people their deep responsibility for maintaining control of, and regulating, the activities and ambitions of that military-industrial complex which he bequeathed them:

In the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. The potential for the disastrous rise of misplaced power exists and will persist.

We must never let the weight of this combination endanger our liberties or democratic processes. We should take nothing for granted. Only an alert and knowledgeable citizenry can compel the proper meshing of the huge industrial and military machinery of defense with our peaceful methods and goals, so that security and liberty may prosper together.

The rest of the world is left to wonder if, and perhaps vainly hope that, they will take their responsibilities seriously.

[An Orwellian 'Newspeak' World](#) 🇺🇸

{§} (20/11/16)

{§} (04/05/18) Sadly, we live in an Orwellian 'Newspeak' world. US (and other Western) main stream media continue to play their part in promoting and then air-brushing Western military activity, ambitions and consequences. Max Fisher, of the *New York Times*, in a truly myopic Newspeak 'explanation' of the 2016 Middle East chaos, explains who those responsible for the mayhem are:

Saudi Arabia and Iran are waging a struggle for dominance that has turned much of the Middle East into their battlefield. Rather than fighting directly, they wield and in that way worsen the region's direst problems: dictatorship, militia violence and religious extremism.

(Max Fisher, ^{CE} [How the Iranian-Saudi Proxy Struggle Tore Apart the Middle East](#), *New York Times*, The Interpreter, November 19, 2016)

It's all a matter of internal Middle East rivalries. No apparent recognition of the US promotion and arming of Middle East conflict through the period; of their manipulation of the 'region's direst problems: dictatorship, militia violence and religious extremism'. It was and apparently still is a matter of Middle East rivalries. No recognition of US military meddling and ambitions; of their direct, self-interested, military aggression in the region; of the massive flows of armaments to all involved parties; of the sociopathic fomenting and fueling of Middle Eastern tensions by US provocateurs in the mold of Rumsfeld and others like him: just Middle East hatreds and minor US involvement to maintain their 'interests' in the Middle East.

In a strange inversion (perversion?) of reality, the US appears as victim of scheming Middle Eastern intrigue which has seen 'a pattern of Iranian-Saudi struggle through proxies, and of sucking in the United States'. Through a newspeak rewriting of reality, their involvement becomes more a consequence of naivety than aggression.

A *New York Times* article (sub-titled "The unit best known for killing Osama bin Laden has been converted into a global manhunting machine with limited outside oversight") outlined the nature and scope of clandestine operations pursued by SEAL Team 6 and other covert Western military organizations in countries around the world since the 1970s:

They have plotted deadly missions from secret bases in the badlands of Somalia. In Afghanistan, they have engaged in combat so intimate that they have emerged soaked in blood that was not their own. On clandestine raids in the dead of the night, their weapons of choice have ranged from customized carbines to primeval tomahawks.

Around the world, they have run spying stations disguised as commercial boats, posed as civilian employees of front companies and operated undercover at embassies as male-female pairs, tracking those the United States wants to kill or capture.

Those operations are part of the hidden history of the Navy's SEAL Team 6, one of the nation's most mythologized, most secretive and least scrutinized military organizations. Once a small group reserved for specialized but rare missions, the unit best known for killing Osama bin Laden has been transformed by more than a decade of combat into a global manhunting machine.

That role reflects America's new way of war, in which conflict is distinguished not by battlefield wins and losses, but by the relentless killing of suspected militants.

Almost everything about SEAL Team 6, a classified Special Operations unit, is shrouded in secrecy - the Pentagon does not even publicly acknowledge that name - though some of its exploits have emerged in largely admiring accounts in recent years. But an examination of Team 6's evolution, drawn from dozens of interviews with current and former

team members, other military officials and reviews of government documents, reveals a far more complex, provocative tale.

While fighting grinding wars of attrition in Afghanistan and Iraq, Team 6 performed missions elsewhere that blurred the traditional lines between soldier and spy. The team's sniper unit was remade to carry out clandestine intelligence operations, and the SEALs joined Central Intelligence Agency operatives in an initiative called the Omega Program, which offered greater latitude in hunting adversaries.

Team 6 has successfully carried out thousands of dangerous raids that military leaders credit with weakening militant networks, but its activities have also spurred recurring concerns about excessive killing and civilian deaths.

Afghan villagers and a British commander accused SEALs of indiscriminately killing men in one hamlet; in 2009, team members joined C.I.A. and Afghan paramilitary forces in a raid that left a group of youths dead and inflamed tensions between Afghan and NATO officials. Even an American hostage freed in a dramatic rescue has questioned why the SEALs killed all his captors.

(Mark Mazzetti, Nicholas Kulish, Christopher Drew, Serge F. Kovalski, Sean D. Naylor and John Ismay, ^{CE} [SEAL Team 6: A Secret History of Quiet Killings and Blurred Lines](#), *New York Times*, June 6, 2015)

A *New York Times* report (May 3 2018) has described a clandestine Green Beret operation which illustrates the kinds of 'special forces' activities involved in the 'continuing escalation of America's secret wars' around the world:

For years, the American military has sought to distance itself from a brutal civil war in Yemen, where Saudi-led forces are battling rebels who pose no direct threat to the United States.

But late last year, a team of about a dozen Green Berets arrived on Saudi Arabia's border with Yemen, in a continuing escalation of America's secret wars.

With virtually no public discussion or debate, the Army commandos are helping locate and destroy caches of ballistic missiles and launch sites that Houthi rebels in Yemen are using to attack Riyadh and other Saudi cities.

Details of the Green Beret operation, which has not been previously disclosed, were provided to The New York Times by United States officials and European diplomats.

They appear to contradict Pentagon statements that American military assistance to the Saudi-led campaign in Yemen is limited to aircraft refueling, logistics and general intelligence sharing.

(Helene Cooper, Thomas Gibbons-Neff And Eric Schmitt, ^{CE} [Army Special Forces Secretly Help Saudis Combat Threat From Yemen Rebels](#), *New York Times*, May 3, 2018)

A *New York Times* editorial has elaborated:

In at least 14 countries, American troops are fighting extremist groups that are professed enemies of the United States or are connected, sometimes quite tenuously, to such militants...

Such significant military decisions require public debate to force presidents and their generals to justify their decisions and be held accountable for the consequences. But checks and balances have eroded since Sept. 11, 2001, as ordinary Americans became indifferent to the country's endless wars against terrorists and Congress largely abdicated its constitutional role to share responsibility with the president for sending troops into battle.

(Editorial, ^{CE} [Why Are American Troops in the Yemen War?](#), *New York Times*, May 3, 2018)

A Guardian report entitled 'Massive US airstrike in Yemen kills 'dozens' of people, Pentagon says' described the nature of 'American military assistance' in Yemen:

A massive US airstrike in Yemen has killed what the Pentagon estimates is "dozens" of people, the second such mass-casualty strike the US military has undertaken this month.

The two strikes, killing more than 200 people at what the Pentagon described as terrorist training camps, diverged so sharply from the previous years' worth of relatively low-casualty strikes that observers speculated US policy may have quietly changed.

Peter Cook, the Pentagon spokesman, announced late Tuesday that the US had bombed a mountain redoubt in Yemen used by al-Qaida's local affiliate, al-Qaida in the Arabian Peninsula (AQAP). He said it was a "training camp" used by "more than 70 AQAP terrorists".

An independent assessment of the actual impact of the strike, to include a full casualty total and civilian impact, was not immediately available. The Pentagon did not provide further detail of where in Yemen the alleged camp was located.

"We continue to assess the results of the operation, but our initial assessment is that dozens of AQAP fighters have been removed from the battlefield," Cook said in a statement.

The US airstrike happened hours after multiple attacks killed over 30 people and wounded more than 200 in Brussels, although it is unclear if any connection exists between the two events. Islamic State has claimed credit for the Brussels attacks. ...

(Spencer Ackerman, ^{CE} [Massive US airstrike in Yemen kills 'dozens' of people, Pentagon says](#), *The Guardian*, Wednesday 23 March 2016)

Adam Johnson, in an analysis of US military action subtitled, 'What began two years ago as "limited" air strikes in Iraq now includes Syria, Afghanistan, and Libya - all with little public debate':

Meanwhile, an anti-ISIS bombing campaign that began as "limited," "targeted" air strikes in Iraq two years ago expanded to Syria six weeks later, to Afghanistan in January of this year, and to Libya this week. Combat troops and special forces have also crept into play, with US military personnel first appearing in Iraq and Syria in 2014, 2015, or 2016, depending on how one defines "boots" and "ground."

(Adam H. Johnson, ^{CE} [Obama Expands the ISIS Bombing Campaign to a 4th Country, the Media Barely Notice](#), *The Nation*, August 5, 2016)

Chapter 13: ♣

Epilogue - What Drives Western People to Commoditize their World?

Introduction

Value creation

The nature of value

The nature of Money

Nature of production

Consumer society and Commoditization

Investment Growth Packages:
the Commoditization of Investment

Conclusion

- The nature of 'marginal utility'

Introduction ♣

Perhaps the greatest strength and weakness of capitalism lies in the definition of 'the economy' as an independent environment within Western thought ⁶⁵⁹. This has made economic activity and organization asocial in character. Those involved in economic activity are concerned with 'the economy'. 'Non-economic' concerns are issues to be addressed in other social forums.

Organizations (artificial individuals) and individuals involved in 'the economy' will always assume that 'demands' made from other areas of social life are intrusive, aimed at limiting economic 'freedom' and 'enterprise'. And, as economic concerns have become central in the lives of Western people, they, in daily life, resist attempts to harness economic activity to 'non-economic' ends. The result is the reorganization of reality to the requirements of 'economic activity'. The result is Capitalism - the commoditization of life.

We, in Western communities, live in a commoditized world. In a manner never before seen in human society, Western peoples convert anything and everything into money-making commodities - objects which can be exploited for profit. Vast financial and promotional industries have grown over the past three hundred years, driven by and dedicated to the commoditization of the world.

The Western need to accumulate money inevitably results in more and more of the forms of activity, interaction and organization which people perceive as important to themselves, being exploited for profit. The consequence is the *commoditization of society*.

To understand the nature and consequences of this burgeoning commoditization of everything around us, we need to ask why we feel such a deep need to accumulate material wealth; to make everything around us a source of material profit.

Karl Marx ⁶⁶⁰, in the second half of the 19th century, put it bluntly:

The capitalist knows that all commodities, however scurvy they may look, or however badly they may smell, are in faith and in truth money, inwardly circumcised Jews ⁶⁶¹, and what is more, a wonderful means whereby out of money to make more money.
(1887 Vol. 1 Pt 2 Ch. 4)

By the time Adam Smith, the acknowledged founder of modern economics, published his most famous book ^{CE} *An Inquiry Into the Nature and Causes of the Wealth of Nations* in 1776, the concept of a "commodity" was already well-established in Western European discussions on economic issues. Smith's achievement was to tease out the understandings which people in the mid-18th century already intuitively held.

He started his examination of what was happening in 18th century Europe with an attempt to define the terms 'value' and 'commodity'. It was this ability to clearly understand and explain the peculiar nature of these terms in Western European thinking which was Smith's genius.

There are, he claimed, two different *kinds* of value: "value in use" (soon abbreviated to *use value*), and "value in exchange" (now known as *exchange value*). He also made a further definitional distinction between *objects* and *commodities*. An object is any item which can be either used or exchanged. It is the superset of all items used in human living and interacting.

The value of an object *which is not a commodity* is the "usefulness" of the object to the person who uses it. A commodity, on the other hand, is the subset of items which are *exchanged*. And the "value" of a commodity is the "price" of that commodity *in an exchange*.

So, on the one hand, commodities are directly linked to "exchange values"; on the other, objects which are not acting as commodities are directly linked to "use values", that is, to their *utility*:

The word value, it is to be observed, has two different meanings, and sometimes expresses the utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys. The one may be called "value in use"; the other, "value in exchange."

The things which have the greatest value in use have frequently little or no value in exchange; and, on the contrary, those which have the greatest value in exchange have frequently little or no value in use.

Nothing is more useful than water: but it will purchase scarce anything; scarce anything can be had in exchange for it. A diamond, on the contrary, has scarce any value in use; but a very great quantity of other goods may frequently be had in exchange for it.

In order to investigate the principles which regulate the exchangeable value of commodities, I shall endeavor to show:

- First, what is the real measure of this exchangeable value; or, wherein consists the real price of all commodities.
- Secondly, what are the different parts of which this real price is composed or made up.

- And, lastly, what are the different circumstances which sometimes raise some or all of these different parts of price above, and sometimes sink them below their natural or ordinary rate; or, what are the causes which sometimes hinder the market price, that is, the actual price of commodities, from coinciding exactly with what may be called their natural price.

(Adam Smith, 1776, Chapter 4)

The questions Smith raised and endeavored to answer have been central to economic, and, increasingly, to everyday Western concern over the past two hundred years ⁶⁶².

- ★ First, what is the "real measure" which gives commodities their exchange values?
- ★ Secondly, what are the constituent elements of this "real price"?
- ★ Thirdly, what causes fluctuations in price in the marketplace?

In answering these questions Smith drew on the work of earlier thinkers in Western Europe ⁶⁶³. The "wealth" of a community is determined by:

- ★ the raw labor available to the community;
- ★ the level of skill built into that labor;
- ★ and the ratio of laborers to non-laborers in the society.

The "price" of a commodity is determined by the labor input into that commodity, which will contribute both a wage to the worker and a value which is surplus to the worker's needs which forms the profit of the organizer and controller of production.

This definition was so central to Smith's thesis that it forms the subject of the first paragraph of his book:

The annual labor of every nation is the fund which originally supplies it with all the necessities and conveniences of life which it annually consumes, and which consist always either in the immediate produce of that labor, or in what is purchased with that produce from other nations.

According therefore as this produce, or what is purchased with it, bears a greater or smaller proportion to the number of those who are to consume it, the nation will be better or worse supplied with all the necessities and conveniences for which it has occasion.

(Smith 1776, Chapter 1)

Given the intellectual climate within which Smith was writing, this emphasis was inevitable.

Those who were industrious would, as John Locke (1690 Ch. 5 Sect. 35) had explained, accumulate possessions ⁶⁶⁴. However, precisely because they were industrious and intent on the accumulation of possessions, they would not dissipate their acquired assets. Rather, they would reinvest them so as to make more money. In doing so they would create jobs, which

would provide others with paid employment. So, although wealth ultimately derives from labor, it can only continue to grow when invested in further production ⁶⁶⁵.

Value creation

Smith, in his writing, presumed that all human beings are intent on accumulating material 'wealth' and on conserving their assets. Their "natural" behavior would stem from this acquisitive and conservative drive. His explanations strongly reinforced the increasingly entrenched 18th century belief among Western Europeans that if life could be reorganized so that individuals could follow these natural urges then:

- accumulated wealth would be reinvested, producing further wealth;
- jobs would be created and, as workers found themselves also able to accumulate;
- the society would become increasingly wealthy and everyone would have a higher standard of living ⁶⁶⁶.

The greater the investment in productive enterprise; the greater the labor input; the greater the wealth produced in the society.

Wealth was created by the productive labor of the community and the value of any commodity was determined by the labor input into its production. The *surplus value* of a commodity, that which gave the seller his or her profit, was that part of the labor input into production which was not returned to the worker in wages.

Smith claimed that such profit was essential to ensure that employers would organize production, so creating employment for workers. This became known as the *labor theory of value* ⁶⁶⁷, the belief that material wealth creation is directly tied to the quantity and quality of the labor input into production and to the organization of production by employers; whose profits are made from the surplus value created by workers in addition to their own wages.

So, a profit could only be made if the organizer of production could ensure that workers labored for longer than was necessary to provide for their own subsistence. It was in the accumulation of that surplus value that wealth was assumed to be created ⁶⁶⁸.

A major problem through much of the history of western European capitalism has been how 'The Poor' could be motivated to consistent, prolonged labor. Those who supplied most of the labor for capitalist enterprise, seemed unable to understand that they had a duty not only to generate a subsistence wage for themselves, but also to contribute to the profit of the organizers and controllers of production ⁶⁶⁹.

Of course, as Smith realized, *exchange value* requires goods to be *exchanged*. If everyone produced only what they needed *for their own subsistence*, only exchanged items for those they needed for subsistence, and did not consider possessions to also be stores of another kind of value (exchange value), then the only value which goods would possess would be their use value to those who needed or wanted them.

Exchange value becomes important when people focus not on *production for use*, but on *production for exchange value - for 'profit'*. If one only produces for use, then, once the required needs have been met, production will stop.

Communities do not become involved in open-ended production of the kind that was already entrenched in Western Europe at the time when Smith wrote his book unless people are, as Smith presumed, focused on obtaining objects for the value they might acquire if the objects were exchanged.

People, Smith claimed, have an innate, always less-than-satisfied urge to accumulate possessions. They have a deep need to express their own social and self worth through the accumulation of a particular form of value believed to be contained within possessions. That value requires conspicuous ownership and/or consumption. One's social and self-worth are best expressed and asserted through the accumulation and consumption of 'valuable' goods and services.

All this, of course, says a lot more about Smith and capitalism than it does about 'human nature'!

The nature of value 🐦

It is this second reason for production that Smith was really interested in, the power of purchasing other goods which the possession of [an] object conveys.

That is, in Smith's estimation, there can be two very different, but concurrent reasons for acquiring an object: the usefulness of the object as an object; and the possession of the object as a store of exchange value, which can be realized through selling it in order to acquire other objects or in order to acquire money. Both these forms of value can be aimed at in acquiring a possession.

In fact, however, there are three, not two forms of value contained within commoditized objects:

- ★ their use value,
- ★ their exchange (or *investment*) value and
- ★ their value in *status*, *prestige* and *self-image* enhancement - their *status value*.

We can acquire a possession for its practical usefulness, for the exchange value which we perceive as stored in it (i.e. it is an 'investment'), and for its contribution to our status and enhancement of our self-definition.

This is perhaps most obviously exemplified in the common Western understanding that if one buys a house one can: live in it; consider it an investment; and also gain social and personal definitional enhancement from its quality and location. Every object held can be, at the same time, a *use value object*, an *investment*, and a *status enhancing possession*.

When we speak of a commodity we are speaking of an object which incorporates either or both of the latter two forms of value for the holder. And, I would suggest, the last form of value is the most potent in Western communities. Investment which does not lead to the acquisition of

possessions which primarily convey status and prestige or enhanced self-image is of little value.

We all know stories of eccentric people who died leaving large fortunes yet lived the lives of "ordinary" people. These stories are newsworthy precisely because of the oddity of such behavior. Why would anyone, owning a fortune, not spend some part of it to enhance their "quality of life"? That is, why haven't these people realized the status enhancing value of their assets?

An important consequence of Smith's emphasis on exchange values over the succeeding 200 years has been that Western writers have presumed that there is only one definition of "exchange", that which pertains to market transactions as a consequence of the "human drive" to accumulate and conserve possessions.

Of course, this is not so. In fact, there is a range of forms of exchange which occur in any society, most of which cannot be understood in terms of market exchange and do not result in any perception of "exchange value" being inherent in the acquired possession ⁶⁷⁰.

In non-Western communities, most forms of exchange focus on the use value of the exchange object to the exchangers; and/or the ways in which the exchange *affects/expresses the relationship between the parties* involved, not on the relative exchange values of *the objects* of exchange. Many Western people find it difficult to comprehend that human beings can engage in an exchange without "automatically" assessing the exchange values involved and without calculating the investment potential of acquisitions ⁶⁷¹.

In the form of exchange to which Smith was referring, however, exchangers focus on the presumed *exchange value of the objects* of exchange, and only secondarily on each other.

If I give an item, I feel the need to express myself and my regard for the receiver through the 'price' of the gift - the investment or exchange value. If I receive a gift, I can readily assess the giver's regard for me through assessing the exchange value of the item given. What did it 'cost' the giver?

As a seller, I give the buyer an item, not to further a relationship, or because I perceive that he/she needs the item, but to obtain the cash in their pocket. The reason why I sell the object is not because anyone needs the item, but because I want to accumulate the medium of exchange - money - and production and sale of the item seem a good avenue to this end ⁶⁷².

As a buyer, I not only buy the item because it might have an intrinsic use value to me, I also buy it because I perceive that it has another kind of value inhering in it (investment value), a value which can be added to the similar values of all my other possessions, giving me a sense of accumulating this kind of value in the objects I possess.

Yet, of course, I also perceive another kind of value in the object, one which might, in fact prove more important to me than its adding to the value of my accumulated possessions. I perceive that through owning and/or consuming the object I can enhance my status and self-definition. I can *release the status value* inherent in its possession through consuming it ⁶⁷³.

In the end, the real reason for emphasizing accumulation is so that I will have a stock of possessions which can be used in this status and self-image building way.

Nature of Money 🐦

{§} (21/07/16) It is important, in 21st century capitalist societies, to clearly differentiate between:

➤ *public* credit creation and official currency creation (printing money);

and

➤ *private* credit creation, and creation of various forms of unsecured tokenized credit.

It is equally important to clearly distinguish between 'credit' and 'money'; whether one is speaking of the public creation of credit and official currency or the [private creation of unsecured credit and tokenized credit](#). The, unfortunately common, conflation of pre-tokenized or un-tokenized credit with tokenized credit through use of the term 'money' leads to mental and terminological confusion.

[As observed elsewhere](#): the creation of unsecured credit by private financial institutions is [not the same as credit creation by sovereign central banks](#). One is based on an assumption of 'credit-worthiness' backed by presumed access to sovereign credit; the other is the issuer of unencumbered sovereign credit⁶⁷⁴.

Having said that, in the private realm, as Smith recognized, money performs three separate functions.

★ It is the *medium of exchange*, that is, *relative exchange value* is expressed in terms of it.

★ It is the *unit of accounting*, that is, it provides a way of determining the *quantity of exchange value* summed up in objects, and so provides a means for assessing the relative "worth" of different accumulations of objects.

★ And, finally, it is, itself, a *store of value*.

{§} (16/07/16) In capitalist societies, money is the purest form of a commodity. It provides a simple, single measure of the exchange value of all commodities. In doing so, in the minds of those who use it to establish commodity values, it becomes the embodiment of the values it expresses. It becomes a universal symbolic expression of any and all commodities - stripped of their use values.⁶⁷⁵

Marx was to explain this some 100 years after Smith:

commodities have a value-form common to them all, and presenting a marked contrast with the varied bodily forms of their use-values. I mean their money-form.
(1887 Vol. 1 Ch. 1 Pt 3)

Money, according to both Smith and Marx, provides the means for expressing the common value-form which exists within all commodities - the labor contained within a commodity.

The reason why Smith and others decided that money represented the value of "labor" was that middle ranking Western Europeans believed that it was virtuous to diligently apply oneself to labor ⁶⁷⁶. Those who increased their possessions and their consumption through diligent commitment to "habits of industry" (whether that involved labor or the creation of opportunities for others to labor) gained increasing status and respect. As [Locke \(1690\)](#) had argued, "Labor makes the far greatest part of the value of things".

Inevitably, when people enmeshed in Western communities thought of "value" they thought of "labor". So, money must represent stored labor. In Western communities, the acquisition of money and other objects representing exchange value provides an indicator to the community of one's commitment to and successful performance of socially approved forms of activity and behavior.

Whereas use values take a multitude of forms, exchange value has only *one* form. That is why it can be expressed through a single medium of exchange: a univalent valuing system, through which the value of every commoditized object can be compared with any or all others. To understand why Western people see it as important to know the monetary worth of everything and calculate 'total worth', one has to understand the peculiar [nature of Western understandings of the world](#).

Of course, if money stores a particular *kind of value*, such a storing of value can only be symbolic in nature - there is no "real" labor or any other form of activity, nor any quality of any other kind physically stored in money. Rather, Western peoples have organized their communities in such a way that a particular kind of value which the community perceives as being of central importance to life in that community can be expressed in money terms.

The key to understanding the nature of money value in the community is not to look for some objective substance which creates value - whether it be presumed to be labor inputs into production or the [marginal utility](#) of goods and services to consumers, as modern neo-classical economics suggests. Rather, to understand the nature of money value, one should examine how and why increasing numbers of objects in the community are drawn into this evaluative system, that is, are *commoditized*.

Marx very persuasively argued that in capitalist societies there is a driving need to commoditize more and more of the objects, forms of organization and activities of people. And, the reason why this is not only accepted but applauded, is that people gain power and authority, prestige and status from the demonstrated accumulation of the value that inheres within both money and commodities.

Value is *not* generated by some substance or other in the society. It is the tangible expression of the successful commitment of people to those forms of activity, attitude and interaction which are required of stasured individuals and groups within the community⁶⁷⁷.

In western communities, status and prestige are closely linked to the accumulation of money; to the accumulation of objects whose money worth can readily be calculated; and to the consumption of items which are "expensive", that is, can only be consumed by those who have accumulated money.

And, since an increasing range of goods and services in the community is being drawn into this common evaluative system, we can, with constantly increasing precision, determine the relative standing or "success" of individuals in the community.

If one accumulates money and other possessions in ways which are considered "legitimate" in the community then one earns status and respect. One is socially rewarded for doing what the community has determined is relevant to increased status and respect.

Not only can others assess my placement through my possessions and through my forms of consumption, I, myself, as a well-enculturated Western person, am oriented to evaluating my own "self-worth" in similar ways. Whether others were around or not, I would still feel it necessary to express myself through my patterns of consumption and accumulation.

Accumulation is *assumed* to be a consequence of one's successful commitment to those socially approved forms of behavior⁶⁷⁸. That is why it is accepted in Western communities that people who have "made money" deserve to be able to spend it as they see fit. The latent status and prestige value of money is fully realized not in hoarding it but in its use in acquiring those possessions which either through ownership and/or consumption confer status and prestige. Equally, it is why so many argue that people who have not accumulated money and/or possessions should suffer the consequences.

Nature of production ¶

{§} (20/01/17) When people are driven to expressing their relative "success" through accumulating possessions and through expanding particular forms of consumption, then the production of goods and services in the community becomes open-ended⁶⁷⁹.

Open-ended production, where people produce more than they need and attempt to convince others to buy their surplus production, is of a fundamentally different nature to production for use. It is in production for exchange that exchange value becomes important. A fundamental shift in the *reason for production* occurs when people move from production for use to production for exchange value.

Subsistence production focuses on supplying people with needed or wanted products. Production for exchange value is not focused directly on supplying people with goods, that is just a means to a very different end. The reason for production is now *the accumulation of exchange value*. That is, one is producing, accumulating and consuming goods and services so as to *appropriate the exchange value* contained in those products⁶⁸⁰.

When one is producing, accumulating and consuming goods and services, not primarily for the use value they represent but in order to appropriate the *social definitional value* (or *status value*) they provide, then production,

accumulation and consumption have no upper limits⁶⁸¹. The accumulation and consumption of goods and services becomes the avenue to status and prestige. This contrasts with non-Western communities where accumulation and consumption activity and behavior are defined and limited by the status and prestige position held in the community ⁶⁸².

The more emphasis placed on production, accumulation and consumption as a means of status attainment and self-definition within a community, the more those forms of activity and behavior are stimulated; and the more preoccupied people become with commoditized forms of behavior and interaction.

Consumer society and Commoditization 🐞

Advertising has become a ubiquitous industry in the Western world, driven by the snowballing focus on and preoccupation with commoditization in Western communities. The successful accumulation of money depends on others buying the goods and services you are offering. In order to persuade them to do so, you must make them feel that what you are offering will benefit them in some relatively important way, and enhancement of one's social/personal definition is a powerful attractant.

Since everyone is trying to convince the consumer that he or she should buy the wares on offer, the *focus of money making shifts* from productive enterprise to the *marketing of consumables*. The successful competitor in the marketplace will be the one who is able to read the changing whims and fancies of those with money to spend and alter production to cater to those changing fancies.

This leads, inevitably, to the involvement of advertising professionals in shaping the commodities they are going to promote. So, over time, the persuaders begin to shape commodities. In this way, the process folds in on itself. Those who are persuading consumers to consume, fashion the products to be consumed. The entire process of production, accumulation and consumption becomes driven by the persuaders' perceptions of what will lead people to consume and accumulate.

Their perceptions of consumer wants are, of course, fashioned by various forms of social inquiry geared not to improving the use value of the commodities being promoted, but to improving their "appeal" - primarily their social definitional value as perceived by consumers. So, production becomes driven by persuaders' perceptions of consumers' perceptions of what constitutes social definitional value and a *consumer society* emerges.

Since the driving force behind this proliferation of consumer goods is the accumulation of exchange value (money making), sellers are constantly on the lookout for new resources which can be transformed into commodities. What can I exploit that has not already been over-exploited by others in order to make money? As Marx put it,

The capitalist knows that all commodities, however scurvy they may look, or however badly they may smell, are in faith and in truth money, ...a wonderful means whereby out of money to make more money. (1887 Vol. 1 Pt 2 Ch. 4).

This driving ambition for the accumulation of money inevitably results in more and more of those forms of activity, interaction and organization in

the community, which people perceive as important to themselves, being exploited for profit.

More and more of the activities and interactions of community members are reorganized by those intent on making money from them. And those who become involved in the newly commoditized forms perceive their involvement as another means of enhancing social definition. They consume them as commodities rather than as 'useful' objects.

Whenever an object, whether tangible, intangible or a form of organization of one kind or another, which previously existed within the community without being linked to exchange value, is used in order to make money, it becomes *commoditized*. Commoditization is the process of taking items which previously could not legitimately be used to make money, and reorganizing, modifying and marketing them so that they become legitimate avenues through which money can be made.

Of course, in doing so, we are also giving them a new rationale. Whatever their purpose and place might once have been in the community, they are now being employed to the particular end of making and spending money. Inevitably, therefore, involvement in such modified forms becomes linked to the accumulation and/or expenditure of exchange value - to accumulation of the potential for increasing status; and to the translation of that accumulated potential into status defining and maintaining activity.

Investment Growth Packages: the Commoditization of Investment

{§} (17/07/16) From the 10th to second half of the 20th centuries in Western Europe *usury* ⁶⁸³ was illegal and considered socially unacceptable. As late as the 1960s, a 20% interest rate was considered gross extortion in most Western countries. Governments closely controlled interest rates.

Since the mid 1970s, the setting of interest rates by "the market place" has been assumed to be "natural". The individual, interested in making accumulated capital "work" for him or her, is assumed able to determine the rates most useful in the enterprise. If people will pay the rate, then it is clearly 'reasonable'⁶⁸⁴.

Consumers, intent on conserving and enhancing both self-image and status/prestige, pay whatever they have to in order to obtain the money with which to do so. The result is the massive personal and 'credit card' debt within Western communities, primarily held by people struggling to ensure that their current social standing and self-image are protected.

The offering of "investment growth" packages by various financial institutions has become one of the most important forms of industry in the last fifty years. Investment has been commoditized and one can accrue social definitional value by letting others know that one is involved in such activity.

Both perceived position in the community and perceptions of self are preoccupations of most people in most communities. In Western communities, where these are directly related to commoditization, over time, *economic* ⁶⁸⁵ activity overtakes more and more of the interaction and organization of the community.

People come to believe that life is about economic activity and matters which have not been subjected to "the bottom line" of "profit and loss" accounting must be considered aberrant and in need of reorganization. Social, political, aesthetic, even religious involvement can be subjected to this process.

The world becomes "professionalized" with people choosing "services" which meet their needs, and spending their accumulated exchange value on those commodities they feel are necessary to securing their self and social images. They consume services and goods and feel that this consumption, *in itself*, is beneficial. The benefit coming, of course, not from the use value of the services consumed but from the social definitional value of the expenditures.

Conclusion

In the early 21st century Western communities have become highly commoditized. Both the commoditization of communities and the evolution of economics are inevitable consequences of the particular social templates which have emerged within Western communities.

Commoditization is driven by Western systems of status, prestige and self-image attainment and maintenance. One cannot alter the direction of the evolution of such processes through focusing on them, they are *effects* rather than causes. At root are the particular bases for the categorization and classification of people which have emerged over a thousand years in Western communities ⁶⁸⁶.

The commoditization of society in Western communities will continue unchecked for so long as Western peoples live in communities in which status, prestige and self-image are consequences of the individualized, competitive accumulation and consumption of goods and services.

Addendum: We're All Equal! Independence and Exchange †

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Introduction

★ ... just at that moment, as though at a signal, all the sheep burst out into a tremendous bleating of-

Four legs good, two legs better! Four legs good, two legs better! Four legs good, two legs better!

It went on for five minutes without stopping. And by the time the sheep had quieted down, the chance to utter any protest had passed, for the pigs had marched back into the farmhouse.

Benjamin felt a nose nuzzling at his shoulder. He looked round. It was Clover. Her old eyes looked dimmer than ever. Without saying anything, she tugged gently at his mane and led him round to the end of the big barn, where the Seven Commandments were written. For a minute or two they stood gazing at the tatted wall with its white lettering.

"My sight is failing," she said finally.

Even when I was young I could not have read what was written there. But it appears to me that that wall looks different. Are the Seven Commandments the same as they used to be, Benjamin?

For once Benjamin consented to break his rule, and he read out to her what was written on the wall. There was nothing there now except a single Commandment. It ran:

ALL ANIMALS ARE EQUAL
BUT SOME ANIMALS ARE MORE EQUAL THAN OTHERS

After that it did not seem strange when next day the pigs who were supervising the work of the farm all carried whips in their trotters. (Orwell 1951 p. 114)

If there is a single defining feature of Western capitalism, it might well be the peculiar definition of exchange which lies at its core. If we can get that definition of exchange into perspective, it will be of great help in getting capitalism into comparative perspective.

As we have already discussed, the fundamental assumptions upon which perceived reality is built are historically developed ⁶⁸⁷. They form the bedrock upon which community organization and human interaction are constructed.

There is a constant ideological management of reality in communities. Dominant groups continuously and subliminally define and refine *objective reality* for their community (this is what many of the 'specialisms' of Western communities are about). At the core of that reality are the ways in which people relate to both their environments and each other. Communities ensure that their populations know and live by those understandings.

Since dominant groups *know* how the world operates, they also *know* the best ways in which life should be organized and lived. They, therefore, feel responsible to ensure that people in the communities in which they live conform to those understandings. This is ensured through the many acculturative agencies and processes which can be found in any community of human beings. These ensure that community organization and individual thought and action conform to the community's version of objective reality.

The most important acculturative agencies in Western communities are contained within the institutional complex known as 'The Education System'. *Education* is a major acculturative force in Western communities. One does not find Western style 'education systems' in non-Western communities. Where non-Western countries have education systems they are modelled on the systems developed in Western communities.

Western education systems are focused squarely on ensuring that the most important fundamental understandings of Western communities are understood and adhered to. Where they exist in non-Western countries, education systems are essential elements of the hegemonic processes and structures which Western countries insist non-Western countries must 'develop' and continuously monitor and regulate (to counter 'poor educational practice') if they are to receive recognition and 'aid' from the West.

The fundamental assumptions which drive Western education also drive the development of theory in Western institutions and specialties. Many of the most powerful theoretical models of social interaction and societal organization developed in Western academic and professional circles incorporate and reaffirm the basic ideological understandings of Western communities. Such models become unwitting tools in the hegemonic promotion of Western capitalism.

There is nothing fundamentally 'wrong' or reprehensible in this, that is what dominant ideological communities do and have always done, wherever they are found, and whatever their understandings of the world might be. However, it is a problem if we want to understand communities in their own terms.

We, as Westerners, are often not aware that the most 'convincing' models will, almost inevitably, incorporate the central cultural presumptions of Western capitalism. So, we are likely, unwittingly, in using the models, to describe and explain phenomena we investigate in terms of similarity to and deviation from Western forms, processes, behaviors and understandings.

Effectively, by default, we judge other cultural communities against Western 'standards' built into the theoretical models we employ, even as we claim that we are trying to understand them in their own terms. Annette Weiner (1992), in her book *Inalienable Possessions: The Paradox of Keeping-While-Giving*, tackled this problem head on in examining the cultural baggage built into many anthropological ideas and understandings. As she said,

... ethnographers do not record informants' words as though on a tabula rasa, but as modified by their own theories and perceptions honed on the issues and arguments of previous anthropological discourses. How to get beneath what historically we, as anthropologists, take most for granted and, in its stead, hear what our field interpreters are actually saying is a major problem. (1992 p. 24)

In this discussion we need to be alert to the problem. If our own cultural assumptions are built into the models we use, we end up comparing other cultural communities against the values and understandings of the community to which we belong.

That might be the task assigned to Western moralists (e.g. 'human rights' specialists), or to those involved in the hegemonic expansion of Western capitalism (e.g. 'Third World Development' specialists). However, if we are to understand communities of people rather than be party to a hegemonic imposition of Western cultural forms on the rest of the world, we must attempt, to the degree that this is possible, to understand communities and people in their own terms.

The *economic* models of capitalism are ideological models which incorporate all the most basic presumptions about the world and about human beings which are extant in Western communities. When economic models are applied to life in non-Western communities they automatically produce recommendations for change. Inevitably, they compare forms of organization and activity based on very different presumptions against the forms and activities extant in Western communities.

Recommendations stemming from the application of these models are, all too often, used as the base for 'Third World development' programs and projects.

At the heart of economic and most other models of social interaction and organization lies the Western definition of 'the individual' and the Western definition of 'balanced exchange'. Both are assumed to be fundamental to human interaction and organization everywhere. Tsui, Farh and Lih provided a clear summary of the Western view of 'independent individuals':

... the Western view of an independent self ... sees each human being as an independent, self-contained, autonomous entity who (a) comprises a unique configuration of internal attributes (e.g. traits, abilities, motives, and values) and (b) behaves primarily as a consequence of these internal attributes. (1997, p. 59)

Two additional impulses drive the Western independent individual. Western individuals are both competitive and acquisitive. These features, in combination, determine the nature of exchange within Western communities 688.

Models of Reciprocity and Exchange

In most of the social sciences, it is presumed that the relationships which exist between individuals 'emerge' from the processes of exchange in which they engage. Human beings, it is assumed, are first and foremost 'actors' and the social relationships in which they are involved are outcomes of self-interested interaction aimed at satisfying individual needs and wants. So, exchange based on self-interest comes first, and groups emerge from those exchanges as people enter into ongoing, mutually beneficial relationships.

Because they are convinced of the importance of reciprocity and exchange in understanding community organization and interpersonal interaction, theorists in the social sciences have attempted to define the nature of exchange. There have been two directions in which these attempts at definition have gone.

The most common direction has been toward a single definition of exchange. This has been encapsulated most clearly in economic models of exchange, but has been replicated in a range of social models developed out of social exchange theory.

The second direction has been toward defining exchanges contextually. This approach assumes that the nature of exchanges is determined by the nature of the relationships perceived as existing between those involved in exchange. The interconnections between people come first. Exchanges occur between people who already know how they relate to each other and already know the kinds of exchanges which are legitimate for such relationships.

There cannot be a single definition of exchange. Rather, the characteristics of exchange depend on the context in which it occurs.

The presumptions about the nature of individuals and communities of human beings upon which these two approaches base their reasoning are very different.

The approaches to reciprocity and exchange which we are going to examine next illustrate this divide. They are presumed, by those who promote them, to provide a framework for understanding human interaction and the relationships in and through which they occur.

Social Exchange Theory

In Western communities, it is commonly believed that we are all, at heart, pre-social, independent, self-interested, self-promoting, competitive and acquisitive beings. We view relationships as the means by which we satisfy our 'needs' and 'wants'. It is assumed that we are all intent on conserving and expanding our consumption/possessions and furthering our own well-being and independence, if necessary, at the expense of others around us.

There has been a range of models of 'social exchange' developed through the 19th and 20th centuries which are founded on these assumptions.

According to social exchange theorists (whom you will meet in various guises in most social science theorizing) all exchange is based on the acquisitive, competitive, and self-interested drives of human beings who want to be independent ⁶⁸⁹ .

According to this model, if you and I were in an exchange relationship (since I'm assuming you're a well-enculturated Westerner, let's use the relationship: 'teacher and student') it would be because you perceived me as having something you want (a good grade?) and I perceive you as having something I want (your money?).

I look for ways of getting as much money as I can out of you while giving you as little as possible of what 'belongs' to me (I want to 'conserve' what is mine). You look for ways of getting the best grade you can out of me for the lowest price. The relationship might look like one of cooperation - teacher and student in the pursuit of knowledge - but it is, in reality, competitive, with each of us pursuing our own, independent, self-interested goals.

Our relationship will continue for only so long as I can convince you to keep giving me money and you can convince me to keep passing you! Once we see the other as having nothing to offer (you run out of money - I run out of units you want to do) the relationship ends.

The development of education in most Western countries, over the past couple of decades, has largely been driven by this caricature of human motivation and sociability. [Educational institutions have become primarily 'profit making' organizations](#) and education is being promoted as a 'commodity' or 'consumable'⁶⁹⁰ .

In the process, communities have devalued education as a cooperative pursuit of understanding and emphasized its value as a preparation for entry into the world of competitive wealth attainment. If it doesn't lead to money, what's the point? Not, of course, that you and I have such a crass view of the value of education!

Edward Lawler and Shane Thye described the model,

Social exchange theory assumes self-interested actors who transact with other self-interested actors to accomplish individual goals that they cannot achieve alone. Self-interest and interdependence are central properties of social exchange.

Whether it is two lovers who share a warm and mutual affection, or two corporations who pool resources to generate a new product, the basic form of interaction remains the same. Two or more actors, each of whom has something of value to the other, decide whether to exchange and in what amounts.

(1999 p. 217)

In an earlier article Thye and his co-authors addressed the nature of the 'networks' which emerge out of exchange activities:

Whether the setting involves corporate agents in commercial enterprises, management-labor negotiations over salaries and benefits, children vying for limited space on playground equipment, or the ebb and flow of interests and offers in dating networks, the cumulative effects of what happens in the short-term - e.g., feedback from, and responses to, each exchange offer - has profound implications for the

long-term state of the larger social system in which negotiations and exchanges are embedded.

(Thye *et al* 1997 p. 1031)

Social exchange theory shares a great deal of common ground with *rational action theory* and *cost benefit analysis*. Their roots can be found in the Western philosophy of utilitarianism ⁶⁹¹. The approach, with minor variations in emphasis and definition, is also sometimes referred to as *rational choice*, the *problem of collective action*, *research in 'micro fundamentals'*, or *methodological individualism*. In anthropology it is also known as *formalism*, in contrast to the *substantivism* of Karl Polanyi and those who have developed his ideas over the past fifty years. We will examine Polanyi's ideas shortly.

Both of Thye's articles presume the validity of the social exchange model and review the literature on social exchange theory. They provide an excellent illustration of the ways in which Western ideological understanding becomes unconsciously built into Western 'explanatory' models and a reminder that social science theorizing is not acultural.

The ways a theorist sees his or her world, and the basic presumptions about life which are held to be self-evident are usually either explicitly or implicitly written into the theoretical constructs which theorists build.

Social exchange theory presumes that individuals interact in terms of competitive self interest. Their interactions are focused by both *social incentives* to behave in particular socially approved ways and *social constraints* on 'unacceptable' behavior (social 'benefits' and 'costs').

Independent, pre-social individuals are constrained in their interactions by 'rules and regulations' which, ultimately, work against those most adept at exchange negotiations. It is this presumption that the entrepreneurs in communities are stifled in their activities by those who feel threatened which lies at the heart of Western demands that people be 'freed' to uninhibited exchange activity.

Those incentives and constraints have been developed over time as a consequence of individuals' experiences in the competitive cut and thrust of getting what they feel they need and want. They channel activity to minimize the costs and maximize the gains of interaction for the greatest number in the community (it is in this that the model draws most heavily on utilitarian ideas - the ideal community is, therefore, 'democratic').

In these ways, *ostensible* cooperation between individuals and groups emerges. A variety of communal structures develop to further what are, ultimately, individual, self interested activities aimed at meeting individual needs and wants in an environment of competitors and scarce resources. The innate traits of human beings turn out to be remarkably similar to those of individuals as defined in Western industrialized communities.

Claude Levi-Strauss (1963, pp. 279ff), an anthropologist writing during the 1940s to 1980s, made a distinction between what he called 'home-made' models of social interaction and organization, and models designed to uncover the basic presumptions and principles upon which social life is constructed.

Home-made models *perpetuate* the phenomena they claim to explain. Explanatory models elucidate the fundamental presumptions and principles

upon which social life is built.

Although those who employ the conscious, home-made models will claim that their use 'explains' social phenomena, in fact, they are part of the ideological acculturative process. The use of the models reaffirms and reinforces the behaviors, attitudes and understandings which they are supposed to 'explain'. According to Levi-Strauss,

conscious models... are by definition very poor ones since they are not intended to explain the phenomena but to perpetuate them. Therefore structural analysis is confronted with a strange paradox well known to the linguist, that is: the more obvious structural organization is, the more difficult it becomes to reach it because of the inaccurate models lying across the path which leads to it.
(1963, p. 282)

Many anthropologists are wary of models which employ a singular definition of the nature of social exchange such as that presented in social exchange theory. However, theoretical models which either explicitly or implicitly rely on this set of assumptions about human interaction are very common in social science theorizing.

For researchers and theorists who espouse a variant of social exchange theory, individual human beings are primary. Social organization and social interaction are outgrowths of individual human beings trying to fulfill their own needs and wants and ensure their status as independent individuals.

So, individual human beings, and the relationships they form in the process of achieving their independent goals come first. Change the needs and wants of individuals and they will change their interactions and, consequently, the social structures which have emerged to facilitate the pursuit of their independent ends.

In the words of George Homans who wrote widely from this perspective in the mid 20th century,

... elementary social behavior, pursued long enough by enough people, breaks through the existing institutions and replaces them. Probably there is no institution that was not, in its germ, elementary social behavior.
(Homans, 1961 p. 1)

Social structures and institutions emerge from the interactions of independent individuals pursuing their own private ends. The relative statuses of people and the relative power they exercise are also derived from these relationships, driven by people trying to ensure that they retain any advantages they have in the exchange process.

Linda Molm and her co-authors (2001) summed up the relative 'power' positions of human beings in interacting groups like this:

The concept of dependence is pivotal to the theory's analysis of power. Each actor's power derives from the other's dependence: A's power over B increases with B's dependence on A, and vice versa (Emerson 1972a, 1972b).

Inequalities in power and dependence create power imbalanced relations, in which the less dependent actor has a power advantage over the more dependent, disadvantaged actor.

The theory distinguishes between power as a structural potential, determined by actors' relations of dependence, and power use as the resulting inequality in benefits obtained by more and less powerful actors in a relation or network. The former affects the latter, in that imbalances in power tend to produce corresponding inequalities in exchange benefits.

Because power is a function of dependence, predicting power and its use requires identifying variables that affect actors' relative dependencies.

(Molm et al 2001 p. 259)

According to social exchange theory, if two people are in an exchange relationship, the person most committed to making the relationship work is in a disadvantageous position. That person will have put more 'resources' into making the relationship a success than the other person and so the 'costs' and 'benefits' of the relationship vary inversely to the commitment of the participants.

The one who is more committed will have to 'pay' more than the other party to maintain the relationship - they become relatively more 'dependent' on the relationship. People who are in 'relationships of dependence' feel subservient to those on whom they depend and so, inevitably, human beings dream of independence, of not having to rely on others for their needs and wants.

Redistribution - another form of exchange 🐼

Social exchange theory presumes that human *action* is primary and that social structures and institutions emerge out of human interaction and are finally sustained by it. But what if human action is instituted by the structures of the community?

Then the forms of interaction which occur will be determined by the forms of organization and by the ways people are brought up to behave through their placement within the social whole. Community structures will be primary and human interaction and exchange will reflect the ways in which communities are organized.

Karl Marx 🐼

This was the focus of a great deal of Marxist theorizing ⁶⁹² of the late 19th and 20th centuries. Human beings, Karl Marx believed, behave as they are brought up to behave, determined by the ways in which their society is organized and articulated to the material environment, that is, the 'relations of production' which exist in the society.

In his own words,

In the social production of their existence, men inevitably enter into definite relations, which are independent of their will, namely relations of production appropriate to a given stage in the development of their material forces of production.

The totality of these relations of production constitutes the economic structure of society, the real foundation, on which arises a legal and

political superstructure and to which correspond definite forms of social consciousness.

The mode of production of material life conditions the general process of social, political and intellectual life. It is not the consciousness of men that determines their existence, but their social existence that determines their consciousness.

(1859 p. 1)

Marx, living in a capitalist world, assumed that 'relations of production' would be central to the ways in which people are defined and interact.

The self-interested, competitive, acquisitive individualism of Western communities is an inevitable consequence of the stage they have reached 'in the development of their material forces of production'. It is instilled in people through their upbringing.

Capitalist societies require self-interested, competitive individualism and so people are brought up to display those characteristics in their interactions. In other societies, people will be trained to behave in ways required by the dominant 'relations of production' of their communities. Economic exchange is the kind of exchange required for capitalism to work.

Marx was a thinker of his time, and an optimist. He was convinced that human societies were evolving toward a particular set of 'relations of production'. There would be a final structuring of society reached ⁶⁹³, where human beings would fully understand the productive potential of their environments and would harness that potential for the greatest good of each individual in the society.

Individuals would, 'naturally', be brought up to behave in ways required by the dominant relations of production, ensuring that, at last, each person would contribute what he or she was able to the social whole and receive what he or she needed. This is the meaning of the term 'communism'.

Polanyi

Karl Polanyi, an economic historian writing in the middle of the 20th century was strongly influenced by Marxist ideas, but less than convinced about the evolutionary direction of human development. He argued that,

the term *economic*, as commonly used to describe a type of human activity, is a compound of two meanings. ...

The first meaning, the formal, springs from the logical character of the means-end relationship ... from this definition springs the scarcity definition of *economic*.

The second, the substantive meaning, points to the elemental fact that human beings, like all other living things, cannot exist for any length of time without a physical environment to sustain them; this is the origin of the substantive definition of *economic*.

The two meanings... have nothing in common.

(1977 p. 19)

On one hand, there is an economy as defined in economic theory and as experienced in Western communities. This economy works best if people behave as self-interested, competitive, acquisitive individuals because it is a

'market' economy. People are brought up to behave in ways which will ensure their success in such an environment.

Polanyi argued that the particular ways in which human beings utilise their material environments and the forms of relationships through which goods and services are distributed throughout the society, are not derived from innate individual human traits and instincts; and are *not* 'natural' consequences of exploiting material environments (it was in this assertion that he parted company with Marxists).

Rather, the ways in which people behave and the ways in which they use their material environments are determined by the ways in which their communities are organized.

He claimed that there is an *economistic fallacy*, which

consists in a tendency to equate human economy with its market form. (1977 p. 20)

The *substantive* economy in any community, he argued, is *embedded* in the organization and interactions of the community. So, exchange relationships are determined by the structure of the community rather than the structure of the community being determined by exchange relationships.

To demonstrate that not all economic activity is organized like a Western market economy he described the economic activities of ancient historical Mesopotamian communities, showing that they were very differently organized. He labelled the system he described a *redistributive* system.

Redistribution stands for a movement towards a centre and out of it again, whether the objects are physically moved or only the disposition of them is shifted. (1977 p. 36)

He claimed that in communities which are organized with a wide peasant base and a hierarchical leadership structure, goods and services initially flow from the peasant base upward through the hierarchy ⁶⁹⁴.

If you examined the system at some periods it would appear that there was a systematic exploitation of the peasant base by the elite of the community. However, it is the task of the elite not merely to use the surpluses they receive, but to provide a range of services and to store and redistribute surplus production to community members who are in need.

So, if you examined the system from the perspective of the elite or during times of hardship, you would find that there was a reverse flow occurring. Goods and services would be flowing from the center out toward the peasant base.

To understand how such an economy worked one had to understand the organization of the society, not merely individual exchanges. What might be seen as an exploitative system from either perspective, could be shown to be a 'social welfare' system when one looked at the long-run activities of all members of the community.

A reciprocity continuum

Polanyi's challenge to economic theory was based on his claim that there are forms of exchange of goods and services which do not conform to the

definition of exchange which is used in economic and social exchange theory. So, it was a fallacy to claim that economic and social exchange models could be universally applied.

This was a fairly rudimentary attack on the universal validity of social exchange theory, but it was a start. Polanyi's models did not explain *why* different communities had different forms of redistribution and exchange, only that it could empirically be shown that this was the case. It remained for someone to provide a model of exchange relationships which would spell out why it was possible to have such different forms of community organization and interpersonal exchange.

Sahlins and Spheres of Exchange

The next major contribution to the debate came from Marshall Sahlins. Although Sahlins' model of exchange relationships provided a way forward, it did not directly deal with the kinds of exchange Polanyi described. Rather, it described forms of exchange between people who are roughly equal in status within a community.

Polanyi introduced a focus on hierarchically structured exchange relationships, the ways in which goods and services moved through political and social hierarchies. Sahlins was more concerned with the ways in which kinship and social distance influenced exchange relationships.

He explained this in his most influential book on the subject, *Stone Age Economics*, when he said,

Rank difference as much as kinship distance supposes an economic relation. The vertical, rank axis of exchange - or the implication of rank - may affect the form of the transaction, just as the horizontal kinship-distance axis affects it.
(1972 p.206)

Polanyi's redistributive system is one focusing on exchange between people of different rank (the 'vertical, rank axis of exchange'). Sahlins' model of reciprocity and exchange focuses on the horizontal axis: the ways in which the nature of exchange differs with the degree to which people see themselves as 'related' to each other, coupled with the amount they have to do with each other.

There are 'spheres' of exchange. Exchange relationships differ, depending on the kind of relationship existing between the parties involved and the contexts in which exchange occurs.

A number of anthropologists have examined spheres of exchange ⁶⁹⁵, exchange complexes which are focused within particular organizational areas of a community. Frederick Damon described such spheres in the U.S.A.,

there are spheres of gifts, of wage labor, and of productive and financial capitals. It is easy to show that each operates by different principles with different purposes. It is also easy to show - requiring only a book or two - that complex patterns of reciprocal dependencies, with painful contradictory consequences, govern their interactions.
(1993 p. 243)

Damon went on to describe similar spheres of exchange for a Melanesian community involved in Kula exchange.

Sahlins is dealing with one of the spheres of exchange which exist within communities. The nature of reciprocity and exchange become much more complex in Sahlins' typology. Social exchange theory limits its focus to simple interactions between two individuals (either 'natural' or 'artificial') in face to face relationships, with presumed 'instincts' driving their activity.

The key to understanding Sahlins' contribution to the debate on the nature of exchange is that he, following Polanyi's lead, envisaged more than one definition of an exchange relationship. He concluded that the kind of exchange relationship which would be found between two individuals or groups was determined by the nature of the relationship which existed between them.

There are many possible definitions of exchange, since particular instances of exchange and reciprocity are *individuated* expressions of relationships which exist between categories of people.

This points us directly to the kind of model which Levi-Strauss (1963) called a 'structural' model, based on the unconscious principles of categorization and classification which exist within any 'structured' community. One can understand exchanges best when one realizes that they are visible expressions of the kinds of relationship which people perceive as existing between themselves, making them into a *community* of human beings.

The relations which people perceive as existing between themselves are a sub-set of the relations which occur within and between the classificatory categories of thought which each member of a community learns from his or her community from the moment of birth ⁶⁹⁶.

A human being can't 'think' without such a classificatory structure since thought is a process of comparison to determine similarities and differences between perceived items (and that is the definition of *classificatory categorization*). These relations of similarity and difference are expressed in all forms of structured communication between people, from language to the exchange of material goods and services.

The classificatory categories of any community have been unconsciously developed over the history of the community and so will be unique to that community. Yet, because there is a finite set of relations which can occur between elements in a structure, there will be many apparent similarities between communities.

We can't pursue this further here, but, in *formal system* analysis it is recognized that there is a variety of kinds and combinations of relationship which can exist between elements of a structure. As the Encyclopaedia Britannica puts it,

Each formal system has a formal language composed of primitive symbols acted on by certain rules of formation (statements concerning the symbols, functions, and sentences allowable in the system) and developed by inference from a set of axioms.

(2010 ⁶⁹⁷)

Since human beings are sentient and capable of reflexive thought, they do not merely conform to the structural requirements of the system in which

they live. They are able, individually, to focus on, and compare and contrast the forms of relationship in which they are involved. They experiment with alternative definitions of, and behaviors in structured interactions. That is, they *individuate* their social relationships, just as they do every facet of their experience and understanding.

People are constantly defining and redefining themselves in their interactions. The structure is, necessarily, conservative, but it is neither static nor completely prescriptive.

Sahlins pointed to this when he said that,

it is not only that kinship organizes community, but communities kinship, so that a spatial, coresidential term affects the measure of kinship distance and thus the mode of exchange (1972 p. 197).

While, in many communities, exchanges are formally structured by kinship relationships, kin who live close to each other often develop closer relationships than kin living at a distance. This results in different forms of exchange developing between an individual and two or more kin who might share the same formal kinship relationship with him or her but live closer or further away.

However, the set of relationships from which they build their individuated interactions is already spelt out in the social structures of their community. Christina Torrens (1999) in a discussion of the ways in which Fijian kinship relations pattern interactions between people in Fiji, explained,

A Fijian village child lives kinship as the very medium of existence; such a child constitutes ideas of self and others or, in simpler terms, comes to be who he or she is, in reciprocal relations between kin. (1999 p. 265)

Sahlins was suggesting that the forms of reciprocity which will be observed will take their character from the forms of social relationship which exist between exchangers as members of a structured community. And, in turn, the social relationships which exist between the exchangers will depend on the number and kinds of relationships summed up in each person.

People are *nodes of relationships* and their interaction with each other person or group is 'flavored' by the blend of relationships in which they are involved.

If you stop for a moment and think of yourself. You 'know' who you are by the way you relate to everything around you. All the perceived relationships between yourself and all the recognized elements of your environments, provide the raw material from which you construct your self-image.

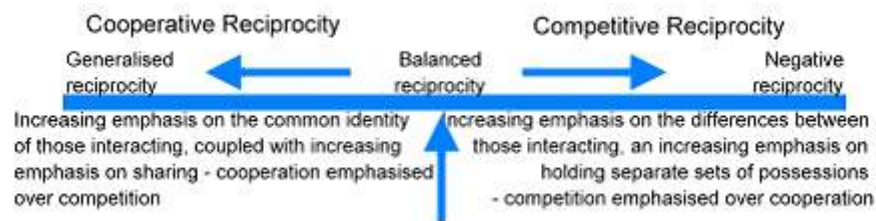
If someone tries to change those perceived relationships, that person assails your self-image. You, inevitably, react to defend your definition of yourself. That is, you try to *conserve* your present definition by conserving present recognized relationships.

Human beings, born into communities, are taught that certain forms of relationship are important. So, in any community, one will find that some kinds of relationship are emphasized more than others.

In Western communities many individuals are taught that competitively balanced exchange is important and that each individual should value privacy, independence, and material possessions. Relationships tend to take their 'flavor' from these values. Not all communities see these values as important.

To understand an act of exchange one has to understand the relationship which the participants in the exchange perceive as existing between them.

The form of an exchange between family members will be different to the form of an exchange between strangers (and different to the forms of exchange found between people of variant rank or status in the community). Horizontal relationships between individuals can be viewed as occurring on a continuum of relationship as below:



The illustration above deals with a *continuum* of relationships, not just three different relationships. As we move from left to right along the line, the relationship is progressively based on perceiving fewer similarities and more differences between participants in an exchange⁶⁹⁸. The resulting exchange behavior takes its flavor from those perceptions and so varies as you move along the line.

The more two people see themselves as 'related', that is, as sharing a common identity, the more they will emphasize sharing rather than holding sets of separate possessions. So, when one person wants something the other has, they will tend to assume the right to take it and use it, rather than having to 'ask permission' or 'buy' it from the other person.

Generalised reciprocity is a very common form of exchange within nuclear family groupings. There are many possessions that belong to the household rather than to the individuals in the household. Members use them when they need to without having to ask permission of other family members. The item might be in the possession of one of the members, but it can be taken and kept by another member until someone else needs it.

Degrees of similarity and difference between people are *contextually* defined. I might emphasize my 'difference' from other family members when acting inside the home. I might emphasize 'similarity' to my family members when we are acting as a unit in a wider setting. And, perhaps, I, my family, the family of my uncle and/or my aunt might act as a unit in a still wider setting. So, depending on the context, I might well behave differently toward members of those groups at different times.

Sometimes I will emphasize our differences, by insisting that some things are 'mine' and others are 'theirs'. But, sometimes, in different contexts, we will emphasize our similarity, finding it much easier to 'share' things with each other.

The less interacting people see themselves as sharing the same identity, the more differences they will recognize as existing between them. This will

make it more likely that they will have to ask permission to use an item in the other person's possession.

As the differences increase, they will increasingly feel the need to 'balance' the relationship by offering something to the other person in exchange for an item they want to use. The people involved will tend to hold separate sets of possessions and feel that they are 'losing' something when an item they have is given to the other person (there is a conservation principle at work).

By the time we reach the mid-point on the diagram above, there is a feeling that when something is given to one person, the other should get something of fairly equal value in return. The exchange should be 'balanced'.

In most forms of exchange to the left of the diagram, the people involved in exchange feel themselves to be in some degree related to each other and are not interested in making a 'profit' at the expense of those with whom they associate. The more closely they consider themselves to be integrated with each other, the more complete the sense of sharing possessions among them becomes. Exchanges on the left side of our diagram tend to reinforce social relationships based on similarity and often seem deliberately designed to do this.

The 'balanced reciprocity' relationship is most commonly found between acquaintances rather than friends, people who are considered connected with us in some way, but are very definitely not members of our 'in-group'. Neighbors in Western communities are often in this kind of relationship. One doesn't feel that it is right to make a profit out of them, but exchanges should be balanced and when something is lent or borrowed it should fairly promptly be returned.

As we move to the right of the diagram, people who interact with each other emphasize their differences rather than their similarities. The less like each other they consider themselves to be, the more they emphasize keeping their own possessions and trying to get yours for as little cost as possible (Weiner's (1992) 'keeping-while-giving' relationship). If you have this kind of relationship with another person you have no problem in 'buying' and 'selling' items. If you try to buy and sell to people on the left side there is an uneasy feeling that this is not the appropriate thing to do.

This is one important reason why many business activities in close knit communities fail. Outsiders do much better at business because they can buy and sell without resentment developing in the community as a result of their activities. Of course, by engaging in competitive exchange they are also cementing their definitions as 'outsiders'.

This is very similar to the consequences of Western understandings of social exchange. The independent individualism which is at the root of Western processes of socialisation and upbringing is reinforced by Western exchange activities.

In any community one will find *all forms* of reciprocity. It is not that in some communities one finds generalised reciprocity and in other communities one finds balanced or negative reciprocity. Rather, in every community one will find people who are closely defined as similar to each other and others who will be less closely related.

'Correct' forms of behavior in relationships will be formalized and appear, to those outside the community, as sets of constrictive 'rules and regulations'. Those who live in the communities in which the formalized relationships are 'normal', however, will see them as statements of the obvious, not as externally imposed restrictions on their individual 'freedoms'.

All these relationships are, of course, relative to the person on whom attention is being focused.

One will also find people living in neighboring communities or on the fringes of communities who are defined as primarily different from community members. The forms of exchange which occur will reflect the relationships perceived as existing between people. They will also, in quite different ways, reflect the status, rank and prestige differences which are perceived between people.

Conclusion

The exchange presumptions which underpin Western economic and social exchange theories strip away the multidimensional qualities of human interaction both with other human beings and with their material environments. All that is left is 'economic behavior'.

The arguments of neoliberal economic theory over the past forty years have been based on the simplistic presumption that all communities are the outcome of the interactions of independent individuals intent on their own gain. To ensure that those communities serve the interests of individuals, rather than inhibiting them, it is necessary to remove all those constraints and incentives (the 'rules and regulations') which have historically been built to limit the success of enterprising individuals⁶⁹⁹.

If independent individuals are 'freed' to uninhibited, self-interested, acquisitive self-promotion, all human beings will be the beneficiaries of their entrepreneurial activity. That is why they are so admired. Adam Smith explained this admiration two hundred and fifty years ago:

that eminent esteem with which all men naturally regard a steady perseverance in the practice of frugality, industry, and application, though directed to no other purpose than the acquisition of fortune. The resolute firmness of the person who acts in this manner, and in order to obtain a great though remote advantage, not only gives up all present pleasures, but endures the greatest labor both of mind and body, necessarily commands our approbation.
(1759 Part 4 Ch. 2)

Such people do not merely pursue prudent self-interest for their own gain or because others insist they should. They know, in their own hearts, that prudent, self-interested industry and frugality are amongst the most important of the virtues:

In the steadiness of his industry and frugality, in his steadily sacrificing the ease and enjoyment of the present moment for the probable expectation of the still greater ease and enjoyment of a more distant but more lasting period of time, the prudent man is always both supported and rewarded by the entire approbation of the impartial spectator, and of the representative of the impartial spectator, the man

within the breast.
(Smith 1759, Part 6 Section 1)

And this admiration is not only shown toward individual 'natural' human beings! The world also has 'artificial' individuals. Since social exchange and economic theory focus on interaction between instinct driven 'individuals', they must define groupings of 'natural' individuals as also 'individuals' so that they can incorporate them into their predictive models.

Business enterprises become 'individuals', entitled to the same protections under law as 'natural' individual human beings. Adam Ferguson explained the entitlements of entrepreneurial individuals well:

... he alone has every virtue, except the force to defend his acquisitions. He needs no aid from the state, but its protection; and is often in himself its most intelligent and respectable member.
Adam Ferguson (1767 Pt 3, Section 4)

We are all 'equal': human beings and corporations. We can all compete 'on a level playing field', where the most deserving win. We must ensure that 'rules and regulations', aimed at stifling entrepreneurial enterprise, are not generated by the envious and those less willing to persevere "in the practice of frugality, industry, and application, though directed to no other purpose than the acquisition of fortune".

Communal 'rules and regulations' exist to protect the lazy, the indisciplined, the free-loaders. What we need is less government, less regulation, more enterprise. We only need one commandment:

Henry Thoreau spelt it out:

I heartily accept the motto, - "That government is best which governs least"; and I should like to see it acted up to more rapidly and systematically. Carried out, it finally amounts to this, which also I believe, - "That government is best which governs not at all"; and when men are prepared for it, that will be the kind of government which they will have. Government is at best but an expedient; but most governments are usually, and all governments are sometimes, inexpedient.
(☞ Thoreau 1849)

We need no 'safety net'; globalized, unregulated markets will take care of us all. Leave our future and our wellbeing in the hands of independent, self-interested, self-promoting, competitive and acquisitive natural and artificial plutocrats - as God intended!

How to search on editing dates in the book†

{{}} (06/07/16) The most efficient way to search on edit dates is to [access the list of edit dates](#) at the end of this book. To search for edits and updating in the book based on the edit dates, select the 'Search this document' option in the application you are using and type the date to be searched there.

Edit dates are formatted like this: (dd/mm/yy), e.g. (31/12/17).

End Notes †

- 1 {§} (11/03/16) This evolution of ideas is, of course, an evolution of my own understanding as well as the evolving nature of capitalism and the understanding of those who comment on and/or study capitalism and its wide ranging impacts. If you feel, at times, that what is being presented is inconsistent with what has been presented in earlier times, then, very often, you are probably sensing a shift in my own understanding of issues. To paraphrase Keynes: When I am confronted with new information and/or reach conclusions which seem more legitimate than those I have previously held, I change my position.

This is widely known as "being open to new ideas". I trust that you, too, will keep an open mind - and realize, always, that I may well be wrong!! If you feel that then, please, first ensure that you understand why you think this, check your conclusions, and if you are satisfied that they are appropriate then do not change your position to align with mine!

We are, together, growing wiser and you will most probably be more capable of such growth than I. As Star Wars authors might say "May the Force be with you"!

- 2 {§} (31/08/17) You will find that I make a great deal of use of end notes to expand ideas developed through the book. The reason for this is straight forward - To include the ideas within the text would make it irredeemably convoluted.

The topics addressed are, by their nature and by the ideological propensities of the 'experts' involved, at times difficult to comprehend for those not already versed in them. I would suggest, should you find the various digressions proffered in the text confusing or difficult to handle, that you first read each chapter without following those leads. Then, for further clarification, reread the chapters following those digressions. These might enable a deeper understanding of the issues addressed.

The digressions themselves include digressions, designed to allow the reader to explore particular issues developed in various chapters throughout the book. This, of course, will result in very different focuses than those provided by the chapter within which the digressions began. They offer a sort of 'do it yourself' narrative as you follow digressions which interest you. And, of course, once you follow suggested external readings, you might end up exploring issues simply not addressed in the book itself. What can I say, life was meant to be an adventure!

All clickable references to information in the various chapters have been internalized. References to external sources are marked, at the start of the address, with Œ, the Latin Capital Ligature Oe to alert you to the fact. If you are using a mouse then, as the mouse pointer passes over them, they should display the message 'link to external address' (this may not work in 'mobi', 'epub' and 'pdf' versions). All other references are internal and will take you elsewhere in the book. To return from these digressions, simply right click your mouse button on the text and select 'back'. This will return you to your previous location. Keep doing this until you arrive at your starting place!

The internet is a constantly changing environment. Addresses referenced in the text were there when they were included but may have disappeared or been altered since then. Where this is found, the reference is altered. Where no alternative address can be located, if the

content is significant, the original address remains so that, if possible, the website can be searched for the content of the original document.

- ³ In 2007, the United States, alone, spent almost \$29 billion in 'economic' aid (including contributions to USAID, Food for Peace, Peace Corps, and paid-in subscriptions to international financial institutions, such as IBRD, and IDB) and more than \$13 billion in 'military assistance'. (see ^{CE} [US Foreign Aid](#) for details).

Sebastian Edwards has provided an economist's perspective on foreign aid and economic development: ^{CE} [Economic development and the effectiveness of foreign aid: A historical perspective](#), VOX, 28 November 2014

- ⁴ We will use the generic term 'Western' to refer to communities that have their hegemonic roots in the Western European historical experiences outlined in [History of the Emergence of Capitalism](#)
- ⁵ See [First the Poor, Then the World](#) for the origin of this.
- ⁶ See ^{CE} [Common classificatory principles of metaphor and proverb](#) for more on processes of categorization
- ⁷ See [Reciprocity and Exchange](#) for more on this.
- ⁸ (or possibly K'ung Chi, grandson of Confucius)
- ⁹ Confucius, in response to the questioning of a disciple, summed it all up like this:
- Zigong asked, "Is there a single saying that one may put into practice all one's life?"
- The Master said, "That would be 'reciprocity': That which you do not desire, do not do to others."
- (^{CE} [The Analects of Confucius: An Online Teaching Translation](#), XV, 15.24 (2015 (Version 2.2), R. Eno))
- ¹⁰ For an examination of the historical movement of Western Europeans from *interdependence* to *independence* see [From hierarchical to oppositional relationships](#)
- ¹¹ The nature of hegemonies (which should not be confused with neo-Marxist use of the term) is discussed in ^{CE} [Subsistence and Status](#)
- ¹² See [Who were the 'Middle Sorts'?](#) for an explanation of the interaction of Western European hegemonies during the emergence of capitalism in Europe
- ¹³ See [History of the Emergence of Capitalism](#) for some of the tensions which emerge as primary presumptions are challenged and displaced.
- ¹⁴ See [Using Law to Rob the Poor and Dispossess the Weak](#) for more on this.
- ¹⁵ This is a fundamental problem for anthropological research, since anthropologists are no less prone to reorganizing what they find in their research communities to fit their own primary ideologies than any other human beings.
- ¹⁶ For example, the various [economic and social exchange models](#), which are assumed to explain human interaction but actually reflect and

reinforce belief in the universal validity of the 'independent self' - the individualistic acquisition of needs and wants within a regulatory framework.

¹⁷ For example, emphases on the relative responsibilities of the public and private domains.

¹⁸ See [The Development of Systems of Laws](#) for more on this.

¹⁹ Yet, we must not fall into the trap of imputing too great a set of effects to the world economic system. It is very easy, when examining the blatant intrusiveness of the forms of entertainment, education and exploitation, which come from the West, to assume they are swamping the lives of people everywhere; turning them into cardboard cut-outs of Western people - with all the aspirations and acquired 'needs' of an affluent capitalist world, while not giving them the income that is necessary to fulfilling those new demands in their lives.

It is true that the intrusions of the world-system in the lives of people everywhere are great, and that they are being barraged with advertisements, soap operas, game shows, manufactured goods, 'news', opinion and 'documentaries' of life elsewhere. However, human beings are not simply slates on which the latest influences can scrawl their graffiti, erasing the past and eliminating other influences.

Human beings always have to interpret their worlds, and their interpretations always stem from the primary ideologies of their communities. Left to their own devices, human beings take what is offered and translate it in ways that are meaningful to them. In the process, what Western people think they're understanding may well be very different from what is being understood in those communities. Human beings also have the ability to filter garbage, to impute greater or less significance to events to which they are exposed.

²⁰ See [Denial of Hierarchical Responsibilities](#) for more on this.

²¹ See [Open-ended and Closed Utilization of the Material Environment](#) for more on this.

²² The designation of the apex of patron - client hierarchies as 'dictatorial' is ethnocentric, based on presumptions of independence rather than interdependence.

Most hierarchically organized communities can identify a person or small group that is at the apex of the hierarchy and therefore, in a manner similar to feudal kingships in European history, 'own' or at least 'hold' superior title to all the land and resources available to the communities they head. That person or group is, by definition, not democratically elected to the position.

²³ See [Legally Bounded Confrontation](#) for more on this.

²⁴ See [Ⓔ] [Eqbal Ahmad "Terrorism. Theirs and Ours "](#) (accessed 18 September 2010), a lecture by Eqbal Ahmad on the nature of terrorism.

²⁵ See [Religious and Secular Corruption](#) for more on this.

²⁶ See [Capitalism and Third World Nations](#) for discussion and illustration of Western imputation of their own commitments onto the Third World groups they armed and supported in the Cold War era.

²⁷ See Ray Takeyh (2002) for a discussion of the process of routinization of the Iranian revolution.

²⁸ Nader Hashemi addresses this widespread belief in the Western press and among Western academics, as he says:

The historical Muslim encounter with modern democracy has been a bitter experience. The late Eqbal Ahmad [1996], a prominent democracy activist and dissident Muslim intellectual, captures this point:

Our first encounter with democracy was oppressive. Democracy came to us as oppressors, as colonizers, as violators. As violators, they spoke in the language of the Enlightenment and engaged in the activities of barbarians

Secondly, after de colonization our experience was again with the democratic power centers, the United States, France [and] Britain. Our experience, even in [the] second stage of our post-colonial history, was one of these big Western powers calling themselves the 'Free World' and ... actively promoting neo-fascism and neo-fascist governments in one Muslim country and Third World country after another.

Historically the United States has spoken of democracy and has supported Somozas, Trujillos, Mobutu Sese Seko, Suharto of Indonesia, the Shah of Iran, Zia ul Haq of Pakistan Therefore, our first experience with democracy was one of outright oppression, and our second experience with democracy was one in which [the West] promoted fascism, global fascism in some cases.

Finally, a comment from the doyen of American democratic theorists, Robert Dahl [1999 p.2]: in responding to the question of how a democratic culture can be created in a non-democratic society, he observed that

...few would seriously contest [that] an important factor in the prospects for a stable democracy in a country is the strength of the diffuse support for democratic ideas, values, and practices embedded in the country's culture and transmitted, in large part, from one generation to the next.

...In the Muslim world today, who is promoting, propagating, and transmitting democratic values, ideas and practices? The ulema (clergy)? The educational system? The media? The intellectual class? The family? (I am deliberately leaving out the state for obvious reasons.) The point is a self-evident one. To quote Ghassan Salame [1994], there cannot be "democracy without democrats." (Hashemi 2003, p. 30)

²⁹ An excellent English language term for what seems to be guiding 2017 United States' government administrative appointments is *kakistocracy*: government by the most unscrupulous or unsuitable people, or a state governed by such people. Steven Harper has elaborated:

Trump promised to be a transformational leader. It wasn't an idle threat. He has assembled an unprecedented governmental wrecking crew. This is the third installment on Trump's unique combination of

kleptocracy and kakistocracy that is reshaping America in ways that most of voters won't like....

It Will Get Worse

The current Trump rogue's gallery is only the beginning. Legal scholars Eric Posner and Emily Bazelon observe that Trump's first US Supreme Court pick, Neil Gorsuch, "embraces a judicial philosophy that would do nothing less than undermine the structure of modern government - including the rules that keep our water clean, regulate the financial markets and protect workers and consumers. In strongly opposing the administrative state, Gorsuch is in the company of incendiary figures like the White House adviser Steve Bannon, who has called for its 'deconstruction.'"

Trump's lifetime appointments to the judiciary could inflict the most lasting damage on the country. During the final year of the Obama administration, the intransigence of Senate Republicans gave Trump 124 federal judgeships to fill, including 19 appellate positions. In his first term, retirements and other departures could give Trump the opportunity to name 40 percent of the nation's federal bench - more than any first-term president in 40 years. Think about that as he rails against the federal judges who have dared to cross him on his unconstitutional travel ban.

Across the federal government, Trump is determining the country's fate. The first 100 days of deconstruction set the stage for 1,360 that will follow. Make no mistake: he and his minions are playing for keeps.

(Steven Harper, [Ⓔ] [100 Days of Deconstruction: Part 3](#): Across the federal government, Trump is determining the country's fate. The first 100 days of deconstruction set the stage for 1,360 that will follow. *Moyers & Company*, April 21, 2017)

³⁰ Whether going by the name of Taliban, Ba'th Party supporter, Communist, Islamic Fundamentalist, Al-Qa'eda operative or any other of the terms that will come to prominence and join the pantheon of evil-doers in the years to come.

³¹ Those who believe that they are truly 'independent' individuals, living in a democracy which enables this, would do well to remember Edward Bernays' jaundiced take on the nature of democracy in the United States:

The conscious and intelligent manipulation of the organized habits and opinions of the masses is an important element in democratic society. Those who manipulate this unseen mechanism of society constitute an invisible government which is the true ruling power of our country.

We are governed, our minds are molded, our tastes formed, our ideas suggested, largely by men we have never heard of. This is a logical result of the way in which our democratic society is organized. Vast numbers of human beings must cooperate in this manner if they are to live together as a smoothly functioning society

Our invisible governors are, in many cases, unaware of the identity of their fellow members in the inner cabinet.

They govern us by their qualities of natural leadership, their ability to supply needed ideas and by their key position in the social structure. Whatever attitude one chooses to take toward this condition, it remains a fact that in almost every act of our daily lives, whether in the sphere of politics or business, in our social conduct or our ethical thinking, we are dominated by the relatively small number of persons - a trifling fraction of our hundred and twenty million - who understand the mental processes and social patterns of the masses. It is they who pull the wires which control the public mind, who harness old social forces and contrive new ways to bind and guide the world.

It is not usually realized how necessary these invisible governors are to the orderly functioning of our group life. In theory, every citizen may vote for whom he pleases. Our Constitution does not envisage political parties as part of the mechanism of government, and its framers seem not to have pictured to themselves the existence in our national politics of anything like the modern political machine. But the American voters soon found that without organization and direction their individual votes, cast, perhaps, for dozens or hundreds of candidates, would produce nothing but confusion. Invisible government, in the shape of rudimentary political parties, arose almost overnight. Ever since then we have agreed, for the sake of simplicity and practicality, that party machines should narrow down the field of choice to two candidates, or at most three or four.

In theory, every citizen makes up his mind on public questions and matters of private conduct. In practice, if all men had to study for themselves the abstruse economic, political, and ethical data involved in every question, they would find it impossible to come to a conclusion about anything. We have voluntarily agreed to let an invisible government sift the data and high-spot the outstanding issues so that our field of choice shall be narrowed to practical proportions. From our leaders and the media they use to reach the public, we accept the evidence and the demarcation of issues bearing upon public questions; from some ethical teacher, be it a minister, a favorite essayist, or merely prevailing opinion, we accept a standardized code of social conduct to which we conform most of the time.

In theory, everybody buys the best and cheapest commodities offered him on the market. In practice, if every one went around pricing, and chemically testing before purchasing, the dozens of soaps or fabrics or brands of bread which are for sale, economic life would become hopelessly jammed. To avoid such confusion, society consents to have its choice narrowed to ideas and objects brought to its attention through propaganda of all kinds. There is consequently a vast and continuous effort going on to capture our minds in the interest of some policy or commodity or idea.

(Edward L. Bernays, [Ⓔ] [Propaganda](#), 1928, Chapter 1, 'Organizing Chaos', pp.9-10)

³² The term means 'the foundation' or 'the base'. Its intent: to reaffirm and reassert the most basic understandings of life as understood by those who have committed themselves to its goals. Its aim: to remove all

those forces which threaten and oppress their world and revitalize their communities and people.

- ³³ Of course, as Marxist writers have stressed so heavily, those who commit themselves to a particular ideology are likely to be those in the community who perceive that if it is organized in those ways they will benefit. However, commonly, they do not simply cynically support an ideology out of self-interest; rather, they believe that only when life is organized in those ways will it fulfill its potential.

There are also likely to be many others in the community who are persuaded by the logic of the arguments presented and support the ideology without seeing any great benefit to themselves personally, though, of course, they are unlikely to support it if they perceive any particular threat to themselves.

- ³⁴ It is because they share the same basic understandings that confrontations are so intense and clearly articulated

- ³⁵ See [Primary Ideology](#) for further discussion.

- ³⁶ People holding competing versions of Western secondary ideology are likely to oppose each other at the ballot box and in other ways within Western countries.

- ³⁷ See [Ideology and Reality](#), [Subsistence and Status](#), for more on this.

- ³⁸ See [The Economy: A New Environment](#) for more detail on the final distillation of 'The Economy' in Western thought and practice.

- ³⁹ The 18th century conversion of the Little Gentry to capitalism is dealt with in a section in Chapter 4: [A Deeply Religious Capitalist Revival](#)

- ⁴⁰ See [Ⓔ] [Basic Presumptions of Capitalism](#) for more on this

- ⁴¹ Since the 17th century, those Western people who have ordered their lives by 'modern' primary ideological presumptions have been very aware of the need for individuals and communities to 'realize their potential'. This awareness, in turn, has led to an increasingly strong emphasis on 'progress'.

It has been assumed that through realizing both their potential and the potential of their 'environments', people will make the future better than the past. Though in the last fifty years that belief in progress has been severely shaken by the apparent consequences of this Western drive.

From the second half of the 20th century, Western people have preferred the term 'development' to the term 'progress'. The former term carries the implication that people and communities, through applying themselves to particular forms of activity and organization, will 'realize their potential'. It suggests that there are particular forms of organization and activity which are *required* if human beings are to live as they should.

Inevitably, the presumption is that all human beings think as Western people think (or if they do not they ought to), and that what Western people perceive as being the 'goals' of life are universally the best goals for all human beings.

Since the forms of organization and activity which are promoted in this drive to 'develop' the world are Western, it becomes inevitable that true

development requires an absorption of Western values and Western motivations in life. As we will see later in this chapter, the whole exercise is an extension of a metaphysically inspired commitment by Western people, since the 16th century, to establishing a practical utopia on earth

- ⁴² The West might prize 'freedom' but that freedom is founded in conformity. As Samuelson (first American to win the Nobel Prize in Economics⁷⁰⁰) explained, although the Western world prizes individualism and 'freedom', this freedom is guaranteed through the imposition of 'order'.

We ... have to coordinate and cooperate. Where cooperation is not forthcoming we must introduce upon ourselves coercion (Samuelson 1972, p. 629).

In the West the individual's 'freedom' is contingent upon acting within the framework established for 'legitimate' economic behavior. Impersonal bureaucratic agencies are endowed with responsibility for ensuring such compliance.

- ⁴³ This word has a distinctive and peculiar meaning in Western communities. As the Oxford Dictionary says, it refers to what is 'based on the innate moral sense', or is 'instinctive'. When Western people say that a thing is 'natural', they imply that it is as it 'ought' to be. This is the way it was 'made', or the way in which it best fulfills its 'potential'. When things are not 'natural' they are in some way 'contaminated' or contrived.

So, when Western people consider a particular form of organization or activity 'natural', they also consider that other forms of organization and activity are in some way deviant, distortions, and un-natural.

The term has metaphysical implications. One of the focuses in this discussion will be on seeing how this term became so important to Western people, on uncovering its implications as they were established throughout history.

- ⁴⁴ A random selection of a few of the plethora of regulatory systems which constrain economic organization and activity in Western countries includes antitrust, commerce, contract, copyright, industry, labor, patents, privacy, property, trade - I could list many other legal focuses, all of which are intimately intertwined with the others, forming a legislative mesh which securely holds the rights and obligations of interacting parties in place, defining acceptable and unacceptable forms of practice, organization and even intent.
- ⁴⁵ Western people live in a Western maze, the walls of which are constructed by a plethora of rules and regulations. Once the maze has been learned, the walls limiting and defining movement become invisible.
- ⁴⁶ John Wesley, a revivalist preacher of the 18th century, recognized that '... religion must necessarily produce both industry and frugality, and these cannot but produce riches' (quoted in Thompson 1980, p. 391). See [The Conversion of the Little Gentry](#) for more on this.
- ⁴⁷ See [How Born Again Christians Rescued Capitalism](#) for the origin of this, also, [Subsistence and Status](#)

- ⁴⁸ Although Western people have always very readily identified 'systems of law' in other communities, few non-Western communities in fact develop and apply systems of law in the way Western Europeans do.

In many communities, including even those which have been conceded to have been 'civilized' in the past, those who are responsible for enforcing the 'law' deliver ad hoc judgments, based on the particular circumstances and people involved, rather than on the basis of impartial adherence to a centralized, closely defined system of rules and regulations. In most matters, justice is decentralized, personalized and particularised by communities and/or by those responsible for its administration.

This contrasts strongly with the Western European insistence on the establishment of detailed, impartially administered systems of rules and regulations, applied consistently across communities. See Chanock (1985) for a description of the ways in which 'fluid, shifting set[s] of principles and procedures', in Zambia and Malawi, were changed into 'fixed, written set[s] of codes which claimed continuity with an African past' (Merry 1991, p. 897).

- ⁴⁹ See [Nations as Enclaves](#) for a description of the use of 'nation' in the medieval and modern eras.

- ⁵⁰ Feudal communities, in common with many present-day communities in the Third World, were hierarchically organized through personalized, redistributive relationships (see [Reciprocity and Exchange](#)).

A society which is redistributively organized usually comprises a base population of producers and laborers with a more or less developed political hierarchy (see Figure 1 below), the members of which depend on taxes, rent, tribute, and gifts from producers for their livelihood and to fund their political and social activities.

Some kind of redistributive system is required by any large integrated group of people to ensure community works, the funding of political offices, support of the needy, and so on. Even in Western Industrialized societies people are required to be involved in such redistributive systems, administered by Inland Revenue services in most nations.

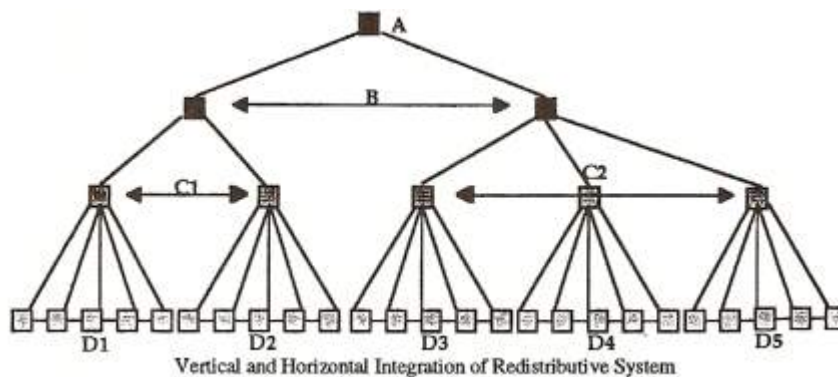
In some societies the hierarchies are well established and formalized as systems of 'kings', 'chiefs', 'nobles' and so on. In other societies, particularly those in which formalized hierarchies have been severely disrupted during the past two centuries, the hierarchical system is less formalized, with more fluid, less well-defined patron-client relationships either taking the place of, or working alongside, the formalized hierarchies. Patron-client relationships are extremely common in present-day redistributive communities.

In its simplest form a redistributively organized community is pyramidal. At the base are the majority of people, whose status is low and who look to those of higher status for support whenever they have to deal with people in authority; whenever they have to interact with the wider community beyond their own homestead or village; and when times are difficult. It is the task of patrons not merely to use the surpluses they receive, but to provide a range of services and to store and redistribute surplus production to community members who are in need.

So, the society is organized in 'tiers', with people interacting on the basis of similar status. This is, of course, reminiscent of 'class' relationships but the term is misleading. It comes from analyses of Western Industrialized communities whose organizational principles are very different from redistributively organized communities. We will therefore avoid it, speaking instead of 'common interest groups'.

Figure 1 provides a simplified picture of the networks which develop. The group D1 is a common interest group, as are groups D2, D3, D4, D5, C1, C2, and B. In each, group members cooperate with each other and support each other when requested. Acceptance into the group is based on an individual's demonstrated reliability and trustworthiness in relations with other group members. Those who fail to live up to the group's requirements soon find themselves on the outside, seldom consulted, and seldom helped.

Figure 1:



We will call people of higher status patrons and those of lower status clients. This follows the extensive literature on patron-client relationships within anthropology and political science. In most redistributively organized societies those who share a common patron are also cooperatively related to one another, seeing themselves as a distinct group, separate from other similar groups connected with other patrons.

So, in Figure 1, all the members of D1 share a common identity, as do members of D2, D3, D4 and D5. Similarly, the patrons in C1 are cooperatively related, as are those of C2 and B. Because the patrons of groups D1 and D2 share a common patron, members of those groups are likely to consider themselves more closely related to each other than to members of D3, D4 and D5. Similarly, the patrons in C1 and C2 will identify fairly readily with each other.

- 51 As much because of the increasing influence of common-interest groupings based on education and money making, as because of the growth of 'corruption'. Indeed, it can be argued that the corruption so loudly condemned during the period from the 13th to the 16th centuries was, in large measure, as John Wyclif (1324-1384) claimed, a result of the self-interest of these egalitarian groups (see Tawney 1938, p. 40)
- 52 This dependence on various forms of hunting and foraging is common to most extensive agriculture communities.
- 53 One of the most pressing concerns of colonial powers, faced with systems of land use not based on legal definition, was to compile registers of landowners so that all relationships to land could be defined

in terms of legally established individual ownership. This concern has remained important in 'international development' circles. See Holznecht (2003) for a description of the colonial processes; Dale (1997) for an explanation of the international development world's concern with the 'problem'.

⁵⁴ As the Vatican web site explained (2010):

The modern archives of the Holy See were established thanks to Paul V Borghese around 1610, but the roots of the history of the archives of the Roman Pontiffs reach way back in time, linking up with the very origin, nature, activities and development of the Roman Church itself. Right from the apostolic times, the Popes carefully preserved the manuscripts concerning the exercise of their activities.

This collection of manuscripts was kept in the *scrinium Sanctae Romanae Ecclesiae* that usually followed the Popes in their various residences, but the fragility of the papyrus, normally used at the papal chancery until the XI Century, the transfers and the political upheavals nearly caused the total loss of all the archival material preceding Innocent III.

From the XI Century onwards, when the Roman Pontiff and his Curia gained a central role, the number of offices of the Curia grew, as well as the number of archives, and in the XV Century the most precious documents were taken to Castel S. Angelo.

After several projects for the creation of a main archive of the Church, Paul V gave the order to transfer the registers of the Papal bulls and briefs, the books of the Camera and the collections of documents up to the papacy of Pius V included, to the three halls next to the Secret Library (the so-called Sale Paoline). This gave life to a new archive *pro privata Romanorum pontificum commoditate* and *ad publicam studiorum utilitatem*, for a total of just over three thousand pieces, of which the most important part included the registers of the papal bulls from Innocent III onwards, (Registra Vaticana).

The new archive was called *Vatican Secret Archives*.

During the XVII Century, the Archives increased considerably, especially under Urban VIII Barberini (the Bulls of Sixtus IV and Pius V; the papers of the Briefs Secretariat from Alexander VI to Pius V, the abundant documentation contained in the Armaria XXXIX-XLV; the books of the Apostolic Camera from Avignon, where they had remained after the end of the Scism; the papers of the Council of Trent), and under Alexander VII, who chose to place the diplomatic correspondence of the Secretariat of State on a specific floor of the Vatican Palaces.

(^{CE} [The Vatican Secret Archives](#) [Accessed 2 January 2010 - page since removed]; See ^{CE} [the Vatican Secret Archives](#) for general information on the Vatican Archives [March 6, 2017]; See ^{CE} [Ecclesiastical Archives](#), *Catholic Encyclopedia* for a general description of the development of the Archives.)

⁵⁵ See Bagge (2002:36-38) for a description of Otto's coronation and administration of the ritual of Unction.

⁵⁶ As claimed in the opening paragraph of the oldest collection of Church law embodied in the 1441 collection of Church laws.

⁵⁷ This same situation now exists in many Third World countries. Under colonial authorities legal statutes were extended to cover a constantly increasing range of activities (cf. Chanock 1985; Cooper 1987; Fitzpatrick 1987; Mitchell 1988, etc.).

As control has passed to indigenous leaders, these systems of rules and regulations have been modified but maintained so that, in ways which are very similar to that described by Génicot (1971, p. 701), people find themselves subjected to 'orders from above and from distant places, and to officials sent from outside'.

Long-established customary understandings are being challenged and denied. Traditional rights to land are being subverted, and those least able to defend themselves find legal systems working against rather than in their interests.

⁵⁸ Western European communities, as a result of a range of experiences we will briefly consider, strongly emphasize the separateness and competitive opposition of people involved in interaction (cf. [Ideology and Reality](#)). Each interactant is assumed to be attempting to get the best return for the least outlay in any interaction. This is, of course, a key feature of 'market relations' (cf. [Reciprocity and Exchange](#)).

⁵⁹ A legal training became a guarantee of worldly success. In a world where legal claim could be matched by legal claim at every level of society, the legally trained person was in great demand. Murray tells us that

it is in satire that we find some of the clearest evidence for lawyers' worldly success. "If you want wealth, be a lawyer"; "Justinian is the distributor of honours"; "Follow the decretalists and fill - not purses, *but - chests*"
(Murray 1978, p.222).

As William Langland claimed in 1370 in his [Ⓒ] [Piers the Ploughman](#),

Besides all this, a hundred men in silk gowns stood swaying from side to side and making speeches. These were the lawyers who served at the bar, pleading their cases for as much money as they could get ... you could sooner measure the mist on the Malvern Hills, than get a sound out of them without first, producing some cash!
(Langland 1966, p. 31).

⁶⁰ Educated people were at the forefront of many of the religious protest movements which developed in succeeding centuries. The movement which most strongly identified itself with education as a means to both social betterment and individual 'development' was Calvinism. Calvinism, more than the other religious reform movements of the 16th century, attracted upwardly mobile people. Not only was education seen as a means to social betterment, involvement in commerce was also seen as a means to upward mobility.

These 'middle sorts', middle ranking people in the medieval hierarchies, would provide most of the state bureaucrats and capitalists in emerging nation states during the 16th to 19th centuries (see [Who were the Middle Sorts?](#) for more on this).

Reformers who passed through the Geneva schools of Calvinism during the 16th and 17th centuries went away convinced of the importance of a legally spelt-out faith, and of the need to establish education systems for the training of the population in both Church doctrine and a 'vocation serviceable to God and neighbour, to Church and community' (McNeill 1954, p.224).

Educationally achieved position was of more importance in society than feudally attained position, and the test of one's worthiness was in the diligence with which one pursued that vocation for which one was trained in one's youth.

As Tawney has argued, for a period, Calvinism became identified with entrepreneurial activity, and it was through the influence of these entrepreneurs that Calvinist teaching was to develop its ideal society

which seeks wealth with the sober gravity of men who are conscious at once of disciplining their own characters by patient labor, and of devoting themselves to a service acceptable to God...

Calvinism was largely an urban movement ... In its early days, it was carried from country to country partly by emigrant traders and workmen; and its stronghold was precisely in those social groups to which the traditional scheme of social ethics, with its treatment of economic interests as a quite minor aspect of human affairs, must have seemed irrelevant or artificial.

As was to be expected in the exponents of a faith which had its headquarters in Geneva, and later its most influential adherents in great business centers, like Antwerp with its industrial hinterland, London and Amsterdam, its leaders addressed their teaching, not of course exclusively, but none the less primarily, to the classes engaged in trade and industry, who formed the most modern and progressive elements in the life of the age.

(Tawney 1938, p. 113, 114).

⁶¹ Indeed, natural law would be seen not merely as a set of laws established by God, but as an expression of the very nature of God Himself. As William Blackstone would explain in the 18th century:

... as man depends absolutely upon his maker for every thing, it is necessary that he should in all points conform to his maker's will.

This will of his maker is called the law of nature. For as God, when he created matter, and endued it with a principle of mobility, established certain rules for the perpetual direction of that motion; so, when he created man, and endued him with freewill to conduct himself in all parts of life, he laid down certain immutable laws of human nature, whereby that freewill is in some degree regulated and restrained, and gave him also the faculty of reason to discover the purport of those laws.

(Blackstone, 1765, [Ⓔ] [Commentaries on the Laws of England](#), Introduction, Section 2 pp. 39-40)

To challenge the certified laws of nature was to challenge the will and nature of God. It was blasphemy.

⁶² There is more than a suggestion of the [Ⓔ] [Ouroboros](#) in all this.

Similar logic has underpinned far too much of the 'philosophical' discussion of the 20th and the 21st centuries. As Ayn Rand (1971) expounded in this delightful pleonasm:

I am not primarily an advocate of capitalism, but of egoism; and I am not primarily an advocate of egoism, but of reason. If one recognizes the supremacy of reason and applies it consistently, all the rest follows. (Rand, Ayn, "Brief Summary", *The Objectivist* 1971, Vol. 10 No. 9, p. 1)



The flaw in all this, of course, is that since reason flows from one's ideological understandings, it inevitably reflects those and we're trapped in a tautology.

(I have a puppy (an Australian Kelpie) whose behavior, at six months, epitomized this problem. He discovered his tail and chased it until he finally caught hold. Then, with the tail in his mouth, he would pause, unsure of the cause of the pain he experienced when he bit it, and clearly nonplussed as to what to do next! A month or two older and he had worked it out - so much smarter than the ideologues (and far too many of the economists) of the Western World!)

- 63 Where, for the Church, 'natural law' referred to the laws established by God for the smooth running of his creation, for Roman jurisprudence it meant searching for rules corresponding to the 'real' nature of things (cf. d'Entreves 1965, pp. 29-30).
- 64 A claim which is echoed in neo-classical economic and other forms of positivistic theory in the 21st century.
- 65 Just as the definition of instincts in 21st century economic theory happens to coincide with the requirements of a capitalist society - while those required by neoliberal economic theory make internationalized free markets 'necessary' to economic 'efficiency'.
- 66 Through the combined focus on Roman jurisprudence and Greek thinking, those searching for the 'natural laws' which governed the secular realm found themselves trying to come to grips with laws which underwrote both social organization and action and the physical world.
They were to resolve this problem by assuming the existence of self-contained environments which reflected the interests of those looking for the laws. The natural world could be seen to be compartmentalised, each compartment with its own system of rules and regulations ensuring its perfect functioning.
- 67 Because canonical law was, by definition, the preserve of the Roman Church, when people, from the 16th century onwards, rejected the Church, whether to gain political, mercantile or religious autonomy, they rejected Church law which had been used throughout the centuries to secure the pre-eminence of the institutionalized Roman Church in western Europe. They therefore found themselves committed to

demonstrating their sincerity and morality by living an upright life in this world, conforming to the natural laws established by God and, in so doing, living in obedience to the will and purpose of God.

This understanding of the road to sanctification, often summarized as the 'duty of human beings to live as God intended them to live', had long been accepted as an alternative form of Godliness, but in the 16th century, for increasing numbers of people, it became the only acceptable form of Godliness. Since society was perfected in the perfection of its members, if individuals lived moral lives, society would benefit. If they failed to live such lives, all members of society would suffer.

This was taken to an extreme and clearly spelt out in the deistic writings of Lord Herbert of Cherbury in the early 17th century. The central beliefs were summed up by Matthew Tindal in a book entitled [Ⓔ] *Christianity as Old as Creation; or the Gospel a Republication of the Religion of Nature* (1732).

According to Tindal, natural religion consisted of belief in God, the pursuit of what makes for one's good and happiness, promotion of the common happiness, and conformity to the moral rules which indwell all people. Apart from a first requirement of acknowledging the existence of God, religious activity was to be focused within the present world. A moral life was evidence of the spiritual orientation of the individual. 'The only religious "experience" in their sense was moral experience' (Kent 1982, p. 7).

⁶⁸ Hugo Grotius, early in the 17th century, claimed that

the law of nature is a dictate of right reason which points out that an act, according as it is or is not in conformity with rational nature, has in it a quality of moral baseness or moral necessity ... in consequence, such an act is either forbidden or enjoined by the author of nature, God.
(quoted in O'Brien 1975, p. 23)

⁶⁹ The bases for this movement are to be found in attempts within emerging self-governing territories of western Europe (from the 15th century), to organize the administration of their populations and finances through legal and fiscal bureaucracies.

The development of probability theory by de Fermat and Pascal in the 17th century gave the approach formal mathematical structure. Huygens, with the publication of a book [Ⓔ] *Concerning Reasoning in Games of Chance* in 1657, gave impetus to applying the approach to a wide range of issues within the natural sciences.

⁷⁰ While this refocusing set the scene for future scientific exploration, its weakness in studying human beings lies in the potential for losing sight of the forest while studying the 'nature' of the trees. There really is a case for arguing that human beings, treated as independent, self-existent entities, lose much of what makes them 'human'. We start with individuals, and skip to 'humanity', ignoring the social environment within which human individuals gain both their **categorizational models** and their **individuated personnas**.

A lack of awareness of the fundamental importance of primary ideological models and the variant '**objective realities**' of communities of people,

allows us to focus on aggregations of human beings and produces studies such as this recent examination of worldwide [population trends and problems](#):

As the world's population reaches 7 billion this year, we should reflect on the many ways in which population dynamics matter to the planet's future. Population growth patterns are linked to nearly every challenge confronting humanity, including poverty reduction, urban pollution, energy production, food and water scarcity, and health. With world population projected to surpass 9 billion by 2050, these issues and the desire to raise living standards at the same time will create a huge challenge. What immediate actions can be taken to deal with growth while ensuring a sustainable future for all of the world's inhabitants?

('Population and Development', Babatunde Osotimehin, *Science* 29 July 2011: Vol. 333 no. 6042 p. 499)

⁷¹ Matthew 25:14-30; (also Luke 19:12-28):

Again, it will be like a man going on a journey, who called his servants and entrusted his property to them. To one he gave five talents of money, to another two talents, and to another one talent, each according to his ability. Then he went on his journey. The man who had received the five talents went at once and put his money to work and gained five more. So also, the one with the two talents gained two more. But the man who had received the one talent went off, dug a hole in the ground and hid his master's money.

After a long time the master of those servants returned and settled accounts with them. The man who had received the five talents brought the other five. 'Master,' he said, 'you entrusted me with five talents. See, I have gained five more.' His master replied, 'Well done, good and faithful servant! You have been faithful with a few things; I will put you in charge of many things. Come and share your master's happiness!' The man with the two talents also came. 'Master,' he said, 'you entrusted me with two talents; see, I have gained two more.' His master replied, 'Well done, good and faithful servant! You have been faithful with a few things; I will put you in charge of many things. Come and share your master's happiness!' Then the man who had received the one talent came. 'Master,' he said, 'I knew that you are a hard man, harvesting where you have not sown and gathering where you have not scattered seed. So I was afraid and went out and hid your talent in the ground. See, here is what belongs to you.'

His master replied, 'You wicked, lazy servant! So you knew that I harvest where I have not sown and gather where I have not scattered seed? Well then, you should have put my money on deposit with the bankers, so that when I returned I would have received it back with interest. 'Take the talent from him and give it to the one who has the ten talents. For everyone who has will be given more, and he will have an abundance. Whoever does not have, even what he has will be taken from him. And throw that worthless servant outside, into the darkness, where there will be weeping and gnashing of teeth.'

(The Bible, New Testament, Matthew 25:14-30. New International Version)

⁷² Inevitably, all that referred to the 'supernatural' was the preserve of canonical law. Civil law could include no such allusions. It therefore became firmly anchored within the 'natural' world. From this point onwards, 'natural' laws are clearly, and necessarily, separated from the supernatural.

Supernatural principles, relating to a spiritual realm, while they might exist, were separate from, and did not override, the laws of the natural world. If God intervened in people's non-religious affairs, He did so in ways consistent with the operation of the natural laws.

David Hume's assertion that a miracle was 'a violation of the laws of nature', in his [Ⓔ] *Enquiry Concerning Human Understanding* (Hume 1748, p. 114), was the inevitable result of the direction in which the separation of the supernatural and the natural in the 13th century was to lead western Europeans.

⁷³ By the 17th century this was to result in bureaucracies being established to safeguard each set of laws as they were discovered. Many of the scientific associations established at the time took as a prime responsibility the establishment of the body of laws of the 'discipline', and the safeguarding of those laws once they were uncovered (cf. Berman 1978).

⁷⁴ This use of law as justification for dispossessing the poor and taking advantage of their weakness has been a feature of business activity in the 20th century, whether in the First or in the Third Worlds. If it is not legally required then those engaged in business activity can rightfully dismiss any demands made by members of a community. It is against 'economic rationality' to incur business costs when they can be avoided.

Any conflict between 'morality' and 'economic rationality' will always be settled in favor of the latter. After all, if a particular business incurs costs based on 'moral' (i.e. non-legally defined) claims, it will be severely disadvantaged by other businesses which govern their affairs by the 'natural' requirements of economic rationality. Under capitalism, the logic of the marketplace effectively emasculates (or spays) morality.

⁷⁵ What became 'capitalism', started out as forms of trade and rivalry between city states in northern Italy (e.g. the rivalries of Lombardy, Genoa and Venice) in the period of the late western Roman Empire (AD 450 -). As Kenneth Galbraith (1975, p.18) put it,

The banking houses of Venice and Genoa are the recognized precursors of modern, everyday, commercial banks. Almost as advanced were those of the Po valley, and, as money lending developed in London, it was natural that the street on which it settled should be named for the Lombards.

(*Money: Whence It Came, Where It Went*, 1975, Houghton Mifflin, Boston)

By the 14th century, these regions were synonymous in feudal communities with immoral behaviors and attitudes attributed to merchants and traders.

William Langland (c. 1332?- c.1400?) of London, in his [Ⓔ] *The Vision of Piers the Ploughman*, presented a vivid picture of their assumed activities

and attitudes in a chapter subtitled 'Confession of the Seven Deadly Sins':

AVARICIA

`Usedest thou every usury · in all thy life-time?'

`Nay, soothly,' he said · `save in my youth.

I learned a lesson · among Jews and Lombards,

To weigh pence with a weight · and pare down the heaviest;

And lend it for love of the Cross · for a pledge, to be lost;

Such deeds I did write · lest he due day miss.

I have more money through arrears · than through *miseretur et commodat*.

(Passus V (Confession of the Seven Deadly Sins) pp. 38, 39)

The Latin phrase '*miseretur et commodat*' is a reference to Verse 5 of ^{CE} [Psalm 112](#) in the Vulgate Latin Bible: '*Iucundus homo, qui miseretur et commodat, disponet res suas in iudicio*':

Here is a *New International Version* (NIV) of the Bible translation:

- 1 Praise the Lord. Blessed are those who fear the Lord, who find great delight in his commands.
- 2 Their children will be mighty in the land; the generation of the upright will be blessed.
- 3 Wealth and riches are in their houses, and their righteousness endures forever.
- 4 Even in darkness light dawns for the upright, for those who are gracious and compassionate and righteous.
- 5 Good will come to those who are generous and lend freely, who conduct their affairs with justice.

⁷⁶ Medieval literature provides numerous examples of the snowballing effects of simony throughout the later medieval centuries, and the resulting civil unrest and rebellion of those who saw this as a corruption of feudal relationships. Those who purchased position were, increasingly, a suspect group who took their feudal responsibilities lightly and used their positions to promote their money-making activities. William Langland (1370) commented that,

...nowadays, bondmen's children are made into Bishops and bastards into Archdeacons; and soap-makers and their sons buy themselves knighthoods, while the sons of true noblemen toil and sweat for them - for they mortgage their estates to ride out against our enemies ...

And the monks and nuns, who should feed the poor, buy up the incomes of knights and make noblemen of their relatives. Even Popes now, and ecclesiastical patrons, are refusing noble blood, and appointing the sons of Simony to keep God's sanctuary
(^{CE} [Langland 1966](#), pp. 258-9).

⁷⁷ This same movement from traditional leadership spelt out in the land-holding systems of Third World communities to authority based upon the control of legal and fiscal bureaucracies is a feature of Third World nations. The West would not recognize them as nations if they did not

base political and economic organization and activity on such bureaucracies.

Just as this movement produced growing alienation between the state and its people in medieval Europe, tensions have arisen in Third World countries as people try to come to terms with these very different bases for authority and direction within society.

The shift in the justification of leadership from direction of land holding to control of bureaucracies does not require a shift away from patron-client relationships. That is, it is perfectly reasonable to have hierarchical relationships within a society reinforced bureaucratically, and this is precisely what happened in medieval Europe (and in a large number of Third World countries in the 20th century, in South America, Asia and Africa). The result, however, is bureaucratic behavior of a very different kind from that which is required by Western capitalism.

The reorientation of Third World bureaucracies to stress depersonalized egalitarianism, at the insistence of Western 'experts', represents a triple shift:

- ✳ from leadership based on land holding,
 - to leadership based on control of bureaucracies,
 - to bureaucracies organized to emphasize impersonal egalitarianism,
 - to leadership based upon 'democratic' principles.

It took Western European nations five hundred years to make these shifts, and, even then, people on the receiving end of the changes suffered extreme privation.

It is small wonder that attempts at moving directly from land-based leadership to 'democracy' in Third World communities have failed, with bureaucracies subverted to serve hierarchical patron-client interests. Only 'experts' who have failed to understand the nature of the changes they are introducing could possibly assume that one can, by putting 'democratic institutions' in place, effect the transition from hierarchical leadership based on land holding to leadership justified in terms of control of impersonalized bureaucracies (aimed at guaranteeing 'equality' and freedom to engage in competitive self-promotion to members of a community).

As we will see shortly, this change requires stripping social obligations from hierarchical relationships and attaching them to 'things' and the development and internalization of a complex network of rules and regulations in terms of which community members 'automatically' relate to one another.

For Third World people, it has certainly been true that 'experts' with a little knowledge have proved dangerous. They have forced changes which, in many communities, have resulted in mounting tension and stress, resulting, all too often, in a loss of hierarchical authority relationships (cf. [Ideology and Reality](#)), and increasing opportunity for a ruthless few to gain and wield power through control of resources and of the armed forces. Far from enhancing the 'freedom' of people, such developments all too often lead to despotism and police states (see

Parliamentary democracy, one-party states, military coups for more on this).

- ⁷⁸ One might think that this is of little but long-passed medieval historical interest, but one would be wrong! See Nicholas Shaxson, ^{CE} [A Tale of Two Londons](#) (*Vanity Fair*, April 2013) for an intriguing picture of medieval London in the 21st century. As Shaxson says,

... to understand why so much of the world's money goes to London in the first place, you need to go back hundreds of years, to the emergence of what must be the most peculiar, the oldest, the least understood, and perhaps one of the most important institutions in the menagerie of global finance: the City of London Corporation.

It is the local authority for "the Square Mile," the pocket of prime financial real estate centered on the Bank of England and located about three miles to the east of Knightsbridge, along the Thames River. But the corporation is also much more, its identity embedded in-and slightly apart from-the British nation-state.

The corporation has its own constitution, "rooted in the ancient rights and privileges enjoyed by citizens before the Norman Conquest, in 1066," and its own lord mayor of London-not to be confused with the mayor of London, who runs the Greater London metropolis, with its eight million inhabitants.

One sign of the City of London's distinct identity is the fact that the Queen, on official visits there, will stop at the boundary of the Square Mile, where she is met by the lord mayor, who engages her in a short, colorful ritual, before she may proceed. Most Brits see this merely as a relic from a bygone age, a show for the tourists. They are wrong.

The lord mayor's principal official role, his Web site says, is to be "ambassador for all UK-based financial and professional services." He lobbies far afield, with offices in Brussels, China, and India, among other places, the better to "expound the values of liberalization" far and wide. The City Corporation and closely linked think tanks issue streams of publications explaining why finance should be less tethered by taxes and regulation. The corporation also has its own official lobbyist, with the delightfully medieval-sounding name of The Remembrancer (currently one Paul Double), lodged permanently in Britain's Parliament. Local elections in the City are unlike any other in Britain: multi-national corporations vote alongside and vastly outnumber the tiny borough's 7,400 human residents.

Over the centuries the City has thrived, thanks to a simple advantage: it has had money to lend when governments or monarchs needed it. So the City has been granted special privileges, allowing it to remain a political fortress withstanding the tides of history that have transformed the rest of the British nation-state.

It has nurtured a British tradition of welcoming foreign money, with few questions asked, and so has for centuries attracted the world's wealthiest citizens. "There the Jew, the Mahometan, and the Christian transact together," Voltaire wrote in 1733, "as though they

all professed the same religion, and give the name of infidel to none but bankrupts."

A documentary entitled *The Spider's Web; Britain's Second Empire* provides an interesting complement to all this. As the website says,

The British Empire collapsed, in large part because of the revolution in the Colonies (the USA). Since that collapse, the Black Nobility (incl. Khazar Zionists) and British monarchy together have sought ways to collaborate to resurrect control of the planet. This film tells a main part of the story of how that has happened. But it is only a beginning...

([CE The Spider's Web; Britain's Second Empire](#))

- 79 This belief still exists in the minds of many Western people, who assume that those in Third World countries who have moved to towns are, by definition, moving from a life 'bound by tradition' to a life of 'freedom'. This assumption has provided one of the justifications for stimulating rural-urban migration.

Of course, since rural environments in many Third World countries have been steadily degraded over the past hundred years, it is true that life in rural areas has become increasingly harsh and many people see life in the country as no longer sustainable. However, we should not automatically assume that people living in Third World communities have this very Western attitude to people who live outside urban areas.

- 80 A strong consideration in acquiring property was that it was a shortcut to status. Ownership of formerly feudal estates gave the new owners some entree into interaction with the nobility and into recognition of noble status by those who still operated within the feudal system. In order to be accepted they found themselves emulating the lifestyles of the nobility, which resulted in increasing consumption as the trade in country properties escalated.

- 81 As we have seen, the medieval period is marked by the emphasis placed on groupings of people with common interests:

- from the specialisation of some districts into suppliers of particular products to fairs and markets;
- to the establishment of guilds and associations of artisans and tradesmen;
- to the establishment of associations of merchants and traders - such as the English Fellowship of the Staple or Merchants Adventurers, or the German Hanseatic League, or various city groupings of Italian traders;
- to associations based on learning, common social position, religious interests, and so on.

The people of western Europe seemed to enter naturally into quite consciously recognized and organized common-interest groupings, prepared and able to act together to preserve and promote their own rights and interests.

As the hierarchical nature of society became questioned, the importance of common-interest groups began to dominate, increasingly unchecked by any sense of duty and commitment to the wider society. Already,

before the close of the medieval period, social commentators were decrying the activities of guilds and nations. Wyclif condemned them because 'they conspire to bear up each other, yea in wrong, and oppress other men in their right by their wit and power' (quoted in Tawney 1938, p. 40).

By the 17th century feudal hierarchies were being successfully challenged by the dominant common-interest groups. Over the next two hundred years, this development was to produce a consciousness of 'class', that is of separate groupings within society having relationships of competitive opposition with each other.

As the feudal legacy of Western Europe has faded, and the primary ideology of the dominant common-interest groups has been absorbed by increasing numbers of people, these 'classes' have become less and less important to most people in Western communities. So, 'class'-based studies in Western communities now seem outdated, no longer corresponding to a reality in which Western communities have become ideologically increasingly homogeneous.

⁸² See [Loss of subsistence resources](#) for more on this.

⁸³ For more on 'the traditional conception of time in Christian theology' see Noonan (1957 pp.43-44). As he explained, citing Guillaume d'Auxerre (1166-1229), *Summa Aurea* (III, 21, 225v),

The usurer acts in contravention to universal natural law, because he sells time, which is the common possession of all creatures. Augustine says that every creature is obliged to give of itself; the sun is obliged to give of itself in order to shine; in the same way, the earth is obliged to give all that it can to produce, as is water. But nothing gives of itself in a way more in conformity with nature than time; like it or not, every thing has time. Since, therefore, the usurer sells what necessarily belongs to all creatures, he injures all creatures in general, even stones. Thus, even if men remain silent in the face of usurers, the stones would cry out if they could; and this is one reason why the Church prosecutes usury....

⁸⁴ Western people have a very distinctive understanding of time, based on centuries of wage labor. For them, life is first and foremost about work; 'socializing' is done in one's 'spare time' (see [The Nature of Work](#) for more on this). As a result, many non-Western people, who place far greater value on 'socializing' and far less value on 'work', have, over the years, been accused of 'moral degeneracy', 'childish indiscipline' and 'blindness to religious virtue' (cf. Cairns 1965, p. 76ff) .

When status attainment and maintenance are based on social interaction, people will spend much more time in 'socializing' than in 'being productive'. Time is not 'spent'; it forms a less than conscious backdrop to the activities of community members.

⁸⁵ Relationships in which those of different ranks saw themselves as cooperatively interconnected.

⁸⁶ Objectified oppositional relationships make it possible for the exchangers to focus solely on the object of exchange, without having to consider the other party. This is, of course, a prime characteristic of 'market exchange'.

In many societies, even where people work for 'wages' or rent property, the obligations and responsibilities remain with the *exchangers* rather than with the *objects of exchange*. Where this is so, *exchangers remain in hierarchical relationship*, which is a fundamental feature of patron-client relationships.

- 87 This feature has been one of the common experiences of Third World people in interaction with Western people over the past two hundred years. Since the interactions are 'economic', that is various forms of employee-employer relationships, Western people see no reason to 'socialise' with indigenous people.

They need to assume no social relationship with them at all. Nor do they need to investigate the living conditions or breakdown of community suffered by the people they employ. That is none of their concern.

Their relationship starts and ends with the 'job' and the payment of wages. They do not even have to ensure that the wages they pay are sufficient to meet the subsistence needs of their employees - that is a responsibility of the employee. As Townsend argued in the 18th century, 'Let the market look after the poor, and things will look after themselves' (quoted in Polanyi 1957, p. 113).

This attitude remains central to the 'economic development' activities that are promoted in Third World countries. During the 15th to 17th centuries, western Europeans expanded the range of 'economic' relationships to include many previously 'social' relationships. They also became convinced that economic relationships could be strictly limited and bounded by the exchange of 'cash' and/or 'things'.

- 88 The text from which this comes expands the insight:

...the face of madness has haunted the imagination of Western man.

...Up to the second half of the fifteenth century, or even a little beyond, the theme of death reigns alone. The end of man, the end of time bear the face of pestilence and war. What overhangs human existence is this conclusion and this order from which nothing escapes. The presence that threatens even within this world is a fleshless one.

Then in the last years of the century this enormous uneasiness turns on itself; the mockery of madness replaces death and its solemnity. From the discovery of that necessity which inevitably reduces man to nothing, we have shifted to the scornful contemplation of that nothing which is existence itself.

Fear in the face of the absolute limit of death turns inward in a continuous irony; man disarms it in advance, making it an object of derision by giving it an everyday, tamed form, by constantly renewing it in the spectacle of life, by scattering it throughout the vices, the difficulties, and the absurdities of all men.

Death's annihilation is no longer anything because it was already everything, because life itself was only futility, vain words, a squabble of cap and bells. The head that will become a skull is already empty. Madness is the *deja-la* of death. But it is also its vanquished presence, evaded in those everyday signs which, announcing that death reigns already, indicate that its prey will be a

sorry prize indeed.
(Foucault 1971, pp. 15, 16)

- ⁸⁹ Just as the 'laboring poor' of western Europe found themselves oppositionally defined in relation to landlords and employers, people in colonial territories found themselves classified in oppositional terms, with relationships deliberately depersonalized and bounded by rules and regulations.

This produced real confusion amongst many colonial people who very often assumed that Europeans with whom they interacted would become, as Patrice Lumumba suggested, 'his friend and his guide or his "godfather"', (quoted in Anstey 1966 p. 214). Instead, they found themselves placed in a 'class', to which was attributed particular characteristics, and individuals found themselves treated as members of that class, with their relationships with Europeans standardized and bounded by legislation.

No matter what their personal abilities, aptitudes, achievements, intentions or aspirations, they could not escape their legally spelt-out, exclusive, oppositional categorization as different from and hierarchically inferior to Europeans.

- ⁹⁰ The international nature of these merchant houses, and their freedom from the control of any one state, resembles the development of multinational corporations in the late 20th century.
- ⁹¹ Those who belonged to this emerging class brought with them, from the Middle Ages, a deep respect for those who showed prudent self-control (cf. Murray 1978, p. 134) in their economic dealings, and who demonstrated an ability to 'realize the potential' of the resources at their disposal. As we have seen, in breaking free of the rules and regulations imposed by the Roman Church, one of the prime means of demonstrating one's morality was through 'making the most' of the 'talents' given by God. For this emerging class, prudent people used their resources to the full and disciplined themselves to successful business activity.
- ⁹² From the 16th century onwards the 'responsible people' of Western Europe became increasingly opposed to 'political' appointments, a viewpoint which, as we have seen, was strongly reinforced by Calvinist and Puritanical emphases on vocational education. It became increasingly seen as essential that those holding either bureaucratic or business positions should be 'educated' for the positions they held and that appointment on any other basis was illegitimate.
- This point of view has, in succeeding centuries, become an indisputable requirement of life. Nepotism or 'favoritism' are considered 'corrupt' practices. But this belief did not develop because they *are* corrupt by any other standards than those developed historically in western Europe.
- Although Weber (1930) has considered the emphasis on vocational education and hard work a 'Protestant' ethic, as we have seen, these are western European emphases, which emerged long before the 16th century Protestant movements became important.
- ⁹³ See [Thomas More's \(1516\) description](#) of their experiences as this form of dispossession gathered momentum.

Many people in Third World countries have found that the patron-client relationships which they assumed would provide them with support, direction and protection have similarly failed, though, with nowhere else to turn, they have to accept the exploitation to which they are subjected as unavoidable 'costs' of the relationship.

⁹⁴ In the 21st Century, Western communities remain committed to those primary ideological presumptions forged during the turmoil of the 14th to 20th centuries. 'Responsible People' of the early 21st century remain convinced that they have a responsibility to discipline those who will not discipline themselves; that [they should 'reform' those who stubbornly resist reformation](#). Emily Badger and Margot Sanger-Katz have described the attitudes of those who feel responsible for reforming society in the 21st century United States of America:

The "able-bodied" are now everywhere among government programs for the poor, Republican officials point out. They're on food stamps. They're collecting welfare. They're living in subsidized housing. And their numbers have swelled on Medicaid, a program that critics say was never designed to serve them.

These so-called able-bodied are defined in many ways by what they are not: not disabled, not elderly, not children, not pregnant, not blind. They are effectively everyone left, and they have become the focus of resurgent conservative proposals to overhaul government aid, such as one announced last month by the Trump administration that would allow states to test work requirements for Medicaid.

Able-bodied is not truly a demographic label, though: There is no standard for physical or mental ability that makes a person able. Rather, the term has long been a political one. Across centuries of use, it has consistently implied another negative: The able-bodied could work, but are not working (or working hard enough). And, as such, they don't deserve our aid.

"Within that term is this entire history of debates about the poor who can work but refuse to, because they're lazy," said Susannah Ottaway, a historian of social welfare at Carleton College in Minnesota. "To a historian, to see this term is to understand its very close association with debates that center around the need to morally reform the poor."

(Emily Badger and Margot Sanger-Katz, ^{CE} [Who's Able-Bodied Anyway? The 400-year history of how we talk about the deserving versus the undeserving poor](#), *New York Times*, Feb. 3, 2018)

⁹⁵ See [The 'Responsible' people of western Europe](#) for an explanation of the origins and importance of the 'middle ranking' people of Europe.

⁹⁶ As Roscoe Pound elaborated:

...Grotius and those who followed him made reason the measure of all obligation. They conceived that the end for which law exists is to produce conformity to the nature of rational creatures. They had broken with authority as authority, but they accepted the Roman law as embodied reason and ventured little that did not have authority behind it. Hence they accepted the Roman maxim-not to injure another and to give to everyone his due, that is, respect for

personality and respect for acquired rights-as conformity to the nature of rational creatures.

This raised certain obvious problems:

- What is injury to another?
- What is there in personality that makes aggression an injury?
- What is it that constitutes anything one's own?

Grotius and his successors tried to answer by a theory of natural rights; not merely natural law, as before, not merely principles of eternal validity, but certain qualities inherent in persons and demonstrated by reason and recognized by natural law, to which therefore the national law ought to give effect.

Thus, again, at the very time that the victory of the courts in the contests between the common-law courts and the Stuart kings had established that there were fundamental common-law rights of Englishmen which Englishmen might maintain in courts and in which courts would secure them even against the king, a juristic theory of fundamental natural rights, independent of and running back of all states, which states might secure and ought to secure, but could not alter or abridge, had sprung up independently and was at hand to furnish a scientific explanation when the next century called for one.

By a natural transition, the common-law limitations upon royal authority became natural limitations upon all authority; the common-law rights of Englishmen became the natural rights of man. Each underwent some change of substance along with this change of name.

To understand this change and the effect which it had upon the law as we received it at the end of the eighteenth century and worked it over in the fore part of the nineteenth century, we must examine the theory of natural rights, the theory of the relation of law to natural rights, and the theory of natural law and of the possibility of deducing a fixed and complete system of positive law from the principles of natural law, as these theories were held when our bills of rights were framed and our constitutional law was formative.

(Roscoe Pound, ^{CF} *The Spirit of the Common Law* Marshall Jones Company Publishers, Francetown, New Hampshire, 1921, pp. 89-90. Digitized version: University of Nebraska - Lincoln, College of Law, Faculty Publications. Paper 1)

⁹⁷ Tawney, in 1938, summed up the mood of the era:

The result was that, while the penalties on the vagrant were doubled, religious opinion laid less emphasis on the obligation of charity than upon the duty of work, and that the admonitions which had formerly been turned upon uncharitable covetousness were now directed against improvidence and idleness.

The characteristic sentiment was that of Milton's friend, Hartlib:

The law of God saith, "He that will not work, let him not eat".
This would be a sore scourge and smart whip for idle persons if
... none should be suffered to eat till they had wrought for it.

... Parliament took it up and in 1649 passed an Act for the relief and employment of the poor and the punishment of beggars, under which a company was to be established with power to apprehend vagrants, to offer them the choice between work and whipping, and to set to compulsory labor all other poor persons, including children without means of maintenance.
(Tawney 1938, p. 265)

⁹⁸ The Bible, New Testament, [Ⓔ] [Revelation Chapters 6-19](#)

⁹⁹ See [The Poor are lazy with no desire to better themselves](#) for more on this.

¹⁰⁰ See [What shall we do with The Poor](#) for more on this.

¹⁰¹ See [The Economy: a new Environment](#) for more on this.

¹⁰² The continual complaint by the United States that Japan engages in restrictive import practices, and that Japanese firms collude in taking over American industries, are classic examples of this form of activity. While neither is understandable, or acceptable, from a Western economic perspective, both are perfectly understandable from a Confucian perspective. It is very likely that over the next several decades similar complaints will be made about the activities of the Chinese when interacting with the West.

¹⁰³ [Ⓔ] [Letter to Colonel Edward Carrington, Paris, January 16, 1787](#)

¹⁰⁴ This discussion follows on from [An Explanation and History of the Emergence of Capitalism](#)

¹⁰⁵ See [Who were the 'Middle Sorts'](#) for more on this.

¹⁰⁶ See [Teaching Western Europeans to Work](#) for more on this.

¹⁰⁷ See ['From the Divine to the Statistical'](#) for more on this

¹⁰⁸ See ['The Perfection of Creation'](#) for more on this

¹⁰⁹ Aquinas's version of the same claim was:

... natural processes develop from simple to compound things, so much so that the highly developed organism is the completion, integration, and purpose of the elements. Such indeed is the case with any whole in comparison with its parts. (Gilby 1960, p. 369)

¹¹⁰ Although one started with the 'atoms', these were, by implication, parts which were necessary to a whole. The presumption that one could ascertain the 'potential' of an atom, was a consequence of Aquinas's holism.

In line with the new focus, developing the individual's 'potential' was, increasingly, to displace 'perfection' as the goal of human activity. This, however, still implied a 'purpose' in creation.

However 'earthly-minded' Western Europeans were to become, they carried with them an implicit understanding that there was more to life in this world than meets the eye!

¹¹¹ Although many of those who held this position claimed that it no longer relied on a metaphysical dimension to reality, the presumption that individual self-interest leads to communal good assumes the 'Unseen

Hand' at work. Of course, many (including most economists) still, either implicitly or explicitly, hold this position

¹¹² See ['From the subversion of tradition to plotting the future '](#) for more on this.

¹¹³ This was a saying which first appeared in English literature in the 16th century (though it had a far longer history in Hebraic writings). Nicholas Breton, in his [Ⓔ] [The Works of a Young Wyt](#) (1577, p. 33) put it like this: "The world is hard, they must take pain that look for any gayn".

¹¹⁴ Summed up in 'development' circles over the past fifty years as 'you can't make an omelette without breaking eggs'.

¹¹⁵ See [The emergence of environments in European History](#)

¹¹⁶ See [17th C. Protestant jurist-theologians](#) for more on this

¹¹⁷ The divide between the virtue of a 'social conscience' and the virtue of self-interest remains as potent now as it was in the 18th century. Many of the most bitter confrontations in U. S. politics are a consequence of ideological commitment to one or other focus.

¹¹⁸ It is easy to forget that, while the formulation of environments seems perfectly logical and based on the distillation of features of an objective reality, the objective reality itself is subjective to Western communities. The environments are *reifications* of aspects of life, not distinct areas of life. Though, of course, once an environment is outlined and behavior channeled into conformity with its requirements, it will, in the minds of those involved, become a distinct area of reality.

¹¹⁹ See ["'Money-making' patron-client networks and an emerging emphasis on quantification "](#) for more on this

¹²⁰ Though, in keeping with the times, he distilled his laws from *postulated* behaviors and postulated forms of social organization and interaction through history. This was the 18th century, a time when applied statistical reasoning was coming into its own. Some 12 years earlier, Bayes' (1763) paper, [Ⓔ] [An Essay towards solving a Problem in the Doctrine of Chances](#), had been posthumously read to the Royal Society. As Bradley Efron put it:

Bayes' 1763 paper was an impeccable exercise in probability theory. The trouble and the subsequent busts came from overenthusiastic application of the theorem in the absence of genuine prior information... trying to assign an "uninformative prior" or "objective prior"... Whether or not this can be done legitimately has fueled the 250-year controversy [the Bayesian-frequentist argument].
([Ⓔ] [Bayes' Theorem in the 21st Century](#), *Science* 7 June 2013: Vol. 340 no. 6137 pp. 1177-1178)

This is a form of reasoning which became common in the 18th and 19th centuries, and, indeed, is all-too-often employed in the 21st century:

✳ Determine what life must have been like in the historical past by reasonable extrapolation from what you know, then,



from that postulated reality, distill the principles which 'explain' it.

The principles, inevitably, reflect those which order 'objective reality' for the reasoner.

¹²¹ If this solution seems familiar, that is because it is. It is very similar to the approach Thomas of Aquinas used in defining the nature of natural and ecclesiastical laws. And, it has produced very similar consequences.

The end result of Aquinas's separation of the natural and the supernatural was the dominance of the natural over the supernatural in Western European thinking. The end result of Adam Smith's model has been that 'economic rationality' has lain siege to 'moral virtue' (see [Economic Rationality](#)).

¹²² See ['Producing Conformity To The Nature Of Rational Creatures'](#)

¹²³ See [Social Exchange Theory](#) for an example of this reasoning in the 20th and 21st centuries

¹²⁴ As Plato (360 B.C.) in his [Ⓔ] [Cratylus](#) has Socrates summarize:

Heracleitus is supposed to say that all things are in motion and nothing at rest; he compares them to the stream of a river, and says that you cannot go into the same water twice.

¹²⁵ How wonderfully adept human beings are in rationalizing apparent contradictions when they feel the need to do so!

¹²⁶ See [Teaching Western Europeans to Work](#)

¹²⁷ The claims of the past decade - that those involved in financial activity must 'discipline themselves' flows from this reasoning. To impose discipline from outside the 'economic environment' is illegitimate.

¹²⁸ among many of the middle and upper ranks of British and western European communities - including many of those who had been involved in the religious revivals we examine shortly

¹²⁹ This logic only holds if one accepts Aquinas's holistic view of reality - that we live in a perfect creation, governed by laws which ensure that perfection. If you don't believe in a Supreme, Benevolent Creator, then you really have no reasonable base from which to argue this.

¹³⁰ While many would argue that government exists to protect the poor and weak, this was not the presumption of 18th and 19th century 'responsible' Western Europeans. It was the task of government to train the poor to productive endeavor and protect the rights of those engaged in self-interested accumulation of 'assets'.

¹³¹ [Herbert Spencer \(1884\)](#) provided an explanation of the need for such measures:

Humanity is being pressed against the inexorable necessities of its new position - is being molded into harmony with them, and has to bear the resulting unhappiness as best it can. The process must be undergone, and the sufferings must be endured.

John Maynard Keynes, in his work [Ⓔ] [The General Theory of Employment, Interest and Money](#) (London: Macmillan 1936, p. 33) would comment on

all this:

The completeness of the Ricardian victory is something of a curiosity and a mystery. It must have been due to a complex of suitabilities in the doctrine to the environment into which it was projected. That it reached conclusions quite different from what the ordinary uninstructed person would expect, added, I suppose, to its intellectual prestige. That its teaching, translated into practice, was austere and often unpalatable, lent it virtue. That it was adapted to carry a vast and consistent logical superstructure, gave it beauty. That it could explain much social injustice and apparent cruelty as an inevitable incident in the scheme of progress, and the attempt to change such things as likely on the whole to do more harm than good, commended it to authority. That it afforded a measure of justification to the free activities of the individual capitalist, attracted to it the support of the dominant social force behind authority.

The more extreme extrapolations of neoliberal economic thought of the past 30 years have a long history. From the outset, belief in the *Summum Bonum* consequences of whole-hearted commitment to the 'natural laws' of the economy, produced such reasoning.

¹³² See [The alienation of property](#) for more

¹³³ See [From Subsistence to Open-ended Accumulation](#) for more

¹³⁴ It was this early movement of 'potential labor' into towns *prior* to the expansion of industrial production in the late 18th century which inspired those modernization evangelists, Lewis (1955), Hirschman (1958) and [Rostow \(1961\)](#), to formulate their plans for 'Third World development' in the 20th century.

In order to ensure 'economic development' in the Third World it was necessary to move 'surplus labor' from the countryside to the towns, build factories, and provide 'seeding capital' to entrepreneurs which, it was presumed, would produce that 'trickle-down' effect for which the world has waited so long.

Those who taught this doctrine 'knew' that they were right. There were no 'communities', only individuals - pawns in a 'development' game. Their models were based on and consistent with the 'laws of economics' and demonstrated in their interpretation of Western European history.

¹³⁵ Marx was a little late in his speculations on the possibility of a revolution against capitalism. The revolution of the proletariat which Marx anticipated in the second half of the 19th century, might possibly have happened in the 18th but for the intervention of Protestant evangelicalism. The revolution which occurred was not an overthrow of capitalism but a religious conversion of the dispossessed and down-trodden to a reinvigorated version of the values of their oppressors.

¹³⁶ Large numbers of these people formed the backbone of Cromwell's 'New Model Army' in the English civil war and subsequent Commonwealth (1642-1660). Following the restoration of the monarchy they lost political protection and became fair-game to those who had opposed the parliamentary reforms - and any others who saw in their political weakness an opportunity for profit.

I am sure that those who know that economic principles are indeed universal laws of nature, crafted by an 'unseen hand', will argue that the description which follows is yet another demonstration of the 'unseen hand' at work - I prefer to believe in blind chance, or, perhaps, a greater law which ensures, as Hobbes suggested, that human beings, unfettered (perhaps, especially, those who live in an unregulated capitalist world), are red in tooth and claw. As Jefferson put it "they have divided their nations into two classes, wolves and sheep".

Fred Guerin has summed it all up:

...[E]ven today many economists still hold onto the mythic assumption that the "impartial" self-regulating market is no more than a theoretical expression of the "order of human nature" itself and not, after all, a product of powerful political and moneyed interests. This belief has distant origins in Thomas Hobbes fear-inspired mechanistic account of human beings who in their natural state are war-like and driven by self-interest.

Not only does the latter perspective resonate in many manifestations of capitalist theory, it also underscores a desire to replicate in economic theory what nature apparently prescribes - a war-like disposition disciplined through competitive markets based on innate selfishness. But what if the incapacity to imagine alternatives is not because we are naturally selfish, but simply a function of the reality that in capitalist societies we are all conditioned to see the world in terms of individual economic self-interest rather than in terms of common human good or planetary limits, health and equilibrium?

Over time, the promotion of selfishness as a virtue not only changes the way we look at ourselves, it influences the way we relate to each other and to the planet itself. Instead of citizens who define themselves in relation to common goods, we are reduced, under the selfish orientation of capitalism, to aggregates of self-interested atomistic individuals encouraged to believe that we can continue a lifetime of limitless consumption. Those who are entirely left out of the consumer game - the increasing numbers of homeless, stateless refugees, destitute and imprisoned whose day-to-day life is taken up by the fight for mere survival - are the necessary residue of a global capitalist system.

(Fred Guerin, ^{CE} [The Compelling Conclusion About Capitalism That Piketty Resists](#), *Truthout*, 26 June 2014 00:00)

¹³⁷ Thomas Jefferson, in a letter to Dr. Thomas Cooper, Monticello, September 10, 1814, provided his own description of conditions in Great Britain:

The population of England is composed of three descriptions of persons (for those of minor note are too inconsiderable to affect a general estimate). These are,

1. The aristocracy, comprehending the nobility, the wealthy commoners, the high grades of priesthood, and the officers of government.
2. The laboring class.

3. The eleemosynary class, or paupers, who are about one-fifth of the whole.

The aristocracy, which have the laws and government in their hands, have so managed them as to reduce the third description below the means of supporting life, even by labor; and to force the second, whether employed in agriculture or the arts, to the maximum of labor which the construction of the human body can endure, and to the minimum of food, and of the meanest kind, which will preserve it in life, and in strength sufficient to perform its functions.

To obtain food enough, and clothing, not only their whole strength must be unremittingly exerted, but the utmost dexterity also which they can acquire; and those of great dexterity only can keep their ground, while those of less must sink into the class of paupers. Nor is it manual dexterity alone, but the acutest resources of the mind also which are impressed into this struggle for life; and such as have means a little above the rest, as the master-workmen, for instance, must strengthen themselves by acquiring as much of the philosophy of their trade as will enable them to compete with their rivals, and keep themselves above ground.

Hence the industry and manual dexterity of their journeymen and day-laborers, and the science of their master-workmen, keep them in the foremost ranks of competition with those of other nations; and the less dexterous individuals, falling into the eleemosynary ranks, furnish materials for armies and navies to defend their country, exercise piracy on the ocean, and carry conflagration, plunder and devastation, on the shores of all those who endeavor to withstand their aggressions.

A society thus constituted possesses certainly the means of defence. But what does it defend? The pauperism of the lowest class, the abject oppression of the laboring, and the luxury, the riot, the domination and the vicious happiness of the aristocracy. In their hands, the paupers are used as tools to maintain their own wretchedness, and to keep down the laboring portion by shooting them whenever the desperation produced by the cravings of their stomachs drives them into riots. Such is the happiness of scientific England; now let us see the American side of the medal.

Despite eight years in the White House (1801-9) and a remarkable depth and breadth of intellectual interests and insight, Jefferson's subsequent description of "the American side of the medal" shows how much easier it is to get others into perspective than oneself. He is, after all, speaking of a country still exploiting a large slave population and reducing large indigenous populations to destitution and the verge of extinction:

And, first, we have no paupers, the old and crippled among us, who possess nothing and have no families to take care of them, being too few to merit notice as a separate section of society, or to affect a general estimate.

The great mass of our population is of laborers; our rich, who can live without labor, either manual or professional, being few, and of moderate wealth.

Most of the laboring class possess property, cultivate their own lands, have families, and from the demand for their labor are enabled to exact from the rich and the competent such prices as enable them to be fed abundantly, clothed above mere decency, to labor moderately and raise their families. They are not driven to the ultimate resources of dexterity and skill, because their wares will sell although not quite so nice as those of England.

The wealthy, on the other hand, and those at their ease, know nothing of what the Europeans call luxury. They have only somewhat more of the comforts and decencies of life than those who furnish them. Can any condition of society be more desirable than this ?

For more on Jefferson's attitude toward the retention and incorporation of "the blacks into the state", see Thomas Jefferson, *Notes on the State of Virginia*, Query 14, 1781-1782:

It will probably be asked, Why not retain and incorporate the blacks into the state, and thus save the expence of supplying, by importation of white settlers, the vacancies they will leave? Deep rooted prejudices entertained by the whites; ten thousand recollections, by the blacks, of the injuries they have sustained; new provocations; the real distinctions which nature has made; and many other circumstances, will divide us into parties, and produce convulsions which will probably never end but in the extermination of the one or the other race.

To these objections, which are political, may be added others, which are physical and moral. The first difference which strikes us is that of colour. Whether the black of the negro resides in the reticular membrane between the skin and scarf-skin, or in the scarf-skin itself; whether it proceeds from the colour of the blood, the colour of the bile, or from that of some other secretion, the difference is fixed in nature, and is as real as if its seat and cause were better known to us. And is this difference of no importance? Is it not the foundation of a greater or less share of beauty in the two races? Are not the fine mixtures of red and white, the expressions of every passion by greater or less suffusions of colour in the one, preferable to that eternal monotony, which reigns in the countenances, that immoveable veil of black which covers all the emotions of the other race? Add to these, flowing hair, a more elegant symmetry of form, their own judgment in favour of the whites, declared by their preference of them, as uniformly as is the preference of the Oranootan for the black women over those of his own species. The circumstance of superior beauty, is thought worthy attention in the propagation of our horses, dogs, and other domestic animals; why not in that of man?

(Jefferson, Thomas, 1743-1826 . [Ⓔ] [Notes on the State of Virginia](#), pp. 264ff, Electronic Text Center, University of Virginia Library)

¹³⁸ This is not surprising of course. Processes of categorization and classification require that, if closely similar groupings are to be kept separate, the *differences* between them must constantly be emphasized. The more similar they seem to be, the more often one will focus on and emphasize the differences.

¹³⁹ The problems experienced by the small-holders of Western Europe during the 18th and 19th centuries have been replicated in Third World communities in the 20th and this century. The UN Agency for Human Settlements described the scene in 2003:

...urban poverty levels are less than rural poverty and ... the rate of growth of the world's urban population living in poverty is considerably higher than that in rural areas. The absolute number of poor and undernourished in urban areas is increasing, as is the share of urban areas in overall poverty and malnutrition. In general, the locus of poverty is moving to cities, a process now recognized as the 'urbanization of poverty'.

(UN Agency for Human Settlements, ^{CE} *The Challenge of Slums: Global Report on Human Settlements 2003* 'Key Findings')

Toynbee described some of the conditions in England:

The misery which came upon large sections of the working people at this epoch was often, though not always, due to a fall in wages, for, as I said above, in some industries they rose. But they suffered likewise from the conditions of labor under the factory system, from the rise of prices, especially from the high price of bread before the repeal of the corn-laws, and from those sudden fluctuations of trade, which, ever since production has been on a large scale, have exposed them to recurrent periods of bitter distress.

The effects of the industrial Revolution prove that free competition may produce wealth without producing well-being. We all know the horrors that ensued in England before it was restrained by legislation and combination.

(^{CE} Toynbee (1884) Lecture VIII 'The Chief Features of the Revolution')

¹⁴⁰ whether already destitute or fearful of the possibilities of destitution which they saw around them as rural communities came increasingly under attack and life became more and more difficult

¹⁴¹ How easy it is for those who belong to exploiting groups to blame their victims for the consequences of their policies. First, dispossess them, then, as their communities disintegrate and they become demoralised, point to the consequences as justification for your attitudes and policies.

¹⁴² See Armstrong (1997) for a description of some of these preachers. As a reviewer put it:

John Armstrong introduces his readers to five key evangelists whose ministries covered a period of two hundred years, impacted hundreds of thousands of lives, and were marked by unusual boldness, passionate proclamation, and an outpouring of Spiritual blessing on two continents.

¹⁴³ A similar confusion followed the success of those whose material fortunes resulted from their religious conversion in the 18th and early 19th centuries - as John Wesley was to lament

The Methodists grow more and more self-indulgent, because they grow rich. And it is an observation which admits of few exceptions, than nine in ten of these decreased in grace, in the same proportion

as they increased in wealth.... Does it not seem (and yet this cannot be) that Christianity, true scriptural Christianity, has a tendency to destroy itself?
(quoted in Armstrong 1973, p. 95)

¹⁴⁴ cf. Stephen (1876), Hammond & Hammond (1918), Hobsbawm (1964), Thompson (1964), etc.

¹⁴⁵ published in a separate tract in the year 1762, under the title of "Cautions and Directions given to the Greatest Professors in the Methodist Societies,"

¹⁴⁶ See John Wesley, [Ⓔ] *A Short History of Methodism* (From the Thomas Jackson edition of *The Works of John Wesley*, 1872) for a brief account of the movement.

¹⁴⁷ As Gamm and Putnam (1999) claimed of the United States between 1760 and 1840,

Methodist and Baptist churches flourished in this era ... In communities across the country, Americans established Bible and tract societies, missionary societies, temperance groups, and benevolent associations. Sunday schools, too, were organized in these years.

¹⁴⁸ As Tom Bates put it, describing the town of Cromford in his *Insider's Guide to Cromford* :

The present-day village owes its existence to Richard Arkwright who was responsible for most of its construction; not only did he build an entire industrial complex of mills and workshops, but he also built houses for his workers, a school, a chapel, and an inn in the Market Place.

¹⁴⁹ The often quoted successful organization and activity of the [Ⓔ] *Grameen Bank* in Bangladesh over the past twenty five years is an excellent example of the way in which this kind of 'pump-priming' works when properly adapted to the understandings and organization of the communities within which it is developed. As its founder, Muhammad Yunus explained, in an interview on CBC,

I came across a woman and she makes only two pennies a day by making bamboo stools. And I couldn't accept why anybody should work so hard and make only two pennies. And she explained why she makes two pennies: she doesn't have the money to buy the bamboo which goes into the bamboo store, so she has to borrow money from a trader, the trader who buys the final product. So he lends her the money to buy the bamboo. When he buys the final product, he offers her a price which barely covers the cost of all the raw materials. Her labor comes almost like free, like she works like a slave. So I said, look, this is so simple to solve. It doesn't need big theories to solve this.

(1991)

His solution was to take the initiative away from those exploiting the woman, allowing her to reap the profit of her activity rather than allowing the lender to set the terms of the interaction. The result was the Grameen Bank.

The loans average no more than seventy-five dollars - too small for other banks to even bother with - and yet with these loans people revolutionize their lives. The Grameen Bank is founded on a bold but simple idea that the answer to poverty is not charity but credit.

The Grameen Bank initially restricted its activities to destitute women, and, whether consciously or not, developed very similar patron-client relationships between the borrowers and lender as exist in the wider community. It has not, until recently, challenged existing structures but augmented them.

This is precisely why the Methodist system was so successful in the 18th and early 19th centuries and received so little opposition from those involved in business in the period. It emancipated those who were destitute from reliance on money lenders and others intent on exploiting them. This allowed them to build up their businesses in a protected environment. As the movement grew in strength, this allowed networks of business interaction to emerge based on similar principles.

¹⁵⁰ Campbell's (1871 Pt 1 P.1) explanation of the Archbishop's views is as follows:

The Arch-Bishop's position is shortly this, - that mere savages - that is to say, "men in the lowest degree, or even anything approaching to the lowest degree, of barbarism in which they can possibly subsist at all - never did and never can, unaided, raise themselves into a higher condition"; that even when they are brought into contact with superior races, it is extremely difficult to teach them the simplest arts; that they "seem never to invent or discover anything," because even "necessity is not the mother of invention except to those who have some degree of thoughtfulness and intelligence"; that whatever the natural powers of the human mind may be, they require to have some instruction from without wherewith to start.

He holds it to be "a complete moral certainty that men left unassisted in what is called a state of nature - that is, with the faculties Man is born with not at all unfolded or exercised by education - never did, and never can, raise themselves from that condition." Therefore, "according to the present course of things, the first, introducer of civilization among savages is, and must be, man in a more improved state."

¹⁵¹ ☞ [Letter to Colonel Edward Carrington, Paris, January 16, 1787](#)

¹⁵² The 'trickle down' theory of economics is not the preserve of the 20th and this century, it has been an implicit presumption of capitalism since the late 17th century. John Locke popularised the idea in the 1690s,

God gave the world to men in common; but... it cannot be supposed he meant it should always remain common and uncultivated. He gave it to the use of the industrious and rational (and *labor* was to be *his title* to it). (1982, p.21).

See Robert Frank (*The New York Times*, April 12th 2007) ☞ [In the Real World of Work and Wages, Trickle-Down Theories Don't Hold Up](#) for a discussion of the practice in the later 20th and this century. Experiences

in the 18th and 19th centuries did little to convince the poor that if the rich got richer so would they!

¹⁵³ It seems almost inevitable that those living inside the bubble of capitalism will see everything beyond it as a wasteland which needs to be reclaimed. From the missionary movement of the past 250 years; to the 'colonial endeavor' of the 19th and 20th centuries; to the 'development' drive of the past sixty years, Western Europeans have dedicated lives, time and resources to attempting to 'save', 'reclaim' and 'develop' the 'heathen', 'primitive' and 'undeveloped' of the world.

¹⁵⁴ It is a little difficult to see how this description fits the current crop of 'financial wizards' and their unconditional bonuses!

¹⁵⁵ See [The nature of feudalism](#) for more on this.

¹⁵⁶ The reference to runaway apprentices and 'gentlemen's servants' makes sense to present ears only when the attitudes to apprenticeship which had evolved over the preceding two centuries are understood.

In 16th century Tudor England, responsible citizens were faced with burgeoning numbers of displaced people. They 'clogged the highways and byways' and presented a menace to 'decent' citizenry. One of the remedies devised for dealing with displaced children and the children of paupers during the period was to place them in apprenticeships. As Henry Craik (1884, p. 6) put it,

It was under the reign of Henry VIII that the chief apprentice laws were added to the Statutes book; and under them, children between five and thirteen who were found begging or idle were to be bound apprentices to some handicraft. The apprenticeship laws were compulsory upon master and servant alike.

Charlotte Neff (1996) explained that this, from the outset, resulted in two forms, 'trade' and 'pauper', apprenticeships being recognized in England.

By the 18th century, pauper apprenticeships had (from a less than auspicious beginning)

grown into what was often little less than serfdom or slavery (Craik, 1884, p. 9).

The situation did not improve through the century. Speaking of the early 19th century, John Burnett claimed that,

apprenticeship survived only in the wretched bondage to which pauper children were sometimes subjected by penny-pinching poor law administrators.
(1974, p. 23)

It became commonplace for children who found themselves bound in often very abusive relationships, to run away and join the floating population of 'idle poor'. That population, through the 18th century, grew constantly larger as the policies of reformers took effect.

¹⁵⁷ Practice of economic relief for the poor that was adopted over much of England following a decision by local magistrates at the Pelican Inn, Speenhamland, near Newbury, Berkshire, on May 6, 1795. Instead of fixing minimum wages for poor laborers, the practice was to raise

workingmen's income to an agreed level, the money to come out of the parish rates. This allowance was designated as the price of 3 gallon loaves a week for each man (a gallon loaf was 8 1/2 pounds [about 4 kilograms]) plus the cost of 1 1/2 loaves each for a wife and every child. The money was to cover all expenses. This allowance system lasted until the enactment of the Poor Law Amendment (1834).

Contemporary commentators and modern historians alike have condemned the system; the former claim it encouraged the poor in idleness, while the latter stress the opportunity it gave unscrupulous employers and landlords to reduce wages and raise rents respectively, knowing their depredations would be redressed from the public pocket. ("Speenhamland system". (2010). In *Encyclopædia Britannica*. Retrieved February 08, 2010, from Encyclopædia Britannica Online: [Ⓔ]
<http://www.britannica.com/EBchecked/topic/559184/Speenhamland-system>)

¹⁵⁸ See [Living within the Environmental Means](#) for more on this

¹⁵⁹ See [Capitalism and the Nature of Work](#) for more on this

¹⁶⁰ This same criticism has commonly been made by 'development' experts dealing with people in 'under-developed' countries. One cannot rely on people turning up for work when they should. They all-too-often find something else they would rather be doing!

Of course, the Western belief in the vital importance of 'work' is ideological in nature. The term 'work' encompasses a set of peculiar meanings in Western communities (see [Nature of Work](#)). It is closely related to the Western emphasis on production, consumption and accumulation in determining and maintaining status, and, when taken from that context, loses a great deal of its moral significance.

When status is attained and maintained by other means, work, in the sense of labor, becomes something one has to do, but in which one engages only to the extent required for particular, quite specific purposes. Once the particular objectives have been reached, people stop working until another objective spurs them once more to labor. The central activities of their lives are focused by the social template through which status and prestige are spelt out and contextualized.

They are not, as McClelland (1976) suggested people in any society should be, 'achievement motivated'. Goal oriented behavior is closely allied to the Western drive to 'realize one's potential' (see [fulfilling One's Potential](#) for more on this).

¹⁶¹ In "an epistle to all the slothful and careless people" John Bunyan wrote:

WHAT SHALL I SAY? Time runs; and will you be slothful? Much of your lives are past; and will you be slothful?

Your souls are worth a thousand worlds; and will you be slothful?

The day of death and judgment is at the door; and will you be slothful?

The curse of God hangs over your heads; and will you be slothful?

Besides, the devils are earnest, laborious, and seek by all means every day, by every sin, to keep you out of heaven, and hinder you

of salvation; and will you be slothful?

Also your neighbors are diligent for things that will perish; and will you be slothful for things that will endure for ever?

Would you be willing to be damned for slothfulness?

Would you be willing the angels of God should neglect to fetch your souls away to heaven when you lie a-dying, and the devils stand by ready to scramble for them?

Was Christ slothful in the work of your redemption? Are his ministers slothful in tendering this unto you?

And, lastly, If all this will not move, I tell you God will not be slothful or negligent to damn you - whose damnation now of a long time slumbereth not - nor the devils will not neglect to fetch thee, nor hell neglect to shut its mouth upon thee.

(^{CE} John Marshall 1698)

¹⁶² See [Born Again Capitalists](#)

¹⁶³ See [From the Subversion of Tradition to Plotting the Future](#) for more on this.

¹⁶⁴ See [The emergence of time as currency](#) for more on this. Also, Hatcher (1994) for a discussion of the consequences of the 14th century plagues.

¹⁶⁵ This problem is not one of simply historical interest. In the present, in non-Western countries, very similar problems of dispossession, inflation of living costs and degradation of land are forcing growing numbers of people out of rural areas and into towns and cities. And, as numbers have multiplied and associated problems of social dislocation and inadequate living conditions have snowballed, governments and international agencies have seen the problem, not as one of dispossession and extortion, but as one of 'development'.

This is remarkably similar to the response which was made in 18th century western Europe to the problems of the age. Only through 'progress' could the problems of poverty be dealt with. And that progress, so far as those in authority were concerned, required the policies, which were resulting in the dispossession and eviction of small-holders, being promoted throughout the country.

¹⁶⁶ Search on the phrase "without benefit of clergy" in the following text, ^{CE} [Commentaries on the Laws of England](#) by William Blackstone (1765), for further information. As Blackstone explained:

...In China murderers are cut to pieces, and robbers not: hence in that country they never murder on the highway, though they often rob. And in England, besides the additional terrors of speedy execution, and a subsequent exposure or dissection, robbers have a hope of transportation, which seldom is extended to murderers. This has the same effect here as in China: in preventing frequent assassination and slaughter.

Yet, though in this instance we may glory in the wisdom of the English law, we shall find it more difficult to justify the frequency of capital punishment to be found therein; inflicted (perhaps inattentively) by a multitude of successive independent statutes, upon crimes very different in their natures.

It is a melancholy truth, that among the variety of actions which men are daily liable to commit, no less than an hundred and sixty have been declared by act of parliament to be felonies without benefit of clergy; or, in other words, to be worthy of instant death. So dreadful a list, instead of diminishing, increases the number of offenders.

(BOOK 4, CHAPTER 1, Of the Nature of Crimes; and Their Punishment)

¹⁶⁷ See [Time and work](#) for more on this.

¹⁶⁸ Furniss provides a number of other examples of this kind of intervention. As he says:

William Bailey, as an introduction to his scheme, stated the benefit which all advocates of the workhouse expected from that institution:

Employing the poor in parish workhouses will very much promote the commerce, wealth and peace of this kingdom. These houses will also become proper schools to train up the children of the poor to religion, sobriety and industry. ... They will like-wise be nurseries for spinners, weavers, and other artificers ... and give occasion to the exercise of many other trades and useful employments [William Bailey, *A Treatise* (1758), p. 1.].

Apparently seven decades of disappointing experience had not freed the mind of this writer from the illusion that direct economic benefits would flow from the employment of the people at artificial occupations in houses of industry. He affirmed that it had been the want of proper direction, rather than a fault of principle, that had caused all efforts at creating employment to fail of their purpose, and proposed again that the labor of the poor should be so directed as to compete with no established manufacture:

Linen cloth would be obtained from the labor of our own poor and employment and subsistence furnished for a multitude of men, women and children. ... Whereas at present immense sums are sent abroad to feed, clothe, and enrich the poor, the landlords, the manufacturers and the merchants of foreign countries.

(Furniss 1920 pp. 115-6)

¹⁶⁹ Quotation from a letter to his daughter in 1777, in his memoirs: [Ⓔ] *Memoirs of the Life of the Right Hon. Sir John Eardley Wilmot, Knt, late Lord Chief Justice of the Court of Common Pleas, and one of His Majesty's most Honourable Privy Council: with some Original Letters*. By John Wilmot, Esq., White and Co (The Second Edition, with Additions; 8vo. pp. 235.), 1811, p. 179.

¹⁷⁰ Hansard's Parliamentary Debates, First Series, Vol. IX col 798-806 (13 July 1807)

¹⁷¹ See [Ⓔ] [Robert Raikes and Sunday Schools](#) for a succinct discussion of the origins of the movement

¹⁷² Thomas Jordan (1993) has summed up the value of education during the first half of the 19th century,

In 1851, Henry Mayhew reported that costermongers sent their children to school only to "save the trouble of tending them" (Quennell 1969). In the early decades, reformers established Sunday schools to promote access to the Bible, although some of them were anxious about educating the poor beyond their presumed station in life.

At a more political level, the tension between the Anglicans' National Society for Promoting the Education of the Poor in the Principles of the Established Church and the Chapel's British and Foreign Schools Society delayed reform of education. The National Society was the larger, and the Royal Lancasterian Society was smaller than either.

Overall, the pattern of schooling was spotty in the early and middle decades of the 19th century, and Bedfordshire had the highest rate of illiteracy. Wolverhampton, according to the Morning Chronicle's special correspondent in 1851, had " ... 15,000 children in a space of a few square miles growing up in dense and total ignorance."

It should be noted that education in the period owed much to the efforts of individuals. Hannah More, early in the 19th century, promoted literacy through Wesleyanism, Robert Raikes' Ragged Schools laid a foundation for later efforts, and Mary Carpenter directed her efforts toward delinquents through scholarship and penal reform.

With the Elementary Education Act of 1870, the government finally undertook serious educational planning. A series of commissions from the Devonshire Report in 1872 subsequently undertook further reform of education. In 1902, public policy led to administrative changes and to promotion of secondary education.

¹⁷³ How little has changed in two and a half centuries!!

¹⁷⁴ Townsend has a grossly inadequate and ideologically distorted perception of the historical past, common to those who share - even now - his ideological understandings.

It is, unfortunately, still the case that gross distortions of history can be and are employed by many social commentators to support their views. It seems that, provided one states such distortions authoritatively and confidently, people who want to agree with the position being presented will readily accept and repeat the distortions.

(One should treat *anything* presented as history with caution. Always check the 'facts')

¹⁷⁵ See [Thomas More's description](#) of what happened in the 16th century for a more realistic, contemporary explanation.

¹⁷⁶ See Rosser (1997) for a discussion.

¹⁷⁷ See [maximizing Profits Through The Law](#) for more.

¹⁷⁸ This is a description which is all-too-often ignored by those who use Smith's writings to justify their positions:

[In any confrontation between workers and employers] ...the common wages of labor, depends everywhere upon the contract usually made between those two parties, whose interests are by no

means the same. The workmen desire to get as much, the masters to give as little as possible. The former are disposed to combine in order to raise, the latter in order to lower the wages of labor.

It is not, however, difficult to foresee which of the two parties must, upon all ordinary occasions, have the advantage in the dispute, and force the other into a compliance with their terms. The masters, being fewer in number, can combine much more easily; and the law, besides, authorizes, or at least does not prohibit their combinations, while it prohibits those of the workmen. We have no acts of parliament against combining to lower the price of work; but many against combining to raise it.

In all such disputes the masters can hold out much longer. A landlord, a farmer, a master manufacturer, a merchant, though they did not employ a single workman, could generally live a year or two upon the stocks which they have already acquired. Many workmen could not subsist a week, few could subsist a month, and scarce any a year without employment. In the long run the workman may be as necessary to his master as his master is to him; but the necessity is not so immediate.

We rarely hear, it has been said, of the combinations of masters, though frequently of those of workmen. But whoever imagines, upon this account, that masters rarely combine, is as ignorant of the world as of the subject. Masters are always and everywhere in a sort of tacit, but constant and uniform combination, not to raise the wages of labor above their actual rate. To violate this combination is everywhere a most unpopular action, and a sort of reproach to a master among his neighbors and equals.

We seldom, indeed, hear of this combination, because it is the usual, and one may say, the natural state of things, which nobody ever hears of. Masters, too, sometimes enter into particular combinations to sink the wages of labor even below this rate. These are always conducted with the utmost silence and secrecy, till the moment of execution, and when the workmen yield, as they sometimes do, without resistance, though severely felt by them, they are never heard of by other people.

Such combinations, however, are frequently resisted by a contrary defensive combination of the workmen; who sometimes too, without any provocation of this kind, combine of their own accord to raise the price of their labor. Their usual pretences are, sometimes the high price of provisions; sometimes the great profit which their masters make by their work. But whether their combinations be offensive or defensive, they are always abundantly heard of.

In order to bring the point to a speedy decision, they have always recourse to the loudest clamour, and sometimes to the most shocking violence and outrage. They are desperate, and act with the folly and extravagance of desperate men, who must either starve, or frighten their masters into an immediate compliance with their demands.

The masters upon these occasions are just as clamorous upon the other side, and never cease to call aloud for the assistance of the civil magistrate, and the rigorous execution of those laws which

have been enacted with so much severity against the combinations of servants, laborers, and journeymen.

The workmen, accordingly, very seldom derive any advantage from the violence of those tumultuous combinations, which, partly from the interposition of the civil magistrate, partly from the necessary superior steadiness of the masters, partly from the necessity which the greater part of the workmen are under of submitting for the sake of present subsistence, generally end in nothing, but the punishment or ruin of the ringleaders.
(1776, pp. 84-5)

- ¹⁷⁹ See Rosser (1997) for discussion of artisanal labor in both the medieval period and through the 18th and early 19th centuries. As he says,

Crafts guilds and fraternities offered workers to distance themselves from the underclass, but it also provided access to masters and patrons. The networks created through work extended into the political and social lives of medieval workers.

Over more than five hundred years, the artisans of western Europe became separated from 'The Poor', a distinct grouping of people with their own networks and understandings of the world.

- ¹⁸⁰ See [Attitudes of the 'little gentry' to the 'idle poor'](#).

- ¹⁸¹ I first became aware of this divide during the early 1960s. I was truck driving for an old, well-established trucking firm and became aware that there were a few skilled employees who remained aloof. They were (quite literally) a dying breed by then but they still belonged to their working men's club and clearly considered themselves superior to the rest of us who were just 'common workers'.

- ¹⁸² See [A New Moral Leadership in the 18th century](#)

- ¹⁸³ For a discussion of the *Summum Bonum* see [In Search of the 'Greatest Good'](#). People living in Western communities continue to assume that they deserve the prosperity and wellbeing which capitalism has, by and large, delivered to the middle classes. The 'problems' of the 'non-western' world (or even of their own poor and marginalized) are not their concern. In true capitalist style, the victims have brought it on themselves. The remedy is at hand: summed up in that wonderfully myopic absurdity "teach a man to fish and he has food for life" - [in oceans rapidly being emptied by the fishing fleets of capitalism](#).

- ¹⁸⁴ A final comment on the nature of 19th century capitalism by Alexis de Tocqueville (1835) after his visit to Manchester:

Look up and all around this place you will see the huge palaces of industry. You will hear the noise of furnaces, the whistle of steam.

These vast structures keep light and air out of the human habitation which they dominate; they envelope them in perpetual fog; here is the slave, there the master; there the wealth of some, here the poverty of most; there the organized effort of thousands produce, to the profit of one man, what society has not yet learned to give. Here the weakness of the individual seems more feeble and helpless even than in the middle of a wilderness; here the effects, there the causes.

A sort of black smoke covers the city. The sun seen through it is a disc without rays. Under this half-daylight 300,000 human beings are ceaselessly at work. A thousand noises disturb this damp, dark labyrinth, but they are not at all the ordinary sounds one hears in great cities....

From this foul drain the greatest stream of human industry flows out to fertilise the whole world. From this filthy sewer pure gold flows. Here humanity attains its most complete development and its most brutish; here civilization works its miracles, and civilized man is turned back into a savage.

(^{CE} 1958 pp. 107-108)

¹⁸⁵ ³⁹¹ Robert Steinfeld (2007) described the legal developments affecting union activity in the 1870s,

An initial attempt at a new "settlement" was made by a Liberal government in 1871, which passed the "Trade Union Act" to accord legal recognition to unions, and the Criminal Law Amendment Act to loosen criminal restrictions on collective activity. But union officials reacted with hostility to certain aspects of the Criminal Law Amendment Act. Its clause on picketing, in particular, became especially controversial. And the courts proceeded to inflame this situation by basing a criminal prosecution for conspiracy on a group violation of the Master and Servant act.

In 1875 a Conservative government, which had recently replaced the Liberal government in an electoral upset, implemented a more stable "settlement" that endured for a number of decades.

The new "settlement" was effected by the passage of two new pieces of legislation, the "Employers and Workmen Act," which eliminated criminal penalties for breaches of employment contracts in most cases, and the "Conspiracy and Protection of Property Act," which repealed the Criminal Law Amendment Act, revised the controversial picketing clause, and completely removed trade disputes between employers and workmen from the reach of the common law of criminal conspiracy.

This legislation bestowed on unions broad freedoms (and greater power) to conduct the economic struggle for life in capitalist society. (2007, p. 663)

¹⁸⁶ I have a great admiration for the dedication of ordinary Salvation Army officers, often working on their own in the remaining wastelands of the West. In my wanderings I have seen them accept, with amazing patience and kindness, practical responsibility for the dispossessed, the homeless and the outcasts of Western communities - yes, they still exist, and in growing numbers!

¹⁸⁷ See [A New Moral Leadership and Support Network](#) for more on this.

¹⁸⁸ Pasha of Egypt and Inspector General of the British Army in The Sudan.

¹⁸⁹ It would take another fifty years for many of the entitlements which, over the past half century, most Western workers have seen as basic, to be securely written into law in most Western nations - such as the forty hour week and two weeks paid annual leave.

Memory is short. In the past thirty years increasing numbers of Western people have accepted the deregulated capitalist argument that such 'luxuries' are not sustainable. They seem to have forgotten (or don't know about) the bitter experiences of the West's Poor in previous centuries (with whom, of course, they don't identify - see [What shall we do with The Poor](#) for more on this). Unthinking believers in the 'power of the marketplace' are allowing hard-won employment conditions to be eroded.

¹⁹⁰ A few quotations from influential Western Europeans set the scene:

We must find new lands from which we can easily obtain raw materials and at the same time exploit the cheap slave labor that is available from the natives of the colonies. The colonies would also provide a dumping ground for the surplus goods produced in our factories.

(Cecil Rhodes, Founder of Rhodesia. [Now Zambia and Zimbabwe])

The colonial question is, for countries like ours which are, by the very character of their industry, tied to large exports, vital to the question of markets ... From this point of view ... the foundation of a colony is the creation of a market.

(Jules Ferry, Speech to the French House of Deputies, July 1885)

We have spoken already of the vital necessity of new markets for the old world. It is, therefore, to our very obvious advantage to teach the millions of Africa the wants of civilization, so that whilst supplying them, we may receive in return the products of their country and the labor of their hands.

(Lord Lugard, British Governor of Nigeria.)

The most useful function which colonies perform ... is to supply the mother country's trade with a ready-made market to get its industry going and maintain it, and to supply the inhabitants of the mother country - whether as industrialists, workers or consumers - with increased profits, wages or commodities.

(Paul Leroy-Beaulieu, *De la Colonisation chez les Peuples Modernes*, 1874.)

(From [Ecologist](#) Vol 20 No 6 - November / December 1990 pp. 201-2)

¹⁹¹ Experiences in the first decade of the 21st Century have once again demonstrated the validity of this assertion (see [Revitalization Movements and Fundamentalism](#) for more on this).

¹⁹² This was the start of the Boer War in South Africa, reminiscent of the Iraq adventure of the 1st decade of this century - what is it about the start of centuries and the West?

¹⁹³ See Achebe (1969); Césaire (1972) Fanon (1967); Kenyatta (1965); Memmi (1967) for descriptions of European colonisation from the perspective of the colonized and Mphahlele (1959) for a description of life for non-Europeans in South Africa *before* apartheid.

¹⁹⁴ to the Inter-Allied School of Higher Social Studies, University of Paris
As Alphonse Karr (1849) put it "plus ça change, plus c'est la même chose" (The more it changes, the more it is the same).

¹⁹⁵ included in *The Modern Traveler* (1898)

¹⁹⁶ And as any well trained *Third World Development* person of the past 50 years would tell you...

¹⁹⁷ Edward Goldsmith (1997) suggests that this mission is still strong in Western understanding of their responsibility for those who are, even now, 'undeveloped' (see [Development as Colonialism](#)):

The massive effort to develop the Third World in the years since the Second World War was not motivated by purely philanthropic considerations, but by the need to bring the Third World into the orbit of the Western trading system in order to create an ever-expanding market for the West's goods and services and to gain a source of cheap labor and raw materials for its industries.

This was also the goal of colonialism, especially during its last phase which started in the 1870s.

For that reason, there is a striking continuity between the colonial era and the era of development, both in the methods used to achieve their common goal and in the social and ecological consequences of applying them. With the development of the global economy, we are entering a new era of corporate colonialism that could be more ruthless than the colonialism that preceded it. (1997 p. 69)

¹⁹⁸ Rudyard Kipling, 1899. 'Take up the White Man's Burden', *McClure's Magazine*, New York and London

The full poem is below:

Take up the White Man's burden -
Send forth the best ye breed -
Go bind your sons to exile
To serve your captives' need;
To wait in heavy harness,
On fluttered folk and wild -
Your new-caught, sullen peoples,
Half-devil and half-child.

Take up the White Man's burden -
In patience to abide,
To veil the threat of terror
And check the show of pride;
By open speech and simple,
An hundred times made plain
To seek another's profit,
And work another's gain.

Take up the White Man's burden -
The savage wars of peace -
Fill full the mouth of Famine
And bid the sickness cease;
And when your goal is nearest
The end for others sought,
Watch sloth and heathen Folly
Bring all your hopes to nought.

Take up the White Man's burden -

No tawdry rule of kings,
But toil of serf and sweeper -
The tale of common things.
The ports ye shall not enter,
The roads ye shall not tread,
Go mark them with your living,
And mark them with your dead.

Take up the White Man's burden -
And reap his old reward:
The blame of those ye better,
The hate of those ye guard -
The cry of hosts ye humor
(Ah, slowly!) toward the light: -
"Why brought he us from bondage,
Our loved Egyptian night?"

Take up the White Man's burden -
Ye dare not stoop to less -
Nor call too loud on Freedom
To cloke your weariness;
By all ye cry or whisper,
By all ye leave or do,
The silent, sullen peoples
Shall weigh your gods and you.

Take up the White Man's burden -
Have done with childish days -
The lightly proffered laurel,
The easy, ungrudged praise.
Comes now, to search your manhood
Through all the thankless years
Cold, edged with dear-bought wisdom,
The judgment of your peers!
(Rudyard Kipling *McClure's Magazine* 1899)

- ¹⁹⁹ See [Responsibility for securing the future](#) for more on this.
- ²⁰⁰ See [From personalized, cooperative hierarchical relationships to object-oriented, competitive oppositional relationships](#) and [What shall we do with The Poor](#) for more on this.
- ²⁰¹ Having been involved with and observing those involved in this business (both religious and secular) through most of my life, I know that almost all of them deeply believe in what they're doing. They find it incomprehensible that someone like myself should question the importance of their activities.
- ²⁰² See [Primary and Secondary Ideologies](#) for more on this.
- ²⁰³ This belief is as strong now as it has been over the past hundred years. Western nations and communities send personnel and provide financial support to dozens of 'aid' organizations which are committed to providing education, 'life skills' and 'work skills' to the impoverished of the world.
- ²⁰⁴ See [People and recognized Environments](#) for more on this.

²⁰⁵ It was this intuitive recognition of the truth of the basic principles underpinning his ideas which was used by Stanley Jevons (who was one of the pioneers in spelling out the basic principles of neo-classical economics) in 1871, as evidence in his argument for the universal validity of economic propositions. As he says,

The science of economics, however, is in some degree peculiar, owing to the fact, pointed out by J. S. Mill and Cairnes, that its ultimate laws are known to us immediately by intuition... (1970, p. 88).

What is known "intuitively" is that which is fundamental to processes of thought, action, interaction and organization in any community, those forms and understandings which constitute the principles and presumptions of the primary ideologies of communities (see [Primary and Secondary Ideology](#)). These are, of course, specific to particular communities, so, what makes "intuitive sense" in one community may well seem less than rational in another.

²⁰⁶ See [Unravelling Empires](#) for more on this. Western 'experts' have, time and again, demonstrated their unshakable faith in the present and future universal validity and efficacy of their forms of governance and 'development'.

The number of conferences and learned papers (particularly by economists) on 'sustainable development' and 'degrowth' has proliferated over recent years (another 'growth industry'?). They are replete with optimistic assessments of the future (for one of the latest sets of conference papers see Giorgos Kallis *et al* 2010). This, despite the continued emphasis on economic growth and explosion in advertising expertise over the past fifty years.

However, Western middle classes (now the vast majority of Western community members (see [The emergence of 'class'](#))) are highly unlikely to develop 'sustainable' lifestyles. This would require them to drastically reduce their wants and needs. That could only happen, in the long-run, if they changed the basic drivers of their systems of status and prestige attainment and maintenance.

These are expressions of particular primary ideological presumptions of Western thought, action and organization (see [Primary and Secondary Ideology](#)). So, they are highly unlikely (in the short to medium-term) to be changed by the conscious decisions of individuals. We might, as individuals, determinedly reduce our needs and wants (I would recommend this only if you are able to truly dissociate yourself from the need for the approval and respect of others who remain within the system) but we should not delude ourselves that our lifestyles will change the course of Western civilization.

Of course, if more and more individuals adopt similar lifestyles, in the long-run it is likely that the basic drivers of Western systems of status and prestige attainment and maintenance will alter. However, the consequences of such change are all but impossible to predict.

²⁰⁷ See [From Feudalism to Capitalism](#) for a summary of the processes through which Western Europeans moved from feudal to modern forms of meaning, interaction, organization and activity.

- ²⁰⁸ See [What shall we do with The Poor?](#) for more on this. Also Thompson 1980, 1967; Polanyi 1957; Wilson 1969 for descriptions of the experiences of those on the receiving end of this four-century-long re-education program.
- ²⁰⁹ See [The Breakdown and Revitalization of Communities](#) for more on the experiences of colonial territories.
- ²¹⁰ comprising those who had begun to reorder their lives by the emerging economic principles
- ²¹¹ Comprising those who were not ordering their lives by the new economic presumptions. Were Third World governments to implement some of the measures used by Western Europeans during this re-education period, Western nations would be the first to loudly protest the inhumane treatment and insist that those governments be pressured to change their policies.
- ²¹² It has become fashionable to use the term "class" in defining variant socio-economic groupings in communities. This, however, too easily links the features of 19th century classes to what is a very different phenomenon. The "lower classes" were not simply the economically disadvantaged, they were the groups within the community who were being re-educated to take their place within a capitalist system. People who have already accepted that their lives should be organized in terms of capitalism can still find themselves economically disadvantaged, but they are not members of the "lower classes" as traditionally defined.
- ²¹³ Because these principles are even more fundamental than linguistic principles (indeed they underpin linguistic principles), while the superficial organization of life might be changed as a result of Western pressures, the underlying rationale for behavior will remain very consistent through time.

Communities might appear to change and adapt when they are forced to accept new ways of organization. However, over time, those new ways inevitably become reshaped to make them consistent with the underlying cognitive principles and structures through which community members make sense of themselves and their worlds.

As anthropologists have come to realize over the past thirty years, the term *culture* should not be seen as referring to immutable forms of organization, interaction and meaning. The *surface features* of human community, which include what has over the past century been referred to as culture, can change considerably, yet remain consonant with the underlying principles expressed in those surface forms. So, all "cultural" change within communities must be understood in terms of the fundamental cognitive principles which order both thought and community (see [Primary and Secondary Ideology](#))

- ²¹⁴ Longer than the time-span of Western European occupation of North America!
- ²¹⁵ See Stefan Mair, 2008, [Ⓔ] [A New Approach: 'The Need to Focus on Failing States'](#) (in *Harvard International Review*, Vol. 29, No. 4, Winter 2008) for a balanced discussion of the nature of failed states and reality of their threat to 'international security'.

As President Obama claimed in 2009,

Africa's future is up to Africans... Africa's destiny lies in her own hands and the solutions to her myriad problems lie in Africa itself—not inside the corridors of the World Bank or the inner sanctum of the Oval Office or the Kremlin. Moreover, Africa's salvation lies in returning to and building upon its own indigenous institutions and heritage.

(July 2009 speech in Accra, Ghana)

See [George Ayittey](#) (2010) for a contextualisation of the above quotation.

²¹⁶ The rationality of a community is, of course, always relative to its cognitive frame.

²¹⁷ See [Ⓔ] [Land Rights in Africa](#) (Oxfam 2012); [Ⓔ] [Growing a Better Future: Food justice in a resource-constrained world](#) (Robert Bailey, Oxfam International July 2011); Klaus Deininger and Derek Byerlee *et al* 2011, [Ⓔ] [Rising Global Interest in Farmland: CAN IT YIELD SUSTAINABLE AND EQUITABLE BENEFITS?](#), *The International Bank for Reconstruction and Development/The World Bank*; [Ⓔ] [The tragedy of public lands: The fate of the commons under global commercial pressure](#) (Liz Alden Wily, *International Land Coalition*, January 2011) for more on this.

As Wily (2011) explained,

Of course, neither foreign-driven nor more locally driven land acquisition at scale is new. Millions of hectares of customary domains around the world have already been involuntarily lost to large-scale commercial land pressures, such as through

- (i) allocation to settler communities during colonial times;
- (ii) the creation of 1.7 billion hectares of forest and wildlife reserves, as described earlier;
- (iii) the issue of concessions amounting to millions of hectares for oil, mining, and timber extraction; and
- (iv) establishment of large-scale farming schemes involving limited numbers of local farmers, such as seen most typically in recent years in Brazil, in the mechanised farming schemes of central Sudan of the 1970s and 1980s, in the groundnut scheme in Tanzania in the 1950s, in the rubber plantation developments by Firestone in Liberia since the 1920s, or indeed, going much further back, in the initial oil palm plantation developments, especially along the western coast of Africa, in the late 19th century.

Nevertheless, the current wave of large-scale land acquisition (LSLA) in poor agrarian economies is deservedly referred to as a "land rush", given its scale and short timeframe (since 2007). "The demand for land has been enormous. Compared to an average annual expansion of global agricultural land of less than 4 million hectares before 2008, 45 million worth of large scale farmland deals were announced even before the end of 2009," according to the [Ⓔ] [World Bank \(2011 p. xiv\)](#). Confirmed leases issued from 2007 to the end of 2009 were in the region of 20 million hectares in the lands of some 33 host lessor states, all but one or two of which are developing countries.

The sheer scale of this globalized land acquisition at scale is indicative of a tipping-point in the globalization of the land market. It signals the opening up of virtually all economies and land classes to externally derived land purchases or leases. This is unlikely to be reversible. The implications for polarisation in the ownership of natural resources are immense. They are also alarming, considering that they occur in environments where industrialisation has not taken off and where opportunities for alternative wage employment for those deprived of their land are scarce.

²¹⁸ The relevant section of the report is as follows:

The fundamental problem posed by the cybernation revolution in the U.S. is that it invalidates the general mechanism so far employed to undergird people's rights as consumers. Up to this time economic resources have been distributed on the basis of contributions to production, with machines and men competing for employment on somewhat equal terms. In the developing cybernated system, potentially unlimited output can be achieved by systems of machines which will require little cooperation from human beings. As machines take over production from men, they absorb an increasing proportion of resources while the men who are displaced become dependent on minimal and unrelated government measures - unemployment insurance, social security, welfare payments. These measures are less and less able to disguise a historic paradox: That a substantial proportion of the population is subsisting on minimal incomes, often below the poverty line, at a time when sufficient productive potential is available to supply the needs of everyone in the U.S.

...There is no question that cybernation does increase the potential for the provision of funds to neglected public sectors. Nor is there any question that cybernation would make possible the abolition of poverty at home and abroad. But the industrial system does not possess any adequate mechanisms to permit these potentials to become realities. The industrial system was designed to produce an ever-increasing quantity of goods as efficiently as possible, and it was assumed that the distribution of the power to purchase these goods would occur almost automatically. The continuance of the income-through jobs link as the only major mechanism for distributing effective demand - for granting the right to consume - now acts as the main brake on the almost unlimited capacity of a cybernated productive system.

...An adequate distribution of the potential abundance of goods and services will be achieved only when it is understood that the major economic problem is not how to increase production but how to distribute the abundance that is the great potential of cybernation. There is an urgent need for a fundamental change in the mechanisms employed to insure consumer rights.

(^{CE} [AD Hoc Committee on the Triple Revolution](#) (1964))

²¹⁹ {§} (09/02/16) Robert Reich has given a depressingly realistic sketch of what is happening as the 21st century unfolds:

How would you like to live in an economy where robots do everything that can be predictably programmed in advance, and

almost all profits go to the robots' owners?

Meanwhile, human beings do the work that's unpredictable - odd jobs, on-call projects, fetching and fixing, driving and delivering, tiny tasks needed at any and all hours - and patch together barely enough to live on.

Brace yourself. This is the economy we're now barreling toward.

They're Uber drivers, Instacart shoppers, and Airbnb hosts. They include Taskrabbit jobbers, Upcounsel's on-demand attorneys, and Healthtap's on-line doctors.

They're Mechanical Turks.

The euphemism is the "share" economy. A more accurate term would be the "share-the-scrap" economy.

(Robert B. Reich, ^{CE} [The Share-the-Scraps Economy](#), Monday, February 2, 2015).

Carl Frey and Michael Osborne (2013) explored the susceptibility of jobs to computerization in the 21st century. As they summarized:

We examine how susceptible jobs are to computerisation. To assess this, we begin by implementing a novel methodology to estimate the probability of computerisation for 702 detailed occupations, using a Gaussian process classifier. Based on these estimates, we examine expected impacts of future computerisation on US labour market outcomes, with the primary objective of analysing the number of jobs at risk and the relationship between an occupation's probability of computerisation, wages and educational attainment. According to our estimates, about 47 percent of total US employment is at risk. We further provide evidence that wages and educational attainment exhibit a strong negative relationship with an occupation's probability of computerisation.

(Carl Benedikt Frey and Michael A. Osborne, ^{CE} [The Future Of Employment: How Susceptible Are Jobs To Computerisation?](#), Oxford Martin Programme on the Impacts of Future Technology, University of Oxford, September 17, 2013)

Ambrose Evans-Pritchard put the 2014 consequences of this revolution in a nutshell:

"Wages don't matter any longer. Off-shoring was just a way station." We are back to reshoring, but without jobs. Welcome to our brave new world.

(Ambrose Evans-Pritchard, ^{CE} [Will the 2nd Great Machine Age be a frightening jobless dystopia? Machines have been displacing jobs for years and the rate is accelerating](#), *The Telegraph*, 25 Jan 2014)

See '[The move to automation](#)' for some of the reasons why the move to automation from the 1980s did not make Western workers' lives easier and free human beings to leisure activity.

See David Graeber, ^{CE} [On the Phenomenon of Bullshit Jobs](#) (August 17, 2013, *Strike! Magazine*) for an interesting take on how 'technology has been marshaled, if anything, to figure out ways to make us all work more'. As he says,

...rather than allowing a massive reduction of working hours to free the world's population to pursue their own projects, pleasures,

visions, and ideas, we have seen the ballooning not even so much of the "service" sector as of the administrative sector, up to and including the creation of whole new industries like financial services or telemarketing, or the unprecedented expansion of sectors like corporate law, academic and health administration, human resources, and public relations. And these numbers do not even reflect on all those people whose job is to provide administrative, technical, or security support for these industries, or for that matter the whole host of ancillary industries (dog-washers, all-night pizza deliverymen) that only exist because everyone else is spending so much of their time working in all the other ones.

These are what I propose to call "bullshit jobs."

It's as if someone were out there making up pointless jobs just for the sake of keeping us all working. And here, precisely, lies the mystery. In capitalism, this is precisely what is not supposed to happen...

Jayati Ghosh has provided a range of possible responses to the possible loss of employment:

There is a need to take a new look at technological change that threatens job security and workers' rights.

The latest fear factor to hit the world relates to the disappearance of jobs. Everywhere now the buzz is about how technology is going to transform work - and reduce it dramatically. The Davos World Economic Forum Chief Executive Officer Klaus Schwab (whose book *The Fourth Industrial Revolution* was released recently) is just the latest in a long line of recent predictors of this gloomy possibility. From 3-D printing to robots that perform not just some basic services but even more skilled activities such as accountancy, and so on, the fear is that human labour will be increasingly displaced by machines, and so there will simply not be enough work to provide employment to all the people who need jobs.

However, there is some confusion in all this doomsaying about the future (or lack of it) of work. Let us distinguish first between two types of technological change: productive and disruptive. The first describes changes that increase productivity and change the nature of economic activities. They include increasing automation, and a host of new developments in biotechnology and other areas, which reflect the "creative destruction" inherent in a lot of technological change.

There is little point in fighting against such advance of technology or even trying to slow it down in some way, because that simply will not work and, in any case, is not desirable. But that does not mean that we should despair simply because it will displace a lot of human work - in fact, where technology replaces arduous work full of drudgery, or makes it easy to do things, we should celebrate it.

However, this means that the greater surpluses generated in these more productive activities should be transferred to more employment-intensive activities that enhance the quality of life in society. A lot of these would be in services both old and new, which would include care activities in which the human element is essential, as well as creative industries and knowledge and

entertainment activities and a range of other services...
(Jayati Ghosh, ^{CE} [The future of work](#), *Frontline*, Print edition, February 19, 2016)

Michael Spence and Sandile Hlatshwayo (2011) provide an interesting perspective on the kinds of jobs which have been created in the US over the past thirty years.

Georgios Petropoulos (2017) has provided a summary of studies investigating the likely impact of the inevitable development of machines and processes resulting from advances in research into artificial intelligence in the 21st century in a blog posting subtitled:

Artificial intelligence is already transforming the world of work, but the future is hard to predict. Some see most jobs at risk of automatisisation, while others argue robots will only take on a narrow range of tasks in the coming decades. Nevertheless, we need a broad debate to prepare the appropriate economic policy response to the new industrial revolution.'

As he says,

The benefits are clear, but there are also concerns for the future of human work and employment. If indeed machines continue to improve their performance beyond human levels, a natural question to ask is **whether machines will put humans' jobs at risk and reduce employment**. Such a concern is not new but in fact dates back to the 1930s, when John Maynard Keynes postulated his "technological unemployment" theory.

(Georgios Petropoulos, ^{CE} [Do we understand the impact of artificial intelligence on employment?](#), Blog Post, *Bruegel*, April 27, 2017)

²²⁰ See Douglas A. Irwin, ^{CE} [Historical Aspects of U.S. Trade Policy](#) (*NBER Reporter* : Research Summary Summer 2006) for an historical perspective on US tariff protection. As Irwin explained:

While international trade and trade policy continue to be as controversial as ever, the United States has been committed for more than half a century to maintaining an open market. It was not always that way. For most of U.S. history, the United States imposed fairly substantial barriers to imports in an effort to protect domestic producers from foreign competition.

See [The Triumph of Neoliberalism](#) for more on this.

²²¹ See [No Charity!!](#) for similar claims in the 18th and 19th centuries

²²² See [From Developmentalism to Privatization](#) for more on this.

²²³ See [Definitions of Unemployment](#) for more on this.

See ^{CE} [US BLS Labor Force Statistics from the Current Population Survey](#) for details of US unemployment rates.

See [The Triumph of Neoliberalism](#) for more on this.

²²⁴ See [University of Chicago Work Scheduling Study](#) for this and related studies

²²⁵ Andrew Crane, Genevieve LeBaron, Kam Phung, Laya Behbahani and Jean Allain, ^{CE} [Innovations in the Business Models of Modern Slavery: The](#)

226 As [Ⓔ] [Wikipedia](#) explains,

A free trade zone (FTZ) or export processing zone (EPZ) is an area of a country where some normal trade barriers such as tariffs and quotas are eliminated and bureaucratic requirements are lowered in hopes of attracting new business and foreign investments. It is a region where a group of countries has agreed to reduce or eliminate trade barriers. Free trade zones can be defined as labor intensive manufacturing centers that involve the import of raw materials or components and the export of factory products.

Free trade zones are domestically criticized for encouraging businesses to set up operations under the influence of other governments, and for giving foreign corporations more economic liberty than is given indigenous employers who face large and sometimes insurmountable "regulatory" hurdles in developing nations. However, many countries are increasingly allowing local entrepreneurs to locate inside FTZs in order to access export-based incentives.

Because the multinational corporation is able to choose between a wide range of underdeveloped or depressed nations in setting up overseas factories, and most of these countries do not have limited governments, bidding wars (or 'races to the bottom') sometimes erupt between competing governments.

Sometimes the domestic government pays part of the initial cost of factory setup, loosens environmental protections and rules regarding negligence and the treatment of workers, and promises not to ask payment of taxes for the next few years.

When the taxation-free years are over, the corporation that set up the factory without fully assuming its costs is often able to set up operations elsewhere for less expense than the taxes to be paid, giving it leverage to take the host government to the bargaining table with more demands, but parent companies in the United States are rarely held accountable.

(Accessed August 11th, 2010)

227 Western economies, contrary to popular economic opinion, are not based on scarcity but on glut. It therefore becomes inevitable, over time, that production will result in oversupply and suppliers will, therefore experience difficulty in moving stock. See [Glut not Scarcity](#) for more on this.

228 The consequences of the relocation of labor intensive industry to cheap processing centers have been rather different than initially anticipated by the experts. Jorge Nef explained some of the associated problems of this move to relocate labor intensive industry to low-wage countries:

The transnationalization of production and the displacement of manufacturing to the semi-periphery, on account of the 'comparative advantages' brought about by depressed economic circumstances and the 'low-wage economy', results in import dependency in the North.

This deserves further explanation. The import dependency mentioned here does not mean that developed countries become dependent on less-developed countries for the satisfaction of their consumption needs. Since most international trade takes place among transnationals, all that import dependency means is First World conglomerates buying from their affiliates or from other transnationals relocated in peripheral territories.

The bulk of the population at the centre, therefore, becomes dependent on imports coming from core firms domiciled in 'investor friendly' host countries. Via plant closures and loss of jobs, such globalism replicates in the centre similarly depressed conditions to those in the periphery.

Manufacture evolves into a global maquiladora operating in economies of scale and integrating its finances and distribution by means of major transnational companies and franchises (for an analysis of maquiladoras, see Kopinak 1993, pp.141-162). Abundant, and above all cheap, labor and pro-business biases on the part of host governments are fundamental conditions for the new type of productive system.

Since there are many peripheral areas with easy access to inexpensive raw materials and with unrepresentative governments willing to go out of their way to please foreign investors, a decline of employment and wages at the centre will not necessarily create incentives to invest, or increase productivity. Nor would it increase 'competitiveness'. Since production, distribution, and accumulation are now global, it would rather evolve into a situation of permanent unemployment, transforming the bulk of the blue collar workers - the 'working' class - into a 'non-working' underclass.

(Nef 1995, ch. 3)

²²⁹The Sandwichman, a contributor to the Blogging site *Angry Bear*, has summarized a range of 'reasons' given for the failure to reduce working hours in capitalist nations (and, of course, in all those countries and communities which, since the mid-1970s, have been reorganized to contribute additional labor to capitalist endeavors). As s/he explains:

...The Sandwichman has amassed the world's largest collection of lame excuses offered by opponents. I assembled 21 of them and sorted them into eight categories having to do with productivity, new consumer wants, unsatisfied needs, labor costs, government policy, self-adjusting markets, history and inevitability, and the devious motives of proponents.

To be kind, the rationales are opportunistic. Mostly, they are jejune partial equilibrium statements invoked as if they were eternal verities. More bluntly, they are mendacious. **Every single reason** given for not shortening the hours of work is complemented by a contradictory reason for not shortening the hours of work. Damned if you do and damned if you don't.

Regard the vagaries: the hours of work cannot be reduced because that would lower productivity; but if they were reduced, it wouldn't lower unemployment because the shorter hours would be just as productive as the longer hours. The hours of work don't have to be reduced because new consumer demands will create more jobs; but

they *cannot* be reduced because there are so many unmet needs of those living in poverty. The economy will adjust automatically to reabsorb workers displaced by automation; and there is no need for government intervention because government policy will *lubricate* the self-adjustment process. History gives proof that future reductions are inevitable because in the past they always have occurred; but history shows that the economy has always generated sufficient jobs, implicitly without any need for reducing the hours of work....

S/He then lists some of those 'lame excuses' and concludes:

...Implicit in much of this pretentious double talk is the notion that consumer demand is utterly independent of wages, so "the economy" can become more prosperous by lowering wages. Apparently, economists are still so enamored of Say's Law that they haven't paused to consider the implications of Say's *other* law - that "misery is the inseparable companion of luxury."

(The Sandwichman, ^{CE} [The Boundless Thirst for Surplus-Labor, Angry Bear](#): Relevant and even prescient commentary on news, politics and the economy, April 14, 2017)

See [The Triumph of Neoliberalism](#) for some of the other forces involved.

²³⁰ For this reason, one needs to be very careful in employing the term when discussing organization and activity in non-Western communities. The term carries all the baggage of Western presumptions of what is important in life, including key presumptions of the primary ideologies of Western communities (see [Primary and Secondary Ideology](#)).

²³¹ We need to clearly differentiate between causes and consequences when understanding the nature of work. As we will see later, cash income has historically been used as a primary means of enforcing and reinforcing the commitment of Western people to "habits of industry".

Over the past three decades, as Western people have recommitted themselves to their economic formulations of life, it has, once again been used in this way, with "user pays" schemes being promoted and reliance on Government welfare payments being challenged. It is, therefore, understandable that Western people strongly link the two.

This does not mean, however, that work and income must logically *necessarily* be tied to each other. What it does demonstrate is that Western people have so closely tied both material and social wellbeing to "habits of industry", that is, to work, that they can scarcely conceive of any other means for distributing income.

²³² See [fulfilling One's Potential](#) for an examination of the reasons why Western Europeans became so concerned that individuals "perform" to their potential.

²³³ See [From Interdependence to Independence](#) for discussion of this deep felt need in Western communities for individuals to be "independent"

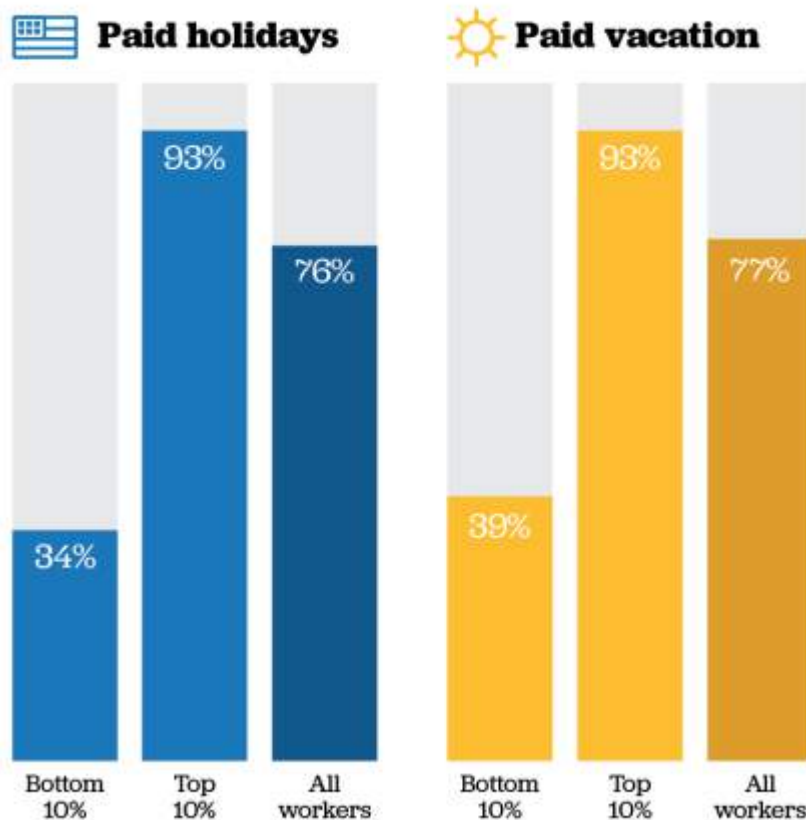
²³⁴ Elise Gould has given a picture of the 2014 experience of US private sector workers. As she explains,

As Labor Day approaches, about a quarter (24 percent) of private sector workers will not be enjoying a paid day off on Monday. A similar number (23 percent) earn no paid vacation time. While this

overall lack of paid holidays and vacation time is quite telling (especially compared to our international peers, who more or less universally mandate paid time off), access to paid time off varies dramatically between workers by their pay. As the chart below shows, only 34 percent of private-sector workers at the bottom of the wage distribution receive paid holidays and only 39 percent receive paid vacation. Among the top 10 percent of workers, meanwhile, 93 percent receive both paid holidays and paid vacation.

Millions of working people don't get paid time off for holidays or vacation

Share of private sector workers at different earnings levels receiving paid holidays and paid vacation



Source: EPI analysis of Bureau of Labor Statistics National Compensation Survey, March 2014

ECONOMIC POLICY INSTITUTE

(Elise Gould, ^{CE} [Millions of Working People Don't Get Paid Time Off for Holidays or Vacation](#), Economic snapshot, Wages Incomes and Wealth, Economic Policy Institute, September 1, 2015)

²³⁵ As we have already suggested, these times have not always been available to Western workers. They have been negotiated between those who believe they have a moral responsibility to ensure that work is taken seriously and those who represent the workers and who, themselves, feel that people have a moral responsibility to work.

The times negotiated have always been justified in terms of the overall increased efficiency of workers when they are allowed these times of relaxation and leisure. This is why, if a person uses these times in ways which do not refresh and re-equip him or her for work, employers have

always believed they have the "right" to challenge the use being made of leisure time. This is, of course, reminiscent of Karl Marx's claim,

The Roman slave was held by fetters: the wage-laborer is bound to his owner by invisible threads. The appearance of independence is kept up by means of a constant change of employers, and by the *fictio juris* of a contract.

(Marx ^{CE} *Capital* 1887 Chapter XXIII)

²³⁶ Though we gear our education systems to determining the aptitudes of children and to honing those aptitudes so that they might be as successful as possible in work in later lives.

So important is work to most people in Western communities that it seems not only desirable but necessary that other forms of organization and activity be geared to supporting it or to preparing people to better perform in the world of work.

Education in Western communities is not geared to increasing knowledge or to the pursuit of wisdom or "truth". It is geared to [equipping people to more effectively participate in the "workforce"](#) and few people in those communities would argue that it should be otherwise.

²³⁷ Decreasingly defined as the production of goods and services, and more and more defined as the production of a cash income. Whereas being "productive" was considered centrally important with the cash return secondary, now "material success" is the focus and being "productive" is increasingly assessed by the cash return for one's endeavors.

This is one of the reasons why we now sense that we live in a "consumer society", rather than in a "producer society". The most direct evidence of the size of our "income" is our levels of consumption, not our levels of production. This leads, inevitably, to extending our consumption beyond our income so that we are also living in a "credit society".

The pressures to spend come not only from advertising, they also come from our own self-image, from our need to show ourselves and others that we really are "successful". Disturbing as it might be (certainly to me!), increasing numbers of people feel the need to 'go shopping' when they are feeling depressed.

²³⁸ See Sewell & Wilkinson (1992); Jenkins (1994); [The reorganization of Work](#)

²³⁹ See [Subsistence and Status](#) for further discussion

²⁴⁰ See [The relationship between community social templates, resource utilization and constantly escalating productive and consumptive demands](#) for a discussion of the nature of "needs" in Western communities.

²⁴¹ See Locke 1690, ch. 5; [Private Ownership, Consumption and Accumulation](#) for further discussion

²⁴² These have been dealt with in [What Shall we do with The Poor](#)

²⁴³ See [Who were the 'Middle Sorts'?](#) for more on this.

²⁴⁴ See [Primary and Secondary Ideology](#)

²⁴⁵ In British history, a body of laws undertaking to provide relief for the poor, developed in 16th century England and maintained, with various changes, until after World War II. The Elizabethan Poor Laws, as codified in 1597-98, were administered through parish overseers, who provided relief for the aged, sick, and infant poor, as well as work for the able-bodied in workhouses. Late in the 18th century, this was supplemented by the so-called Speenhamland system of providing allowances to workers who received wages below what was considered a subsistence level. The resulting increase in expenditures on public relief was so great that a new Poor Law was enacted in 1834, based on a harsher philosophy that regarded pauperism among able-bodied workers as a moral failing. The new law provided no relief for the able-bodied poor except employment in the workhouse, with the object of stimulating workers to seek regular employment rather than charity. ("Poor Law". (2010). In *Encyclopædia Britannica*. Retrieved February 08, 2010, from Encyclopædia Britannica Online: [Ⓔ]
<http://www.britannica.com/EBchecked/topic/469923/Poor-Law> .)

²⁴⁶ Institutions to provide employment for paupers and sustenance for the infirm, found in England from the 17th through the 19th century and also in such countries as The Netherlands and in colonial America. The Poor Law of 1601 in England assigned responsibility for the poor to parishes, which later built workhouses to employ paupers and the indigent at profitable work. It proved difficult to employ them on a profitable basis, however, and during the 18th century workhouses tended to degenerate into mixed receptacles where every type of pauper, whether needy or criminal, young or old, infirm, healthy, or insane, was dumped. These workhouses were difficult to distinguish from houses of correction. According to prevailing social conditions, their inmates might be let out to contractors or kept idle to prevent competition on the labor market. The Poor Law Amendment of 1834 standardized the system of poor relief throughout Britain, and groups of parishes were combined into unions responsible for workhouses. Under the new law, all relief to the able-bodied in their own homes was forbidden, and all who wished to receive aid had to live in workhouses. Conditions in the workhouses were deliberately harsh and degrading in order to discourage the poor from relying on parish relief. Conditions in the workhouses improved later in the 19th century, and social-welfare services and the social-security system supplanted workhouses altogether in the first half of the 20th century. ("workhouse". (2010). In *Encyclopædia Britannica*. Retrieved February 08, 2010, from Encyclopædia Britannica Online: [Ⓔ]
<http://www.britannica.com/EBchecked/topic/648132/workhouse>).

²⁴⁷ See [How Born Again Christians rescued Capitalism](#) for a description of the deep religious commitment of Western Europeans, since the 18th century, to the moral requirements of Capitalism.

²⁴⁸ So convinced were Western Europeans of the value-creating nature of labor as spelt out by Locke (1690) that through the 18th and 19th centuries the "labor theory of value" became the standard for both classical economics and for Marx (see [The Labor Theory of Value](#) for more on this).

Locke's argument for the logical primacy of individualized property and its necessary connection with individual industry has, in the early 21st century, remained central to neoliberal arguments for the importance of private accumulation as both a reward of and spur to industriousness.

²⁴⁹ A vagrant was one who was able to work but preferred instead to live idly, often as a beggar. The punishment for this, during the 18th and 19th centuries, ranged from branding and whipping to conscription into the military services and transportation to penal colonies. During the 20th century, this form of behavior continued to be punished though the severity of the punishments lessened as the century unfolded.

²⁵⁰ see [Subsistence and Status](#) for further discussion of these alternative emphases in accumulation

²⁵¹ See [The Poor are lazy with no desire to better themselves](#) for more on this.

²⁵² See [What shall we do with The Poor](#) for more on this.

²⁵³ See [From Interdependence to Independence](#) for discussion

²⁵⁴ (See [Teaching 'The Natives' to Work](#) for more on this.)

Colonial land redistribution has been perpetuated in many post-colonial countries. (see ^{CE} [Background to Land Reform in Zimbabwe](#); ^{CE} [Mugabe Is Right About Land Reform](#) for a specific example of these practices - replicated in most Western European colonies).

While colonial authorities closely controlled movement from native reserves into administrative centers and employment regions during the colonial era, this was not considered acceptable practice for post-colonial authorities. No government should have the right to control movement. The *United Nations International Covenant on Civil and Political Rights* (1966) spelt this out clearly.

Western nations, seeing this as a crucial distinction between themselves and those aligned with the Eastern Bloc, put pressure on Third World governments to comply with the United Nations covenants, which, over the years, have consistently addressed current social, political and economic concerns of First World countries.

Article 12 of the above Covenant reads:

1. Everyone lawfully within the territory of a State shall, within that territory, have the right to liberty of movement and freedom to choose his [sic] residence.
2. Everyone shall be free to leave any country, including his own.
3. The above-mentioned rights shall not be subject to any restrictions except those which are provided by law, are necessary to protect national security, public order (ordre public), public health or morals or the rights and freedoms of others, and are consistent with the other rights recognized in the present Covenant.
4. No one shall be arbitrarily deprived of the right to enter his own country. ⁷⁰¹

Not only were Third World governments pressured to implement such resolutions, a range of United Nations organizations (formed to provide development assistance) provided means of leverage to donor countries.

The consequence of this insistence on free movement has been that people, previously confined within reserves, are able to move to both employment and administrative centers and millions have done so. This has resulted in the slum conditions one finds in many Third World cities.

²⁵⁵ See Moore and Feldman (1960), Day (1966), Kuper and Smith (1960), among many others, for discussion of colonial labor practices.

The following is an excerpt from Gilbert Murray's (1900) essay describing labor practices in British colonies:

There are two really extensive and organic systems of exploiting the labor of inferior races.

The first is simply the old Graeco-Roman system improved and modified - the system of importing destitute or semi-destitute aliens to countries where they can serve us. The difference is that the ancients used undisguised force throughout the whole process; we use economic pressure to get our laborers, though we mostly use force to keep them.

The simplest case is the system of indenture as applied to Indian and Chinese coolies, and to Polynesians or Kanakas. The laborer voluntarily signs an agreement for a term of years, and is shipped off to a foreign country, where he is, for most purposes, not under the ordinary law, but under special indenture regulations.

His freedom is curtailed in every direction; but, on the other hand, his wages are secured and his general condition inspected by Government. He is looked after when he is sick, protected against extremes of cruelty and dishonesty on the part of his master, and taken home again at the end of his time.

The system works well in places like Fiji, where the area is small, supervision easy, and the Government not dependent upon the employers ⁷⁰². It works ill in large continental regions, such as Queensland, where these conditions are reversed. About 15,000 indentured coolies leave India every year. About 10,000 Kanakas go from Polynesia to Queensland every year...

In all the above cases the alien laborer is imported.

But - and this forms the second of what we have called the really extensive and organic systems of exploiting inferior races - the great field for the working of the alien in modern times is the alien's own country.... In modern times, the increasing ease of communication has enabled white men to go abroad to all parts of the earth without suffering much real exile, and without losing the prospect of returning home at will.

Our Governments... are strong; our superior weapons make rebellions almost impossible. Consequently, we do not attempt to import blacks, coolies, and Polynesians into Great Britain...

The whole economic conditions are in favor of working the coloured man in his own home. It may also be permitted to us to reflect that, when the slave or subject is among his own people, there must

remain to him a large remnant of life which is not utterly poisoned by the advent of the white master.

The whole of tropical mining, and almost the whole of tropical agriculture - the raising of rice, coffee, sugar, and the like - are carried out by gangs of cheap laborers of inferior race under the rule of white men. And not only in India, where it is a natural outcome of the system of Government, but in most of the semi-civilized nations of the world, white men can be found directing the ill-paid and often forced labor of the inhabitants.

As to South Africa, I should for many reasons prefer to be silent ⁷⁰³. That region is so wrapped in concealment and misrepresentation at the present moment, that it is hard to find any certain groundwork to build upon. Still, the South African systems are altogether too important to be omitted, and their main lines seem to be tolerably clear.

The capital feature of South African life, as every traveller observes, is that all unskilled work is done by black people. That is the rudimentary and essential condition of slavery, and is doubtless quite unavoidable. As to direct cruelty, the laws are, as usual, a great deal more humane than the facts, though some of the laws themselves sound a little odd to English ears.

A white master in Cape Colony is not allowed to flog his own servants, a Bill which gave him that power having recently been defeated; but he can send them to a magistrate to be imprisoned for negligence, insolence, or misbehavior. A coloured man in Natal cannot walk on the footpath or go in a tramcar, and so on.

Yet a radical improvement in the laws would probably do more harm than good. The essential cause of cruelty and oppression is not the law, but, to quote Mr. Bryce's careful and temperate description,

'the strong feeling of dislike and contempt one might almost say of hostility which the bulk of the whites show to their black neighbors.'

This curious feeling, a compound in which physical repulsion, race hatred, and pride of birth seem to be accentuated by actual shame and remorse, appears to be even stronger in South Africa than in most similar societies.

Yet, on the whole, the cruelties to blacks in those regions seem to be less atrocious than in Australia. The following case, which I select from half a dozen as having been already published by Mr. Bryce, reminds one of Queensland:

'A shocking case of the kind occurred a few years ago in the Eastern Province. A white farmer - an Englishman, not a Boer - flogged his Kaffir servant so severely that the latter died; and when the culprit was put on his trial and acquitted by a white jury, his white neighbors escorted him home with a band of music.'

Two African systems of exploiting black labor seem to promise great developments - the compound and the location. At Kimberley the natives are herded, some 3,000 together, in compounds or huge

enclosures, covered with wire netting, and having no egress except an underground passage to the mines.

These special precautions are taken in order to prevent the blacks from stealing diamonds. They buy their food on the truck system from the company, and cannot go outside for any purpose. They are imprisoned in this way till the end of their contract time, which may in some cases be as short as three months.

The location system, which is contemplated at Johannesburg, consists in inducing large numbers of natives to settle with their families in the neighbourhood where their work is required. Once there, they are prevented by law from having enough land to live upon, prevented from leaving the locality by a rigorous system of passes, deliberately reduced to destitution by a Hut Tax and a Labor Tax, and thus forced into the mines to work at twopence a day, or whatever wage the Chamber of Mines thinks fit.

As Lord Grey [Governor of the Cape Colony and British territories in South Africa, and previously Governor in both New South Wales (Australia) and New Zealand] puts it:

'Means must be sought to induce the natives to seek spontaneously (*sic* !) employment at the mines, and to work willingly for long periods of more or less continuous service.'

The means he proposes are those mentioned above - a Hut Tax in money, which the native will be unable to pay except by resorting to the mines, and a Labor Tax on all able-bodied natives who are unable to show a certificate for four months' work in the year.

This is also the principle of the Glen Grey Act, passed in Cape Colony in 1894. The penalty for non-payment of the tax is imprisonment with hard labor - that is, we reduce the native to destitution by special laws in order to force him to work for us, and if he will not work then we can kidnap him! This system is so ingenious and elastic, offers such opportunities for the fraud which is normal in contracts between whites and blacks, and does its work of gradual demoralization so insidiously, and with so little shock to public feeling, that we may expect it to spread and flourish in other continents, almost in the manner of the Roman plantation system.

Like that system, the compound wishes to care for the welfare of its beasts. The employers - some of them, no doubt, made rich by selling liquor to blacks elsewhere - have set their faces against the supply of alcohol to their own workers. But, like the Romans, they will probably be disappointed. As a matter of fact, the mines have hitherto been the great centers of drinking, as well as of even more degrading corruption.

Mr. Scully, for instance (Blue Book G. 31, 1899, p. 76), notes the 'deplorable demoralization' of natives returning from the mines, 'brutish in their knowledge', and the increase, or introduction, among those to whom they return of phthisis, rheumatism, pulmonary diseases, and syphilis.

In military operations, again, we of the British Empire depend to a quite enormous extent upon soldiers of alien race, more, possibly, than any State since Carthage. Nearly all our African fighting before the present war, and most of our Indian fighting, has been done for

us by natives. The great victories of Clive over the French, which we are accustomed to regard as proofs of British strength or valour, were almost entirely victories of Sepoys over Sepoys. The economic situation is really the same as in the other cases. We cannot spare more of the ruling race to fight. We take instead some naturally warlike savages, train them, officer them, and make them do the fighting for us.

(Gilbert Murray 1900 pp. 135-144)

²⁵⁶ The following extract is part of a larger description of European treatment of 'useful' and 'useless' indigenous peoples in their colonies:

A slave is ultimately a man spared in war; a man whom you might kill, but whom you prefer to keep, in order to make him work for you.

It is abundantly clear, if one considers the question, that this has historically been the position of most of the subject races in the British Empire. And it is in a sense their condition still. Those whom we cannot utilize we exterminate; those whom we can utilize we protect, and often enable to increase in numbers. Tasmanians were useless, and are all dead.

The Bhils are mostly dead. Australians were all but useless, good only for horse-taming and man-tracking, and they are dwindling to nothing. Red Indians, in spite of enormous care, and the large sums of money that a penitent Government now spends upon them, are dying gradually. In Africa, those blacks for whom we have some use tend, with certain exceptions, to increase and multiply; those for whom we have no use die by drink, by war, by economic pressure, and by the mere discouragement which works like poison in the veins of a race that finds its occupation gone.

The cruelties perpetrated by white men upon coloured men are, almost wherever and however they meet, stupendous. But the coloured men who are worked under definite rules and indentures are far better off than those who cannot be worked at all, or those who, under conditions of nominal equality, are forced to work, unprotected, beneath the hand of any chance master.

The Kanakas in Queensland, under the old indenture system, were no doubt treated both harshly and unfairly. They were kidnapped, they were brutally used, they were cheated of their miserable earnings. And it may be doubted whether the improvement of their condition under the present system is as great as is alleged. Yet they were probably better off than the Matabele forced laborers, strong men held down under a weak and irregular system, which had necessarily to be backed up by fraud or violence. But go, if you dare, into a searching comparison between the treatment of the Queensland Kanakas, who were useful beasts of burden, and that of the Queensland aborigines, who were regarded as vermin, and you will bless the lot of the half-enslaved Kanaka.

Let no one delude himself with the fancy that, though the German Dr. Peters may flog his concubines to death, though Frenchmen in the New Hebrides may twist the flesh off their servants' backs with pincers, though our own newspapers may revel in reported horrors from the old Transvaal or the Congo Free State, Englishmen,

Scotchmen, and Irishmen are quite of another breed. Not to speak of strange and unpleasant dealings with black women, I myself knew well one man who told me he had shot blacks at sight. I have met a man who boasted of having spilt poisoned meal along a road near a black-fellows camp, in order to get rid of them like rats.

My brother was the guest of a man in Queensland who showed him a particular bend of a river where he had once, as a jest, driven a black family, man, woman, and children, into the water among a shoal of crocodiles. My father has described to me his fruitless efforts to get men punished in New South Wales in old days for offering hospitality to blacks and giving them poisoned meat.

I received, while first writing these notes, a newspaper from Perth, giving an account of the trial of some Coolgardie miners for beating to death with heavy bits of wood a black woman and boy who had been unable to show them the way. The bodies were found with the shoulder-blades in shivers, and the judge observed that such cases were getting too common!

These atrocities are not necessarily the work of isolated and extraordinary villains. Two of the men mentioned above were rather good men than bad. Nor have I mentioned the worst class of outrages....

(1900, pp. 152-4)

²⁵⁷ It is often forgotten that sub-Saharan Africa endured more than three centuries of predation by both Western European and Middle Eastern slavers. The wars were, very often, a consequence of demands placed upon communities to deliver slaves. They could either enslave themselves or invade neighboring territories. The repercussions of such predations reverberated through the continent as communities attempted to escape the threat or, in turn, raided neighboring regions to satisfy the demand for slaves. As ^{CE} [Gustave Speth](#) (1994(a)) put it:

We conveniently forget Africa's history. We forget that the transatlantic slave trade robbed Africa of about 12 million of its able-bodied men and women.

²⁵⁸ This is of course an issue of debate in philosophical circles (cf. Wolfe (1997) for an exploration of the debate). 'Work' is, of course, not a *universal* moral imperative. It is a moral issue only for Western communities and for people who have learned not only to behave, but also *think* in Western terms.

For the purposes of this discussion we are defining *morality* as acceptance of and compliance with forms of behavior, attitude and interaction which individuals *intuitively recognize* as being of central importance to ensuring "quality of life" in their communities.

Robert Greene (1997 p. 193), summarising Bonaventure, suggests that moral understandings are "apprehensions for which no reason could be given, apprehensions somehow rooted in affective human experience." (Kant's *moral imperative* below) (see [footnote](#) on the nature of such intuitions). Community members instinctively "know" that such attitudes and behaviors are inescapable requirements of life and are inevitably rewarded. The moral obligations imposed on community members are justified through appeal to these intuitively recognized forms.

As Immanuel Kant ((1785) 1909) has explained, the concepts of "the moral" and of "duty" go hand in hand. As he says,

We know our own freedom - from which all moral laws and consequently all rights as well as all duties arise - only through the moral imperative, which is an immediate injunction of duty; whereas the conception of right as a ground of putting others under obligation has afterwards to be developed out of it.

When a community becomes convinced that its members have certain inescapable duties and responsibilities, it buttresses and reinforces the associated forms of behavior and organization in a wide variety of ways so as to channel people into conformity. So, it becomes "common sense" that the person should conform to the moral order.

²⁵⁹ Definitions of Absenteeism and statistics of its incidence abound in both government statistics and in private assessments of 'the problem'. See ^{CE} [USLegal Definitions](#) for a succinct explanation of the issue.

²⁶⁰ Very similar reasons can be given for commitment to the requirements of any social template. In any society, the central processes of status attainment and maintenance, of self-image and self-respect are supported by claims such as these. And people in those societies are just as convinced of the validity of the claims as are Western people of the validity of theirs.

²⁶¹ See [The emergence of Welfarism](#) for more on this. For a nation which is assumed to be amongst the best 'educated' on earth, it is sad to hear people in the United States equating 'social welfare' with 'socialism' and denouncing any who argue for social safety net provisions as 'socialists'.

²⁶² {§} (02/01/16) This developmental project is based on a millenarian belief in the existence of an evolutionary process in which all cultures and all peoples are involved. Human beings have a common evolutionary direction.

(The assumed process inverts the biological model of evolution: The biological model assumes increasing diversity; the social evolutionary model assumes increasing convergence.)

The process has been explained in many ways and takes many forms, as Blaut (1992, pp. 1-2) has described, his own explanation being one of them:

... the date 1492 represents the breakpoint between two fundamentally different evolutionary epochs. The conquest of America begins, and explains, the rise of Europe

... Before 1492, cultural evolution in the Eastern Hemisphere was proceeding evenly across the landscape; in Africa, Asia, and Europe a multitude of centers were evolving out of (broadly) feudalism and toward (broadly) capitalism.

This remarkably naive belief in a universal evolutionary direction is a feature of the particular historical experiences of Western Europeans (see [From the subversion of tradition to plotting the future](#)). Blaut's schema is no less Eurocentric than all those others which he condemns for this 'evil'.

Social evolutionary models presume that all cultural communities hold similar primary ideological models and presumptions and live within

fundamentally similar 'objective realities' (see [Primary and Secondary Ideologies](#) for more on this).

Capitalism, of course, is no more advanced or retrograde than any other cultural form underpinning systems of status and ranking in communities. It is required by the particular social templates which govern behavior in Western societies. And, it requires the historical antecedents of Western Europe.

It can no more successfully be grafted onto other cultural communities than the Potlatch could successfully be grafted onto Western communities (see Walens S. 1981 *Feasting with Cannibals: An Essay on Kwakiutl Cosmology* for an excellent examination of the nature of the Kwakiutl Potlatch). Hence the catalogue of failures amassed by those most deeply involved in this enterprise. And hence, also, the disorientation and disruption of communities, and cultural and material poverty of so many people in the world affected by those intent on global modernization.

²⁶³ It has, subsequently, imposed similar reorganization on the rest of the world.

²⁶⁴ The historical context of the book was the English Civil War, the beheading of the English monarch and the subsequent Commonwealth under Oliver Cromwell (1642-1660).

...the agreement of... men is by covenant only, which is artificial: and therefore it is no wonder if there be somewhat else required, besides covenant, to make their agreement constant and lasting; which is a common power to keep them in awe and to direct their actions to the common benefit.

The only way to erect such a common power, as may be able to defend them from the invasion of foreigners, and the injuries of one another, and thereby to secure them in such sort as that by their own industry and by the fruits of the earth they may nourish themselves and live contentedly, is to confer all their power and strength upon one man, or upon one assembly of men, that may reduce all their wills, by plurality of voices, unto one will: which is as much as to say, to appoint one man, or assembly of men, to bear their person; and every one to own and acknowledge himself to be author of whatsoever he that so beareth their person shall act, or cause to be acted, in those things which concern the common peace and safety; and therein to submit their wills, every one to his will, and their judgements to his judgement.

This is more than consent, or concord; it is a real unity of them all in one and the same person, made by covenant of every man with every man, in such manner as if every man should say to every man: I authorise and give up my right of governing myself to this man, or to this assembly of men, on this condition; that thou give up, thy right to him, and authorise all his actions in like manner.

This done, the multitude so united in one person is called a COMMONWEALTH; in Latin, CIVITAS. This is the generation of that great LEVIATHAN, or rather, to speak more reverently, of that mortal god to which we owe, under the immortal God, our peace and defence.

For by this authority, given him by every particular man in the Commonwealth, he hath the use of so much power and strength conferred on him that, by terror thereof, he is enabled to form the wills of them all, to peace at home, and mutual aid against their enemies abroad.

And in him consisteth the essence of the Commonwealth; which, to define it, is: one person, of whose acts a great multitude, by mutual covenants one with another, have made themselves every one the author, to the end he may use the strength and means of them all as he shall think expedient for their peace and common defence.

And he that carryeth this person is called sovereign, and said to have sovereign power; and every one besides, his subject.

The attaining to this sovereign power is by two ways.

One, by natural force: as when a man maketh his children to submit themselves, and their children, to his government, as being able to destroy them if they refuse; or by war subdueth his enemies to his will, giving them their lives on that condition.

The other, is when men agree amongst themselves to submit to some man, or assembly of men, voluntarily, on confidence to be protected by him against all others. This latter may be called a political Commonwealth, or Commonwealth by Institution; and the former, a Commonwealth by acquisition. And first, I shall speak of a Commonwealth by institution.

(Hobbes 1651, Chapter xvii, 'Of The Causes, Generation, And Definition Of A Commonwealth')

²⁶⁵ See [From Interdependence to Independence](#) for more on this.

²⁶⁶ See William Blackstone, 1765, ^{CE} [Commentaries on the Laws of England](#) , Chapter the Second, 'Of the Parliament' (pp. 142-182), for an explanation of 'democracy' in 18th century England.

Noam Chomsky has given a possibly polemically biased, and unfortunately unsourced, set of quotations of historical expressions of this mindset in the US:

[John] Dewey and American workers held one version of democracy, with strong libertarian elements. But the dominant version has been a very different one. Its most instructive expression is at the progressive end of the mainstream intellectual spectrum, among good Wilson-FDR-Kennedy liberal intellectuals. Here are a few representative quotes.

The public are "ignorant and meddlesome outsiders [who] must be put in their place." Decisions must be in hands of the "intelligent minority [of] responsible men," who must be protected "from the trampling and roar of the bewildered herd." The herd does have a function. Its task is to lend its weight every few years to a choice among the responsible men, but apart from that its function is to be "spectators, not participants in action." All for their own good. We should not succumb to "democratic dogmatisms about men being the best judges of their own interests." They are not. We are: we, the responsible men. Therefore attitudes and opinions must be shaped and controlled. We must "regiment the minds of men the

way an army regiments their bodies." In particular, we must introduce better discipline into the institutions responsible for "the indoctrination of the young." If that is achieved, then it will be possible to avoid such dangerous periods as the 1960s, "the time of troubles" in conventional elite discourse. We will be able to achieve more "moderation in democracy" and return to better days as when "Truman had been able to govern the country with the cooperation of a relatively small number of Wall Street lawyers and bankers."

These are quotes from icons of the liberal establishment: Walter Lippmann, Edward Bernays, Harold Lasswell, Samuel Huntington, and the Trilateral Commission, which largely staffed the Carter administration.

This shriveled conception of democracy has solid roots. The founding fathers were much concerned about the hazards of democracy. In the debates of the Constitutional Convention, the main framer, James Madison, warned of these hazards. Naturally taking England as his model, he observed that "in England, at this day, if elections were open to all classes of people, the property of landed proprietors would be insecure. An agrarian law would soon take place," undermining the right to property. To ward off such injustice, "our government ought to secure the permanent interests of the country against innovation," arranging voting patterns and checks and balances so as "to protect the minority of the opulent against the majority," a prime task of decent government.

(^{CE} [Noam Chomsky | Notion of Elite Guardian Class Dates Back to Founding of US, Truthout](#), 11 February 2016)

- ²⁶⁷ A brief selection of texts on the nature and emergence of Western nations and nationhood includes: Gellner (1994); Goddard, Llobera & Shore (1994); Hobsbawm (1990); Kedourie (1993); and Norbu (1992).
- ²⁶⁸ Kings were established in their kingdoms through the Church's administration of the ritual of Unction. It was, therefore, assumed that religious authority was superior to secular authority. As Ullman (1965, p. 86) says, 'It was that act alone which made the king'.
- ²⁶⁹ such as shires, counties, principalities and similar sub-divisions within the borders of recognized regions associated with nations (as administrative regions of the medieval Church)
- ²⁷⁰ See [Medieval Common-Interest Groups](#) for more on this.
- ²⁷¹ England experienced its revolution in the second half of the 17th century; France in the late-18th century; Germany in the mid-19th century; and other Western European nation-states experienced similar revolutions during the same period.
- ²⁷² In stark contrast, the names and identities of Third World nations were, in large measure, inventions of 100 years (or less) of colonial rule, through which colonial powers identified regions they controlled. The colonized peoples identified the names and the administrative organizations through which they were controlled as 'foreign' colonial impositions. Yet, over the past sixty years, Western nations have insisted that people living in those artificially contrived nation-states would, with little difficulty, identify themselves with, and commit themselves to the nations within which they lived.

²⁷³ At the risk of belaboring the point, it needs to be remembered that, through the medieval period, 'successful' members of small ethnic groups, included within the Church's administrative regions, became connected to similar individuals in other groups in the territory through either travelling beyond their own group's area or through social interaction with others who did travel.

One became recognized as 'cultured' through acceptance into these wider networks of 'cultured' people. One was also interlinked with the influence, wealth and information held and generated by members of such networks.

²⁷⁴ See Herbert Spencer (1857, p. 153 ^{CE} 'Progress: Its Law And Cause') for a succinct 19th century 'theoretical' statement of this principle for the social sciences:

... the series of changes gone through during the development of a seed into a tree, or an ovum into an animal, constitute an advance from homogeneity of structure to heterogeneity of structure.

In its primary stage, every germ consists of a substance that is uniform throughout, both in texture and chemical composition. The first step is the appearance of a difference between two parts of this substance; or, as the phenomenon is called in physiological language, a differentiation.

Each of these differentiated divisions presently begins itself to exhibit some contrast of parts: and by and by these secondary differentiations become as definite as the original one. This process is continuously repeated - is simultaneously going on in all parts of the growing embryo; and by endless such differentiations there is finally produced that complex combination of tissues and organs constituting the adult animal or plant.

This is the history of all organisms whatever. It is settled beyond dispute that organic progress consists in a change from the homogeneous to the heterogeneous.

Now, we propose in the first place to show, that this law of organic progress is the law of all progress. Whether it be in the development of the Earth, in the development of Life upon its surface, in the development of Society, of Government, of Manufactures, of Commerce, of Language, Literature, Science, Art, this same evolution of the simple into the complex, through successive differentiations, holds throughout.

From the earliest traceable cosmical changes down to the latest results of civilization, we shall find that the transformation of the homogeneous into the heterogeneous, is that in which progress essentially consists.

(Spencer 1857, p.10)

This belief, of course, still holds in many 'evolutionary' theoretical constructs of the present.

²⁷⁵ For examples of this kind of interconnection one need look no further than the many novels of the period which simply assume networks and friendships between middle-class people not only within national territories but internationally.

²⁷⁶ Those who identified with each other as belonging to the same nation were usually those who had reason to travel or to associate with others who travelled. In Western Europe there was a strong sense of unity amongst merchants, traders, landed gentry, and educated people which resulted, in Britain as elsewhere, in a revolution of these 'middle sorts' (Manning 1976) against feudally-based aristocracies and governments.

While political revolution usually required the overthrow of feudal leaders, there was much less need for revolution within the administrative bureaucracies of western Europe. These were, very largely, already staffed by educated, middle ranking people who supported political revolution.

Through such revolution, in which, very usually, these 'middle sorts' managed to obtain the commitment of peasant and laboring people, they established new forms of government which reflected and enhanced their particular interests (see [From Subversion of Tradition to Plotting the Future](#)).

²⁷⁷ See [The White Man's Burden](#) for more on this.

²⁷⁸ France has perpetuated this version of the nation-state in its incorporation of 'overseas departments' - previously colonial territories - which have been given the status of metropolitan departments and are argued to be integral to France as a nation. As the French Embassy in the U.S.A. (and most other French Embassy web-sites) explains:

Thanks to her overseas departments and territories, France extends far beyond the boundaries of Europe and into the four corners of the earth. Outside the borders of metropolitan France, she has coasts washed by the Indian, Atlantic and Pacific Oceans and land borders from the icy wastes of Antarctica to the great Amazonian rainforest. (Ⓔ [Overseas France](#), *Embassy of France in Washington, D.C.*, November 29, 2007)

Lipset and Halvaksz explained it for French Polynesia:

Organized under constitutional revisions in 2003 as a French Overseas Collectivity French Polynesia maintains a local governing body. However, France retains control over military, police, the judicial system, tertiary education, monetary policy, defense, and foreign affairs. With representation in France, French Polynesia is governed as if part of the French state. (2009 p.122)

²⁷⁹ Western Europeans have, over several centuries, demonstrated a remarkable nescience in dealing with the rest of the world. Their perspective is the universal perspective; the only valid understandings, theirs.

²⁸⁰ The middle-classes of Western Europe were thoroughly schooled in 'classical studies' and saw those 'civilizations' as providing models for their own empires and civilizations. The 18th and 19th century political institutions and practices of Western European nation-states borrowed a great deal from the 'classical civilizations' and empires of Rome and Greece.

The integration of colonies into the identities of Western European nation-states and designation of inhabitants as 'citizens' echoed Roman

practice. Rome had employed similar strategies throughout its empire. Regions which Roman officials considered merited the 'honour' were declared 'Provinces' of Rome and the responsible people of those regions were declared to be 'Roman Citizens'.

²⁸¹ see Crick (1997) for discussion of colonial practices and influences.

²⁸² Kwame Nkrumah, in the conclusion to his book, summed up it all up:

Speaking in 1951, the then President of the United States, Mr Truman, said, 'The only kind of war we seek is the good old fight against man's ancient enemies. . . poverty, disease, hunger and illiteracy.' Sentiments of a similar nature have been re-echoed by all political leaders in the developed world but the stark fact remains: whatever wars may have been won since 1951, none of them is the war against poverty, disease, hunger and illiteracy. However little other types of war have been deliberately sought, they are the only ones which have been waged.

Nothing is gained by assuming that those who express such views are insincere. The position of the leaders of the developed capitalist countries of the world are, in relation to the great neo-colonialist international combines, very similar to that which Lord Macaulay described as existing between the directors of the East India Company and their agent, Warren Hastings, who, in the eighteenth century, engaged in the wholesale plunder of India. Macaulay wrote:

'The Directors, it is true, never enjoined or applauded any crime. Far from it. Whoever examines their letters written at the time will find there are many just and humane sentiments, many excellent precepts, in short, an admirable code of political ethics. But each exultation is modified or nullified by a demand for money. . . . We by no means accuse or suspect those who framed these dispatches of hypocrisy. It is probable that, written 15,000 miles from the place where their orders were to be carried into effect, they never perceived the gross inconsistency of which they were guilty. But the inconsistency was at once manifest to their lieutenant in Calcutta.

'... Hastings saw that it was absolutely necessary for him to disregard either the moral discourses or the pecuniary requisitions of his employers. Being forced to disobey them in something, he had to consider what kind of disobedience they would most readily pardon; and he correctly judged that the safest course would be to neglect the sermons and to find the rupees.'

Today the need both to maintain a welfare state, i.e. a parasite State at home, and to support a huge and ever-growing burden of armament costs makes it absolutely essential for developed capitalist countries to secure the maximum return in profit from such parts of the international financial complex as they control. However much private capitalism is exhorted to bring about rapid development and a rising standard of living in the less developed areas of the world, those who manipulate the system realise the inconsistency between doing this and producing at the same time the funds necessary to maintain the sinews of war and the welfare state at home. They know when it comes to the issue they will be

excused if they fail to provide for a world-wide rise in the standard of living. They know they will never be forgiven if they betray the system and produce a crisis at home which either destroys the affluent State or interferes with its military preparedness.

Appeals to capitalism to work out a cure for the division of the world into rich and poor are likely to have no better result than the appeals of the Directors of the East India Company to Warren Hastings to ensure social justice in India. Faced with a choice, capitalism, like Hastings, will come down on the side of exploitation. (Kwame Nkrumah, 1965, ^{CE} *Neo-Colonialism, The Last Stage of Imperialism*, Thomas Nelson & Sons, Ltd., London, Conclusion)

- ²⁸³ See ^{CE} [Preparing for Independence](#) for Nigeria's experiences in moving toward independence from Britain. As Paul Beckett (1987, p. 87) put it, Nigeria's Westminster-like parliamentary system was developed hurriedly, seemingly with little consideration given to possible alternative forms.
- ²⁸⁴ See [The Breakdown of Communities](#) for more on this.
- ²⁸⁵ See ^{CE} [Political experiences in Nigeria](#) for a brief sketch of post-colonial political experiences in Nigeria.
- ²⁸⁶ For discussion see Banuri (1990); Levy (1988); Leys (1992); Peet (1990); Philip (1990); Seligson & Passe-Smith (1993); So (1989); Sutton et al. (1989), etcetera.
- ²⁸⁷ An odd belief in the continuing existence of the colonial administrative apparatus and powers persisted well into the post-colonial period. It was largely taken for granted by 'development specialists' that administrations could simply decree and implement changes in their territories.
- ²⁸⁸ And still is believed by many of those most directly involved in advising Third World governments.
- ²⁸⁹ See [personalized Relationships](#) and ^{CE} [Politics and Indigenous Leadership in Papua New Guinea](#) for more on this.
- ²⁹⁰ Including:
- International Atomic Energy Agency (IAEA);
 - International Bank for Reconstruction and Development (The World Bank);
 - International Civil Aviation Organization (ICAO);
 - International Labor Organization (ILO);
 - International Maritime Organization (IMO);
 - International Monetary Fund (IMF);
 - International Telecommunications Union (ITU);
 - United Nations Centre for Human Rights (UNCHR);
 - United Nations Conference on Trade and Development (UNCTAD);
 - United Nations Development Program (UNDP);
 - United Nations Economic Commission for Africa (ECA)
 - United Nations Educational, Scientific and Cultural Organization (UNESCO);
 - United Nations Environment Program (UNEP);
 - United Nations Population Fund (UNFPA);

World Food Program (WFP);
World Health Organization (WHO);

291 Gregory Palast (2001), in a summary of interviews conducted with outgoing World Bank Chief Economist Joseph Stiglitz, described some of "the inside workings of the IMF, the World Bank, and the bank's 51% owner, the US Treasury":

Here in Washington we conducted exclusive interviews with Stiglitz, for The Observer and Newsnight, about the inside workings of the IMF, the World Bank, and the bank's 51% owner, the US Treasury.

And here, from sources unnamable (not Stiglitz), we obtained a cache of documents marked, 'confidential' and 'restricted'.

Stiglitz helped translate one, a 'country assistance strategy'. There's an assistance strategy for every poorer nation, designed, says the World Bank, after careful in-country investigation.

But according to insider Stiglitz, the Bank's 'investigation' involves little more than close inspection of five-star hotels. It concludes with a meeting with a begging finance minister, who is handed a 'restructuring agreement' pre-drafted for 'voluntary' signature.

Each nation's economy is analysed, says Stiglitz, then the Bank hands every minister the same four-step programme.

Step One is privatisation. Stiglitz said that rather than objecting to the sell-offs of state industries, some politicians - using the World Bank's demands to silence local critics - happily flogged their electricity and water companies. 'You could see their eyes widen' at the possibility of commissions for shaving a few billion off the sale price. ...

After privatisation, Step Two is capital market liberalisation. In theory this allows investment capital to flow in and out. Unfortunately, as in Indonesia and Brazil, the money often simply flows out.

Stiglitz calls this the 'hot money' cycle. Cash comes in for speculation in real estate and currency, then flees at the first whiff of trouble. A nation's reserves can drain in days.

And when that happens, to seduce speculators into returning a nation's own capital funds, the IMF demands these nations raise interest rates to 30%, 50% and 80%.

The result was predictable,' said Stiglitz. Higher interest rates demolish property values, savage industrial production and drain national treasuries.

At this point, according to Stiglitz, the IMF drags the gasping nation to Step Three: market-based pricing - a fancy term for raising prices on food, water and cooking gas. This leads, predictably, to Step-Three-and-a-Half: what Stiglitz calls 'the IMF riot'

The IMF riot is painfully predictable. When a nation is, 'down and out, [the IMF] squeezes the last drop of blood out of them. They turn up the heat until, finally, the whole cauldron blows up,' - as when the IMF eliminated food and fuel subsidies for the poor in Indonesia in 1998. Indonesia exploded into riots...

A pattern emerges. There are lots of losers but the clear winners seem to be the western banks and US Treasury.

Now we arrive at Step Four: free trade. This is free trade by the rules of the World Trade Organisation and the World Bank, which Stiglitz likens to the Opium Wars. 'That too was about "opening markets",' he said. As in the nineteenth century, Europeans and Americans today are kicking down barriers to sales in Asia, Latin American and Africa while barricading our own markets against the Third World 's agriculture.

In the Opium Wars, the West used military blockades. Today, the World Bank can order a financial blockade, which is just as effective and sometimes just as deadly.

Stiglitz has two concerns about the IMF/World Bank plans. First, he says, because the plans are devised in secrecy and driven by an absolutist ideology, never open for discourse or dissent, they 'undermine democracy'. Second, they don't work. Under the guiding hand of IMF structural 'assistance' Africa's income dropped by 23%...

(Gregory Palast, ^{CE} [IMF's four steps to damnation](#): How crises, failures, and suffering finally drove a Presidential adviser to the wrong side of the barricades, *The Observer*, Monday 30 April 2001)

²⁹² In a statement before the *Second World Conference on Human Rights*, Vienna, 14 June 1993, Ali Alatas, Indonesia's foreign minister, explained:

Human rights questions are essentially ethical and moral in nature. Hence, any approach to human rights questions which is not motivated by a sincere desire to protect these rights but by disguised political or, worse, to serve as a pretext to wage a political campaign against another country, cannot be justified.

Human rights are vital and important by and for themselves. So are efforts at accelerated national development, especially of the developing countries. Both should be vigorously pursued and promoted.

Indonesia, therefore cannot accept linking questions of human rights to economic and development cooperation, by attaching human rights implementation as political conditionalities to such cooperation. Such a linkage will only detract from the value of both.

On such conditionalities, the Leaders of the Non-aligned Movement, during their 10th Summit in Jakarta last year, emphasized that:

... any attempt to use human rights as a condition for social-economical assistance, thus sidelining the relevance of economic, social and cultural human rights must be rejected. No country should use its power to dictate its concept on human rights or to impose conditionalities on others.

It is now generally accepted that all categories of human rights - civil, political, economic, social and cultural, the rights of the individual and the rights of the community, the society and the nation - are interrelated and indivisible.

This implies that the promotion and protection of all these rights should be undertaken in an integral and balanced manner and that

inordinate emphasis on one category of human rights over another cannot be justified. Likewise, in assessing the human rights conditions of countries, and of developing countries in particular, the international community should take into account the situation in relation to all categories of human rights.

(^{CE} [Alatas 1993](#))

²⁹³ See [The Problem with Austerity](#) for IMF assessments of some aspects of SAPs in 2013. ^{CE} [Jason Oringer and Carol Welch \(1998\)](#), in a well written critique of Structural Adjustment Plans (SAPs), identified three key points :

[Oringer and Welch use the terms 'north' and 'south' as collective terms for what we have, in this discussion, called the 'First World' and 'Third World'.]

- The U.S. leverages its dominant role in the global economy and in the IFIs [International Financial Institutions] to impose SAPs on developing countries and open their markets to competition from U.S. companies.
- SAPs are based on a short-term, profit-maximization model that perpetuates poverty, inequality, and environmental degradation.
- Social safety nets and good governance reforms do not compensate for the serious flaws that SAPs introduce by deregulating laws and diminishing the state's capacity to protect the welfare of its citizens.

... Through its aid and trade policies, Washington has worked to restructure the economic policies of the Southern [i.e. Third World] nations. The U.S. plays a fundamental role in designing and financing structural adjustment programs of the main IFIs, namely the World Bank and the International Monetary Fund (IMF), as well as those of the regional multilateral banks such as the Inter-American Development Bank (IDB).

²⁹⁴ The madness of the Cold War policy of 'mutually assured destruction' has, in this 21st century, mutated in the US into a cold, calculated determination to ensure overwhelming military supremacy.

A 2017 US Congressional Budget Office report entitled 'Projected Costs of U.S. Nuclear Forces, 2017 to 2026' summed up the US commitment over the next decade. As the report concludes:

... [T]he plans for nuclear forces delineated in the Department of Defense's (DoD's) and the Department of Energy's (DOE's) budget requests for fiscal year 2017 would cost a total of \$400 billion over the 2017-2026 period, CBO estimates - an average of \$40 billion a year. ...The current 10-year total is 15 percent higher than CBO's most recent previous estimate of the 10-year costs of nuclear forces, \$348 billion over the 2015-2024 period.

(^{CE} [Projected Costs of U.S. Nuclear Forces, 2017 to 2026, US Congressional Budget Office](#), February 14, 2017)

Noam Chomsky has explained the inevitable consequence of this commitment to nuclear arms 'modernization':

Hans M. Kristensen and Ted Postol from MIT... discuss the new targeting systems that have been invented under the Obama Modernization Program that's now being escalated by Trump, and it's extremely dangerous. What they claim based on disclosed information is that the US missile systems have been improved by such a huge factor that they are now capable of instantly wiping out the Russian deterrent.

This is massive overkill and nuclear stability is gone, and of course, the Russians know this. What that implies is that if they ever feel a threat, they're just going to be compelled to launch a preemptive strike because otherwise they're dead, you know? And that means we're all dead.

(Noam Chomsky, interviewed by Dan Falcone, [US Is the "Most Dangerous Country in the World"](#), *Truthout* | Interview, Monday, April 24, 2017)

Hans Kristensen, Matthew McKinzie and Theodore Postol provide some substantive background:

The US nuclear forces modernization program has been portrayed to the public as an effort to ensure the reliability and safety of warheads in the US nuclear arsenal, rather than to enhance their military capabilities. In reality, however, that program has implemented revolutionary new technologies that will vastly increase the targeting capability of the US ballistic missile arsenal.

This increase in capability is astonishing - boosting the overall killing power of existing US ballistic missile forces by a factor of roughly three - and it creates exactly what one would expect to see, if a nuclear-armed state were planning to have the capacity to fight and win a nuclear war by disarming enemies with a surprise first strike.

Because of improvements in the killing power of US submarine-launched ballistic missiles, those submarines now patrol with more than three times the number of warheads needed to destroy the entire fleet of Russian land-based missiles in their silos. US submarine-based missiles can carry multiple warheads, so hundreds of others, now in storage, could be added to the submarine-based missile force, making it all the more lethal.

The revolutionary increase in the lethality of submarine-borne US nuclear forces comes from a "super-fuze" device that since 2009 has been incorporated into the Navy's W76-1/Mk4A warhead as part of a decade-long life-extension program. We estimate that all warheads deployed on US ballistic missile submarines now have this fuzing capability.

Because the innovations in the super-fuze appear, to the non-technical eye, to be minor, policymakers outside of the US government (and probably inside the government as well) have completely missed its revolutionary impact on military capabilities and its important implications for global security.

(Hans M. Kristensen, Matthew McKinzie, Theodore A. Postol, [How US nuclear force modernization is undermining strategic stability: The burst-height compensating super-fuze](#), *Bulletin of the Atomic Scientists*, 1 March 2017)

What else does one do with '\$400 billion over the 2017-2026 period, ...an average of \$40 billion a year'?

²⁹⁵ With the demise of the Soviet Union, the wars and rebellions of the Third World continued. However, they were no longer cast in the ideological frames of capitalism and communism, so the perception was that in the 1990s the world became increasingly Balkanised and 'ethnified'. In fact, of course, this process began with the breakdown of empires - it was simply mis-diagnosed, warped and enthusiastically promoted to reflect international interests in the era of Cold War politics. In 1996, serious internal fighting continued within more than thirty post-colonial countries, including Afghanistan, Algeria, Angola, Burundi, Cameroon, Chad, Colombia, Guatemala, Iraq, Kashmir, Lebanon, Liberia, Myanmar, Philippines, Rwanda, Sierra Leone, Somalia, Sri Lanka, Sudan and many others.

In 2009, with the same tensions and confrontations now claimed to be part of the 'war on terror' by Western countries, serious conflict continued in many non-Western countries including Algeria, Armenia, Azerbaijan, Bahrain, Chad, Djibouti, Ethiopia, Georgia, India, Indonesia, Kazakhstan, Kenya, Kyrgyzstan, Mali, Mauritania, Nepal, Niger, Oman, Pakistan, Philippines, Tajikistan, Thailand, Turkmenistan, Uzbekistan, Yemen, Colombia, Sudan, Afghanistan, and many other countries around the world.

²⁹⁶ As Nef says (1991, p. 13):

... development - along neo-Keynesian and social democratic lines - was perceived as an explicit antidote to Soviet-type regimes. This fundamental 'orthodoxy' which conceived development as an alternative to revolution affected most of the subsequent development aid schemes, whether multilateral or bilateral. The Colombo Plan, President Truman's Point Four, or later the UN First Development Decade, were imbued with a reformist, missionary zeal.

²⁹⁷ In comparison with the literature on 'Third World development', writings on the involvement of the 'superpowers' in fomenting and sustaining Third World conflict in the post-Second World War period are sparse. A selection of them includes: Renner (1994); Chubin (1991); Economist (1994); Elguea (1990); Gareau (1994); Kick & Kiefer (1987); Makhijani (1992); Neuman (1994); Penny (1992); De Roux & Chelala (1993); and Nelson, Taylor & Kruger (1983).

²⁹⁸ As the Encyclopedia Britannica describes:

By the turn of the 20th century, the map of Africa looked like a huge jigsaw puzzle, with most of the boundary lines having been drawn in a sort of game of give-and-take played in the foreign offices of the leading European powers. The division of Africa, the last continent to be so carved up, was essentially a product of the new imperialism, vividly highlighting its essential features.

In this respect, the timing and the pace of the scramble for Africa are especially noteworthy. Before 1880 colonial possessions in Africa were relatively few and limited to coastal areas, with large sections of the coastline and almost all the interior still independent.

By 1900 Africa was almost entirely divided into separate territories that were under the administration of European nations.

The only exceptions were Liberia, generally regarded as being under the special protection of the United States; Morocco, conquered by France a few years later; Libya, later taken over by Italy; and Ethiopia.

(colonialism, Western. (2010). In Encyclopædia Britannica.

Retrieved April 30, 2010, from Encyclopædia Britannica Online: [Ⓔ]
<http://www.britannica.com/EBchecked/topic/126237/colonialism>)

Anene (1970) put it clearly:

In the successive phases of the European partitioning of Africa, the lines demarcating spheres of interest were often haphazard and precipitately arranged. The European agents and diplomats were primarily interested in grabbing as much African territory as possible, and were not unduly concerned about the consequences of disrupting ethnic groups and undermining the indigenous political order...

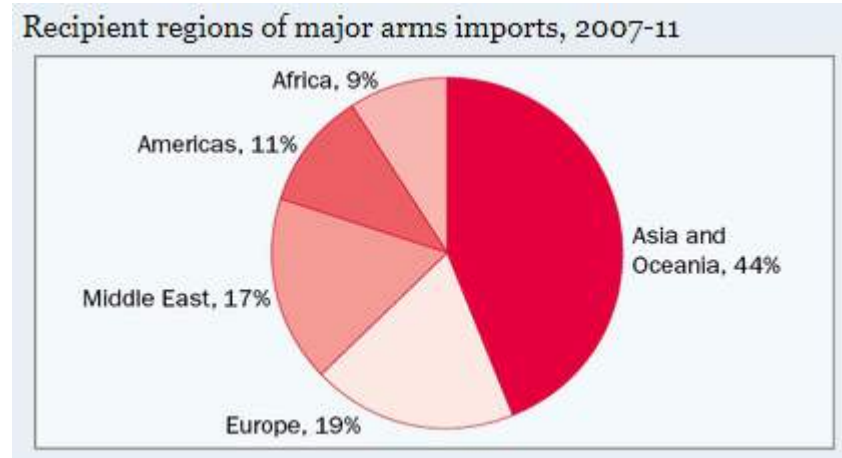
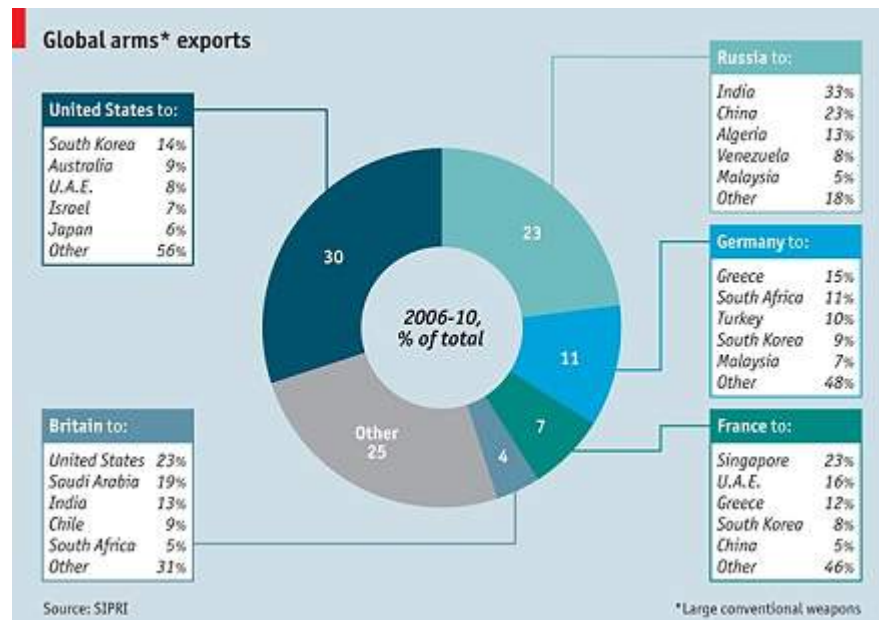
The manner in which these boundaries were made was often a subject for after-dinner jokes among European statesmen.
(Anene 1970, p. 3)

- ²⁹⁹ A brief selection of texts which address these issues is: Anderson (1991); Arnason (1990); Brass (1991); Cohen (1991); Cole, Clay & Hill (1990); Eriksen (1993); Featherstone (1990); Feinberg (1990); Gellner (1983); Hassall (1991); Held & McGrew (1993); Ihonvbere (1994); James (1994); Lee (1990); Olwig (1993); Parker, Russo, Sommer & Yaeger (1992); Schiller, Basch & Szanton (1992); and Wijeyewardene (1990).
- ³⁰⁰ A naive belief in the pre-existing unity of people within the post-colonial nation-state in which they found themselves allowed Western specialists to suggest this kind of empowering of local communities and regions.
- ³⁰¹ See [Ⓔ] [Parliamentary Democracy in PNG](#) for a description of the problems associated with the devolution of authority in a Third World country.
- ³⁰² See Nnoli 1980, p. 218ff for a discussion of such activities within Nigeria; also [Ⓔ] [Political Experiences in Nigeria](#) for a discussion of these problems
- ³⁰³ Particularly First World leaders of the 'New World' who were coming to grips with the demands of indigenous minorities within their own borders
- ³⁰⁴ Yet, most governments were as committed as ever to implementing the modernization agenda of the previous forty years. From the 1980s, Western nations increasingly required them to modify their focuses and activities to fit a growing emphasis on neoliberal governmental 'downsizing' and reliance on 'market forces'. Western nations, themselves, abandoned the developmental focuses of the post-war period and increasingly insisted on the deregulation of economic activity and privatization of governmental responsibilities.
- ³⁰⁵ See [Ⓔ] [SIPRI Yearbook](#) for information on the source of arms exports. As the 2012 Yearbook explained:

The volume of international transfers of major conventional weapons grew by 24 per cent between 2002-2006 and 2007-11. The five largest suppliers in 2007-11-the USA, Russia, Germany, France and the UK-accounted for three-quarters of the volume of exports.

... Major importers are taking advantage of the competitive arms market to seek attractive deals in terms of financing, offset arrangements and the transfer of technology.

(SIPRI 2012 Yearbook Ch. 6. International arms transfers)



Shanker (*New York Times*, September 6, 2009) elaborated:

The annual report [titled "[Conventional Arms Transfers to Developing Nations](#)."] was produced by the nonpartisan Congressional Research Service, a division of the Library of Congress. Regarded as the most detailed collection of unclassified global arms sales data available to the general public, it was delivered to the House and Senate on Friday, ready for members' return from the Labor Day recess.

... The United States was the leader not only in arms sales worldwide, but also in sales to nations in the developing world, signing \$29.6 billion in weapons agreements with these nations, or 70.1 percent of all such deals.

The study found that the larger arms deals concluded by the United States with developing nations last year included a \$6.5 billion air defense system for the United Arab Emirates, a \$2.1 billion jet fighter deal with Morocco and a \$2 billion attack helicopter agreement with Taiwan. Other large weapons agreements were reached between the United States and India, Iraq, Saudi Arabia, Egypt, South Korea and Brazil.

Russia was far behind in 2008 with \$3.3 billion in weapons sales to the developing world, about 7.8 percent of all such agreements. The report says that while Russia continues to have China and India as its main weapons clients, Russia's new focus is on arms sales to Latin American nations, in particular to Venezuela.

France was third with \$2.5 billion in arms sales to developing nations, or about 5.9 percent of weapons deals with these countries.

The top buyers in the developing world in 2008 were the United Arab Emirates, which signed \$9.7 billion in arms deals; Saudi Arabia, which signed \$8.7 billion in weapons agreements; and Morocco, with \$5.4 billion in arms purchases.

The study uses figures in 2008 dollars, with amounts for previous years adjusted for inflation to give a constant financial measurement.

(^{CE} [September 6, 2009](#))

- ³⁰⁶ Dwight D. Eisenhower, in his farewell address at the conclusion of his presidency (1953-1961), warned the American people of the danger presented by the military industrial complex which was a legacy of the 2nd World War:

Our military organization today bears little relation to that known by any of my predecessors in peacetime, or indeed by the fighting men of World War II or Korea.

Until the latest of our world conflicts, the United States had no armaments industry. American makers of plowshares could, with time and as required, make swords as well. But now we can no longer risk emergency improvisation of national defense; we have been compelled to create a permanent armaments industry of vast proportions. Added to this, three and a half million men and women are directly engaged in the defense establishment. We annually spend on military security more than the net income of all United States corporations.

This conjunction of an immense military establishment and a large arms industry is new in the American experience. The total influence - economic, political, even spiritual - is felt in every city, every State house, every office of the Federal government. We recognize the imperative need for this development. Yet we must not fail to comprehend its grave implications. Our toil, resources and livelihood are all involved; so is the very structure of our society.

In the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought,

by the military-industrial complex. The potential for the disastrous rise of misplaced power exists and will persist.

We must never let the weight of this combination endanger our liberties or democratic processes. We should take nothing for granted. Only an alert and knowledgeable citizenry can compel the proper meshing of the huge industrial and military machinery of defense with our peaceful methods and goals, so that security and liberty may prosper together.

(Dwight D. Eisenhower, [Ⓔ] [Farewell Speech to the Nation](#), January 17, 1961 (Press release containing the text of the address [DDE's Papers as President, Speech Series, Box 38, Final TV Talk (1); NAID #16972219]))

{§} (27/03/16) Eisenhower's prescient warning, reminiscent of a similar concern [expressed by Abraham Lincoln](#) in the aftermath of the Civil War, seems to have fallen on deaf ears. William Astore, a retired lieutenant colonel (USAF), in an article entitled 'A Force Unto Itself: A Military Leviathan Has Emerged as America's 51st and Most Powerful State', has described how the United States has become enmeshed in perpetual preparation for, and involvement in, military interventions around the world:

In the decades since the draft ended in 1973, a strange new military has emerged in the United States. Think of it, if you will, as a post-democratic force that prides itself on its warrior ethos rather than the old-fashioned citizen-soldier ideal. As such, it's a military increasingly divorced from the people, with a way of life ever more foreign to most Americans (adulatory as they may feel toward its troops). Abroad, it's now regularly put to purposes foreign to any traditional idea of national defense. In Washington, it has become a force unto itself, following its own priorities, pursuing its own agendas, increasingly unaccountable to either the president or Congress.

Three areas highlight the post-democratic transformation of this military with striking clarity: the blending of military professionals with privatized mercenaries in prosecuting unending "limited" wars; the way senior military commanders are cashing in on retirement; and finally the emergence of U.S. Special Operations Command (SOCOM) as a quasi-missionary imperial force with a presence in at least 135 countries a year (and counting).

(William J. Astore, [Ⓔ] [A Force Unto Itself: A Military Leviathan Has Emerged as America's 51st and Most Powerful State](#), *TomDispatch*, March 22, 2016)

The dominant themes of some of the most popular US films and television series over the past forty years provide ample illustration of Astore's description of the "strange new military [which] has emerged in the United States" over that time.

US understandings have been exported to the rest of the world through military 'aid' packages, mutual defense pacts and 'coalitions of the willing' in interventions around the world. Western armed forces have increasingly become involved in 'purposes foreign to any traditional idea of national defense'.

As Eisenhower warned, we should be very cautious, wary and alert to the dangers of involvement in the activities of the 'military-industrial complex' which is increasingly shaping foreign and domestic policy in Western 'democracies'. As a US State Department publication has explained:

Countries in the most democratic quintile of world population appear to have accounted for 92% of world arms exports and about 58% of world arms imports. The most democratic quintile was the only degree-of-democracy quintile with a positive arms trade balance.

(^{CE} [World Military Expenditures and Arms Transfers](#) (2015))

³⁰⁷ See [Who were the 'Middle-Sorts'?](#) for the origins and nature of this shift in understanding of political governance in Western Europe.

³⁰⁸ Many researchers have consciously set out to identify 'classes' in Third World nations, and a variety of studies have sought the emergence of the kinds of classes identified in Western nations. Many more have simply assumed the relevance of 'class' to the examination of Third World communities. However, classes in Western nations are a consequence of particular historical experiences which have not been repeated in these non-Western countries. One needs to be very cautious in applying the concept of 'class' to non-Western communities.

³⁰⁹ Where such parties existed they usually symbolised the struggle for independence and received their legitimacy from that recognition, not from their representation of the interests of particular 'classes' or espousal of a particular ideology.

³¹⁰ This has proved a problem for many new nations. Indonesia, attempting to do what Murtala Mohammed (1976, pp. 12-15) claimed was not possible, has tried to deal with the problem by spelling out a single ideology to which all political parties must adhere. The Government's aim is to have all Indonesians commit themselves to these ideals and accept them as fundamental to all public and political life. It has described its philosophy in the following way:

Pancasila Democracy is a system of life for the state and society on the basis of people's sovereignty. It is inspired by the noble values of the Indonesian nation. Pancasila itself, which means the five principles, is the name given to the foundation of the Indonesian Republic. The five principles of Pancasila are

- Belief in the One and Only God;
- A Just and civilized humanity;
- the Unity of Indonesia;
- Democracy guided by the inner wisdom of deliberations of representatives;
- and Social Justice for all the Indonesian people.

(Soetjipto (1995))

³¹¹ Which have usually come from First or Second World sources, based on those, not indigenous, conceptualizations of the world (see [History of the Emergence of Capitalism](#)).

³¹² See ^{CE} [Politics and indigenous leaders in PNG](#) for more on this.

³¹³ The issue of corruption relates, of course, not only to pressures placed on government departments and personnel to favor particular regions and politicians, but also to the personalization of government. Western democratic government emphasizes impersonal and impartial bureaucratic delivery of government services and administration of expenditure. In most patron-client oriented communities such impartial and impersonal administration is considered distinctly odd. Government is inevitably personalized and Western commentators inevitably view that personalization as corruption.

³¹⁴ As a Baobab Press article described of Indonesia's move to this form of government:

By the early 1960s, tensions between Washington and Jakarta were at an all time high, in large part because of Sukarno's 'growing resistance to foreign aid from Western countries,' explains a States News Service report that appeared in the Washington Post on May 21, 1990 [^{CE} [Kathy Kadane, US OFFICIALS' LISTS AIDED INDONESIAN BLOODBATH IN '60S](#), *Washington Post*, Monday, May 21, 1990, p.A5, State News Service].

It was then that U.S. diplomats and intelligence officials decided to consummate the results of years of painstaking espionage. Over a period of several months beginning in October of 1965, high-ranking officials of the State Department turned over the names of more than 5,000 key members of the Indonesian Communist Party (PKI) to Sukarno's opponent, Gen. T. N. J. Suharto, says the States News Service report.

The story adds that the Indonesian communist group was at the time the largest in the world after the U.S.S.R. and China, and that American diplomats, after supplying the list of names, 'later checked off the names of those who had been killed or captured.'

The report describes the list of names turned over to the Indonesian general as 'a detailed who's who of the leadership of PKI,' that identified committee members and organizers of labor and youth groups at the national, provincial and municipal levels

... It is unknown how many people were killed in the bloodbath that followed

... The CIA estimated in 1968 that at least 250,000 people were rounded up and slaughtered, and called the incident 'one of the worst mass murders of the 20th century.' A 1966 Washington Post report estimated deaths at closer to half a million. But all accounts agreed that the Indonesian communist movement had been wiped out.

The disclosure of the names and the subsequent massacre were not isolated events. They took place against a backdrop of psychological warfare which helped set the stage for Sukarno's eventual removal from office.

A 1975 Congressional investigation into CIA covert activities uncovered evidence, for example, of a clandestine U.S.-sponsored propaganda campaign designed to discredit Sukarno by circulating

accusations of sexual improprieties to news media throughout the world. By the time of the bloody anticommunist purge, Sukarno was on his way out. Gen. Suharto was installed in March of 1967 as interim president.

(Baobab Press 1993)

The following was the official Suharto Indonesian Government explanation of the precursors to, and rationale for, its political reorganization of the country from 1967, following the period of political turmoil described above (see Cribb 1990 for a detailed examination of the period):

The Government Manifesto of November 3, 1945, opened the way to a rapid growth of political parties. Soon a multi-party system emerged with parties of different ideologies, ranging from nationalism to socialism, religion and even Marxism/Leninism. Hence, the political structure developed into a liberal democracy that was a complete departure from the type of democracy envisaged by Pancasila.

With sharply conflicting ideologies, political rivalry was the order of the day and a stable Government was out of the question. With a total of 23 political parties and their factions, cabinets could only be formed on the basis of a shaky compromise between the strongest parties. In point of fact, coalition cabinets were formed and dissolved very often. The administration was a complete shambles and development was a far cry.

The first and only general election ever held during the rule of the Old Order took place in 1955. Even that election did not produce a strong cabinet with a solid back-up in Parliament. On the contrary, because political conditions continued to deteriorate, the President ordered the formation of a Constituent Assembly to draft a new constitution. However, as mentioned earlier, this only ended up in a total deadlock which led the President to take all the power of the state into his own hands under the pretext of guided democracy.

Having learned from the experience of the unlimited multiparty system of the past, the New Order Government, which came into office in 1967, decided to Simplify the political system along the following lines:

1. In order to minimize ideological conflicts between political organizations, all political organizations shall adopt Pancasila as their sole basis principle.
2. To simplify the political system, particularly for the purpose of choosing a political organization by the people in general elections it was felt that the number of these organizations should be reduced.
3. In the past, villages were made the bases of political activities and manoeuvres, most notably in the heyday of the Indonesian Communist Party. This adversely affected the social and economic life of the village populations. Hence, it would be desirable to free villages from the activities of political organizations.

Furthermore, the large number of organizations has been reduced by the fusion of parties and their affiliated organizations into two political parties - Partai Persatuan Pembangunan (The United

Development Party or Partai Persatuan) and Partai Demokrasi Indonesia (the Indonesian Democracy Party or PDI), and one Functional Group or Golongan Karya (Golkar).

Partai Persatuan is a fusion of Nahdlatul Ulama (the Moslem Scholars Party), Parmusi (the Moslem Party), PSII (the Islamic Confederation) and PERII (the Islamic Union).

PDI is a fusion of the former PNI (the Nationalist Party), the Catholic Party, the Christian (Protestant) Party, the Indonesian Independence Party, and Partai Murba (the People's Party).

Golkar accommodates the aspirations and political rights and duties of functional groups that are not affiliated with either party, namely civil servants, retired members of the Armed Forces, women's organizations, professional groups, farmers, students, etc.

By virtue of the 1983 Guidelines of State Policy and on the basis of Act No.3 of 1985, Pancasila has finally been adopted as the one and only ideological principle upon which all political organizations base their activities.

(Soetjipto 1995)

³¹⁵ The following snippets from discussions reported by the on-line service of Kompas (Kompas 1996), one the largest circulation newspapers in Indonesia, provides some insight into the actual relationships between the armed forces, Golkar (the ruling party) and the other two parties under Suharto's rule. Key terms and acronyms to understand the following excerpts are:

- ABRI: Indonesian armed forces
- Golkar: ruling party in Indonesia
- KIPP: The Independent Election Monitoring Committee (suggested by PDI and PPP as a replacement for Panwaslak)
- OPP: The three General Elections Participants Organization (PPP, PDI, Golkar)
- Panwaslak: The Election Monitoring Committee
- PDI: The Indonesian Democratic Party
- PPP: The United Development Party.

Chief of Staff of the Army General Hartono said it was clear that each member of the armed forces (ABRI) was a Golkar cadre and therefore persistent questions broaching the issue, themselves need to be queried. Hartono conveyed his sentiments at the Sabilil Muttaqien Pesantren (Islamic school) in Magetan, East Java on Thursday (14/3 [1996]) ...

In a meeting with Golkar officials in the Matesih Square, Central Java, Hartono said ABRI exists behind Golkar. Historically ABRI has never been separate from Golkar. Every ABRI member is a Golkar cadre and therefore there is no need for them to be dubious about stating their allegiance to Golkar (Kompas, 14/3 [1996]) ...

Hassan explained, it is not true that the existence of KIPP is the expression of all Indonesians. Golkar with 35 million card-holding members and its 1.5 million cadres can actually be called as the

voice of the majority. 'So the refusal of KIPP is actually the majority desire. But Golkar does not claim that the people refuses KIPP, Golkar alone is enough to refuse KIPP,' he said. Regarding to the Initiative Rights Bill on the Amendment of the General Elections Law proposed by United Development Party Faction in the House of Representatives, Hassan said, Golkar refused it not because the present Election Law brings benefit to Golkar. 'No, the Election Law brings benefit to all OPP. The law has been approved by the three General Elections Participants Organization (OPP), so if there should be any changes in the law, it must be on the approval from the three OPP,' he said ...

The theme for the working meeting which will be held March 26-28, 1996 is: 'Strengthening the Security Stability of Regions to ensure the Success of the 1997 General Elections'. The meeting is aimed at uniting perceptions in the effort to increase development and preparations for the upcoming elections. Besides all the governors, this meeting will be attended by the Chairpersons of the Regional House of Representatives, the First Assistant Secretaries of the Regional Government, the Heads of the Regional Social Politics Directorate, and the Heads of Regional Bureau of Governmental Affairs. Soebrata who is also the Secretary of the General Election Commission said that although governors are the Chairpersons of the Consultative Board of Golkar and the bureaucratic officials in the regions are Golkar functionaries, it does not mean that the meeting will discuss efforts to win Golkar, rather it is an effort by the governors as the Heads of the Regional Election Committee to execute the General Election successfully, safely, and orderly.

Asked why the governors' perceptions have to be unified, the Secretary General said that at present, there are many disturbing reports that disrupt the preparations of the General Election, for example, the matter of an independent election monitor al').d other matters related to the preparation of the General Election.

'Therefore the unifying of perception among government officials as the administrator of the General Election concerning the problems that arose,' he said ... Soebrata also reminded the governors as the officials in charge of the administration of the General Election in their respective region to implement their functions well while on duty, meaning that they should not mix up between their functions as the administrator of the General Election and their role as a Golkar functionary. 'I think this has been stressed enough, do not mix between the duties of an administrator of the election and Golkar functionary. While on duty as the election administrator, he should not campaign. Aside of that, please campaign,' he said. Soebrata said, until now there are no policies that forbid the governors to become campaign managers, as it was done in the 1992 General Election since the period of Minister of Home Affairs Rudini

³¹⁶ The 1972 American Telephone & Telegraph (AT&T)/CIA conspiracy in Chile, resulting in the overthrow of an elected but antagonistic government and the emplacement of a friendly dictatorship is one instance of such activity (see ^{CE} [CIA Activities in Chile, September 18, 2000](#) for an official CIA explanation of its involvement). Similar support for autocratic governments can be found throughout Central and South

America, East and South-East Asia and Africa since the post-Second World War era.

³¹⁷ As ^{CE} [Rachel Stohl \(2008\)](#) describes,

there have been important changes since the September 11 attacks, with the United States finessing its arms export policies to support its war on terrorism. The most significant changes have involved the lifting of sanctions, the increase of arms and military training provided to perceived anti-terrorist allies, and the development of new programs focused and based on the global anti-terrorist crusade.

To understand and document this trend, the Center for Defense Information has analyzed military assistance data (using U.S. government data solely) for 25 countries that have been identified by the United States as having a strategic role in the war on terrorism. These countries include those that reflect the counterterrorism priorities of the United States - 17 are "frontline" states identified by the Bush administration as "countries that cooperate with the United States in the war on terrorism or face terrorist threats themselves" - and others strategically located near Afghanistan and Iraq.. Algeria, Armenia, Azerbaijan, Bahrain, Chad, Djibouti, Ethiopia, Georgia, India, Indonesia, Kazakhstan, Kenya, Kyrgyzstan, Mali, Mauritania, Nepal, Niger, Oman, Pakistan, Philippines, Tajikistan, Thailand, Turkmenistan, Uzbekistan, and Yemen

³¹⁸ See ^{CE} [Private Military Companies](#) for a list of companies providing military and 'security' services in 2010; Singer (2003) for an exploration of the issue. James Hider described the situation in Iraq in 2004:

The US military has created much of the demand for security guards. It has outsourced many formerly military functions to private contractors, who, in turn, need protection.

"The military doesn't have the means to look after hundreds of government workers and contractors. What they're looking for is an intelligent solution," said James Blount, whose Control Risk Group guards British officials here.

That solution is expensive - an estimated 10 per cent of the vast reconstruction contracts are going towards security, with companies charging up to Pounds 5,000 a day for a four-man armed escort with two armoured vehicles to make sure that investors arrive at meetings alive.

For some, the costs are too high: cheaper solutions can mean travelling in vulnerable "soft-skin" vehicles, such as the one in which Colour Sergeant McDonald was riding when gunmen killed him and a Canadian colleague on Monday. Last week two Finnish businessmen were shot dead in their car in Baghdad, apparently travelling without an armed escort.

Some British companies operate on a small scale with elite British forces. Others, such as the newly founded Erinys, have built up a vast force of 14,000 British-trained Iraqi guards to protect Iraq's oil infrastructure.

Many of the 5,000 or so private security contractors estimated to be operating in Iraq use former soldiers from the Third World, in particular retired Gurkhas, to stand for long hours in front of coalition bases or contractors' hotels in blazing temperatures. The London-based Global Risk Strategy brought in an entire battalion of Fijian soldiers to provide security for the distribution of Iraq's new currency last year

Like the coalition troops who regularly fight insurgents, the Western security contractors are largely above the law. It is unlikely that a guard would face legal proceedings if he accidentally shot an Iraqi civilian, one contractor said.

(^{CE} Iraq: Soldiers of Fortune Rush to Cash in on Unrest, *Times* (London) April 1st, 2004)

319 As Nef argued:

The 1970's was a period of drastic de-democratization and demobilisation. It was also an era when the old 'structuralist' policies of import substitution industrialization (with its corollary, the welfare state) were replaced by the new monetarist policy of deindustrialisation, denationalization, shrinkage of government services, the early phase of structural adjustments and a profound vertical expansion of the police function of the state (and repression) throughout the hemisphere. The events are too oft repeated to require discussion here.

What is important, however, is to highlight the decline of developmentalism as a desired strategy and discourse for conflict-management by both Latin American and U. S. elites. In fact, new 'reactionary coalitions' were forged, leading to a new type of dependency resulting from a growing process of transnationalization of the Latin American state

... As time went by and the illusion of economic miracles became ever more distant, development along orthodox Keynesian, liberal lines moved ever further and further to the background. To make prices and wages 'competitive', in the context of neoliberal, free market strategies, labor was repressed and purposely atomised, working class organizations were persecuted, left wing parties disbanded ... as the foreign-induced economic miracles failed to materialise, all that was left was a repressive state keeping a very large marginal sector at bay.
(Nef 1991, pp. 17-18)

320 See Ahene & Katz (1992); Bienen & Waterbury (1989); Gamble (1994); Jessop (1988); and Letwin (1993).

321 As Friedson spelt out for Latin America:

... for neo liberals developmentalism had hampered development, and only a free-market economy guaranteed the road to prosperity. For them, the main problem of Latin America was not dependency but the burden of an inefficient and corrupt state that prevented growth and modernization ...

With the worsening of the economic situation in the early 1980s, newly established civilian governments found themselves with few

resources to confront a powerful community of international creditors determined to collect their debts. Thus, military governments as well as their civilian successors endorsed versions of the IMF adjustment program, which stressed domestic mismanagement as the cause of payment problems and domestic adjustment (reduction of government expenditures, curtailment of public subsidies, devaluations and trade liberalization) as a way out of the crisis ...

Many of the IMF measures curtailed state power, which carried obvious political costs. In the first half of the 1980s, many Latin American governments found themselves signing agreements that were, for the most part, not to their liking ...

Instead of prosperity, Latin America witnessed further economic decline and impoverishment as a result of the externally-enforced adjustment programs implemented in the early 1980s ...

This no doubt represented a major blow for the technocratic approach to the debt crisis promoted by the IMF, which assumed that all it took to overcome the economic crisis was the decisive action of governments to liberalise their economies.
(Friedson 1983, pp. 33-5)

³²² Many commentators seem to have accepted the rhetoric at face value, characterising the last thirty years as a remarkable period in which many formerly authoritarian Third World governments have turned to democracy.

Superficially, the change from authoritarian to democratic government has been very marked over the past twenty years. As an FAO report summarized: 'The United Nations reports that in 1993, elections were held in 45 countries and nearly three quarters of the world's population now live in countries with democratic and relatively pluralistic regimes' (UN 1996).

³²³ "More honour'd in the breach than the observance" (to misquote Shakespeare's Hamlet.)

³²⁴ The ^{CE} [Transparency International Corruption Perceptions Index](#) provides graphic illustration of the blatantly ethnocentric judgements made, assuming that Western forms of governmental organization and practice are the standards against which all the world should be judged.

Of course corruption exists everywhere and where communities are unraveling and law and order are less effective one will find practices which, *in the eyes of inhabitants*, are corrupt (see [The Breakdown and Revitalization of Communities](#); [Living within the Environmental Means](#)). However, what constitutes corruption must always be judged against the forms and processes of leadership and communal organization found in a community and country.

To do otherwise is to engage in social-engineering, re-fashioning non-Western systems of government and leadership to mimic Western forms. This produces the very conditions that 'development' enthusiasts and Western moralists are attempting to reform (see [Imposition of Western Secondary Models: The Breakdown and Revitalization of Communities](#)).

³²⁵ See [History of the Emergence of Capitalism](#) for a discussion of the historical underpinnings of Western forms.

326 See ^{CE} Rachel Stohl (2008) for a discussion of changed US military assistance focuses.

The internet is replete with examples of the ways in which funding follows 'anti-terror' rhetoric:

^{CE} Reconstruction Team Serves on Front Line of War on Terror

^{CE} The Front Line in the War on Terror: It's Israel now, not Afghanistan...

327 {§} (30/05/16) The International Monetary Fund (IMF) has, since the mid-1970s, strongly promoted the neoliberal agenda. Three of its researchers, in response to a growing realization that this has caused serious harm to countries around the world, have provided a succinct, and uncharacteristically frank, definition of the neoliberal enterprise:

...The neoliberal agenda - a label used more by critics than by the architects of the policies - rests on two main planks. The first is increased competition - achieved through deregulation and the opening up of domestic markets, including financial markets, to foreign competition. The second is a smaller role for the state, achieved through privatization and limits on the ability of governments to run fiscal deficits and accumulate debt.

There has been a strong and widespread global trend toward neoliberalism since the 1980s...

... [T]here are aspects of the neoliberal agenda that have not delivered as expected. Our assessment of the agenda is confined to the effects of two policies: removing restrictions on the movement of capital across a country's borders ([so-called capital account liberalization](#)); and fiscal consolidation, sometimes called "austerity," which is shorthand for policies to reduce fiscal deficits and debt levels. An assessment of these specific policies (rather than the broad neoliberal agenda) reaches three disquieting conclusions:

- The benefits in terms of increased growth seem fairly difficult to establish when looking at a broad group of countries.
- The costs in terms of increased inequality are prominent. Such costs epitomize the trade-off between the growth and equity effects of some aspects of the neoliberal agenda.
- Increased inequality in turn hurts the level and sustainability of growth. Even if growth is the sole or main purpose of the neoliberal agenda, advocates of that agenda still need to pay attention to the distributional effects.

...Although growth benefits are uncertain, [costs in terms of increased economic volatility](#) and crisis frequency seem more evident. Since 1980, there have been about 150 episodes of surges in capital inflows in more than 50 emerging market economies; as shown in the left panel of Chart 2, about 20 percent of the time, these episodes end in a financial crisis, and many of these crises are associated with large output declines (Ghosh, Ostry, and Qureshi, 2016).

(Jonathan D. Ostry, Prakash Loungani, and Davide Furceri, ^{CE}

Neoliberalism: Oversold? *Finance & Development*, June 2016, Vol. 53, No. 2)

Such a reassessment, half-hearted though it is, is long overdue. As Bill Mitchell has summed it all up:

...[T]he IMF is an organisation that goes into the poorest nations and bullies them into harsh policy agendas which the IEO has now found to be based on poor theory and inadequate model implementation.

That makes the IMF more than an incompetent and biased organisation. In my view it makes them culpable. Who is going to pay?

Julius Ihonvbere, in an impassioned address to the All-African Student's Conference, *University of Guelph*, spelt out some of the experiences of African nations through the period:

How on earth can we build a credible, popular, and viable agenda in a context of such disheartening socio-economic and political conditions?

The African situation has not been helped with the imposition of misguided monetarist policies by the IMF and the World Bank prescribing policies of desubsidization, deregulation, privatization, commercialization, devaluation and the like. These policies which neglect the region's historical experiences; the character of state and class, existing coalitions, contradictions and conflicts; the ability of non-bourgeois forces to resist; the degree of state delegitimization; the credibility of the governing/ruling classes; the room for maneuver in the global system; the resource and other material and structural differences among African states and so on, have created more problems for Africa in the last decade or so.

In country after country, stabilization and adjustment policies have culminated in or precipitated civil wars, ethnic and religious violence, coups and counter coups demonstrations, massacre of protesting workers, peasants and women, inflation, bankruptcies, and an unprecedented deterioration in living standards and the general quality of life. There have been very destructive riots in Nigeria and Zambia to take just two examples.

Part of the crisis in Somalia, which the western media has been loudly silent about, has to do with the role of the IMF and World Bank in the country between 1985 and 1989 which effectively isolated and bankrupted the economy making an already desperate government even more brutal and insecure. As well, the failure of these monetarist prescriptions, usually conceived in purely economic terms have delegitimized the state, its institutions and agents, and at the same time ruined indigenous producers thus facilitating the recolonization of Africa.

Debt-equity swap as a response to the debt crisis for instance, has made it possible for foreign interests to buy over the more lucrative sectors in African economies.

(Ihonvbere Julius O., *Pan-Africanism: Agenda for African Unity in the 1990s*, Keynote Address at the All-African Student's Conference, Peter Clark Hall, University of Guelph, Guelph, Ontario, Canada, May 27 1994)

As President Kaunda of Zambia put it, 'The IMF does not care whether you are suffering economic malaria, bilharzia or broken legs. They will always give you quinine' (Cheru 1989, p. 37).

Despite an apparently [dawning realization by a few IMF personnel](#) that IMF policies have caused more harm than good, there is little indication that IMF policies have significantly altered. Their [track record in dealings with Greece](#) since 2012 does not bode well for nations which rely on their interventions in the future.

Neoliberalism places the market at the center of 'development'. The presumption is that if the state privatizes as much of its activity as possible, making it directly answerable to 'market forces', and deregulates fiscal and financial activity, market forces will ensure rational, efficient economic organization and activity which will, in the long-run, result in a more rational organization of society, to the benefit of its members.

A fundamental presumption underpinning neoliberalism is that all cultural and social forms are derivatives of individual, competitive, acquisitive behavior, which is fundamental to human nature. So, social change is driven by competitive individual exchange.

Uninhibited market exchange most directly expresses that human nature. Therefore, by subjecting communities to 'market forces', one introduces rational social change (see [Social Exchange Theory](#) for more on this).

Of course, these presumptions are highly questionable and open to challenge. However, even accepting the premises, the presumption that uninhibited individualistic competitive activity as expressed in the marketplace will result in social good requires a remarkable leap of faith. There seems to be no evidence from history that this is so (see [The Working Poor](#)).

³²⁸ This placed the state at the center of development planning and implementation, usually mapped out in five-year development plans.

³²⁹ The inevitable has happened: The US has backed Israel: the last Western Colony; and a subjugated people, with nothing to lose but their lives, futilely protest US support for Israel in riding rough-shod over the rights of a subjugated people; the result is inevitable - as it has been in colony after colony through the past 70 years of colonial uprising against Western oppression.

We all know the history of Western colonialism! The subjugated will, eventually, successfully overthrow the colonists and inherit the arsenals of Israel!

David Halbfinger, Isabel Kershner and Declan Walsh have described the ongoing consequences: 'Israel Kills Dozens at Gaza Border as U.S. Embassy Opens in Jerusalem':

Protests on Gaza border turn bloody

A mass attempt by Palestinians to cross the border fence separating Israel from Gaza turned violent, as Israeli soldiers responded with rifle fire. Monday became the bloodiest day since the campaign of demonstrations began seven weeks ago to protest Israel's economic blockade of Gaza.

(David M. Halbfinger, Isabel Kershner and Declan Walsh, ^{CE} [Israel Kills Dozens at Gaza Border as U.S. Embassy Opens in Jerusalem](#), *New York Times*, 14 May, 2018)

330 {§} (12/01/18) It seems that many 'citizens' of Israel happily visit upon the Palestinian people the Curse of Joshua upon the Gibeonites:

You are now under a curse: You will never be released from service as woodcutters and water carriers...

(^{CE} [Joshua 9:23](#), *New International Version: Bible*)

The alternative was genocide: 'wiping out all the inhabitants' (^{CE} [Joshua 9:24 NIV](#)). Such barbarism, of course, cannot, and never could, be justified - no matter what the perpetrators might claim about their inherent superiority or authorization by a sociopathic Deity!

Palestinians (like so many indigenous peoples around the world [under Western colonialism](#)): disenfranchised, stateless people, forever under the thumb of a sociopathic right-wing invading minority. But we all know the history of Western colonialism! The subjugated will, eventually, successfully overthrow the colonists and inherit the arsenals of Israel!

Michelle Goldberg has addressed the issues well:

...[I]f the possibility of Palestinian statehood is foreclosed, Israel will be responsible for all the territory under its control. There will be one state; the question is what sort of state it will be. Some on the Israeli right foresee a system in which most Palestinians will remain stateless indefinitely, living under a set of laws different from those governing Israeli citizens.

Yoav Kish, a Likud member of Parliament, has drawn up a plan in which Palestinians in the West Bank will have limited local administrative sovereignty; rather than citizens they will be "Residents of the Autonomy."

Supporters of Israel hate it when people use the word "apartheid" to describe the country, but we don't have another term for a political system in which one ethnic group rules over another, confining it to small islands of territory and denying it full political representation.

The word "apartheid" will become increasingly inescapable as a small but growing number of Palestinians turn from fighting for independence to demanding equal rights in the system they are living under. "If the Israelis insist now on finishing the process of killing the two-state solution, the only alternative we have as Palestinians is one fully democratic, one-state solution," Barghouti says, in which everyone has "totally equal rights."

Needless to say, Israel will accept no such thing. Though demographics in the region are as contested as everything else, Palestinians are likely to soon become a majority of the population in Israel and the occupied territories. If all of them were given the right to vote, Israel would cease to be a Jewish state.

But most of the world — including most of the Jewish diaspora — will have a hard time coming up with a decent justification for opposing a Palestinian campaign for equal rights. Israel's apologists will be left mimicking the argument that William F. Buckley once made about the Jim Crow South. In 1957, he asked rhetorically

whether the white South was entitled to prevail “politically and culturally, in areas in which it does not predominate numerically.” The “sobering answer,” he concluded, was yes, given the white community’s superior civilization.

It’s impossible to say how long Israel could sustain such a system. But the dream of liberal Zionism would be dead. Maybe, with the far right in power both here and there, it already is.

(Michelle Goldberg, ^{CE} [Is Liberal Zionism Dead?](#), *New York Times*, Opinion, Jan. 8, 2018)

³³¹ It seems appropriate, in a week when US 'progressives' choose to remember Martin Luther King, to recall his opposition to the passivism of so many of those who commemorate his life. Nicholas Powers has summed it up:

US jets bombed villages. US soldiers machine-gunned combatants and civilians. The Vietnam War had hit a fever pitch of death when Martin Luther King Jr. stepped onto the podium at Riverside Church on April 4, 1967, and said, “The greatest purveyor of violence in the world today: my own government.”

The speech, “A Time to Break the Silence,” cost him. Newspapers damned him. Friends distanced themselves. President Lyndon Johnson, angered by what he thought was betrayal, reportedly called King, “that goddamn n***** preacher.”

King risked isolation to speak hard truths. The US’s endless war had depleted the money needed to end poverty. The war was in support of a corrupt, authoritarian regime that suppressed a peoples’ desire to be free. The US was poisoned by its militarism; it was not the beacon of democracy but its destroyer.

The King of “A Time to Break the Silence” is more relevant today than ever. The US’s war on the world has been ongoing. Poverty has deepened. The body count has only grown.

(Nicholas Powers, ^{CE} [The US Celebrates King’s Nonviolence But Not His Antiwar Politics](#), *Truthout*, January 21, 2019)

Michelle Alexander put it well:

On April 4, 1967, exactly one year before his assassination, the Rev. Dr. Martin Luther King Jr. stepped up to the lectern at the Riverside Church in Manhattan. The United States had been in active combat in Vietnam for two years and tens of thousands of people had been killed, including some 10,000 American troops. The political establishment — from left to right — backed the war, and more than 400,000 American service members were in Vietnam, their lives on the line.

Many of King’s strongest allies urged him to remain silent about the war or at least to soft-pedal any criticism. They knew that if he told the whole truth about the unjust and disastrous war he would be falsely labeled a Communist, suffer retaliation and severe backlash, alienate supporters and threaten the fragile progress of the civil rights movement.

King rejected all the well-meaning advice and said, “I come to this magnificent house of worship tonight because my conscience leaves me no other choice.” Quoting a statement by the Clergy and

Laymen Concerned About Vietnam, he said, "A time comes when silence is betrayal" and added, "that time has come for us in relation to Vietnam."

It was a lonely, moral stance. And it cost him. But it set an example of what is required of us if we are to honor our deepest values in times of crisis, even when silence would better serve our personal interests or the communities and causes we hold most dear. It's what I think about when I go over the excuses and rationalizations that have kept me largely silent on one of the great moral challenges of our time: the crisis in Israel-Palestine.

(Michelle Alexander, ^{CE} [Time to Break the Silence on Palestine](#), *New York Times*, January 19, 2019)

³³² See Matthew Brzezinski's book, ^{CE} [Isaac's Army: A Story Of Courage And Survival In Nazi-occupied Poland](#), Random House, 2012, for a description of it all

³³³ {§} (21/12/17) While the size of Israel's nuclear arsenal is in doubt, its existence is not. One can only wonder at the motives of US political and strategic planners that they should have been complicit in such a buildup of nuclear weaponry in an inherently unstable region of the world. Here is a BBC assessment of the size of that arsenal:

Israel 'has 150 nuclear weapons'

Ex-US President Jimmy Carter has said Israel has at least 150 atomic weapons in its arsenal. The Israelis have never confirmed they have nuclear weapons, but this has been widely assumed since a scientist leaked details in the 1980s. Mr Carter made his comments on Israel's weapons at a press conference at the annual literary Hay Festival in Wales....

Most experts estimate that Israel has between 100 and 200 nuclear warheads, largely based on information leaked to the Sunday Times newspaper in the 1980s by Mordechai Vanunu, a former worker at the country's Dimona nuclear reactor.

The US, a key ally of Israel, has in general followed the country's policy of "nuclear ambiguity", neither confirming or denying the existence of its assumed arsenal.

(BBC News, Monday, ^{CE} [Israel 'has 150 nuclear weapons'](#), 26 May 2008)

Of course, Western nations have not only colluded in indiscriminately supplying weapons systems to Israel; they have, concurrently, been, and still are, [supplying sophisticated weaponry to other Middle Eastern 'allies'](#). One cannot but wonder what they imagine the consequences of all this are likely to be.

The blatancy of Israel's expropriation of Palestinian lands and resources and the callous disregard of Palestinian rights since 1948 leave one bemused. Yet, a century earlier, [as we have already seen](#), they would have been unremarkable.

One has only to juxtapose the current behaviors and practices of Israel against those of that earlier time to see how similar they are. Let's briefly consider the experiences of the peoples of Matabeleland and

Mashonaland at the hands of Cecil Rhodes and his British South Africa Company⁷⁰⁴:

As Cecil Rhodes explained of the tribes of the regions which were to become Northern and Southern Rhodesia (Zambia and Zimbabwe): They were invaders, who had no 'real' right to the lands on which they lived.

Here is a Zimbabwe Embassy explanation of what happened:

The advent of European settler occupation of Zimbabwe in September 1890 is the genesis of the dispossession of blacks of their land. The 1893 invasion of the Ndebele Kingdom leading to the creation of the Gwaai and Shangani reserves: the 1896-97 Shona and Ndebele first Chimurenga/Imfazwe (war of liberation); the nationalist struggle in the period before and after the Second World War; the second Chimurenga/Imfazwe which gave birth to the independent Zimbabwe in 1980; the contentious Lancaster House Constitutional negotiations and the Agreement in 1979 and, as already stated the current internal political developments, all bear testimony to the centrality of the land issue in the country's history.

The systematic dispossession realised largely through violence, war and legislative enactments by successive colonial Governments led to the racially skewed land distribution and ownership pattern that until recently was characteristic of Zimbabwe.

Having regard to the political and related problems arising from the Boer controlled Witwatersrand gold fields in the Transvaal, Cecil John Rhodes, the Prime Minister of the Cape, and through his British South Africa Company (BSAC), became fixated with the idea of developing a second Witwatersrand (Second Rand) to the north of the Limpopo river. The Rudd Concession of 1888, fraudulently obtained from King Lobengula, became the vehicle through which colonialists obtained mineral rights in Mashonaland. The concession provided Rhodes with the impetus to obtain a Royal Charter in 1889, which among other things, granted the BSAC authority to administer and govern the region that encompasses present day Zimbabwe. The Charter was granted notwithstanding King Lobengula's protestations that he had been deceived.

Lobengula repudiated the Rudd Concession stating that he would "not recognise the paper, as it contains neither my words nor the words of those who got it." The response by Queen Victoria to King Lobengula's protestation to this development was that it "would be unwise to exclude white men".

... On account of the settler's superior firepower the African resistance fighters of the Chimurenga/imfazwe were subdued. The rapidity of the establishment of additional "Native Reserves" throughout the country was given impetus with codification – in the British Government's Southern Rhodesia Order in Council of 1898 – of the policy of racial segregation. By the same instrument it was provided that

The Company shall from time to time assign to Natives inhabiting Southern Rhodesia, land sufficient for their occupation and suitable for their agricultural or pastoral requirements

Invariably, this land was located in marginal and low potential areas.

Land acquisition for speculative purposes was the precursor to land acquisition for agricultural production as an economic activity, its euphemism being "white agricultural policy," which commenced in 1908. However, its successful realisation was predicated on the continued dispossession of the African of the best land and the destruction of his property in the years 1908-14. By 1914, white settlers, numbering 23 730 owned 19 032 320 acres of land while an estimated 752, 000 Africans occupied a total of 21 390 080 acres of land, (R. Palmer: *Land and Racial Domination in Rhodesia*, Heinemann 1977).

The end of the First World War saw the BSAC embarking on Land Settlement Policy through the launch of an elaborate and extensive campaign of wooing immigrants to Southern Rhodesia, (British South Africa Company Leaflet of 1st January 1919). The British Government under pressure to accommodate veterans of war as well as mitigate the demands on it arising for the post war economic depression, lent support to the campaign. An increase in the settler population necessarily had to be matched with the availability of additional land for the new immigrants.

(Embassy of Zimbabwe in Stockholm, accessed 16th Dec. 2012, [Ⓔ Background to Land Reform in Zimbabwe](#))

How wonderfully adept Western people are at contriving and manipulating law to justify naked aggression and land acquisition! And they really do believe the fantasy they create through weaving a web of self-serving legislation to justify their predations. And, yes, they're still doing it!

(See [Teaching 'the Natives' to Work](#) for more on this common Western colonial approach to the 'management' of indigenous populations - often argued to be not indigenous.)

³³⁴ See Jim Zanotti, [Ⓔ Israel: Background and U.S. Relations](#) (Congressional Research Service RL33476, October 28, 2016) for a brief description of United States and British involvement in Israel's legitimization, security and expansion since the Second World War.

³³⁵ As Herbert Spencer put it in 1884,

To become fit for the social state, man has not only to lose his savageness, but he has to acquire the capacities needful for civilized life. Power of application must be developed; such modification of the intellect as shall qualify it for its new tasks must take place; and, above all, there must be gained the ability to sacrifice a small mediate gratification for a future great one.

The state of transition will of course be an unhappy state. Misery inevitably results from incongruity between constitutions and conditions. All these evils which afflict us, and seem to the uninitiated the obvious consequences of this or that removable cause, are unavoidable attendants on the adaptation now in progress.

Humanity is being pressed against the inexorable necessities of its new position – is being molded into harmony with them, and has to

bear the resulting unhappiness as best it can. The process must be undergone, and the sufferings must be endured.

No power on earth, no cunningly-devised laws of statesmen, no world-rectifying schemes of the humane, no communist panaceas, no reforms that men ever did broach or ever will broach, can diminish them one jot.

(^{CE} 1884 Ch. 3, p. 40)

Western people have given a great many absurd justifications for their ruthless suppression and exploitation of others through the centuries. It seems that we have not changed our spots!

It's time for the *aggressors* to learn to compromise and adapt. We do neither them nor ourselves any long-run favor by condoning and supporting their behavior.

³³⁶ Brahma Chellaney has given an incisive description of the whirlwind being reaped by short-sighted Western interventions in former Middle Eastern colonial territories:

The Islamic State's horrific attacks in Paris provide a stark reminder that Western powers cannot contain - let alone insulate themselves from - the unintended consequences of their interventions in the Middle East. The unraveling of Syria, Iraq, and Libya, together with the civil war that is tearing Yemen apart, have created vast killing fields, generated waves of refugees, and spawned Islamist militants who will remain a threat to international security for years to come. And the West has had more than a little to do with it.

Obviously, Western intervention in the Middle East is not a new phenomenon. With the exceptions of Iran, Egypt, and Turkey, every major power in the Middle East is a modern construct created largely by the British and the French. The United States-led interventions in Afghanistan and Iraq since 2001 represent only the most recent effort by Western powers to shape the region's geopolitics.

But these powers have always preferred intervention by proxy, and it is this strategy - training, funding, and arming jihadists who are deemed "moderate" to fight against the "radicals" - that is backfiring today. Despite repeated proof to the contrary, Western powers have remained wedded to an approach that endangers their own internal security.

It should be obvious that those waging violent jihad can never be moderate. Yet, even after acknowledging that a majority of the Free Syrian Army's CIA-trained members have defected to the Islamic State, the US recently pledged nearly \$100 million in fresh aid for Syrian rebels.

(Brahma Chellaney, ^{CE} [The Western Roots of Anti-Western Terror](#), *Project Syndicate*, November 16, 2015)

³³⁷ Well - one of them anyway!

³³⁸ See [Conglomerates and the progressive modernization of poverty](#) for a discussion of what it means to live in a truly deregulated, internationalized capitalist world

³³⁹ For a detailed comparison of the external debt data of countries see ^{CE} [World Bank Quarterly External Debt Statistics](#).

For a comparison of holders of sovereign debt in various countries, see International Monetary Fund, World Economic and Financial Surveys: *FISCAL MONITOR* September 2011, ^{CE} [Addressing Fiscal Challenges to Reduce Economic Risks](#) (p. 12, Fig. 6).

As can be seen from Figure 6 of the above IMF publication (reproduced below), while non-resident and foreign official holdings in the US (which still has a relatively healthy - though rapidly deteriorating - ratio of external to internal debt despite its recent past) are at 31%, for Japan, those holdings comprise a mere 5% of Government Debt.

Paul Krugman (^{CE} [When Confidence Hurts](#) *New York Times*, November 12, 2012) has commented on the related issue of international trade denominated in an internal currency (in these cases, US and Japanese currencies):

The point, of course, is that America doesn't have a lot of foreign-currency debt. Neither does Japan - which is why I would say yes, reduced confidence in Japanese bonds would actually help their economy. Right now, as I've written in the past, the collision of deflation with the zero lower bound means that Japan actually offers investors a higher real interest rate than they can get in other advanced countries. The result is a strong yen that is really hurting Japanese manufacturing. Some loss of faith in those Japanese bonds, whether default risk or fear of higher inflation, would be a blessing.

Oh, and one more thing: there are cases right now of countries with their own currency but with lots of foreign-currency debt that make depreciation contractionary versus expansionary - for example, Hungary (where lots of people took out mortgages in Swiss francs!) So this is still a relevant distinction.

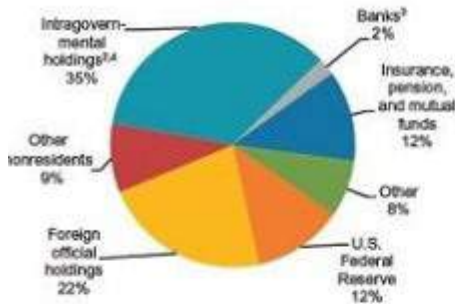
See this ^{CE} [2010 ASEAN Summary Report \(by Institute for International Monetary Affairs\)](#) of ^{CE} ["Ways to promote foreign trade settlements denominated in local currencies in East Asia"](#) as a means of insulating ASEAN countries from the consequences of using external currencies for more on all this. As the report says:

Using a regional currency in invoicing and settlement brings the following benefits to the region:

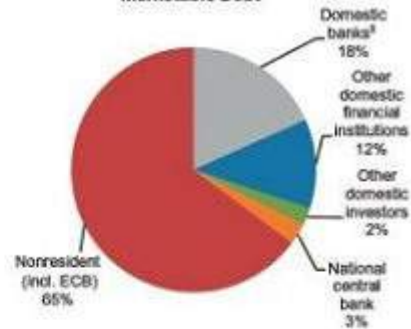
- i. trade competitiveness of Asian companies would be less impacted by the fluctuations of non-regional currencies (i.e., the dollar, euro);
- ii. trade finance would become easier, as the impacts from liquidity conditions of non-regional currencies would become less; and
- iii. settlement risk (such as [Herstatt risk](#)) would be reduced.

Holders of Government Debt (Percent of total outstanding)

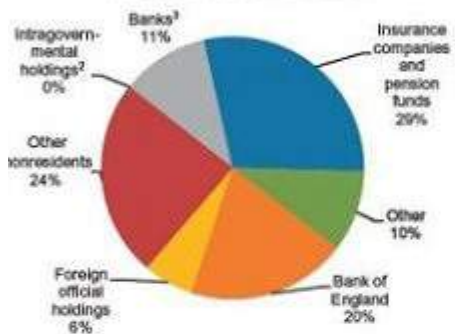
U.S. Federal Government: Treasury Securities¹



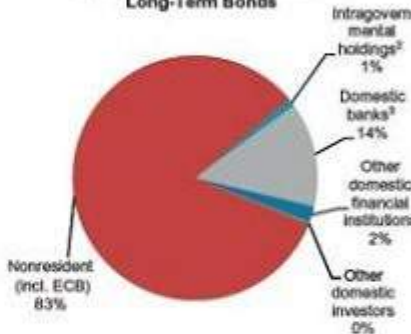
Greece Central Government: Marketable Debt⁵



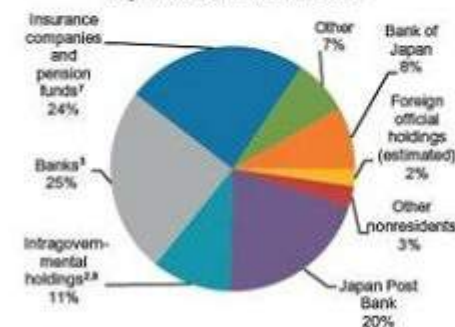
U.K. Central Government: Gilts



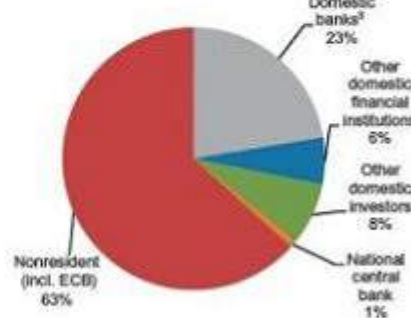
Ireland Central Government: Long-Term Bonds



Japan Central Government: Japanese Government Bonds⁶



Portugal: General Government Debt



Sources: Country authorities; Japan Post Bank; Currency Composition of Official Foreign Exchange Reserves (COFER) database; and IMF staff estimates.

Note: Data as of 2011:Q2 for Greece, Ireland, and the United States, 2011:Q1 for Japan and the United Kingdom, and 2010:Q4 for Portugal.

¹Includes marketable and nonmarketable debt.

²Holdings by general government institutions.

³For the United States, refers to depository institutions; for Greece, Portugal, and the United Kingdom, refers to monetary financial institutions excluding the central bank; for Ireland, refers to monetary financial institutions and national central bank; and for Japan, includes depository institutions, securities investment trusts, and securities companies and excludes Japan Post Bank.

⁴Includes Government Account Series securities held by government trust funds, revolving funds, and special funds, and Federal Financing Bank securities.

⁵Includes bonds, T-bills, and other short-term notes.

⁶Includes Fiscal Investment and Loan Program (FILP) bonds and does not include T-bills.

⁷Includes Japan Post Insurance and excludes public pensions.

⁸Includes public pensions.

³⁴⁰ See Stephen Foley, ^{CE} [What price the new democracy? Goldman Sachs conquers Europe](#) (*The Independent*, 18 November 2011) for an example of this. As the article explained:

... Simon Johnson, the former International Monetary Fund economist, in his book *13 Bankers*, argued that Goldman Sachs and the other large banks had become so close to government in the run-up to the financial crisis that the US was effectively an oligarchy. At least European politicians aren't "bought and paid for" by corporations, as in the US, he says. "Instead what you have in

Europe is a shared world-view among the policy elite and the bankers, a shared set of goals and mutual reinforcement of illusions."

This is The Goldman Sachs Project. Put simply, it is to hug governments close. Every business wants to advance its interests with the regulators that can stymie them and the politicians who can give them a tax break, but this is no mere lobbying effort. Goldman is there to provide advice for governments and to provide financing, to send its people into public service and to dangle lucrative jobs in front of people coming out of government. The Project is to create such a deep exchange of people and ideas and money that it is impossible to tell the difference between the public interest and the Goldman Sachs interest.....

³⁴¹ David Sanger of the *New York Times* described the scene in 1997,

BY the time they make it from the airport to the hotel, first-time visitors to the "tiger economies" of Southeast Asia almost all blurt out the same question: Where did all the money come from?

In Kuala Lumpur, the Malaysians are putting the finishing touches on the world's tallest twin towers, and the national car, the Proton, competes for space with Mercedes on the streets below. Bangkok, once known as the Venice of Asia for its tree-lined canals, has filled every watery inch with concrete to support office towers that stretch into the polluted mist. Even the Philippines, once Asia's basket case, finally has its act together.

So the financial crisis that has shaken the region in recent weeks - huge currency devaluations, the International Monetary Fund sweeping in to prop up the Philippines and virtually take over the central bank of Thailand - naturally raises the question of how much of this phenomenal growth is a chimera. Are the tigers just large house cats? Have they caught Japan disease, letting their banks get ahead of their brains, lending money with abandon for multibillion-dollar projects no one needed?

(^{CE} David Sanger, *New York Times* August 3, 1997)

³⁴² {§} (25/04/16) These 'experts' seem to suffer from a disorder common in the realm of economics: idiot-savantism. They are able to master the intricacies (and necessary complexities aimed at achieving/maintaining an elusive internal consistency) of the ideological frames **which constitute the reality in which they live**, but are unable to see the frame which limits their understanding. The blinkers they wear seem to **exclude awareness of wider implications of their formulations and predictions**.

Those - unfortunately few - capable of seeing the ideological frame within which they are required to operate, may or may not bother to master its ideologically induced intricacies. However, they will recognize the frame for what it is and are able to see possibilities which lie beyond its boundaries.

{§} (27/04/16) {§} (14/05/16) If they find themselves trapped within the realm of the 'experts', having to limit their expressed understanding to the possibilities of the ideological frame which constitutes 'reality' for their 'peers' ("with their sober demeanors, credentials from think tanks or prestigious universities, and the measured, almost soporific testimony

they deliver to congressional committees"), the weaker will accept that they are mistaken and simply stop seeing that wider reality and the stronger will either find something else to do with their lives or become increasingly frustrated. It is hard to live in [a reality defined by fachidiots](#) !

As Mike Lofgren said:

English unfortunately doesn't have a precise word for the German "☞ [Fachidiot](#)," a narrowly specialized person accomplished in his own field but a blithering idiot outside it.

(Mike Lofgren, ☞ [GOP and the Rise of Anti-Knowledge](#), *Consortiumnews.com*, October 29, 2015)

In a follow up to 'The Rise of Anti-Knowledge' Lofgren has provided a brutally frank assessment of the anti-knowledge of many 'very serious people' in the US:

It would be comforting to believe that somewhere in the commanding heights of our permanent government, there are important players who are serious grownups who know what they are doing. That, at least, is the impression they seek to convey with their sober demeanors, credentials from think tanks or prestigious universities, and the measured, almost soporific testimony they deliver to congressional committees.

Think of Robert Gates, Ashton Carter, Timothy Geithner or Eric Holder. On the surface, they seem the very antithesis of the Tea Party fanatic, gibbering about ISIS training camps in America. The preferred pose of these establishment personages is that of the politically neutral technocrat offering well-considered advice based on their profound expertise.

That pose is nonsense. They are deeply dyed in the hue of the official ideology of the governing class, an ideology that is neither specifically Democrat nor Republican. Domestically, whatever they might privately believe about essentially diversionary social issues ("rube bait") like abortion or gay marriage, they almost invariably believe in the "Washington Consensus": financialization, outsourcing, privatization, deregulation and the commodification of labor.

(Mike Lofgren, ☞ [The 'Anti-Knowledge' of the Elites](#), *Consortiumnews.com*, October 31, 2015)

For a study examining an example of this problem, see *How smart managers make dumb decisions and why shareholders encourage them*.

As the study says:

From Enron in the United States to Satyam in India, there are plenty of examples of corporate managers lying about their companies' earnings and ultimately hurting themselves and the businesses they work for.

Why do they do it?

A limited capacity to see the whole picture - known as "bounded rationality" - combined with a faulty ethical compass are two big reasons....

(University of Toronto, Rotman School of Management. ☞ [How](#)

smart managers make dumb decisions and why shareholders encourage them ", *ScienceDaily*, 14 November 2011)

- ³⁴³ Ronald Reagan, US president (1981-9), summed up the US post-1970s commitment to privatization in 1987:

Today I am announcing my intention to appoint the 13 members of my Commission on Privatization. The Commission will help fulfill the commitment I made in my Economic Bill of Rights to end unfair government competition and return government programs and assets to the American people. Privatization follows in the great tradition of free enterprise and private ownership of property that has long been a part of American history, from the initial sale of government lands under the Northwest Ordinance to the homestead program that brought the pioneers to the American West over 100 years ago.

There are many activities that are not the proper function of the Federal Government and that should simply be left to the private sector. The American people know that in many cases the Government is less efficient than private enterprise in providing certain services. Government agencies do not have the same incentives and interests that allow the private market to provide goods and services more efficiently and effectively.

Privatization programs have the potential for bringing enormous benefits to all members of society.

(Ronald Reagan: "Ⓔ [Statement on the President's Commission on Privatization](#) ", September 3, 1987. Online by Gerhard Peters and John T. Woolley, The American Presidency Project.)

As [Thom Hartmann](#) has said:

...[W]hile much of the world moves to emulate the American experiment, contemporary America is moving in the direction of the corporate-state partnership. Executives from regulated industries are heading up the agencies that regulate them. Another symptom of increasing corporate control of the nation is widespread privatization - a euphemism for shifting control of a commons resource (like water supplies) from government agencies to corporations. And corporations and their agents have become the largest contributors to politicians, political parties, and so-called "think tanks" which both write and influence legislation.

The distinction between corporate control and human control is absolutely pivotal: governments that derive their just powers from the governed are responsible to citizens and voters, and their agencies are created exclusively to administer and protect the resources of the commons used by citizens and voters. Corporations are responsible only to stockholders and are created exclusively to produce a profit for those stockholders. When aggressive corporations are in seats of power, the results are predictable.

- ³⁴⁴ There has been a great deal of discussion about and criticism of 'structural adjustment programs' devised by the International Monetary Fund and World Bank to ensure that the economies of countries requiring financial assistance are 'structurally adjusted' to minimize future problems.

Type the term into any search engine and you will have access to thousands of these.

Bill Mitchell, commenting on a 2011 report prepared by the *Independent Evaluation Office* of the IMF entitled [IMF Performance in the Run-Up to the Financial and Economic Crisis: IMF Surveillance in 2004-07](#), has summed it all up well:

...[T]he IMF is an organisation that goes into the poorest nations and bullies them into harsh policy agendas which the IEO has now found to be based on poor theory and inadequate model implementation.

That makes the IMF more than an incompetent and biased organisation. In my view it makes them culpable. Who is going to pay?

The world is still enduring the crisis that came to realisation in 2008, but was spawned many years before that as the neo-liberal financial and labour market deregulation set up the conditions that would explode sometime later.

As the private debt was building up and the shonky (and criminal) bankers were increasingly defying responsible and ethical business practice, the IMF was part of the cheer squad - urging, no, bullying governments to deregulate further and undermine the working conditions further and to reduce the scope and quality of public services.

They had already inflicted this madness on defenceless less developed countries - pushing huge levels of debt onto them and slashing public services. It is hard to find any evidence that the IMF involvement has improved the lot of the citizens other than that of the top-end-of-town.

It is easy to find evidence of IMF disasters around the world over the last 40 years. First stop in your search might be the experience of Mali in the 1980s under IMF and World Bank structural adjustment programs where poverty and hardship was deliberately exacerbated by privatisation, cuts to government employment and wages, and decimation of its public education system.

IMF austerity was at the forefront of years of political instability and eventually, once the IMF had the 'man' in place who would do their bidding without asking questions, it was declared a model nation by the Washington organisation....

(Bill Mitchell, [IMF groupthink and sociopaths](#), *Billy Blog*, April 6, 2016;

See also: [The World Bank should be defunded](#), *Billy Blog*, 30 April, 2018)

Cristina Fróes de Borja Reis and Daniela Magalhães Prates have described the World Bank's assessment of [the efficiency and equity of public spending in Brazil](#), which, as they explain, endorses austerity in Brazil until 2030:

Antonio Nucifora and Martin Raiser, Lead Country Economist and Director for the World Bank in Brazil, respectively, noted that the report finds that "much of Brazil's public spending benefits the relatively well-off more than the poor, so there is room for serious

fiscal adjustment without harming those most in need of government programs.”

This raises the obvious question of how the World Bank concluded that the rich benefited more than the poor from public spending. Given that the report also admits that the deterioration of Brazil’s fiscal situation is due principally to the recession and not growth in spending, its recommendations cast doubt on whether the Bank considered alternatives to fiscal adjustment, which, in Brazil, has consisted of austerity measures focused on a dramatic reduction of public spending.

The report endorses austerity in Brazil until 2030, praising the cap on public spending growth, a dramatic change in the federal constitution adopted just after President Rousseff’s impeachment in 2016 (see Observer Spring 2018). Public spending growth has been limited to that of inflation; amazingly, the cap’s rule does not even consider the trajectory of GDP and population growth.

Notwithstanding this obvious flaw, which would result in a decrease in spending per capita or as a percentage of GDP, it also advocated a change in the composition of spending, based on the assumption that social security spending is the main problem in Brazil, calling it the “unpayable bill”.

The report takes as its point of departure the highly dubious assumption that fiscal sustainability can only be achieved through austerity, thus ignoring more effective and equitable policies. This in turn not only results in policies that disadvantage the poor and erode gains made in the human rights of the marginalised; it threatens the legitimacy of the Bank’s self-professed intellectual and normative leadership.

Paul Krugman, in a *New York Times* article (Nov. 9, 2018) entitled ‘[What the Hell Happened to Brazil? \(Wonkish\)](#): How did an up-and-coming economy suffer such a severe slump?’, put it well:

Brazil has big long-term solvency problems. But these require long-term solutions. What happened instead was that the Rousseff government decided to impose sharp spending cuts in the middle of a slump. What were they thinking? Incredibly, it seems that they bought into the doctrine of [expansionary austerity](#).

Here is Paul Krugman’s assessment of the wisdom driving deregulatory, austerity-based, structural reform programs around the world, commenting particularly about a rating agency’s decision to downgrade France’s rating:

...[W]hy is France getting downgraded? Because, S&P says, it hasn’t carried out the reforms that will enhance its medium-term growth prospects. What does that mean?

OK, another dirty little secret. What do we know - really know - about which economic reforms will generate growth, and how much growth they’ll generate? The answer is, not much! People at places like the European Commission talk with great confidence about structural reform and the wonderful things it does, but there’s very little clear evidence to support that confidence. Does anyone really know that Hollande’s policies will mean growth that is x.x percent -

or more likely, 0.x percent - slower than it would be if Olli Rehn were put in control? No.

So, again, where is this coming from?

I'm sorry, but I think that when S&P complains about lack of reform, it's actually complaining that Hollande is raising, not cutting taxes on the wealthy, and in general isn't free-market enough to satisfy the Davos set.

(Krugman, Nov. 8 2013, ^{CE} [Ideological Ratings](#))

See ^{CE} [Growth Forecast Errors and Fiscal Multipliers](#) (IMF Working Paper 13/1, Research Department, Prepared by Olivier Blanchard and Daniel Leigh, January 2013), for a frank assessment of the effectiveness of austerity programs devised and promoted by the IMF for the post-2007 Eurozone (though not of the effectiveness and impact of privatization policies - I guess those, for ideological reasons, are simply assumed to be effective!). As Mark Whitehouse explained (Jan 5, 2013),

Sharp spending cuts and tax increases have long played a central role in the International Monetary Fund's prescriptions for governments in financial distress - most recently for the struggling members of the euro area. Now, officials at the world's primary arbiter of fiscal prudence are recognizing that such austerity can do a lot more damage than previously thought.

The first major indication of the IMF's change of heart came in October. In its World Economic Outlook, the fund published research showing that back in 2010, when Greece and other European countries embarked on severe austerity programs, its forecasters underestimated the negative impact spending cuts and tax increases would have on the broader economy.

In a paper presented today at the annual meeting of the American Economic Association, two IMF officials - chief economist Olivier Blanchard and economist Daniel Leigh - elaborated on the findings and their implications. The paper contains the boilerplate statement that it "should not be reported as representing the views of the IMF." Nonetheless, given its authors, it provides a good indication of the zeitgeist at the fund.

(^{CE} [IMF Officials: We Were Wrong About Austerity](#), *Bloomberg*, The Ticker, Jan 5, 2013)

Among the major problems of these programs is the presumption by World Bank officials that fiscal and financial processes should be deregulated; that countries should be reorganized to fit seamlessly into the 'global economy' and can readily be refashioned to Western neoliberal economic understandings and forms of organization and practice. See [Ideology and Reality](#) for more on this.

³⁴⁵ See ^{CE} [Why 'Third World'?](#) for an explanation of the use of this term

³⁴⁶ Janet Yellen (2007), President and CEO, Federal Reserve Bank of San Francisco, described ^{CE} [the Asian experience](#):

At the time of the crisis, I was the Chair of President Clinton's Council of Economic Advisers, and, as you may imagine, it was definitely a "front-burner" issue for us. As the crisis spread from country to country, there was deep concern about how big the

impact would be on the U.S. economy, and the markets certainly were jittery: that October, the Dow Jones Industrial Average plunged over 500 points.

For the five Asian nations most associated with the crisis - Thailand, Korea, Indonesia, the Philippines, and Malaysia - the toll in both human and economic terms was enormous: in 1998, these countries saw their economies shrink by an average of 7.7 percent and many millions of their people lost their jobs.

More broadly, there was concern that the crisis had revealed new sources of risk in the international financial architecture....

The financial crisis in Asia was in many ways very different from others. For example, earlier in the 1990s, both Mexico and Argentina suffered financial crises, largely stemming from their unsustainably high budget deficits and soaring inflation. By contrast, in most of the affected Asian countries, during the years leading up to the crisis, growth in economic activity was strong, inflation was relatively tame, investment was robust, and, with their budgets in surplus, their fiscal houses appeared to be in order.

Indeed, these countries had enjoyed extraordinarily fast growth for decades. As their success grew, the international community encouraged them to open their economies to foreign capital and to liberalize their financial sectors, and there was movement in that direction beginning in the late 1980s. With freer capital markets and fewer distortions in the financial sector, foreign capital flooded in, typically as short-term loans to banks; by 1996, capital inflows had grown to \$93 billion.

How, then, did 1997 become the year of the "sudden stop" in East Asia - that is, the year that foreign investors not only stopped flooding these countries with capital, but, in fact, reversed course and pulled capital out, in a dramatic way, as \$93 billion of inflows became over \$12 billion of outflows? ...

In spite of the risky lending practices that prevailed before the crisis, foreign investors poured money into these countries at record rates. Their willingness to do so appears to have stemmed in part from a second area of vulnerability - a perception that the governments of these nations stood ready to intervene to forestall bank failures.

[Accessed 9th May 2010]

³⁴⁷ As banking and investment strategies alter to circumvent the regulations, both become increasingly complex and convoluted. Then, rather than arguing for the reform of both, the focus is directed to the regulations which, it is claimed, stifle free enterprise. To the extent that such arguments are effective, one gets deregulation without reform.

James Greiff, writing on Bloomberg's *The Ticker* blog site provided a neat turn of phrase on all this:

I remember once reading a car review about a beautiful Mercedes in which the author noted that he was able to count something like 48 moving parts in the fold-away ashtray, a sign of the German carmaker's penchant for over-engineering. The author noted that an

ashtray with three moving parts would have worked as well and cost less.

The same might be said of U.S. securities markets....

Bats Chief Executive Officer Joseph Ratterman said the software snafus were a symptom of excessive complexity in market regulations. To which one might say, excessive market complexity begets excessively complex regulations.

(James Greiff, ^{CE} [Why U.S. Securities Markets Should Have Fewer Moving Parts](#), *Bloomberg: The Ticker*, Jan 11, 2013)

Regulators can be left in the unenviable position of having to apply inadequate legislation to excessively convoluted market practice. At times the tangle of practices they find themselves having to unravel can be beyond either their expertise or their resources. Frank Partnoy and Jesse Eisinger explained part of the problem:

Until the 1980s, bank rules were few in number, but broad in scope. Regulation was focused on commonsense standards. Commercial banks were not permitted to engage in investment-banking activity, and were required to set aside a reasonable amount of capital. Bankers were prohibited from taking outsize risks. Not every financial institution complied with the rules, but many bankers who strayed were judged, and punished.

Since then, however, the rules have proliferated, the arguments about compliance have become ever more technical, and the punishments have been minor and rare. Not a single senior banker from a major firm has gone to prison for conduct related to the 2008 financial crisis; few even paid fines. The penalties paid by banks are paltry compared with their profits and bonus pools. The cost-benefit analysis of such a system tilts in favor of recklessness, in large part because of the complex web of regulation: bankers can argue that they comply with the letter of the law, even when they violate its spirit.

In an important call to arms this past summer, Andrew Haldane, the Bank of England's executive director for financial stability, laid out the case for an international regulatory overhaul. "For investors today, banks are the blackest of boxes," he said. But regulators are their facilitators. Haldane noted that a landmark regulatory agreement from 1988 called Basel I amounted to a mere 18 pages in the U.S. and 13 pages in the U.K. Likewise, disclosure rules were governed by a statute that was essentially one sentence long.

Basel II, the second iteration of global banking regulation, issued in 2004, was 347 pages long. Documentation for the new Basel III, Haldane noted, totals 616 pages. And federal regulations governing disclosure are even longer than that. In the 1930s, a bank's reports to the Federal Reserve might have contained just 80 entries. Yet by 2011, Haldane said, quarterly reporting to the Fed required a spreadsheet with 2,271 columns.

The Glass-Steagall Act of 1933, which Haldane said was perhaps "the single most influential piece of financial legislation of the 20th century," was only 37 pages. In contrast, 2010's Dodd-Frank law was 848 pages and required regulators to create so many new rules (not fully defined by the legislation itself) that it could amount to

30,000 pages of legal minutiae when fully codified. "Dodd-Frank makes Glass-Steagall look like throat-clearing," Haldane said.

(^{CE} [What's Inside America's Banks?](#) *Atlantic Magazine* January/February 2013)

And now we have ^{CE} [Implementation of Basel III](#) which runs to 972 pages! As Matthew Klein says,

on Tuesday, the Federal Reserve voted on new rules governing the minimum required ratios of bank equity to bank assets as part of its effort to become compliant with its Basel commitments. The complete document is 972 pages. Few have read the whole thing - I personally gave up after about 100 pages - but summaries prepared by the Fed are ^{CE} [available here](#) and ^{CE} [also, here](#). (The Federal Deposit Insurance Corp. and the Office of the Comptroller of the Currency will issue their own rules next week.)

(Matthew C. Klein, *Bloomberg View*, Jul 4, 2013, ^{CE} [The True Purpose of Bank Capital](#))

The Volker Alliance, in a report entitled *Reshaping The Financial Regulatory System: Long Delayed, Now Crucial* has provided an overview of the state of regulation in the United States in 2015:

THE SYSTEM FOR REGULATING FINANCIAL INSTITUTIONS in the United States is highly fragmented, outdated, and ineffective. A multitude of federal agencies, self-regulatory organizations (SROs), and state authorities share oversight of the financial system under a framework riddled with regulatory gaps, loopholes, and inefficiencies. Never coherently designed, the regulatory framework developed in a piecemeal fashion over the past 150 years, as Congress established a plethora of new agencies and eliminated others primarily in response to financial panics and periods of economic instability. Notably, while the regulatory structure has seen some modification in recent decades, its foundational elements have been in place since the 1930s.

Unlike the regulatory system, however, the financial system has experienced significant transformation in the past few decades. notably:

- Banking system assets have become concentrated in a handful of extremely large, exceedingly complex, globally active, and highly diversified institutions, with huge trading books and even, in some cases, ownership of industrial assets such as coal mines, oil tankers, and power plants;
- The less regulated market outside the traditional banking system, or shadow banking, has emerged as a bigger part of the whole financial system, with increased reliance on potentially unstable forms of short-term funding that create the risk of contagion and fire sales (notably, nonbank financial institutions hold two-thirds of all creditmarket assets);
- Financial products have rapidly and fundamentally changed, becoming exceedingly complex and substantially increasing the opacity of the financial system;

- Alternative investment funds, such as hedge funds and private equity funds, have become highly leveraged, including through the use of derivatives transactions;
- Assets under management have grown dramatically and become concentrated in the largest fund complexes; and
- equities markets have become fragmented, more complex, and less transparent, in part as a result of technological advances, with increasing participation from unregulated entities, such as high-frequency trading firms.

The transformation of the financial landscape placed the outmoded and fragmented regulatory framework under significant strain in the run-up to the financial crisis, exposing its shortcomings.

(Paul A. Volker *et al*, ^{CE} *Reshaping The Financial Regulatory System: Long Delayed, Now Crucial*, the Volcker Alliance project on Reform of the Federal Financial Regulatory Agencies, New York, 2015, p.1)

³⁴⁸ The following is an excerpt from the history of the first 50 years of the FDIC:

While the agency has grown and modified its operations in response to changing economic conditions and shifts in the banking environment, the mission of the FDIC over the past five decades has remained unchanged: to insure bank deposits and reduce the economic disruptions caused by bank failures.

At the time of its adoption in 1933, deposit insurance had a record of experiments at the state level extending back to 1829. New York was the first of 14 states that adopted plans, over a period from 1829 to 1917, to insure or guarantee bank deposits or other obligations that served as currency.

The purposes of the various state insurance plans were similar: to protect communities from the economic disruptions caused by bank failures; and to protect depositors against losses. In the majority of cases the insurance plans eventually proved unworkable. By early 1930, the last of these plans had ceased operations.

A total of 150 proposals for deposit insurance or guaranty were made in Congress between 1886 and 1933. Many of these proposals were prompted by financial crises, though none was as severe as the crisis that developed in the early 1930s. The events of that period finally convinced the general public that measures of a national scope were needed to alleviate the disruptions caused by bank failures.

From the stock market crash in the fall of 1929 to the end of 1933, about 9,000 banks suspended operations, resulting in losses to depositors of about \$1.3 billion. The closure of 4,000 banks in the first few months of 1933, and the panic that accompanied these suspensions, led President Roosevelt to declare a bank holiday on March 6, 1933. The financial system was on the verge of collapse, and both the manufacturing and agricultural sectors were operating at a fraction of capacity. ^{CE} (FDIC 1984)

³⁴⁹ In an article entitled 'Labor Unions in the United States' he summed up the post-1st World War experience:

Helped by a sharp post-war economic contraction, employers and state officials ruthlessly drove back the radical threat, purging their workforce of known union activists and easily absorbing futile strikes during a period of rising unemployment....

In Austria, France, Germany, and the United States, labor unrest contributed to the election of conservative governments...

The 1920s was an especially dark period for organized labor in the United States where weaknesses visible before World War I became critical failures. Labor's opponents used fear of Communism to foment a post-war red scare that targeted union activists for police and vigilante violence.

Hundreds of foreign-born activists were deported, and mobs led by the American Legion and the Ku Klux Klan broke up union meetings and destroyed union offices (see, for example, Frank, 1994: 104-5).

Judges added law to the campaign against unions. Ignoring the intent of the Clayton Anti-Trust Act ⁷⁰⁵ (1914) they used anti-trust law and injunctions against unions, forbidding activists from picketing or publicizing disputes, holding signs, or even enrolling new union members.

Employers competed for their workers' allegiance, offering paternalist welfare programs and systems of employee representation as substitutes for independent unions. They sought to build a nonunion industrial relations system around welfare capitalism (Cohen, 1990)....

After the promises of the war years, the defeat of postwar union drives in mass production industries like steel and meatpacking inaugurated a decade of union stagnation and decline. Membership fell by a third between 1920 and 1924.

Unions survived only in the older trades where employment was usually declining. By 1924, they were almost completely eliminated from the dynamic industries of the second industrial revolution: including steel, automobiles, consumer electronics, chemicals and rubber manufacture.

(^{CE} Friedman 2008)

As the following description outlines, unionization came under strong challenge following the First World War:

The revolutionary trade union activism of the Industrial Workers of the World (IWW) began to challenge the reactionary "craft union" traditions of the American Federation of Labor (AFL).

The US joined the First World War in 1917. The AFL fought to dampen down struggle in order to maintain "social peace".

Dissent or protest against the war was banned under new laws. Socialist and union leaders were hounded and imprisoned.

But the Russian Revolution that year also had a huge impact in the US. Strikes and revolt broke out across the country.

Employers and government feared the spread of revolution. The IWW and the left were attacked as Bolsheviks. Conservative politicians demanded that the state suppress all resistance.

In 1919 a dispute by shipyard workers in Seattle grew into a tremendous city-wide general strike of 60,000 workers as 110 local unions struck in solidarity.

The mayor responded by arming the police and encouraging vigilantes to attack the strike. IWW and Socialist Party headquarters were raided and their leaders arrested.

National papers screamed about the threat of revolution in Seattle. Within a few days, the strike was defeated.

A strike by steel workers for union recognition in September 1919 proved to be a turning point. The US Steel Corporation refused to negotiate and 400,000 workers across 50 towns in ten states walked out.

They were met with violent reaction. Meetings were outlawed and groups of more than three people were broken up.

Martial law was declared in Gary, Indiana, and 26 union organizers and strikers were murdered at the hands of company police in Pennsylvania.

The steel strike nevertheless managed to hold out for over three months in the face of sustained attack. But its eventual defeat in January 1920 was a massive blow for the workers' movement.

After the steel strike the "red scare" escalated. The IWW fell victim to repression - and to its own political weaknesses.

Its orientation on the new workforce often led it to abandon the "native" skilled working class, which allowed the AFL to drive a wedge into potential class unity.

Crucially, the IWW's rejection of political parties meant it did not have a strategy for gaining political power or for confronting the state.

The war spurred industrial production, and its expansion continued through the 1920s.

The "Roaring 1920s" were symbolised by the motor car, the telephone and the hedonism of the rich as described by novelists such as F Scott Fitzgerald.

Republican presidents Warren Harding and Calvin Coolidge presided over a period of intense repression of dissent and the enrichment of the few.

J Edgar Hoover's Bureau of Investigation, the forerunner of today's FBI, collected information that led to thousands of suspected radicals being imprisoned or deported.

Repression was savage. A miners' strike in West Virginia in 1921 became an armed uprising known as the "Battle of Blair Mountain". Bosses and state officials worked together, arranging aircraft to drop pipe bombs and tear gas on workers and their families.

There were race riots in Chicago and St Louis as returning soldiers competed for jobs with the many black workers from the South who had migrated north to work in the war industries.

The American Legion was founded to carry out anti-communist propaganda and vigilante violence.

Reaction cleared the way for a massive employers' offensive as unions were smashed across the country.

The combination of an economic boom and a labor movement in retreat saw unionization collapse from five million in 1920 to 3.5 million in 1923.

Employers launched the "American Plan", which combined patriotic propaganda with company welfare plans and social activities to drum loyalty in their workforces.

"Yellow dog" contracts were pushed through, which made workers promise never to join a union. Radicals were blacklisted and could not work.

Meanwhile, the richest 1 percent of the population held a staggering 48 percent of the country's wealth into their hands.

The 1920s was a decade of defeat for US workers.

(^{CE} [The 1920s were a decade of defeat for working people](#))

350 The decade would see women's suffrage in the United States and elsewhere in the Western world.

351{§} (15/06/18) Kent Greenfield has sketched the worker welfare practices refined by Henry Ford during the 1st World War which the Michigan supreme court (Dodge v. Ford Motor Company, 170 N.W. 668 (Mich. 1919)), ruled to be 'an overtly socialist strategy'. As Greenfield explained of the resulting Michigan Supreme Court decision:

The eventual decision was, and still stands for, an iconic statement that corporations have no obligations beyond the bottom line. In one of the most famous passages in the history of corporate law, the Michigan supreme court announced,

A business corporation is organized and carried on primarily for the profit of the stockholders. The powers of the directors are to be employed for that end. The discretion of directors is to be exercised in the choice of means to attain that end, and does not extend to a change in the end itself, to the reduction in profits, or to the nondistribution of profits among stockholders in order to devote them to other purposes.

Courts, then and now, follow something called the "business judgment rule" - meaning that they did not, and still do not, typically overturn the considered decisions of corporate managers. But Ford's rhetoric of worker and customer protection was so radical that it moved the court to rule such motivation out of bounds. Dodge v. Ford was a pivotal moment in the development of corporate law. It defined the core purposes of corporations as being distinct from - even contrary to - the interests of workers, customers, and society. The case remains, a century later, as one of the first opinions law students read in their introductory business law course. It is corporate law's original sin.

(Kent Greenfield ^{CE} [SIDEBAR: Corporate Law's Original Sin](#), *Washington Monthly*, January/February 2015)

For further commentary on the nature and importance of *Dodge v. Ford Motor Company*, 170 N.W. 668 (Mich. 1919), see Macey, Jonathan R., "^{CE} [A Close Read of an Excellent Commentary on Dodge v. Ford](#) " (2008).

Max Ehrenfreund has spelt out the danger for both companies and communities of that 'original sin': that corporations exist to make money for their shareholders:

This is how most Americans think the stock market works:
corporations exist to make money for their shareholders...

[S]ome economists and legal experts have long argued that the principle of shareholder value is mistaken or at least an oversimplification. These critics blame all kinds of societal ills on shareholder value, from the erosion of middle-class wages to the seeming stagnation of technological process...

In the decades after World War II, many corporate executives felt a duty to improve society as a whole, not just to earn profits for their shareholders. Friedman argued that on the contrary, according to the logic of capitalism by which the pursuit of self-interest contributes to the greater good, the best thing that executive officers could do for society was to maximize profits.

The problem, some say, is that while the heads of corporations focus on immediate profits, they ignore their companies' prospects for expansion and vitality in the long term, whether by declining to pay for employees' training, neglecting research and development, or refraining from building new plants and factories. Over the decades, the results would be an economy that is less robust all around.

"We need a corporate sector that is investing decades ahead - investing in infrastructure, investing in research, and investing in its employees," said Lynn Stout, a law professor at Cornell University and a prominent critic of the theory of shareholder value.

(Max Ehrenfreund, [The fringe economic theory that might get traction in the 2016 campaign](#), *Washington Post*, Wonkblog, March 2, 2015)

J. W. Mason, in a study of the post-Roosevelt era benign 'welfare capitalist' model of corporate governance and the post-1970s abandonment of that model in favor of 'corporate law's original sin',

...provides evidence that the strong empirical relationship of corporate cash flow and borrowing to productive corporate investment has disappeared in the last 30 years and has been replaced with corporate funds and shareholder payouts. Whereas firms once borrowed to invest and improve their long-term performance, they now borrow to enrich their investors in the short-run. This is the result of legal, managerial, and structural changes that resulted from the shareholder revolution of the 1980s. Under the older, managerial, model, more money coming into a firm - from sales or from borrowing - typically meant more money spent on fixed investment. In the new rentier-dominated model, more money coming in means more money flowing out to shareholders in the form of dividends and stock buybacks.

These results have important implications for macroeconomic policy. The shareholder revolution - and its implications for corporate

financing decisions - may help explain why higher corporate profits in recent business cycles have generally failed to lead to high levels of investment. And under this new system, cheaper money from lower interest rates will fail to stimulate investment, growth, and wages because, as we show here, additional funds are funneled to shareholders through buybacks and dividends.

Key Findings:

- In the 1960s and 1970s, an additional dollar of earnings or borrowing was associated with about a 40-cent increase in investment. Since the 1980s, less than 10 cents of each borrowed dollar is invested.
- Since the 1980s, shareholder payouts have nearly doubled; in the second half of 2007, aggregate payouts actually exceeded aggregate investment. Today, there is a strong correlation between shareholder payouts and borrowing that did not exist before the mid-1980s.
- This change in corporate finance, associated with the "shareholder revolution", means there is good reason to believe that the real economy benefits less from the easier credit provided by macroeconomic policy than it once did.
(^{CE} [Disgorge the Cash: The Disconnect Between Corporate Borrowing and Investment](#), *Roosevelt Institute*, February 25, 2015)

Steven Pearlstein in a *Washington Post* article entitled *Beware the 'mother of all credit bubbles'*, has spelt out the consequences of Mason's observation that corporations, in 2018, 'now borrow to enrich their investors in the short-run'.

Let's recall those heady days of 2006 when home prices were rising 10, 15, even 20 percent a year, allowing millions of homeowners to refinance mortgages and collectively take out more than \$300 billion in cash from the increased value of their properties. Some spent the money on furniture, appliances, cars and vacations, adding fuel to an already roaring economy. Others reinvested it in the already booming real estate and stock markets. When it finally occurred to everyone that those houses and those stocks weren't really worth what the debt-fueled market said they were, markets crashed, banks flirted with insolvency, and the economy sank into a deep global recession.

Now, 12 years later, it's happening again. This time, however, it's not households using cheap debt to take cash out of their overvalued homes. Rather, it is giant corporations using cheap debt — and a one-time tax windfall — to take cash from their balance sheets and send it to shareholders in the form of increased dividends and, in particular, stock buybacks.

As before, the cash-outs are helping to drive debt — corporate debt — to record levels. As before, they are adding a short-term sugar high to an already booming economy. And once again, they are diverting capital from productive long-term investment to further inflate a financial bubble — this one in corporate stocks and bonds

— that, when it bursts, will send the economy into another recession....

Finally, there is the debt that investors large and small take on to buy stocks, bonds, derivatives and other securities. That's also at an all-time high.

As Stephen Blumenthal of CMG Capital sees it, this is the "mother of all credit bubbles." And with the Federal Reserve and central banks now bringing the supply and cost of credit back to normal levels, and with demand for credit continuing to soar, heavily indebted businesses, governments and households will soon be hit with big increases in interest payments. As interest payments begin to crowd out spending on other things, the economy will slow. We've seen this self-reinforcing downward cycle before, and it invariably leads to market sell-offs, loan defaults, bankruptcies, layoffs and, quite likely, recession....

(Steven Pearlstein, [Ⓔ] [Beware the 'mother of all credit bubbles'](#), *The Washington Post*, June 8, 2018)

³⁵² See [Ⓔ] [A Company Town Faces Starvation during the Pullman Strike](#) " (accessed 9th October 2011), from the [Ⓔ] [City University of New York, HERB database](#), for a description of the ways in which company towns could degenerate into exploitative traps for low-paid workers.

³⁵³ Employees were provided with commodities or paid in company tokens which were redeemable in company stores. Wikipedia has an excellent description of the system:

While this system had long existed in many parts of the world, it became widespread in the 18th and 19th centuries, as industrialization left many poor, unskilled workers without other means to support themselves and their families. The practice has been widely criticised as exploitative and similar in effect to slavery, and has been outlawed in many parts of the world. Variations of the truck system have existed worldwide, and are known by various names.

The practice is ostensibly one of a free and legal exchange, whereby an employer would offer something of value (typically goods, food, or housing) in exchange for labor, with the result being the same as if the laborer had been paid money and then spent the money on these necessities. The word truck came into the English language within this context, from the French *troquer*, meaning 'exchange' or 'barter'. A truck system differs from this kind of open barter or payment in kind system by creating or taking advantage of a closed economic system in which workers have little or no opportunity to choose other work arrangements, and can easily become so indebted to their employers that they are unable to leave the system legally. The popular song "Sixteen Tons" dramatizes this scenario, with the narrator telling Saint Peter (who would welcome him to Heaven upon his death) " ...I can't go; I owe my soul to the company store."

([Ⓔ] [Wikipedia 2010](#))

³⁵⁴ Similar forms of human enslavement have, over the past decades, been grouped under the term 'human trafficking'. The practices are growing in

frequency and number. As a Wikipedia entry puts it,

Human trafficking is the illegal trade in human beings for the purposes of commercial sexual exploitation or forced labor: a modern-day form of slavery. It is the fastest growing criminal industry in the world, tied with the illegal arms industry as the second largest, after the drug-trade.

(^{CE} [Wikipedia](#) 2010)

In the 21st century, the clearly illegal versions of such practices are the tip of an iceberg. Its bulk comprises millions of people caught in a trap of low wages, appalling work conditions and sub-standard accommodation.

Indenture is a form of exploitation which can, superficially, sound benign. However, it lends itself to serious abuse of vulnerable people. The following letter from an English youth named Richard Frethorne who was indentured to the Virginia Company, written to his parents in 1623, gives a vivid picture of the kinds of conditions experienced by indentured laborers,

Loveing and kind father and mother my most humble duty remembered to you hoping in God of your good health, as I my selfe am at the making hereof, this is to let you understand that I your Child am in a most heavie Case by reason of the nature of the Country is such that it Causeth much sicknes [including scurvy and "the bloody flux"] ... and when wee are sicke there is nothing to comfort us; for since I came out of the ship, I never at anie thing but pease, and loblollie (that is water gruell)[.] as for deare or venison I never saw anie since I came into this land there is indeed some foule, but Wee are not allowed to goe, and get yt, but must Worke hard both earelie, and late for a messe of water gruell, and a mouthfull of bread, and beife[.] a mouthfull of bread for a pennie loafe must serve for 4 men which is most pitifull if you did knowe as much as I, when people crie out day, and night, Oh that they were in England without their lymbes and would not care to loose anie lymbe to bee in England againe, yea though they beg from doore to doore....

I have nothing at all, no not a shirt to my backe, but two Ragges nor no Clothes, but one poore suite, nor but one paire of shooes, but one paire of stockings, but one Capp, but two bands, my Cloke is stollen by one of my owne fellowes, and to his dying hower would not tell mee what he did with it [although some friends saw the "fellowe" buy butter and beef from a ship, probably purchased with Frethorne's cloak]. ... but I am not halfe a quarter so strong as I was in England, and all is for want of victualls, for I doe protest unto you, that I have eaten more in a day at home than I have allowed me here for a Weeke....

O that you did see may daylie and hourelie sighes, grones, and teares, and thumpes that I afford mine owne brest, and rue and Curse the time of my birth with holy Job. I thought no head had beene able to hold so much water as hath and doth dailie flow from mine eyes.

(Richard Frethorne, "Letter to his Parents, March 20, April 2, 3, 1623," in *The Records of the Virginia Company of London*, vol. IV, ed. Susan M. Kingsbury.)

355 The 21st century version of this would be "I owe my soul to the Credit Card company". Fifteen+ percent interest rates are truly an obscene exploitation of the vulnerable among us. Yet, in the neoliberal, globalized, free-market world of the 21st century, there is no shortage of apologists for such exploitation.

Norbert Michel, in a defense of high interest rates and payday lending practices, put the neoliberal, deregulatory case clearly:

The 2010 Dodd-Frank Act authorized the Consumer Financial Protection Bureau (CFPB) to impose new regulations on payday lenders and other short-term credit providers, and these rules will likely harm millions of consumers. The act compounded this regulatory burden by effectively creating a variety of taxpayer-subsidized alternatives to private lenders in this market. Supporters of Dodd-Frank argue that these changes are necessary because private short-term lenders tend to "trap" consumers in high-cost debt. This view is fundamentally flawed, and the federal government has no need to regulate short-term lenders, all of whom are currently regulated by state governments.

Payday Lenders Provide Valuable Services

Advocacy groups have campaigned against payday (and other short-term) lenders for years, claiming that these companies systematically "trap" people in high-cost debt. Since Dodd-Frank passed in 2010, federal regulators are basing new regulations on this flawed premise. For instance, the director of the CFPB recently stated, "Too many short-term and longer-term loans are made based on a lender's ability to collect and not on a borrower's ability to repay." However, if lenders build their business on collecting money from people who cannot make good on their debts, they will soon find themselves out of business.

Furthermore, the CFPB's own complaint database does not support the claim that there is a systematic problem in this industry. From July 2011 to August 2015, consumers lodged approximately 10,000 complaints against payday lenders. Ignoring the fact that these are unverified complaints, the figure pales in comparison to the more than 12 million people per year using payday loan services. Certainly, some customers have legitimate complaints, but four years of raw complaint totals represent less than one tenth of one percent of the number of annual payday loan customers.

...One common criticism of the industry is that payday lenders gouge customers by charging a high annual percentage rate (APR) - sometimes "upwards of 390%." This criticism is misplaced, in part because it misuses the APR concept. Properly used, the APR represents the actual rate of interest someone pays over the course of a year due to compounding, the process whereby interest is added to unpaid principal. However, in a typical case, payday loan customers do not borrow for a full year, and the interest charges do not compound. Thus, there usually is no APR on a payday loan.

For example, if a customer borrows \$100 for two weeks, for a fee of \$15, then the only way to appropriately express this fee as a rate would be 15 percent (\$15 divided by \$100). When a payday loan customer rolls over a loan at payday, he has to pay a new \$15 fee

and is then responsible for repaying a total of \$130; the fee could then be expressed as a rate of 30 percent, and so on. Thus, interest costs cannot "explode" exponentially as they can, for example, with a home mortgage, since there is no compounding.

(Norbert J. Michel, ^{CE} ['Dodd-Frank and the Consumer Financial Protection Bureau Put Squeeze on Private Payday Lenders](#), *The Heritage Foundation*, Issue Brief #4479 on Economy, November 4, 2015)

However, Michel's defense, above, seems somewhat disingenuous (ideology is indeed blinkered!). The US Federal Trade Commission, in a preamble to its website providing detailed information on payday lending practices, 'Payday Lending', explains:

Many consumers who need cash quickly turn to payday loans - short-term, high interest loans that are generally due on the consumer's next payday after the loan is taken out. The annual percentage rate of these loans is usually very high - i.e., 390% or more. In recent years, the availability of payday loans via the Internet has markedly increased. Unfortunately, some payday lending operations have employed deception and other illegal conduct to take advantage of financially distressed consumers seeking these loans.

The FTC enforces a variety of laws to protect consumers in this area. The agency has filed many law enforcement actions against payday lenders for, among other things, engaging in deceptive or unfair advertising and billing practices in violation of Section 5 of the FTC Act; failing to comply with the disclosure requirements of the Truth In Lending Act; violating the Credit Practices Rule's prohibition against wage assignment clauses in contracts; conditioning credit on the preauthorization of electronic fund transfers in violation of the Electronic Fund Transfer Act; and employing unfair, deceptive, and abusive debt collection practices. The FTC has also filed recent actions against scammers that contact consumers in an attempt to collect fake "phantom" payday loan debts that consumers do not owe. Further, the FTC has filed actions against companies that locate themselves on Native American reservations in an attempt to evade state and federal consumer protection laws.

(^{CE} [Payday Lending](#), *Federal Trade Commission*, Consumer Finance (accessed November 10 2015))

³⁵⁶ In a blog post sub-titled ^{CE} ['Welfare capitalism is dying. We're going to miss it'](#), Daniel Gross has provided an excellent summary of the emergence of welfare capitalism in the early 20th century:

Welfare capitalism is a term used by historians and economists to define the distinctive style of capitalism that emerged in the 20th century. Until the turn of the 20th century, fringe benefits, insurance, retirement plans, and health benefits - the perks we have come to define as essential to employment - simply didn't exist. Employers had compensated employees solely with wages.

But that changed with the onset of industrial capitalism. In Europe, governments responded to industrialism by developing state-run systems of unemployment insurance, health care, and pensions. But

- in yet another example for American exceptionalism - the private sector took the lead in the United States. After the age of the robber barons and various bitter strikes, forward-looking companies began to take action on their own. They were influenced by a range of factors: noblesse oblige, paternalism, and the emerging fields of industrial psychology and human resource management.

Henry Ford led the way. In January 1914, Ford Motor Co. instituted the \$5 day. Over the next several years, Ford took steps to ensure that its employees remained healthy, loyal, and above all, efficient. It opened an infirmary and established the "Sociological Department" to both keep tabs on and look after the welfare of its workers. In 1922, Ford cut the work week from six days to five.

In the roaring 1920s, when other highly profitable companies began to emulate Ford, welfare capitalism began in earnest. Companies built cafeterias and health clinics, sponsored baseball and bowling leagues, and granted days off for the opening of deer season. Corning Glass Works began providing health insurance in 1923. The same year, U.S. Steel slashed its workday from 12 hours to eight. In 1927, International Harvester began offering two-week paid vacations. All this was all done without government mandates and largely without the influence of unions.

Welfare capitalism proved a phenomenal success - socially, economically, and politically. America's industrial complex was ultimately unionized, but with relatively little upheaval. Even with the rise of the welfare state in the '30s, corporations continued to assume responsibility for the well-being of their employees. It was part of a grand bargain between labor, capital, and government that allowed for remarkable growth, innovation, and rising standards of living for decades. It also served as a bulwark against socialism. By endowing labor with dignity, welfare capitalists made industrial work a ticket to the middle class.

But just as the New Deal Coalition started to fray in the 1960s, so too did welfare capitalism. American businesses - and workers - increasingly began to face competition from all over. They began to have difficulty competing with companies from countries where more robust welfare states bore the burden of providing pensions and health insurance (like Germany and Japan). They began to have difficulty competing with low-wage competitors in countries where welfare capitalism had yet to take hold, like Mexico, China, and India. And they began to face competition from newer domestic companies that never bought into the ideas of welfare capitalism.

In the 1920s, competitive pressures led companies to become more paternalistic to unskilled workers. But now, the pressure is all in the other direction. With each passing year, more and more retailers have to compete with Wal-Mart, and more and more manufacturers have to compete with China. Even enlightened employers like Starbucks can't ever hope to offer the sort of programs that International Harvester and Ford did back in the 1920s. And so welfare capitalism is slipping away. Health care insurance has increasingly become decoupled from work. According to this Kaiser Family Foundation study, 61 percent of workers are covered by employers' health insurance, down from 65 percent in 2001. And

pension plans, which guaranteed a retirement income to employees, are being replaced by 401(Ks), which offer no such certainties.

³⁵⁷ These became beliefs which have been perpetuated amongst employers, right wing political organizations and conservative middle and working class people to the present.

Of course, the strong growth in urban wages was primarily due to President Coolidge's (and Hoover's) liberalization of investment regulation - which led to the explosion in speculative investment and consequent financial collapse. A Wikipedia entry has summarized US federal policies well:

...With the exception of favoring increased tariffs, Coolidge disdained regulation, and carried about this belief by appointing commissioners to the Federal Trade Commission and the Interstate Commerce Commission who did little to restrict the activities of businesses under their jurisdiction. The regulatory state under Coolidge was, as one biographer described it, "thin to the point of invisibility."

and

...Coolidge's taxation policy was that of his Secretary of the Treasury, Andrew Mellon, the ideal that "scientific taxation", lower taxes, actually increase not decrease government receipts. Congress agreed, and the taxes were reduced in Coolidge's term. In addition to these tax cuts, Coolidge proposed reductions in federal expenditures and retiring some of the federal debt. Coolidge's ideas were shared by the Republicans in Congress, and in 1924 Congress passed the Revenue Act of 1924, which reduced income tax rates and eliminated all income taxation for some two million people. They reduced taxes again by passing the Revenue Acts of 1926 and 1928, all the while continuing to keep spending down so as to reduce the overall federal debt. By 1927, only the richest 2% of taxpayers paid any federal income tax.

(Wikipedia, ^{CE} [Calvin Coolidge](#) [accessed 13 July, 2014])

The lowering of the prices of manufactured consumables was a consequence of both the assembly-line organization and electrification of industry, driven by wartime necessity. Once productive enterprise was refocused to peace-time needs, this resulted in mass production of cheap consumer goods.

The welfare capitalism of the period was funded by the boom conditions. Once those conditions collapsed, so did welfare capitalism.

Very similar sets of taxation and deregulatory policies were enacted in most Western nations from the 1980s and a similar fall in the price of consumer goods occurred with the globalization of labor-intensive production. As production moved to low-wage areas, the costs of consumables manufacturing dropped. This was quickly reflected, through competition, in retail prices in Western countries.

Even without any increase in wages, Western people found themselves able to afford previously luxury goods. It seemed in the 1980s that deregulation had indeed resulted in prosperity - free markets obviously worked!

358 The Wall Street collapse of 2008 is merely the latest in a long line of burst capitalist bubbles. See 'When the Bubble burst, all of England wound up broke. (South Sea Bubble)' by Robert Wernick (1989) for a description of the 1720 collapse of The South Sea Company and subsequent collapse of credit in Britain. As Wernick described,

At the beginning of September 1720, South Sea stock sagged to Bp830, then to 750, to 575, to 370. By the end of the month it stood at Bp180. Blunt's nephew Charles cut his throat with a razor. Blunt himself - Sir John, as he was now - narrowly escaped with his life when an angry speculator tried to shoot him down in the street. He had taken the precaution of selling out all his stock near the high in August,

The collapse of the South Sea stock led to a collapse of all credit. By October it was clear that a financial crisis had erupted in England. No one wanted paper anymore. The real estate market collapsed. Unemployment, especially in the luxury trades, spread. So did bankruptcies. The government fell.

Everyone who had had any dealings with the South Sea Company, and that meant almost everyone of consequence in Great Britain, was in a rage and a financial fix.

For a 19th Century derisive account of economic bubbles see [Memoirs of Extraordinary Popular Delusions and the Madness of Crowds](#), By Charles Mackay (1852).

For more on the history of the South Sea Company, see Carl Wennerlind (2011). As the author explained in a *Bloomberg Echoes: Dispatches From Economic History* summary ([The Worst Debt-Crisis Solution a Country Ever Concocted](#), Jan 18, 2013),

... arguably no country can match either the ingenuity or despicableness of the British when they tackled their own fiscal woes in the early 1700s. Faced with a ballooning national debt, English policy makers combined a complex debt-for-equity swap with promotion of the trans-Atlantic slave trade.

England pioneered the modern system of finance in the 1690s, by creating the Bank of England, developing a generally circulating credit currency, establishing sophisticated stock and bond markets, and introducing a long-term public debt secured by earmarked future tax receipts.

This system enabled England to prevail in a 20-year military conflict against a more populous, resource-rich and battle-weary France. But by 1710, England's national debt had grown out of control and the new system of finance was stretched to its limit

Much like today, the ruling party's ability to survive in office depended on its capacity to come up with a restructuring plan that would satisfy the bond market. The key was to restore investor confidence in the likelihood that the debt would be adequately serviced and eventually paid off.

Slave Trade

Recognizing that mere palliatives wouldn't suffice, the Tory minister Robert Harley started the South Sea Co. in the spring of 1711. The

new company was given the right to create a capital stock of 10 million pounds, which it would issue to the public in return for the deeply discounted unsecured government bonds in circulation. To make this public-for-private, debt-for-equity swap attractive to bondholders, Harley committed future tax receipts to pay interest on the debt the company absorbed. More importantly, he awarded the company England's monopoly rights to provide Spain's American colonies with African slaves - a contract obtained as a spoil of victory in the war against France.

Harley hoped that investors' dreams of great profits from the Atlantic slave trade would entice them to give up their bonds and accept stock in the South Sea Co.

Credit, as is often forgotten, is nothing more than belief, confidence and imagination. If enough people believe that a certain amount of value will be generated in the future or in a distant place, that value can be used today, either for consumption, investment or debt restructuring. It is this capacity to transfer value through time and space that gives credit an appearance of magic. It is also this capacity, of course, that makes credit precarious and subject to manipulation, well-intentioned and otherwise.

Harley's Tories and the Whig opposition clearly recognized that for the South Sea scheme to work a favorable perception of the slave trade was necessary. To move public opinion in the right direction, each side employed a series of authors to write propaganda journalism. While the Whig writers sought to undermine confidence in the scheme, Harley's side hired scribblers, including the novelists Daniel Defoe and Jonathan Swift, who extolled the plan's virtues and promises.

(Carl Wennerlind, *Casualties of Credit: The English Financial Revolution, 1620-1720*, 2011-11-30, Harvard University Press, 360 pages)

³⁵⁹ Economists have a wonderful talent for mystifying the mundane and coining euphemisms. Instead of 'creating credit' we now have 'quantitative easing'!

³⁶⁰ And, in the first decade of the 21st century, we did it all over again! See this piece by Barry Ritholtz (*Washington Post* November 20, 2011) ['Examining the big lie: How the facts of the economic crisis stack up'](#) for a depressing picture of the consequences of unregulated capitalism:

» Nonbank mortgage underwriting exploded from 2001 to 2007, along with the private label securitization market, which eclipsed Fannie and Freddie during the boom. Check the mortgage origination data: The vast majority of subprime mortgages - the loans at the heart of the global crisis - were underwritten by unregulated private firms.

These were lenders who sold the bulk of their mortgages to Wall Street, not to Fannie or Freddie. Indeed, these firms had no deposits, so they were not under the jurisdiction of the Federal Deposit Insurance Corp or the Office of Thrift Supervision. The relative market share of Fannie Mae and Freddie Mac dropped from a high of 57 percent of all new mortgage originations in 2003, down to 37 percent as the bubble was developing in 2005-06.

» Private lenders not subject to congressional regulations collapsed lending standards. Taking up that extra share were nonbanks selling mortgages elsewhere, not to the GSEs. Conforming mortgages had rules that were less profitable than the newfangled loans.

Private securitizers - competitors of Fannie and Freddie - grew from 10 percent of the market in 2002 to nearly 40 percent in 2006. As a percentage of all mortgage-backed securities, private securitization grew from 23 percent in 2003 to 56 percent in 2006

These firms had business models that could be called "Lend-in-order-to-sell-to-Wall-Street-securitizers." They offered all manner of nontraditional mortgages - the 2/28 adjustable rate mortgages, piggy-back loans, negative amortization loans. These defaulted in huge numbers, far more than the regulated mortgage writers did.

Consider a study by [McClatchy](#): It found that more than 84 percent of the subprime mortgages in 2006 were issued by private lending. These private firms made nearly 83 percent of the subprime loans to low- and moderate-income borrowers that year. And McClatchy found that out of the top 25 subprime lenders in 2006, only one was subject to the usual mortgage laws and regulations.

A [2008 analysis](#) found that the nonbank underwriters made more than 12 million subprime mortgages with a value of nearly \$2 trillion. The lenders who made these were exempt from federal regulations.

A [study by the Federal Reserve](#) shows that more than 84 percent of the subprime mortgages in 2006 were issued by private lending institutions. The study found that the government-sponsored enterprises were concerned with the loss of market share to these private lenders - Fannie and Freddie were chasing profits, not trying to meet low-income lending goals

³⁶¹ The following table from the U. S. Bureau of the Census (1975) shows the extent of the unemployment problem during the decade of the 1930s.

Table 1.3 Unemployment in the United States 1929-1939

(In thousands of persons 14 years old and over. Annual averages)

Year	Unemployed	% of civilian labor force	Unemployed (1929=100)
1929	1,550	3.2	100.0
1930	4,340	8.9	280.0
1931	8,020	16.3	517.4
1932	12,060	24.1	778.1
1933	12,830	25.2	827.7
1934	11,340	22.0	731.6
1935	10,610	20.3	684.5
1936	9,030	17.0	582.6
1937	7,700	14.3	496.8
1938	10,390	19.1	670.3
1939	9,480	17.2	611.6

Source: *Historical Statistics, Series D8-D9.*

This table does not include the millions involved in New Deal employment programs which were, during the period, not included in employment statistics. See Harry Kelber, ^{CE} [How Labor and the New Deal in the 1930s Were Able to Change the Face of America](#), *The Labor Educator*, May 4-16, 2008 for more on this.

³⁶² As [Josh Bivens has argued](#), both job guarantee (JG) programs and universal basic income (UBI) programs should be developed within all truly democratic capitalist societies. And, where 'work' is the focus, that work should contribute to the health and wellbeing of communities of people and of the nation as a whole.

Workers employed under the umbrella of programs of the US New Deal Emergency Conservation Work (EWC) Act of 1933, soon known as the Civilian Conservation Corps (CCC), found themselves involved in just such work. These were *never* 'make work' jobs. As the *Civilian Conservation Corps Legacy* site has explained:

The 1932 Presidential election was more a desperate cry for help than it was an election. Accepting the Presidential nomination on July 1, 1932, New York Governor Franklin D. Roosevelt planned to fight against soil erosion and declining timber resources by utilizing unemployed young men from large urban areas.

In what would later be called "The Hundred Days," President Roosevelt revitalized the faith of the nation by setting into motion a "New Deal" for America. One of these New Deal programs was the Emergency Conservation Work (EWC) Act, more commonly known as the Civilian Conservation Corps. With this action, he brought together two wasted resources: young men and land.

The President wasted no time. He called the 73rd Congress into Emergency Session on March 9, 1933, to hear and authorize the program. He proposed to recruit thousands of unemployed young men, enroll them in a peacetime army, and send them into battle against destruction and erosion of our natural resources. Before the CCC ended, over three million young men engaged in a massive salvage operation described as the most popular experiment of the New Deal.

The strongest reaction to the proposed CCC program came from organized labor. Union leaders feared a loss of jobs that could be filled with union members. Also, they were alarmed at the involvement of the Army and believed this might lead to regimentation of labor.

Emergency Conservation Work legislation passed on March 31, 1933

President Roosevelt promised if granted emergency powers he would have 250,000 men in camps by the end of July, 1933. The speed with which the plan moved through proposal, authorization, implementation and operation was a miracle of cooperation among all branches and agencies of the federal government. It was a mobilization of men, material and transportation on a scale never before known in time of peace. From FDR's inauguration on March 4, 1933, to the induction of the first enrollee on April 7, only 37 days had elapsed.

Senate Bill S. 598 was introduced on March 27, passed both houses of Congress and was on the President's desk to be signed on March 31, 1933.

(*Civilian Conservation Corps Legacy* site, [Ⓔ] [CCC Brief History](#), accessed 09 July 2018)

(Lambert Strether has provided an interesting discussion of [Ⓔ] [The Jobs Guarantee, "Make-Work," and FDR's Civilian Conservation Corps \(CCC\)](#) on the *Naked Capitalism* site.)

³⁶³ This, too, is a consequence of the rhetoric of the 1920s and 1930s. The gutting of union power in the early 1920s was largely claimed to be not a move against labor but a move against socialist revolution. As Friedman (2008) explained,

Labor's opponents used fear of Communism to foment a post-war red scare that targeted union activists for police and vigilante violence.

Opposition to the New Deal was couched in very similar terms. Even from within the Democratic Party, opposition was expressed in these terms. A Wikipedia entry on the American Liberty League explains it:

The American Liberty League was an American pressure group formed in 1934 by conservative Democrats to oppose the liberalism of President Franklin D. Roosevelt's New Deal. The League stated that it would work to "defend and uphold the Constitution" and to "foster the right to work, earn, save and acquire property." In its opinion, the Roosevelt Administration was leading the U.S. toward socialism, bankruptcy and dictatorship.

(^{CE} Wikipedia 2010)

³⁶⁴ Of course this is illusory. The vast bulk of Western legislation relates to economic issues of one kind or another, primarily spelling out 'legitimate' and 'illegitimate' forms of organization, behavior and intent. Once one learns the maze, the rules appear invisible.

³⁶⁵ See [The Discovery of Natural Man](#) for more on this.

³⁶⁶ For a discussion of the *Summum Bonum* see [In Search of the 'Greatest Good'](#).

³⁶⁷ It would seem that, logically, contrary to common practice among US conservative evangelical Christians, evangelical Christians should reject the relevance of Aquinas's logic for the market place.

Since most forms of Christianity hold that human nature was warped through 'The Fall' in the Garden of Eden, the expression of unredeemed human nature should *not* produce the *Summum Bonum*. Those who rely on the metaphysical presumption that the expression of uninhibited human nature will produce the *Summum Bonum* must be assuming either that human beings are redeemed through the market place or that unredeemed human nature has not been warped.

³⁶⁸ Staughton Lynd, in 1974, described the early, stuttering attempts by the new Roosevelt administration to work out what to do! It took most of their first term in office to develop a full-fledged response. Even then, there were many trial-and-error steps which had to be retraced and rethought. After all, Roosevelt inherited a catastrophic meltdown of the US economy and, instead of 'playing it safe' he and those advising him, decided to invent a New Deal which would provide a blueprint for Western nations in years to come. As Lynd says,

It is important to recall that despite Roosevelt's great popularity when first inaugurated and again after the "second New Deal" of 1935-1937, in 1934 and 1935 there was much disillusionment with New Deal labor policy. The National Recovery Administration to which working people had enthusiastically responded in 1933 was renamed the "National Run Around".

(Staughton Lynd,^{CE} [The United Front in America: a Note, Radical America](#), July-August 1974.)

See ^{CE} [FDR's Statements on Social Security](#) (www.socialsecurity.gov/history) for succinct explanations of Roosevelt's 'New Deal' vision. As he said, in his Presidential Statement Signing The Social Security Act on August 14, 1935,

We can never insure one hundred percent of the population against one hundred percent of the hazards and vicissitudes of life, but we have tried to frame a law which will give some measure of protection to the average citizen and to his family against the loss of a job and against poverty-ridden old age.

This law, too, represents a cornerstone in a structure which is being built but is by no means complete. It is a structure intended to lessen the force of possible future depressions. It will act as a protection to future Administrations against the necessity of going deeply into debt to furnish relief to the needy. The law will flatten out the peaks and valleys of deflation and of inflation. It is, in short, a law that will take care of human needs and at the same time provide the United States an economic structure of vastly greater soundness.

It has become fashionable to dwell on the New Deal's flaws. Of course there were flaws! This was the first time in Western history that a government had attempted to both regulate capitalism and provide a comprehensive safety net for vulnerable people. And it was being undertaken during and in reaction to an economic crisis of unprecedented dimensions.

To dismiss the New Deal because it was flawed seems a remarkably nescient reaction to its flaws. What the New Deal has always required has been intelligent review and shaping.

It is indeed sad that over the past forty years US politicians and planners have all-too-often seen fit to use the existence of perceived policy and implementation imperfection as reason enough for dismantling rather than shaping the measures introduced by Roosevelt and his team.

See this footnote for some of the sliding taxation consequences of Roosevelt's New Deal policies through the 1950s-1970s: [Taxation consequences of The New Deal](#).

³⁶⁹ I must confess that the ease with which political opportunists are able to reinvent history (even the history of six months earlier) and then successfully convince Western electorates of the 'truth' of their fables bemuses me. It must, surely, reflect on the quality of our educational institutions that people can so easily be misled.

³⁷⁰ Demonstrating, once again, the truth of the adage 'There's nothing new under the sun' - see [Free Markets Work!](#)

³⁷¹ See [Natural Law and Perfection](#) for the origin of the western European belief that human beings have a duty to discover 'natural law' through understanding the 'nature' of human beings and to live by that inbuilt law once discovered.

³⁷² See [Social Exchange Theory](#) for more on this.

Of course, these presumptions are highly questionable and open to challenge. However, even accepting the premises, the presumption that uninhibited individualistic competitive activity as expressed in the marketplace will result in social good requires a remarkable leap of faith. There seems to be no evidence from either history or a study of trade dynamics that this is so.

See ^{CE} [Divided We Stand: Why Inequality Keeps Rising](#) for an OECD overview of growing income inequalities in OECD countries. As the report says,

In the three decades prior to the recent economic downturn, wage gaps widened and household income inequality increased in a large majority of OECD countries. This occurred even when countries were going through a period of sustained economic and employment growth. This report analyses the major underlying forces behind these developments.

((December 2011) See also ^{CE} [An Overview of Growing Income Inequalities in OECD Countries: Main Findings](#))

As the physicists J. R. Iglesias and R. M. C. de Almeida have shown, (^{CE} [Entropy and equilibrium state of free market models](#), *The European Physical Journal B - Condensed Matter and Complex Systems*, Volume 85 (2012), Number 3, 85-95), unregulated market exchange does not lead to fairer outcomes for all:

...all the available wealth is concentrated among only a few agents. This is represented by a tail-shaped graph that confirms previous studies showing that wealth distribution follows a power law. As a result, the free market is stalled with no subsequent possible exchanges of wealth, even if wealth were distributed evenly from the start.

The authors concluded that regulations for the rules of wealth exchange are necessary to avoid concentration of wealth and stalling of market exchange. For example, systems in which regulations and taxes give the poorest agent a probability of wealth gain of over 50 percent may prevent wealth concentration and decrease inequalities.

(^{CE} [Market exchange rules responsible for wealth concentration](#))

In an earlier version of the study (^{CE} [Entropy and equilibrium state of free market models](#), published by arxiv.org 29 Aug. 2011), the authors concluded:

Numerical results, as well as some analytical calculations, indicate that a frequent outcome in these models is *condensation*, i.e. concentration of all available wealth in just one or a few agents. This final state corresponds to a kind of equipartition of poverty: All agents (except for a set of zero measure) possess zero wealth while one, or a few ones, concentrate all available resources. In any case the final configuration is a stationary state of "equilibrium", since agents with zero wealth cannot participate in further exchanges.

Jake Johnson has summarized results of a 2016 survey of US wealth distribution by the *People's Policy Project* (3P):

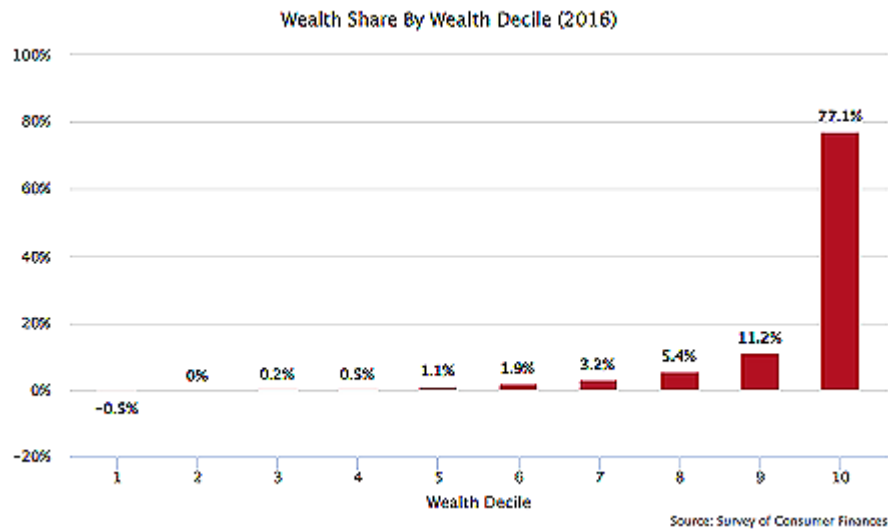
...An ^{CE} [analysis](#) by the People's Policy Project (3P) published Wednesday found that the top 10 percent of the income distribution

now owns a "stunning" 77 percent of America's wealth while those in the bottom ten percent are "net debtors," owning -0.5 percent of the nation's wealth.

In response to the analysis, conducted by 3P president Matt Bruenig, Sen. Bernie Sanders (I-Vt.) wrote on Twitter: "Meanwhile, the Walton family of Walmart has a net worth of \$144 billion. This is what a rigged economy looks like."

"We do not live in a democracy. We live in an oligarchy," added the progressive group Digital Left.

3P's examination of newly released Federal Reserve data also found that "[t]he bottom 38 percent of American families have an average net worth of \$0." By contrast, the top one percent—set to ^{CE} benefit massively from Trump's tax agenda—owns 38.5 percent of the nation's wealth. In 1989, that number was 29.9 percent.

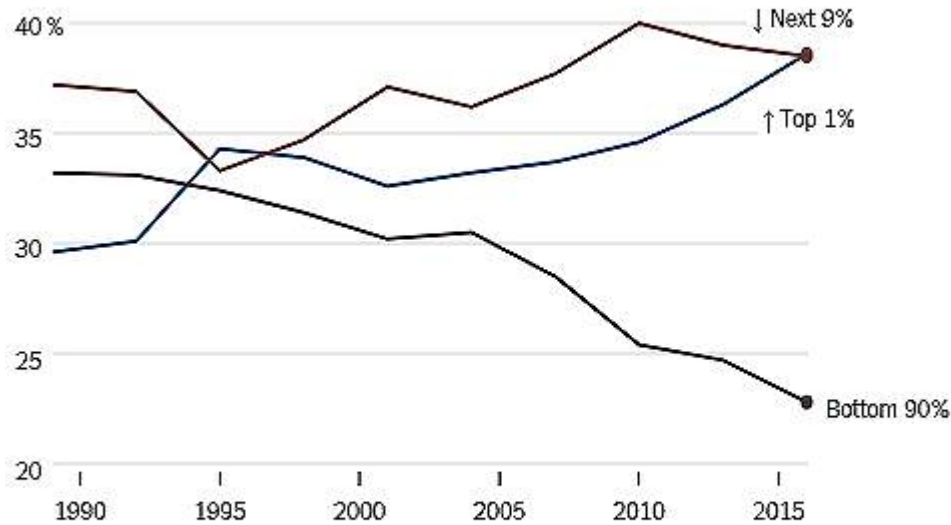


(Jake Johnson, staff writer, ^{CE} 'What a Rigged Economy Looks Like': Top 10% Now Own 77% of American Wealth, *Common Dreams*, September 28, 2017)

And this graph, adapted from data provided by the *Federal Reserve* ^{CE} Survey of Consumer Finances by ^{CE} Ben Casselman for the *New York Times*, Sept. 27, 2017:

The Richest Control More Wealth

Share of total wealth held by percentile.



Source: Survey of Consumer Finances

Ben Casselman, 'Feel That Post-Recession Bounce? The Rich Feel It the Most'
New York Times, Sept. 27, 2017

In a study which "combines income tax with Flow of Funds data to estimate the distribution of household wealth in the United States since 1913", Saez and Zucman (2014) explained that:

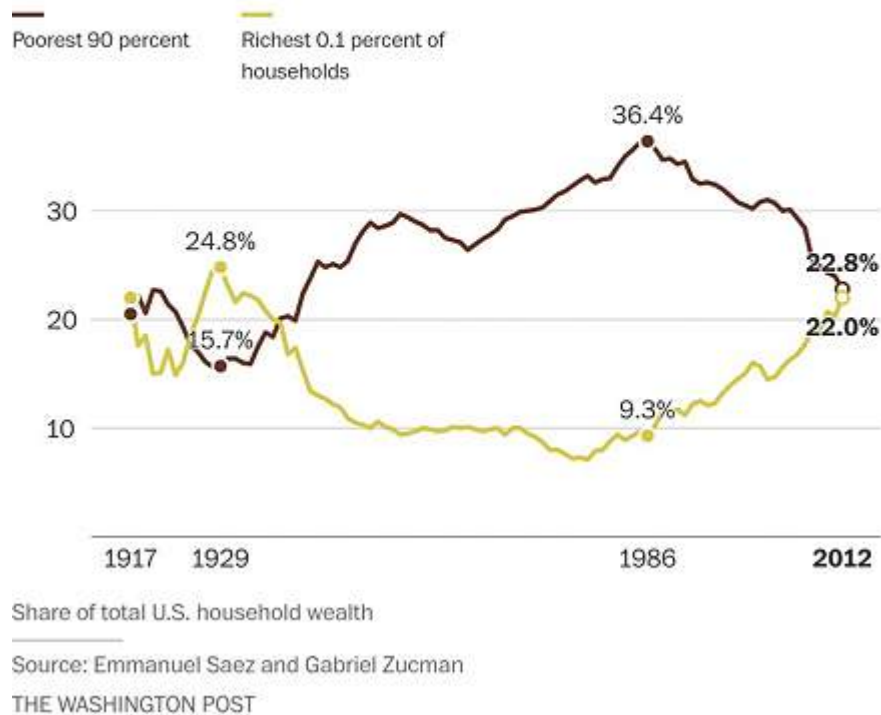
...wealth inequality has considerably increased at the top over the last three decades. By our estimates, almost all of this increase is due to the rise of the share of wealth owned by the 0.1% richest families, from 7% in 1978 to 22% in 2012, a level comparable to that of the early twentieth century

(Emmanuel Saez and Gabriel Zucman, ^{CE} *Wealth Inequality in The United States since 1913: Evidence from capitalized income tax data*, NBER Working Paper Series, Working Paper 20625, October 2014)

Max Ehrenfreund, in a *Washington Post* article, provided a graphic illustration of the different fortunes of the top 0.1% of the United States population relative to the bottom 90% of the population:

The rich are getting richer

After decades in which the middle class claimed an expanding share of the nation's wealth, a small group of rich families now owns nearly as much as 90 percent of the country combined.



As Ehrenfreund has explained:

As shown in the chart above, wealth was not always so unevenly distributed in the United States, but since the middle of the Reagan administration, wealth has gradually become concentrated in the hands of a few.

Saez and Zucman write that the concentration has increased both because salaries have skyrocketed for a small group of Americans, and because that group has been able to earn more in interest and returns on their investments. The richest 0.1 percent of families today now own nearly as much as that same class did in 1929, on the eve of the Great Depression, when they controlled nearly a quarter of the nation's wealth.

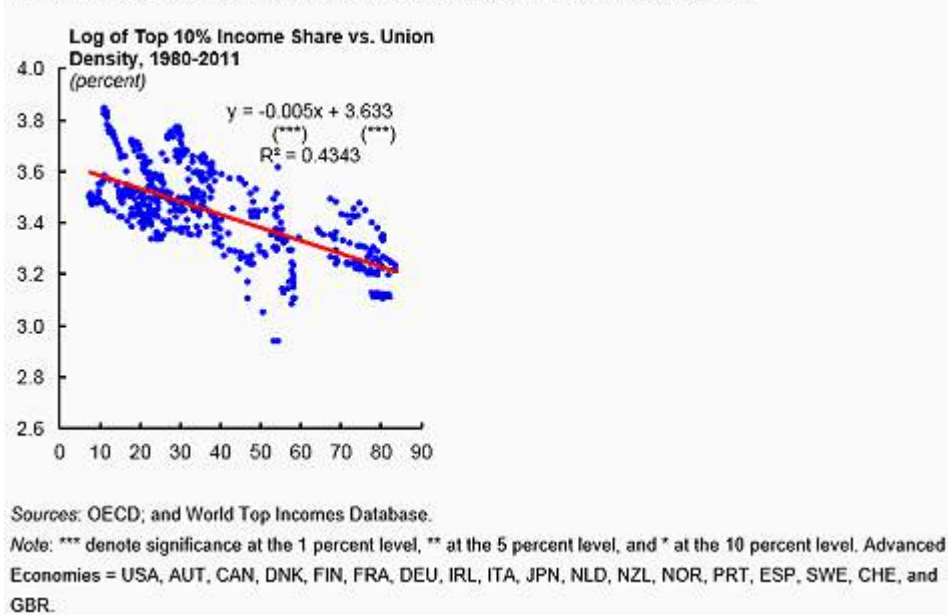
(Max Ehrenfreund, ^{CE} [Bernie Sanders is right: The top 0.1 percent have as much as the bottom 90 percent](#), *Washington Post*, Wonkblog, November 19, 2015)

Florence Jaumotte and Carolina Osorio Buitron, in a study of the role of labor unions in minimizing inequality in 'Advanced Economies' (i.e. Western nations plus Japan) provided a description of the growth in inequality between 1980 and 2010. As they say,

The most novel aspect of our paper is the discovery of a strong negative relationship between unionisation and top earners' income shares (Figure 2). Although causality is always difficult to establish, the influence of union density on top income shares appears to be largely causal, as evidenced by our instrumental variable estimates. The set of instruments used for union density captures the fact that, although unionisation tends to decline in periods of high unemployment, the effect is weaker in countries where

unemployment benefits are managed by unions (i.e. the Ghent system) or where collective bargaining is more centralised...

Figure 2. Top 10% income share and union density in advanced economies



The magnitude of the effect is also significant; the decline in union density explains about 40% of the average increase in the top 10% of income share in our sample countries.

(Florence Jaumotte and Carolina Osorio Buitron, [Union power and inequality](#), VOX, CEPR's Policy Portal, 22 October, 2015)

(see [The Working Poor](#); [Neoliberalism](#) for more)

³⁷³ See [Open-ended and Closed Utilization of the Material Environment](#) for more on this.

³⁷⁴ see [Reciprocity and Exchange](#) for more on this.

³⁷⁵ or of the means for obtaining these - through accumulating money or resources which can directly or indirectly be converted into cash income.

³⁷⁶ How much richer our lives would be if we could divest ourselves of the drive to self-promotional productivity and consumption but retain our will to cooperate in a quest for understanding and knowledge. The Writer of *The Proverbs* put it well:

Wisdom is supreme; therefore get wisdom. Though it cost all you have, get understanding...

How much better to get wisdom than gold, to choose understanding rather than silver!

(Proverbs 4:7; 16:16 [New International Version of the Bible])

As it is, our creativity becomes harnessed to the capitalist drive to accumulation and consumption and directed not by the creative and the inquiring, but by the self-promoting accumulators and consumers in Western communities.

(see [Engineering Efficient Technology Transfer](#), *Science Translational Medicine* 23 November 2011: Vol. 3, Issue 110, p. 110, for a depressingly common view of the need for "Tighter Ties between Universities and the Corporate World".)

³⁷⁷ See [Teaching The Poor to Work; Teaching 'The Native' to work](#) for more on this. Also, for a description of contemporary closures of 'The Commons' in non-Western regions of the world, see this EurekaAlert summary (1-Feb-2012) of studies presented by the *Rights and Resources Initiative* (RRI), ^{CE} [Warning of unrest, new study shows millions risk losing lands in Africa](#). As the authors say:

"The new land rush increasingly looks like a final enclosure of the world's common lands," said panel moderator Fred Pearce, environment writer and author of the upcoming book, *The Landgrabbers: The New Fight Over Who Owns the Earth*. "Throughout the developing world, traditional rights to land and resources are being steamrolled in the name of a warped and outdated view of economic development."

³⁷⁸ One wonders how Thomas More would have described the consequences of the sub-prime mortgage fiasco in the US.

And, of course, that other Thomas - Jefferson. If he could write of late 18th century Western Europe that,

...they have divided their nations into two classes, wolves and sheep. I do not exaggerate. This is a true picture of Europe. ...man is the only animal which devours his own kind; for I can apply no milder term to the governments of Europe, and to the general prey of the rich on the poor.
(Thomas Jefferson, 1787)

how would he have described the past several years, from 2007, in Western nations?

³⁷⁹ See [Alienation of Property](#)

³⁸⁰ See [Emergence of commodified relationships in western Europe](#)

As Marx claimed:

The Roman slave was held by fetters: the wage-laborer is bound to his owner by invisible threads. The appearance of independence is kept up by means of a constant change of employers, and by the *fictio juris* of a contract.
(Marx 1867, vol. 1, pt 7, ch. 23)

³⁸¹ See [The Virtuous Capitalist, The Poor and the Wasteland](#) for more on this.

³⁸² As Marx explained:

To become a free seller of labor-power, who carries his commodity wherever he finds a market, he must ... have escaped from the regime of the guilds, their rules for apprentices and journeymen, and the impediments of their labor regulations.

Hence, the historical movement which changes the producers into wage-workers, appears, on the one hand, as their emancipation from serfdom and from the fetters of the guilds, and this side alone exists for our bourgeois historians.

But, on the other hand, these new freedmen became sellers of themselves only after they had been robbed of all their own means of production, and of all the guarantees of existence afforded by the

old feudal arrangements. And the history of this, their expropriation, is written in the annals of mankind in letters of blood and fire.
(Marx 1867, vol. 1, pt 8, ch. 26)

See [Thomas More \(1516\)](#) for a 16th Century account of the consequences of that expropriation

³⁸³ The text is as follows:

We rarely hear, it has been said, of the combinations of masters, though frequently of those of workmen. But whoever imagines, upon this account, that masters rarely combine, is as ignorant of the world as of the subject. Masters are always and everywhere in a sort of tacit, but constant and uniform combination, not to raise the wages of labor above their actual rate.

To violate this combination is everywhere a most unpopular action, and a sort of reproach to a master among his neighbors and equals. We seldom, indeed, hear of this combination, because it is the usual, and one may say, the natural state of things, which nobody ever hears of.

Masters, too, sometimes enter into particular combinations to sink the wages of labor even below this rate. These are always conducted with the utmost silence and secrecy, till the moment of execution, and when the workmen yield, as they sometimes do, without resistance, though severely felt by them, they are never heard of by other people.

Such combinations, however, are frequently resisted by a contrary defensive combination of the workmen; who sometimes too, without any provocation of this kind, combine of their own accord to raise the price of their labor.

Their usual pretences are, sometimes the high price of provisions; sometimes the great profit which their masters make by their work. But whether their combinations be offensive or defensive, they are always abundantly heard of.

In order to bring the point to a speedy decision, they have always recourse to the loudest clamour, and sometimes to the most shocking violence and outrage. They are desperate, and act with the folly and extravagance of desperate men, who must either starve, or frighten their masters into an immediate compliance with their demands.

The masters upon these occasions are just as clamorous upon the other side, and never cease to call aloud for the assistance of the civil magistrate, and the rigorous execution of those laws which have been enacted with so much severity against the combinations of servants, laborers, and journeymen.
(1776, pp.84-5)

³⁸⁴ See [The alienation of property and stress on legally bounded confrontation](#) for more on this.

³⁸⁵ See [What shall we do with The Poor?](#) for more on this.

³⁸⁶ See [Colonial Labor Practices](#) for more on this

³⁸⁷ See [Subsistence and status; Teaching The Natives to Work](#) for more on this. For an excellent, illustrated summary of the mono-agricultural reorganization of the African continent see:

☞ Colonialism and Africa's Integration into the Global Economy

Primary Revenue Generating Products During Colonial Era

(Click for access to larger online map)



[accessed 10 May 2010]

Also Victoria Tauli-Corpuz and Parshuram Tamang (¹2007 (MSWord Document)) for 'the impact of commercial tree plantations and monocropping on indigenous peoples' lands and communities'.

³⁸⁸ Since Western Europe had expanded into the world and now directly controlled more than 80% of the earth's surface, the available workforce in Western Europe was significantly reduced by the expansion of the armed forces and colonial administrations they required to ensure their control. This made labor scarce and gave workers' organizations increasing power to negotiate wages and conditions.

³⁸⁹ We must, of course, remember what this term refers to in economic parlance. It refers to the *removal of social restrictions* on the exploitation of labor and the deregulation of competitive exchange.

³⁹⁰ While production expanded during the period, consumption, which required an expanding base of consumers, lagged. This resulted in a period of readjustment as wages increased and people's needs and wants grew with their increasing purchasing power. In the lag-time, the economies of Western Europe experienced a period of over-production and consequent slow-down.

³⁹² This is not competition within 'classes', since class, as a means of evaluating comparative social status is becoming less important as capitalism becomes the ideological lodestone of increasing numbers of people in Western communities. Class designation is the last of the feudal designations, warped by changes from co-operative to competitive

hierarchical relationships, to succumb to the individualising forces of Western capitalism.

³⁹³ Discretionary income is income which is surplus to the provision of 'necessities'. The growth in perceived 'necessities' in Western communities tends to absorb discretionary income. When individuals find that there is a regular surplus income, they tend to commit that surplus to expenditure which becomes a part of future 'need provision'. If, at a later time, a person is no longer able to fund such a commitment, that person feels a genuine sense of deprivation, of impoverishment.

³⁹⁴ See [And... No Charity!](#) for more on this.

³⁹⁵ It needs to be remembered that any business, in order to ensure competitiveness, will, by definition, challenge any costs, attempting to reduce or eliminate them in the drive to competitive pricing and increased profit.

Challenges to 'social costs' are not, in fact, based on attempts to lower standards of living for community members, but on attempts to lower product prices and increase profits.

One need not assume some kind of conspiracy between 'owners of the means of production' to profit at the expense of less fortunate community members. That might be a consequence of the drive to lower costs, but it is not the purpose of that drive. Rather, attempts to lower or remove social costs of production are a consequence of the nature of 'free markets'. They are effects of the system, not evidence of class conspiracy.

³⁹⁶ It has been common for critics to claim that the New Deal did not successfully tackle the problems of the Depression period. However, it is seldom acknowledged that it took the Roosevelt administration years to get its legislation ratified so that it could begin to grapple with the problems of the 1930s. The bulk of legislation was not passed until 1935 - for implementation from 1936 on - and the crucial *Fair Labor Standards Act* was not finalized until 1938, just before the outbreak of the 2nd World War.

See this speech for more on Supreme Court opposition to Roosevelt's New Deal programs. As Roosevelt explained:

...Congress passed a statute which, in 1803, the Court said violated an express provision of the Constitution. The Court claimed the power to declare it unconstitutional and did so declare it. But a little later the Court itself admitted that it was an extraordinary power to exercise and through Mr. Justice Washington laid down this limitation upon it: "It is but a decent respect due to the wisdom, the integrity and the patriotism of the legislative body, by which any law is passed, to presume in favor of its validity until its violation of the Constitution is proved beyond all reasonable doubt."

But since the rise of the modern movement for social and economic progress through legislation, the Court has more and more often and more and more boldly asserted a power to veto laws passed by the Congress and State Legislatures in complete disregard of this original limitation.

In the last four years the sound rule of giving statutes the benefit of all reasonable doubt has been cast aside. The Court has been acting not as a judicial body, but as a policy-making body.

When the Congress has sought to stabilize national agriculture, to improve the conditions of labor, to safeguard business against unfair competition, to protect our national resources, and in many other ways, to serve our clearly national needs, the majority of the Court has been assuming the power to pass on the wisdom of these Acts of the Congress - and to approve or disapprove the public policy written into these laws.

(^{CE} [Franklin D. Roosevelt: "Fireside Chat - 46", March 9, 1937](#)
(Online by Gerhard Peters and John T. Woolley, *The American Presidency Project*))

For a contemporary account of the implementation of the New Deal through the 1930s, see ^{CE} [Since Yesterday: The 1930s in America: September 3, 1929 - September 3, 1939](#), Frederick Lewis Allen (1939). A contemporary account of the implementation of FDR's New Deal.

Of course, opposition to Roosevelt's attempts at regulation have been echoed since 2008 in opposition to US Administrative attempts to reregulate financial activity in the United States. As Matt Taibbi (2012) explained in examining the fate of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* :

This was supposed to be the big one. At 2,300 pages, the new law ostensibly rewrote the rules for Wall Street. It was going to put an end to predatory lending in the mortgage markets, crack down on hidden fees and penalties in credit contracts, and create a powerful new Consumer Financial Protection Bureau to safeguard ordinary consumers. Big banks would be banned from gambling with taxpayer money, and a new set of rules would limit speculators from making the kind of crazy-ass bets that cause wild spikes in the price of food and energy. There would be no more AIGs, and the world would never again face a financial apocalypse when a bank like Lehman Brothers went bankrupt.

...Two years later, Dodd-Frank is groaning on its deathbed. The giant reform bill turned out to be like the fish reeled in by Hemingway's Old Man - no sooner caught than set upon by sharks that strip it to nothing long before it ever reaches the shore.

...The fate of Dodd-Frank over the past two years is an object lesson in the government's inability to institute even the simplest and most obvious reforms, especially if those reforms happen to clash with powerful financial interests. From the moment it was signed into law, lobbyists and lawyers have fought regulators over every line in the rulemaking process. Congressmen and presidents may be able to get a law passed once in a while - but they can no longer make sure it stays passed. You win the modern financial-regulation game by filing the most motions, attending the most hearings, giving the most money to the most politicians and, above all, by keeping at it, day after day, year after fiscal year, until stealing is legal again. "It's like a scorched-earth policy," says Michael Greenberger, a former regulator who was heavily involved with the drafting of Dodd-Frank. "It requires constant combat. And

it never, ever ends."

(Matt Taibbi, May 10, 2012, [Ⓒ] [How Wall Street Killed Financial Reform](#), *Rolling Stone*, Politics)

For more on this, see Ben Protess, *New York Times*, September 28, 2012, [Ⓒ] [Judge Strikes Down a Dodd-Frank Trading Rule](#). As Protess put it:

Wall Street posted another victory in the battle over regulation on Friday after a federal judge struck down a central piece of the Obama administration's financial overhaul.

The court decision dealt the latest blow to the Dodd-Frank Act, the regulatory crackdown passed in response to the financial crisis. The decision on Friday, aimed at the Commodity Futures Trading Commission's so-called position limits rule, is the second time a Dodd-Frank rule has suffered legal defeat....

The case stems from a lawsuit that two Wall Street trade groups filed last year. The Securities Industry and Financial Markets Association and the International Swaps and Derivatives Association complained that the agency erred in writing the rule, saying it would have had the unintended effect of causing wild price swings.

In a joint statement, the groups said they were "pleased with today's ruling" but are "committed to working with the commission and other regulators to promote safe, efficient markets."

The ruling is sure to embolden Wall Street as it shifts the attack on Dodd-Frank from piecemeal lobbying to broader legal challenges. Industry groups are currently challenging another futures commission rule, while others are weighing lawsuits against the so-called Volcker Rule, a still-uncompleted plan to stop banks from trading with their own money.

Companies have already seen some success. A federal appeals court last summer struck down the Securities and Exchange Commission's proxy access rule, a Dodd-Frank policy that would have empowered shareholders to oust company directors. The court, which also would hear an appeal to the position limits rule, is friendly turf for Wall Street, tossing out S.E.C. rules six times in seven years.

The Commodity Futures Trading Commission, fearful of legal challenges, delayed its position limits rule on multiple occasions. It also tamed parts of the plan to accommodate concerns from traders.

But the concessions failed to placate Wall Street....

See [Ⓒ] [The Speculators Win a Round](#), (*New York Times*, October 14, 2012) for more on all this. As the writer says,

If allowed to stand, the ruling will leave the economy exposed to continued distortions because derivatives are easily deployed as tools for vast speculation. When the bets pay off, the result is lush bank profits. When they crater, as they did during the financial crisis, the result is bailouts. Either way, Wall Street wins and everyone else loses....

The defeat is also disturbing because it will embolden banks to challenge other new rules. Commodity derivatives are a relatively

small part of Wall Street's derivatives business. Rules to regulate financial derivatives, like credit default swaps, have yet to be completed.

Also,^{CE} [Despite Its Problems, Dodd-Frank Is Better Than the Alternatives](#), (*New York Times*, October 16, 2012); and ^{CE} [Volcker Rule](#), (*New York Times*, May 10, 2012) for another example of successful opposition to regulatory measures. As the article explains:

The "Volcker Rule," a measure named for Paul A. Volcker, the former Federal Reserve chairman who proposed it, would restrict the ability of banks whose deposits are federally insured from trading for their own benefit.

In January 2010, President Obama proposed that the Volcker rule be a part of a general financial regulatory reform push. Big losses by banks in the trading of financial securities, especially mortgage-backed assets, precipitated the credit crisis in 2008 and the federal bailout. Members of a House-Senate conference committee approved a final revision of the measure on June 24, 2010.

The measure has been fiercely opposed by banks and large Wall Street firms, who view it as a major incursion on some of their most profitable activities.

The measure's aim is to keep highflying traders and other gamblers inside banks from getting their hands on or putting at risk the federally-insured deposits of average banking customers. A main element of the plan would bar banks from making proprietary trades - using their own money to place directional market bets that are unrelated to serving customers. Another change would prevent institutions from investing their own money in hedge funds or private equity operations.

How sad that opposition to measures aimed at ameliorating the problems of the age could be so vigorously and successfully opposed despite the heartache and suffering being endured by so many!

³⁹⁷ David Cooper and Teresa Kroeger have described some key features and the subsequent history of the Act:

The Fair Labor Standards Act (FLSA), enacted in 1938, established the basic protections that have governed work in the United States since the Great Depression. With regard to pay, the FLSA "put a floor under wages and a ceiling over hours" through the creation of the federal minimum wage and provisions for overtime pay - i.e., a limit on the hours per week employees may work without receiving additional compensation (Roosevelt 1938). Over the years, the law has been periodically updated to strengthen protections or expand coverage to new classes of workers - such as the 1966 amendments to the FLSA that extended coverage to service sector and hospitality workers, and the Department of Labor's extension of FLSA protections to home care workers in 2016.

Unfortunately, over the past several decades, updates to the FLSA have been inadequate or too infrequent to keep pace with changes in the economy and employment. For example, as explained in ^{CE} [Cooper \(2015\)](#), the failure of federal lawmakers to adequately raise the federal minimum wage has left millions of workers being paid 25

percent less in inflation-adjusted terms than their counterparts almost 50 years ago. Similarly, ^{CE} [Eisenbrey and Kimball \(2016\)](#) describe how neglect of federal overtime rules has drastically reduced the share of the workforce that is eligible for overtime pay.

Additionally, in recent decades, employers have increasingly adopted business practices that have weakened the scope of protection afforded by the law.

(David Cooper and Teresa Kroeger, ^{CE} [Employers steal billions from workers' paychecks each year](#), *Economic Policy Institute*, Report No. 125116, May 10, 2017)

³⁹⁸ President Franklin Roosevelt of the US summarized the New Deal objectives in a speech before the US Congress in 1941:

...[T]here is nothing mysterious about the foundations of a healthy and strong democracy. The basic things expected by our people of their political and economic systems are simple. They are:

- Equality of opportunity for youth and for others.
- Jobs for those who can work.
- Security for those who need it.
- The ending of special privilege for the few.
- The preservation of civil liberties for all.
- The enjoyment of the fruits of scientific progress in a wider and constantly rising standard of living.

These are the simple, basic things that must never be lost sight of in the turmoil and unbelievable complexity of our modern world. The inner and abiding strength of our economic and political systems is dependent upon the degree to which they fulfill these expectations.

(^{CE} [Franklin Roosevelt's Annual Message to Congress](#) on the State of the Union, January 6, 1941)

He spelt out the objectives of his New Deal in a 1944 speech outlining his vision of an 'Economic Bill of Rights' for the American people:

... the American people are resolved that when our men and women return home from this war, they shall come back to the best possible place on the face of this earth - to a place where all persons, regardless of race, color, creed or place of birth, can live in peace, honor and human dignity - free to speak, and pray as they wish - free from want - and free from fear.

Last January, in my Message to the Congress on the state of the Union, I outlined an Economic Bill of Rights on which a new basis of security and prosperity can be established for all - regardless of station, race or creed:

I repeat them now:

- The right of a useful and remunerative job in the industries, or shops or farms or mines of the nation;
- The right to earn enough to provide adequate food and clothing and recreation;

- The right of every farmer to raise and sell his products at a return which will give him and his family a decent living;
- The right of every business man, large and small, to trade in an atmosphere of freedom from unfair competition and domination by monopolies at home or abroad;
- The right of every family to a decent home;
- The right to adequate medical care and the opportunity to achieve and enjoy good health;
- The right to adequate protection from the economic fears of old age, sickness, accident and unemployment;
- The right to a good education.

All of these rights spell security. And after this war is won we must be prepared to move forward, in the implementation of these rights, to new goals of human happiness and well-being.

... This Economic Bill of Rights is the recognition of the simple fact that, in America, the future of the worker and farmer lies in the well-being of private enterprise; and that the future of private enterprise lies in the well-being of the worker and farmer.

(Franklin D. Roosevelt, ^{CE} [Campaign Address on the "Economic Bill of Rights." October 28, 1944](#))

³⁹⁹ Free marketeers and those who believe 'that government is best which governs least' have vehemently opposed the inclusion of social costs as part of the base costs of production. However, there seems no logical reason why they should not be included. Such an inclusion does not herald the arrival of 'socialism'. *The economy remains in private hands.*

Social costs are of the same order as all other costs of extraction and processing borne by business. Once built into cost structures they become invisible and the economy continues as before.

I well remember the panic which ensued in Western countries with the first massive oil price increases of the early 1970s. Many were the dire predictions of imminent economic collapse and long-term damage. Yet, within three years of the rise, the new, unavoidable costs of petroleum based products became built into the economies of the world through a period of rapid inflation. Once that settled, everything proceeded as before⁷⁰⁶.

The major effect of an inclusion of social costs into the base price of production is that the circulation of money through the society becomes far more broadly based. The economy becomes less insulated from the rest of social organization and activity (see [Differences between increases in oil prices and increases in social welfare costs](#) for more on this).

It seems that this is what perturbs free market promoters. They sense that 'the economy' is no longer being kept separate from other social environments and instinctively react to protect their primary ideological understandings. (See [Ideology and Reality](#) for more on this.)

⁴⁰⁰ See [Private Enterprise](#) for more on this.

⁴⁰¹ While there are many problems in a Marxist understanding of reality (not least being its rather naive social evolutionary model), neo-Marxists have developed a clear explanation of the relation between capitalist and co-existing forms of community organization and activity.

In Marxist terms, pre-capitalist 'modes of production' supported the new capitalist 'mode of production'.

Workers from non-capitalist communities had all their social welfare needs met by the non-capitalist community from which they came (including family, old age and subsistence support and various needs of the communities within which they lived). This allowed businesses to exclude the non-employment needs of workers and the social requirements of the communities within which they operated in their calculation of production costs.

As those non-capitalist modes were eroded and displaced by capitalism, businesses rejected community demands for inclusion of their welfare and other costs as part of the costs of production.

They did not see themselves as intrinsic to the community within which they existed, as its means of supplying community needs and wants. They considered themselves external to it, living alongside it, and in competition with it as a supplier of the labor they employed.

Prominent community leaders were, almost inevitably, also prominent capitalists. In their felt need to keep business costs from rising, they accepted this separation of the economic environment from the community in which it was placed. This led to a constantly diminishing community capacity to ensure the social welfare of its members.

⁴⁰² see [Ideology and Reality](#) for more on this.

⁴⁰³ It is somewhat depressing to find that those who are most influential in molding public opinion at the start of the 21st century (whether on the 'left', 'right', in the 'center' or on one of the 'lunatic fringes') are, almost to a person, still deeply convinced that ['the economy' is a self-contained, self-correcting, self-justifying, objectively existing environment](#). They remain as [convinced as their 18th and 19th century counterparts](#) that 'the perfect accordance of the mind with the [economic] law is the supreme condition of the *Summum Bonum*'.⁷⁰⁷

So, even when they attempt to tackle the destructive social consequences of deregulated and internationalized economic organization and activity, they believe that these problems arise, not because the model is both amoral and asocial but because of inappropriate intervention and interference in its organization and activity. From their perspectives, one can only deal with such consequences through revisiting and better understanding the relevant economic laws and constructs.

With Kant, they continue to assert that

All the culture and art which adorn humanity, the most refined social order, are produced by that unsociability which is compelled by its own existence to discipline itself, and so by enforced art to bring the seeds implanted by Nature into full flower.
(Kant 1784 p. 147)

[Their disputations](#) perpetuate and strengthen such presumptions.

This mindset arises because Western people (and those who have learned their 'economics' in Western institutions) now intuitively accept that 'the economy' is indeed an isolable entity, an independently existing construct, designed by 'nature' or a deity to enable human progress, in an 'objective reality'.

Of course, it is not! It is a human construct which exists only because we believe that it does and have constructed our worlds to require it! If we organize our worlds around such an entity we should also realize that we have a responsibility to set the bounds and limitations within which it exists and the ways in which it is tied into and contributes to the rest of life. The 'nature' of the economy is determined by [the ways in which it is or is not organized](#) (by us) to contribute to the *Summum Bonum*.

(Yes, I know, I am suggesting something which requires that people are able to step back and see the contrived nature of the apparently objective realm they have committed their lives to serving - rather like asking believers to see their god(s) and the bulwarking ideologies they have developed as figments of their own imaginations! - but what else is a disillusioned earthling to do?)

For the origins of this deep, unquestioning belief in and commitment to a self-contained, self-justifying economic environment see [The Economy: A New Environment](#).

404^{§} (05/09/17) In most communities, what capitalist nations assume to be an independent environment - The Economy - is, [as Polanyi argued](#), integrated into communal life. It is an *aspect* of communal life, not a separate area of life. So, very few communities have ever formally distinguished economic activity from other forms of communal activity.

However, with the Western formalization of economics in the 18th century, it became increasingly philosophically possible to argue that economic activity could be insulated from activity in other social 'environments' (see [The Economy as a Separate Environment](#) for more on this). This justified businesses in considering social costs as externally imposed, avoidable costs.

Economic activity assumes a bedrock of costs which must, always, inescapably, be included in production costs. In a drive to profit, businesses will always attempt to reduce these inescapable costs. Unfortunately, given the history of the relationship between capitalist activity and medieval communities⁷⁰⁸, businesses have always seen social costs as externally imposed, avoidable costs.

In a very real sense, relativity not only relates to the physical universe, it relates just as certainly to economic pricings⁷⁰⁹.

^{§} (14/09/17) Provided all nations and communities do so, there is no reason why communally determined and legislated [base wage rates](#) and all community responsibilities and costs related to education, health care, and all the pensions and annuities which any community might consider desirable, should not be built into the base costings of economic activity (as they were in most Western nations in the post-New-Deal period - [safe-guarded through 'protectionist' policies](#)).

Once they have been applied and the initial inevitable inflation of costs has been built into the economy they should have little effect on the ongoing inflation rates of economies (provided they are kept stable). Of

course, businesses would have to accept that these basic costings are not avoidable in the interests of increased profitability or competitiveness.⁷¹⁰

My personal view is that in the current neoliberal world of politics and economics the taxes and charges through which communally required funds (for health, education, pensions, annuities and other public expenditures) are collected should be levied as a direct cost on all transactions (both those of productive enterprise and those of financial institutions - providing means of generating community income from funds accumulating within various 'investment' portfolios and otherwise no longer accessible to fund community needs). Claims of "double dipping" can be addressed by adjusting the levies in various environments - as is currently done, often inequitably, in the various 'user pays' VAT, GST and similar retail taxation regimes (which could largely be displaced in favor of transaction taxation).

Since it is inevitable that various nations and communities will have different requirements, all forms of international trade could (as in the post 2nd World War era in Western countries) be subjected to charges in the receiving countries rather than in the exporting countries. Once again, fine tuning could be undertaken to ensure that internal economic activity remains competitive.

This would, of course, require a return of variations on the theme of 'protectionism'. To ensure that no countries are disadvantaged in this new era and that international trade is not impeded, the current WTO could be refocused to ensure equity between nations, while allowing each nation to set its own internal pricings. I'm sure that the complexities involved would be no greater than those currently accepted as 'necessary' by international trade and commerce.

⁴⁰⁵ This has often been called a 'developmentalist' approach to economic activity. The government sets in place legislation to channel economic activity in directions thought to be appropriate to the needs of the community and to furthering the viability of business in order to ensure long-term social welfare.

In the light of the somewhat absurd insistence by many inhabitants in the United States that this amounts to 'socialism', the obvious needs to be restated.

Inclusion of social costs in the costs of production is *not* socialism! Economic ownership and management remains in private hands. One could privatize every responsibility of government and yet have social costs built into the basic costs of production. I apologise for this reiteration of the obvious!

⁴⁰⁶{§} (08/12/16){§} (20/01/18) In order to understand the rationale for progressive taxation policies we need to clearly understand the nature of 'credit' and 'wealth' in *democratically organized* capitalist societies. This, in turn, requires an exploration of the nature of 'public' responsibility for ensuring the adequate and equitable availability of credit in sustaining optimal 'private' economic activity.

For more on all this see [chapter 10: The Nature and Importance of Public and Private Credit](#)

In democratically organized capitalist societies, taxation is not simply about withdrawing credit from the private sector (and certainly not about 'raising revenue' at the sovereign government level). It is, far more importantly, about ensuring an equitable redistribution of wealth through the society: quite literally taking from the rich and redistributing the wealth through the society to ensure continued credit circulation and consequent 'economic health'.

Fred Glass, in an essay subtitled: 'Five years ago, an eight-minute cartoon delightfully demolished all the conventional rationales for grand concentrations of private wealth', explained the rationale for reintroducing [progressive taxation in the non-sovereign US state](#) of California. The animated cartoon provides an excellent, simplified explanation of the rationale for progressive taxation at the state level within a sovereign nation such as the United States. As he explains:

In 2009 my union, the California Federation of Teachers, started a movement for progressive taxation to counter the terrible impact of the Great Recession. California was then suffering a spiraling budget deficit, 12 percent unemployment, and one of the nation's highest rates of home foreclosure.

Our push for fair taxes had many moving parts, including opinion research, member education, public outreach and media work, coalition building with labor and community organizations, and finally a statewide ballot measure, Proposition 30, that passed by a 55-45 margin in 2012.

Prop 30 imposed the highest income tax rates on top earners in the Golden State since World War II, raising some \$7-8 billion a year through bumps of 1, 2, and 3 percent on family incomes of \$500,000, \$600,000, and \$1 million.

The state's voters extended this temporary tax increase in 2016 for twelve years. It won't sunset until 2030. In the meantime — and defying the dire predictions of anti-tax opponents that a Prop 30 victory would have all the "job creators" leaving California and taking all the jobs with them — California's public sector has recovered alongside its private sector, the state has thousands more millionaires and two million more jobs, and schools, public services, and the general welfare are in demonstrably better shape than in any of the tax-cutting Republican states like Kansas.

One small moving part in all this: an eight-minute animated cartoon I wrote and directed, ^{CE} [Tax the Rich: An Animated Fairy Tale](#), that my union released a month after Prop 30 passed.

(Fred Glass, ^{CE} [The Tax-the-Rich Animation that Riled the 1%'s Most Fervent Cheerleaders](#): Five years ago, an eight-minute cartoon delightfully demolished all the conventional rationales for grand concentrations of private wealth. *Inequality*, Research & Commentary, January 19, 2018)

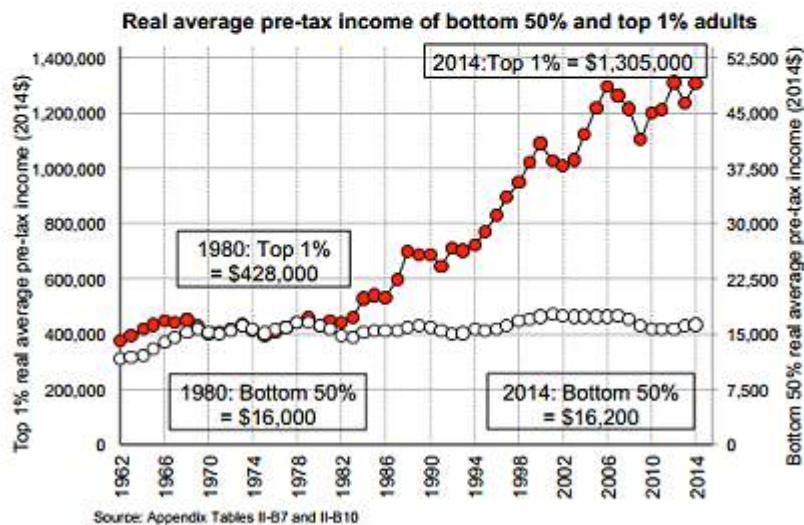
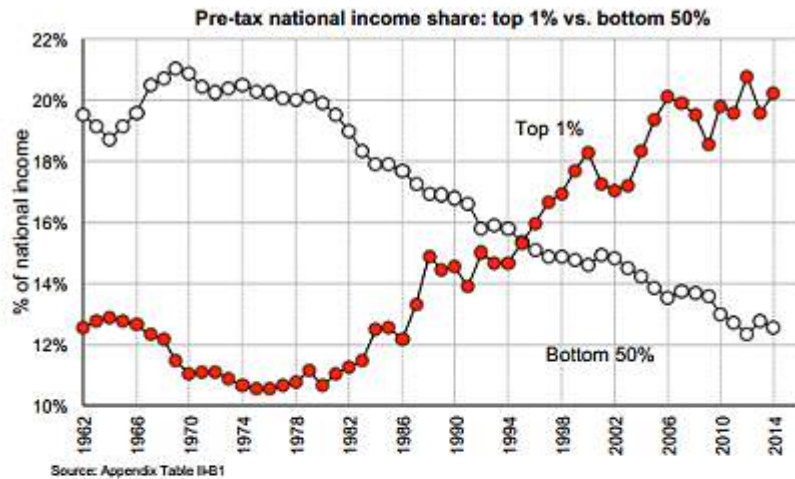
As Iglesias and de Almeida suggest:

...in a large class of exchange models, the system converges to a very unequal condensed state, where one or a few agents concentrate all the wealth of the society while the wide majority of agents shares zero or almost zero fraction of the wealth. So, in those economic systems a minimum entropy state is attained... To

avoid condensation and the thermal death of markets some regulation, or some minimum allowance is necessary....
(Entropy and equilibrium state of free market models, *The European Physical Journal B - Condensed Matter and Complex Systems*, Volume 85 (2012), Number 3, 85-95)

Thomas Piketty, Emmanuel Saez and Gabriel Zucman, in a study of the *Distributional National Accounts: Methods and Estimates for the United States* (2016), have examined the evolution, in the US, of the pre-tax national income share of the top 1% versus the bottom 50%:

Figure 5: Bottom 50% vs. Top 1%



Notes: The figure contrasts the evolution of the top 1% vs. the bottom 50%. The top panel plots the top 1% pre-tax income share and the bottom 50% pre-tax income share since 1962. The bottom panel plots the top 1% real average pre-tax income (on the left y-axis) and the bottom 50% real average pre-tax income (on the right x-axis). The unit is the individual adult and incomes within married couples are split equally.

As they explain:

The analysis of our US distributional national accounts yields a number of striking findings. First, our data show a sharp divergence in the growth experience of the bottom 50% and of the rest of the economy.

The average pre-tax income of the bottom 50% has stagnated since 1980 at about \$16,000 per adult (in constant 2014 dollars, using

the national income deflator), while average national income has grown by 60% to \$64,500 in 2014. As a result, the bottom 50% income share has collapsed from about 20% in 1980 to 12% in 2014.

In the meantime, the average pre-tax income of top 1% adults rose from \$420,000 to about \$1.3 million, and their income share increased from about 12% in the early 1980s to 20% in 2014. The two groups have basically switched their income shares, with 8 points of national income transferred from the bottom 50% to the top 1%.

The top 1% income share is now almost twice as large as the bottom 50% share, a group by definition 50 times more numerous. In 1980, top 1% individuals earned on average 27 times more than bottom 50% individuals before tax while they earn 81 times more today.

(Thomas Piketty, Emmanuel Saez and Gabriel Zucman, ^{CE} [Distributional National Accounts: Methods and Estimates for the United States](#), December 2, 2016)

Thomas Hungerford, in a report to the US Congress (September 14, 2012), examined the effects of the sliding taxation scales of the post-New Deal period and addressed 'whether or not there is an association between the tax rates of the highest income taxpayers and economic growth' in post-1940s United States. As he explained, failure to tax accumulations of capital and redistribute the proceeds to stimulate economic activity results in a reduction in both the GDP growth rate and GDP per capita:

Throughout the late-1940s and 1950s, the top marginal tax rate was typically above 90%; today it is 35%. Additionally, the top capital gains tax rate was 25% in the 1950s and 1960s, 35% in the 1970s; today it is 15%.

The real GDP growth rate averaged 4.2% and real per capita GDP increased annually by 2.4% in the 1950s. In the 2000s, the average real GDP growth rate was 1.7% and real per capita GDP increased annually by less than 1%.

There is not conclusive evidence, however, to substantiate a clear relationship between the 65-year steady reduction in the top tax rates and economic growth. Analysis of such data suggests the reduction in the top tax rates have had little association with saving, investment, or productivity growth. However, the top tax rate reductions appear to be associated with the increasing concentration of income at the top of the income distribution.[[see graphs here](#)]

The share of income accruing to the top 0.1% of U.S. families increased from 4.2% in 1945 to 12.3% by 2007 before falling to 9.2% due to the 2007-2009 recession. The evidence does not suggest necessarily a relationship between tax policy with regard to the top tax rates and the size of the economic pie, but there may be a relationship to how the economic pie is sliced.

(Thomas L. Hungerford ^{CE} [Taxes and the Economy: An Economic Analysis of the Top Tax Rates Since 1945](#) September 14, 2012 Congressional Research Service 7-5700 www.crs.gov R42729)

For an examination of international correlations between top tax rates and economic performance, see [Ⓔ] [Optimal Taxation of Top Labor Incomes: A Tale of Three Elasticities](#) (Thomas Piketty, Emmanuel Saez, Stefanie Stantcheva, NBER Working Paper No. 17616, November 2011 [updated version (*American Economic Journal* : Economic Policy 2014, 6(1): 230 - 271) [Ⓔ] [available here](#)]). As the authors say:

The macro-evidence from 18 OECD countries shows that there is a strong negative correlation between top tax rates and top 1% income shares since 1960, implying that the overall elasticity is large. However, top income share increases have not translated into higher economic growth.

For information on the relationship between cutting tax rates on corporate profits and job growth, see Scott Klinger, Katherine McFate *et al*, [Ⓔ] [The Corporate Tax Rate Debate: Lower Taxes on Corporate Profits Not Linked to Job Creation](#) , Center for Effective Government, Washington D. C., Dec. 2013 (www.foreffectivegov.org).

Warren Buffett (*New York Times*, November 25, 2012), [Ⓔ] [A Minimum Tax for the Wealthy](#), has explained some of the consequences of Roosevelt's New Deal policies through the 1950s-1970s and consequences of the neoliberal post-1970s years (and given a more realistic summation of the true wealth of those at the top in the 1950s-60s than given by *Fortune Magazine*, as paraphrased below by Paul Krugman). As Buffett says,

Between 1951 and 1954, when the capital gains rate was 25 percent and marginal rates on dividends reached 91 percent in extreme cases, I sold securities and did pretty well. In the years from 1956 to 1969, the top marginal rate fell modestly, but was still a lofty 70 percent - and the tax rate on capital gains inched up to 27.5 percent. I was managing funds for investors then. Never did anyone mention taxes as a reason to forgo an investment opportunity that I offered.

Under those burdensome rates, moreover, both employment and the gross domestic product (a measure of the nation's economic output) increased at a rapid clip. The middle class and the rich alike gained ground.

So let's forget about the rich and ultrarich going on strike and stuffing their ample funds under their mattresses if - gasp - capital gains rates and ordinary income rates are increased. The ultrarich, including me, will forever pursue investment opportunities.

And, wow, do we have plenty to invest. [Ⓔ] [The Forbes 400](#), the wealthiest individuals in America, hit a new group record for wealth this year: \$1.7 trillion. That's more than five times the \$300 billion total in 1992. In recent years, my gang has been leaving the middle class in the dust.

A huge tail wind from tax cuts has pushed us along. In 1992, the tax paid by the 400 highest incomes in the United States (a different universe from the Forbes list) averaged 26.4 percent of adjusted gross income. In 2009, the most recent year reported, the rate was 19.9 percent. It's nice to have friends in high places.

The group's average income in 2009 was \$202 million - which works out to a "wage" of \$97,000 per hour, based on a 40-hour workweek.

(I'm assuming they're paid during lunch hours.) Yet more than a quarter of these ultrawealthy paid less than 15 percent of their take in combined federal income and payroll taxes. Half of this crew paid less than 20 percent. And - brace yourself - a few actually paid nothing.

This outrage points to the necessity for more than a simple revision in upper-end tax rates, though that's the place to start. I support President Obama's proposal to eliminate the Bush tax cuts for high-income taxpayers. However, I prefer a cutoff point somewhat above \$250,000 - maybe \$500,000 or so.

Additionally, we need Congress, right now, to enact a minimum tax on high incomes. I would suggest 30 percent of taxable income between \$1 million and \$10 million, and 35 percent on amounts above that. A plain and simple rule like that will block the efforts of lobbyists, lawyers and contribution-hungry legislators to keep the ultrarich paying rates well below those incurred by people with income just a tiny fraction of ours. Only a minimum tax on very high incomes will prevent the stated tax rate from being eviscerated by these warriors for the wealthy.

For more on some of the consequences of Roosevelt's New Deal policies, see Paul Krugman, ^{CE} [The Twinkie Manifesto](#) (*New York Times*, November 18, 2012). As he says,

... in the 1950s incomes in the top bracket faced a marginal tax rate of 91, that's right, 91 percent, while taxes on corporate profits were twice as large, relative to national income, as in recent years. The best estimates suggest that circa 1960 the top 0.01 percent of Americans paid an effective federal tax rate of more than 70 percent, twice what they pay today.

Nor were high taxes the only burden wealthy businessmen had to bear. They also faced a labor force with a degree of bargaining power hard to imagine today. In 1955 roughly a third of American workers were union members. In the biggest companies, management and labor bargained as equals, so much so that it was common to talk about corporations serving an array of "stakeholders" as opposed to merely serving stockholders.

Squeezed between high taxes and empowered workers, executives were relatively impoverished by the standards of either earlier or later generations. In 1955 *Fortune* magazine published an essay, "How top executives live," which emphasized how modest their lifestyles had become compared with days of yore. The vast mansions, armies of servants, and huge yachts of the 1920s were no more; by 1955 the typical executive, *Fortune* claimed, lived in a smallish suburban house, relied on part-time help and skippered his own relatively small boat.

... Strange to say, however, the oppressed executives *Fortune* portrayed in 1955 didn't go Galt and deprive the nation of their talents. On the contrary, if *Fortune* is to be believed, they were working harder than ever. And the high-tax, strong-union decades after World War II were in fact marked by spectacular, widely shared economic growth: nothing before or since has matched the doubling of median family income between 1947 and 1973.

As Adam Smith explained in 1776:

... the rate of profit does not, like rent and wages, rise with the prosperity and fall with the declension of the society. On the contrary, it is naturally low in rich and high in poor countries, and it is always highest in the countries which are going fastest to ruin. (Adam Smith, *Wealth of Nations*, Book 1, CHAPTER XI, Conclusion of the Chapter)

⁴⁰⁷ US corporations, since the 1960s, have, through their lobbyists and main stream media representatives, successfully managed to convince the US population that the vast majority of US citizens are strongly opposed to the progressive taxation regimes which emerged in the New Deal and post-New Deal periods.

Daniel Chomsky has explained:

Over the last four decades, substantial majorities of Americans have consistently favored higher taxes when specifically asked whether businesses or the wealthy pay too little, too much, or the right amount. In contrast, the number favoring higher taxes on the middle class has never reached even 10 percent. Yet, over the same time period, tax policy has moved decisively in the other direction, with lower taxes for businesses and the wealthy, and higher taxes on everyone else to make up for some of the lost revenue.

In my new INET paper, "[A Distorting Mirror: Major Media Coverage of Americans' Tax Policy Preferences](#)," I examine the representation of public attitudes in two national newspapers, the *New York Times* and *USA Today*. I count all references to public preferences with respect to taxes in front page articles. And I concentrate on years associated with major tax policy change.

While the *Times* predictably devoted more attention to tax policy than *USA Today*, practices at both newspapers were otherwise nearly identical. Both newspapers highlighted public opposition to taxes. Both downplayed public support for higher taxes on businesses and the wealthy. And both privileged official and other elite sources over ordinary people. The persistent media misrepresentation of public preferences has effectively excluded the public from political discussion of tax policy and may contribute to the failure of democratic responsiveness on this issue.

The newspapers also reinforced the efforts of policy makers. As officials moved to reduce taxes, the national newspapers emphasized public support for tax cuts even more strongly. The *New York Times* advertised public opposition to taxes in 92 separate front page articles during 1981 as the Reagan tax cuts were debated and passed in 1981. In contrast, newspaper references to public support for progressive taxes vanished toward zero.

(Daniel Chomsky, [Why Americans' Hatred of Taxes Is Fake News](#), *Institute for New Economic Thinking*, April 13, 2018)

⁴⁰⁸ Thom Hartmann has given a free-wheeling, readable historical account of 'free trade' and 'protectionism'. As he says,

For about 200 years, we understood well the benefits of tariffs, subsidized exports and protectionist policies in the United States.

Had the fathers of the United States like Abraham Lincoln, George Washington, Andrew Jackson or Ulysses Grant applied for IMF loans, they would have been denied: All of them believed in high tariffs and a heavy control of foreign investment, and considered "free trade" to be absurd.

(^{CE} [Picking Apart One of the Biggest Lies in American Politics: 'Free Trade': It just enriches huge companies at everyone else's expense](#), Thom Hartmann, *AlterNet*, August 19, 2015)

Douglas Irwin has summarized US protectionist history well: "For most of U.S. history, the United States imposed fairly substantial barriers to imports in an effort to protect domestic producers from foreign competition."

- ⁴⁰⁹ Since the mid 1970s this 'protectionism' has been blamed by neoliberal commentators for most of the economic problems facing businesses, since it made business 'internationally uncompetitive'.

Of course, that was precisely the point of the legislation. The argument for 'international competitiveness' was, in fact, an argument for the removal of social costs as basic production costs.

- ⁴¹⁰ See ^{CE} [Russell](#) (1916 page 81) for a short history of the first run on a bank in England in 1667 and the subsequent establishment of the Bank of England in 1694.

- ⁴¹¹ As Barry Eichengreen (^{CE} [Why No Glass-Steagall II? Project Syndicate](#), Jan. 10, 2013) has described,

... the Pecora Commission [^{CE} [January 1933 - June 1934](#)] featured many sensational revelations about the practices that led to the 1930's financial crisis. More than that, the Commission's investigation led to far-reaching reform - most famously, the Glass-Steagall Act, which separated commercial and investment banking. But Glass-Steagall didn't stop there. It created federal insurance for bank deposits. With unit banking (in which all operations are carried out in self-standing offices) viewed as unstable, banks were now permitted to branch more widely. Glass-Steagall also strengthened regulators' ability to clamp down on lending for real-estate and stock-market speculation.

The hearings also led to passage of the Securities Act of 1933 and the Securities Exchange Act of 1934. Securities issuers and traders were required to release more information, and were subjected to higher transparency standards. The notion that capital markets could self-regulate was decisively rejected.

... Ultimately, the explanation for the passage of far-reaching financial reform can only be the severity of the crisis. In the 1930's, the Great Depression brought the entire economy to its knees. The need for root-and-branch reform was undeniable. After 2008, by contrast, policymakers succeeded in preventing the worst, which ruled out the sense of urgency that surrounded the Pecora Commission hearings. The ultimate irony is that this very success led to less reform.

The Pecora Commission Final Report (1934) summed up its findings in this way:

In the field of banking, three major principles have been dealt with in recent legislation, namely, the separation of monetary policy from banking, the creation of deposit insurance, and the separation of investment banking and the securities business from commercial banking. There remain for our immediate consideration, however, vital matters relating to the conduct and management of banking institutions such as truthful and adequate financial statements, nature and diversification of loans and security, proper banking reserves, trust function of banks, effective governmental examination of banks, employment of bank examiners, window-dressing activities of banking officers and other similar problems.

Investment trusts conducted in accordance with the underlying principles responsible for their creation, diversification of investment with the view to investment return rather than capital appreciation may have a place in our investment system. The facility of perverted uses of these companies requires that these trusts be circumscribed with protective safeguards. The record indicates that it may be necessary to simplify the capital structure of investment trusts to prevent the organizers from usurping control and a disproportionate part of the equity and yield of these trusts; to limit and prescribe the concentration of securities in a particular industry to prevent the diversion of these trusts from their normal channels of diversified investment to the abnormal avenues of control of industry; to prohibit pyramiding of investment trusts; to completely divorce investment trusts from investment banking; to eliminate the conflict of interest between investment managers and the public; to compel full and complete disclosure of the organization, capital structure, and management of the conduct of investment trusts.

The magnitude of a corporation is no justification for its existence or propagation, nor reason for its abolition or curtailment. Holding companies serving no productive function, but organized merely to pervert the use of controlled companies and to evade their legal limitations are detrimental to the public welfare. Holding companies are a major problem meriting immediate consideration and action. (*Stock Exchange Practices: Report of the Committee on Banking and Currency*, Chapter VII: Conclusions, Pp. 393-4, [US Senate Report No. 1455](#), 1934)

[412](#) (27/11/17) Paul Krugman has provided a brief summary of the impact of New Deal measures (and their post-1970s erosion) on global financial crises:

For a generation after World War II, the world financial system was, by modern standards, remarkably crisis-free - probably because most countries placed restrictions on cross-border capital flows, so that international borrowing and lending were limited. In the late 1970s, however, deregulation and rising banker aggressiveness led to a surge of funds into Latin America, followed by what's known in the trade as a "sudden stop" in 1982 - and a crisis that led to a decade of economic stagnation.

Latin America eventually returned to growth (although Mexico had a nasty relapse in 1994), but, in the 1990s, a bigger version of the same story unfolded in Asia: Huge money inflows followed by a sudden stop and economic implosion. Some of the Asian economies

bounced back quickly, but investment never fully recovered, and neither did growth.

Most recently, yet another version of the story has played out within Europe, with a rush of money into Greece, Spain and Portugal, followed by a sudden stop and immense economic pain.

As I said, although the outline of the story remains the same, the effects keep getting worse...

(^{CE} [Talking Troubled Turkey](#), *New York Times*, January 30, 2014)

Bill Mitchell has dealt with the consequences of private borrowing denominated in foreign currencies:

...Australia's net foreign debt has risen significantly over the last few decades... Most of it is non-government and the private banks have been at the forefront of the increase as they have been racking up loans from foreign wholesale funding markets....

...When does the private sector, which is holding most of the debt find the rising interest burden to be a problem?

The answer is when the economy enters a recession or a significant slowdown and the capacity of the private sector to repay the debt becomes impaired.

If the non-government, foreign debt is denominated in a foreign currency, then the problem is extended and requires export growth to continue.

Argentina encountered its debt crisis in late 2001 because a significant portion of its debt was denominated in foreign currencies (particularly US dollars) and repayment was reliant on export revenue to generate stockpiles of these foreign currencies.

The peg against the dollar exacerbated matters and further drained foreign currency reserves.

(Bill Mitchell, ^{CE} [A credit rating agency spinning its usual nonsense](#), *Billy Blog*, June 1, 2017)

As Krugman has explained, in the post-New Deal era of strong bank regulation which included restrictions on cross-border capital flows so that international borrowing and lending were limited, the world financial system was, by modern standards, remarkably crisis-free.

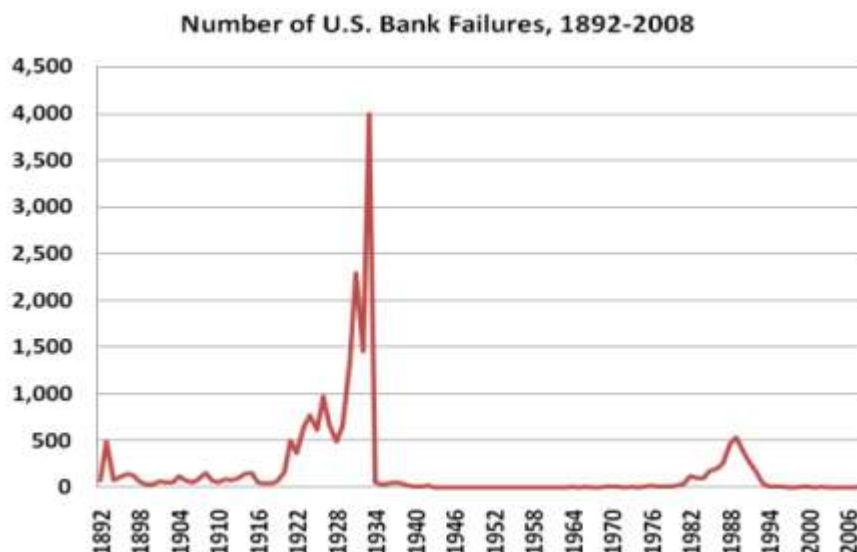
Unquestionably, private speculators, indulging in foreign exchange borrowing to fund speculation, should *never* be bailed out by sovereign governments. Speculators must accept the consequences of their conduct and, if their borrowings prove unsustainable, they should be allowed to fail.

Sovereign governments should take responsibility for regulating cross-border capital flows and [should not become the guarantors of private speculation in foreign currencies and markets](#).

Gary Gorton (2009), has described and graphically illustrated the post-1934 "Quiet Period" in U.S. banking and the post-1970s erosion of bank regulation which led to the 2007-9 crisis. As he says,

The period from 1934, when deposit insurance was enacted, until the current crisis is somewhat special in that there were no systemic banking crises in the U.S. It is the "Quiet Period" in U.S.

banking. See the figure below. The figure shows the Great Depression very dramatically, but this event was very special, as discussed below. Looking at the figure, the Quiet Period in banking following the Great Depression is also clear. This Quiet Period led to the view that banking panics were a thing of the past.



(^{CE} [Slapped in the Face by the Invisible Hand: Banking and the Panic of 2007](#), May 9, 2009, (Prepared for the Federal Reserve Bank of Atlanta's 2009 Financial Markets Conference: Financial Innovation and Crisis, May 11-13, 2009))

The post 1934 'quiet period' was an era of well-regulated bank stability across the 'developed' world. Here is a graph showing the percentage of all independent countries during 1900-2008 having a banking crisis in any given year. The tally weighs countries by their share of global GDP. As the authors observed:

Since the early 1970s, financial and international capital account liberalization took root worldwide. So, too, have banking crises.

Figure 1

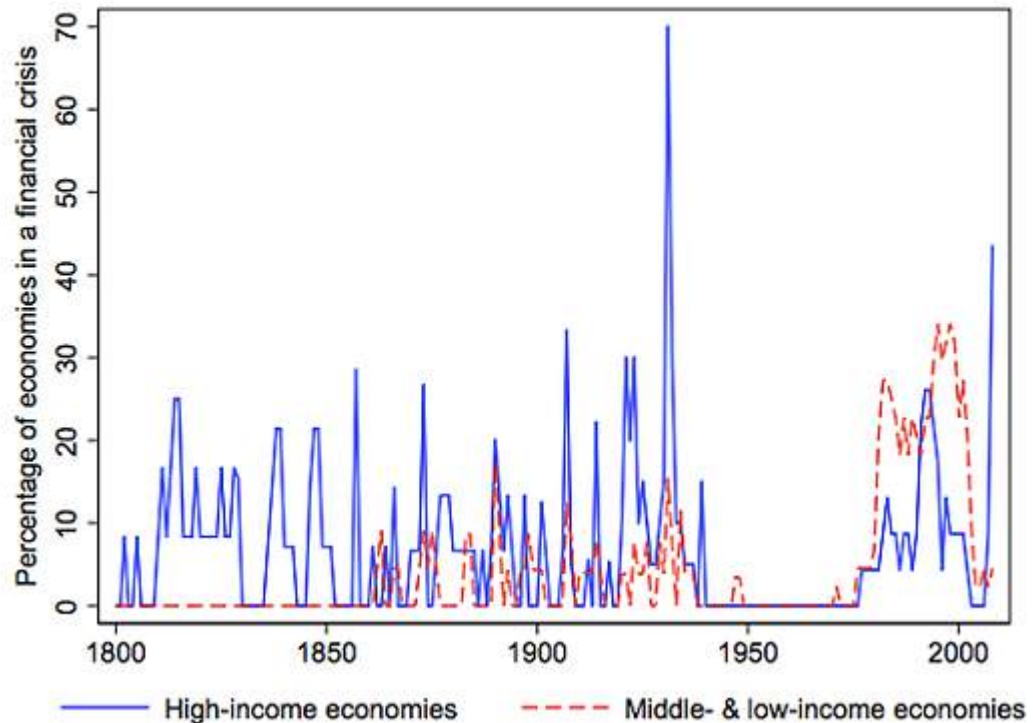


(see ^{CE} [Banking Crises: An Equal Opportunity Menace](#) (Carmen M. Reinhart and Kenneth S. Rogoff, NBER Working Paper No. 14587, December 2008) for more on this.)

Paul Krugman, in a *New York Times* article entitled 'Voodoo Too: The GOP Addiction to Financial Deregulation', has underscored the necessity for proper financial regulation in a modern capitalist economy. Though, one should not assume that this is a partisan political issue in the United States. *Deregulation has been a central neoliberal mantra* (a sacred incantation needing no justification) for over half a century.

Here is his version of an illustration of the 'Quiet Period' resulting from reasonable regulation, and the surrounding instability caused by 'a combination of free-market ideology and big money (with the latter helping to feed the former):

Figure 1 The Frequency of Banking Crises



[From: Alan M. Taylor. ^{CE} *Credit, financial stability and the macroeconomy*, *National Bureau of Economic Research*, Working Paper 21039, March 2015]

Think about it: what would it take to persuade the right that financial deregulation is a bad idea, and some kinds of regulation are very good for the economy?

Modern financial regulation came about in the aftermath of the Great Depression, and — as you can see from the figure — the era of effective regulation was also an era of historically unprecedented financial stability. Did this stability come at the expense of economic growth? Hardly: the era of effective regulation was also the era of the great postwar boom in America, the thirty glorious years in Europe.

Nonetheless, by the 1970s a combination of free-market ideology and big money (with the latter helping to feed the former) produced a widespread belief among policymakers that those old regulations were pointless and harmful. Regulations were lifted, and, maybe even more important, malign neglect allowed unregulated shadow banking to expand rapidly. (The Trump Treasury department wants global regulators to stop using the term “shadow banking”, which it

says conveys the impression that there is something wrong with such institutions. Funny how causing the worst crisis since the 1930s can give you a bad reputation.)

Anyway, at this point the results of the great rise of deregulatory ideology are all too clear: banking crises returned with a vengeance, culminating (so far) in the 2008 crisis. And it's not as if 2008 came out of nowhere: we'd already had the S&L crisis of the 80s, the Long-Term Capital Management/Asian crisis of the 1990s, both of which were clear signals of the growing risks. Add in 2008, and you have a remarkable record of disaster.

Why has financial deregulation been, literally, such a bust?...

(Paul Krugman, '☞ [Voodoo Too: The GOP Addiction to Financial Deregulation](#)', *New York Times*, Opinion Pages, November 26, 2017)

Ayhan Kose and Eswar Prasad (2004) described and graphically illustrated the post-1970s erosion of bank regulation which ultimately led to the 2007-9 crisis,

As the forces of globalization advance, it becomes harder for countries to maintain closed capital accounts. Increasing openness to international trade expands opportunities for the avoidance of capital account restrictions through under- and overinvoicing of trade transactions. And the increasing sophistication of investors and global financial markets makes it much easier to move capital around under different guises.



(☞ [Liberalizing Capital Account Restrictions](#), *Finance & Development* September 2004. See Eswar S. Prasad, Kenneth Rogoff, Shang-Jin Wei, and M. Ayan Kose, ☞ [Effects of Financial Globalization on Developing Countries: Some Empirical Evidence](#), Occasional Paper 220, 2003, International Monetary Fund, for greater detail.)

See, also, Kenji Aramaki & Shunji Karikomi, ☞ [Capital Account Liberalization and International Capital Flows: Cases of Korea, Thailand, and Indonesia](#) (June 12, 2007, Policy Research Institute, Ministry of Finance, Japan) for an examination of the

consequences of capital account liberalization by investment type in 3 crisis countries (Korea, Thailand, and Indonesia) from mid-1980's to mid-1990's, to identify crucial regulatory changes that might have created favorable regulatory environments for the massive inflow of volatile capital, in the period leading to the [1997-1999] crisis, which later acted as a major factor causing the crisis..

For a discussion of the relation between bank deregulation and capital account liberalization (in this context, of course, 'liberalization' is a euphemism for 'deregulation'), see this Wikipedia article: [Ⓔ] [Capital Control](#). As Peter Henry explained in 2007:

Capital account liberalization was once seen as an inevitable step along the path to economic development for poor countries. Liberalizing the capital account, it was said, would permit financial resources to flow from capital-abundant countries, where expected returns were low, to capital-scarce countries, where expected returns were high. The flow of resources into the liberalizing countries would reduce their cost of capital, increase investment, and raise output (Fischer, 1998; Summers, 2000). The principal policy question was not whether to liberalize the capital account, but when- before or after undertaking macroeconomic reforms such as inflation stabilization and trade liberalization (McKinnon, 1991). Or so the story went.

In recent years intellectual opinion has moved against liberalization. Financial crises in Asia, Russia and Latin America have shifted the focus of the conversation from when countries should liberalize to if they should do so at all. Opponents of the process argue that capital account liberalization does not generate greater efficiency. Instead, liberalization invites speculative hot money flows and increases the likelihood of financial crises with no discernible positive effects on investment, output, or any other real variable with nontrivial welfare implications (Bhagwati, 1998; Rodrik, 1998; Stiglitz 2002).

(Peter Blair Henry, [Ⓔ] [Capital Account Liberalization, the Cost of Capital, and Economic Growth](#) , CDDRL Working Papers (Stanford), Number 75, January 2007.

See [Debt-Equity Conversion Programs - Swapping the Family Farm!](#).)

For an introduction to the debate on capital controls, explanation of the purposes and costs of controls and advocacy for their reintroduction, see Christopher J. Neely, [Ⓔ] [An Introduction to Capital Controls](#), *Federal Reserve Bank of St. Louis Review*, November/December 1999, pp. 13-30.

See [Ⓔ] [The Lender of Last Resort: Lessons from the Fed's First 100 Years](#) for responses of the Federal Reserve to financial crises over the past 100 years. As the authors explain (p. 13),

Several pieces of New Deal legislation modified the structure and authority of the Federal Reserve System, and the environment in which it operated. The Banking Acts of 1933 and 1935 gave the Fed new powers to regulate banks and credit flows, and consolidated many existing System authorities within the Federal Reserve Board. (Mark A. Carlson and David C. Wheelock, *Federal Reserve Bank Of*

See [Ⓔ] [The History of the FDIC](#) for more on post-1933 US bank regulation.

⁴¹³ As a Wikipedia entry entitled '[Ⓔ] [Fixed exchange-rate system](#) ' explains:

A fixed exchange-rate system (also known as pegged exchange rate system) is a currency system in which governments try to maintain their currency value constant against one another. In a fixed exchange-rate system, a country's government decides the worth of its currency in terms of either a fixed weight of gold, a fixed amount of another currency or a basket of other currencies. The central bank of a country remains committed at all times to buy and sell its currency at a fixed price. The central bank provides foreign currency needed to finance payments imbalances.

(Accessed 23 December 2013)

One of the aims in controlling currency exchange rates was to limit the commoditization of national currencies and consequent possibilities of speculative manipulation. (See Paul Krugman, [Ⓔ] [Balance Sheets, the Transfer Problem, and Financial Crises](#) (*International Tax and Public Finance*, 6, 459-472 (1999)) for a discussion of a "world of high capital mobility" where "the threat of speculative attack becomes a central issue...".)

For a picture of the kind of speculative activity this control was aimed at limiting, see Eugene Linden, *Time Asia* November 3, 1997 Vol. 150 No. 18, pp. 26-7 [Ⓔ] ['How to Kill a Tiger: Speculators Tell the Story of Their Attack against the Baht, The Opening Act of an Ongoing Drama](#) '. The currency speculation which precipitated the 1997 Asian economic crisis was not an isolated event. Similar speculation has occurred on numerous occasions since the 1970s.

Linden described the speculative attack on the Thai baht,

Currency speculators love a bubble economy because bubbles always pop. The billion-dollar question is When?...

Sensing that their prey had been cornered by their own venality, the wolves began to circle in early 1997. ... Drawing from multibillion-dollar war chests, hedge-fund operators ... intensified their attack on the baht.

One way the speculators bet against the currency was by entering into contracts with dealers who would give dollars in return for an agreement to repay a specific amount of bahts some months in the future. If the baht rose in value, the seller of the contract made money; but if it fell, the buyer profited because he could repay the contract with cheaper bahts.

Demand for such contracts started to drive up interest rates, and the Bank of Thailand began issuing many of these so-called forward contracts itself. This action turned out to be a fatal misstep that placed in the hands of speculators the perfect weapon with which to attack the currency.

"It's as though an unarmed gunslinger walked into town and the sheriff handed him a pistol," remarked a beneficiary of the central

bank's unintended largesse. Now speculators had access to an estimated \$15 billion in forward contracts issued in February and March that they would not have to cover for as much as a year. An estimated 80% to 90% of these forward contracts ended up in the hands of speculators....

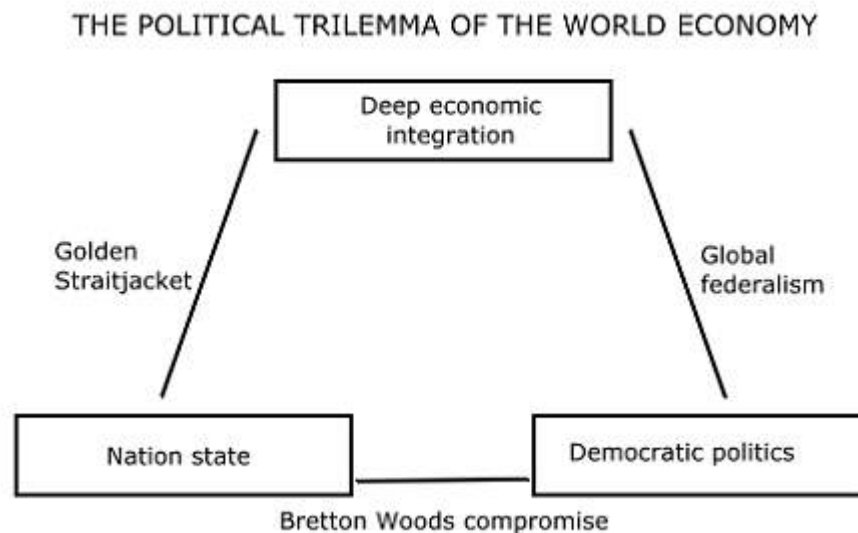
Sensing blood, traders began moving in for the kill and in mid-May flooded the market with orders to sell bahts... And on July 2, the baht was devalued, setting off a chain reaction throughout the region's currency markets and then, last week, around the world's stock exchanges. While no hard number is available, the wolves who started all this turmoil were very well fed, probably with profits in excess of \$3 billion.

(see ^{CE} [How to kill a Tiger](#) for the full text of the article with article image of the original)

{§} (19/02/16) Dani Rodrik, in a 2007 blog posting, summed up the problem:

Sometimes simple and bold ideas help us see more clearly a complex reality that requires nuanced approaches. I have an "impossibility theorem" for the global economy that is like that. It says that democracy, national sovereignty and global economic integration are mutually incompatible: we can combine any two of the three, but never have all three simultaneously and in full.

Here is what the theorem looks like in a picture:



To see why this makes sense, note that deep economic integration requires that we eliminate all transaction costs traders and financiers face in their cross-border dealings. Nation-states are a fundamental source of such transaction costs. They generate sovereign risk, create regulatory discontinuities at the border, prevent global regulation and supervision of financial intermediaries, and render a global lender of last resort a hopeless dream. The malfunctioning of the global financial system is intimately linked with these specific transaction costs.

So what do we do?

One option is to go for global federalism, where we align the scope of (democratic) politics with the scope of global markets.

Realistically, though, this is something that cannot be done at a global scale. It is pretty difficult to achieve even among a relatively like-minded and similar countries, as the experience of the EU demonstrates.

Another option is maintain the nation state, but to make it responsive only to the needs of the international economy. This would be a state that would pursue global economic integration at the expense of other domestic objectives. The nineteenth century gold standard provides a historical example of this kind of a state. The collapse of the Argentine convertibility experiment of the 1990s provides a contemporary illustration of its inherent incompatibility with democracy.

Finally, we can downgrade our ambitions with respect to how much international economic integration we can (or should) achieve. So we go for a limited version of globalization, which is what the post-war Bretton Woods regime was about (with its capital controls and limited trade liberalization). It has unfortunately become a victim of its own success. We have forgotten the compromise embedded in that system, and which was the source of its success.

So I maintain that any reform of the international economic system must face up to this trilemma. If we want more globalization, we must either give up some democracy or some national sovereignty. Pretending that we can have all three simultaneously leaves us in an unstable no-man's land.

(Dani Rodrik, ^{CE} [The inescapable trilemma of the world economy](#), Dani Rodrik's weblog, June 27, 2007)

Bill Mitchell provides a cautionary critique of Rodrik's 'trilemma'. He cogently argues that,

The trilemma has been skillfully sold as a narrative by right-wing think tanks and others who serve the interests of capital. The so-called progressive politicians have fallen into the trap and have shifted their political parties closer and closer to their right-wing opponents, such that now it is hard to distinguish between the major parties in most nations. The reality is that while the impossibility theorem beguiles the Left - its applicability as a binding constraint on government is limited...

...[I]n fact, this trilemma is just a notional construct. The actual reality that we face is that we still can elect politicians in most countries (mass politics), these politicians still have legislative capacity to restrict economic activity across borders, and global capitalism still requires local markets to realise the surplus value they produce within these global productive processes.

The actual challenge is not to cede national sovereignty to some mythical state of international economic integration but to resist the corruption of the national policy-making process by shifts to technocracies and to ensure that the voting systems, both by citizens for their elected representatives and by the representatives themselves in the legislative domain, is not corrupted by lobbyists working in the interests of specific capital elites.

...[T]he currency-issuing government with the power to enforce legislative decisions can act broadly in the interests of the well-

being of all citizens and can stand tall against the powerful capitalist interests that are continually attempting to skew the power of such a government in their favour.

The fact that billions are pumped into the lobbying industry each year by the major industrial and financial capitalist interests and that these efforts are supported by massive funding of think tanks and marketing agencies, which are designed to skew the opinions of ordinary voters, is testament that global capital, however concentrated, understands the power of the elected nation-state.

The problem is that the stupidity of the Left politicians has bought the myth that international economic integration is so advanced and inevitable that they had to abandon the traditional progressive goals and, instead, serve the interests of capital. Their differentiating narrative is the implausible claim that they somehow will maintain that policy position to deliver fairer outcomes. It's laughable really.

(Bill Mitchell, ^{CE} [The impossibility theorem that beguiles the Left](#), *Billy Blog*, February 17, 2016)

⁴¹⁴ See Feinman (1993) ^{CE} [Reserve Requirement: History, Current Practice, and Potential Reform](#) for a description of U.S. FDIC monetary policy; Meltzer (2003) for a history of U.S. monetary policy to 1951

⁴¹⁵ While Western nations had imposed protectionist legislation to safeguard their own economies from unfair competition, they had little compunction about accepting resource imports from Third World countries without such protection. So, even if Third World governments had wanted to provide similar welfare provisions to those emerging in Western countries, they would not have been able to do so.

⁴¹⁶ Although with booming economic conditions, this did not prevent the development of immigration programs which brought low-skilled, low-paid labor into Western countries to provide workers for those positions considered menial by Western people.

⁴¹⁷ {§} (20/04/16) The 2012 woes of Greece are a consequence of entering into partnership with a Eurozone which is travelling down the path of deregulation⁷¹¹, erosion of working/ living conditions and reduction of welfare provisions to the lowest common denominators of member states (see [Germany and lowest common denominators for more](#)). Greece has attempted to retain its protection era commitments in a post-protection era. The consequences of such an attempt can be grim. As Michael Birnbaum (2012), in a *Washington Post* article, described:

...many Greeks question whether the terms of the bailout [will do much to help their economy](#) in the coming years, and the "troika" of the International Monetary Fund, European Union and European Central Bank acknowledged that the recession would worsen in the short run, even as unemployment has already spiked to 21 percent - 49 percent for those younger than 25 - and the economy contracted by 7 percent in the third quarter of 2011.

Europe has demanded that the public sector shrink by 150,000 people, that the minimum wage be lowered by 22 percent, that pensions be cut and that Greece do more to sell off its publicly owned companies, among other measures that filled a 50-page booklet.

When the Greek parliament started implementing them last week, 43 of the deputies in the ruling coalition rebelled, and rioters in Athens set dozens of buildings on fire.

(See Michael Birnbaum, ^{CE} [Deal reached on \\$170 billion Greek bailout](#), *Washington Post*, February 21 2012)

418 {§} (18/08/17) The catch-cry of neoliberalism has, for more than fifty years, been 'let's deregulate!'. Regulation, it is argued, is government acting as 'Big Brother'; straitjacketing the natural entrepreneurial instincts of the populace and imposing its own self-interested agenda on a people who yearn to be 'free'. From the mid-1970s, this 'free market' agenda became the rationale for political 'reform' within Western nations.

In the comments attached to a ^{CE} [Naked Capitalism](#) posting (August 14, 2017), a number of commenters, starting with Yves Smith, have discussed the deregulatory activities of US Democratic president, Jimmy Carter (1977–81). As in other Western countries, both sides of US politics became infected by those neoliberal ideological understandings which have dominated Western economic and political discourse and practice over the past fifty and more years⁷¹².

One of the commenters, pseudonymed *Nonclassical*, has provided a link to an excellent summation by George Monbiot of the 20th century fashioning of neoliberalism. As Monbiot says,

The ideology that dominates our lives has, for most of us, no name. Mention it in conversation and you'll be rewarded with a shrug. Even if your listeners have heard the term before, they will struggle to define it. Neoliberalism: do you know what it is?

...So pervasive has neoliberalism become that we seldom even recognise it as an ideology. We appear to accept the proposition that this utopian, millenarian faith describes a neutral force; a kind of biological law, like Darwin's theory of evolution. But the philosophy arose as a conscious attempt to reshape human life and shift the locus of power.

Neoliberalism sees competition as the defining characteristic of human relations. It redefines citizens as consumers, whose democratic choices are best exercised by buying and selling, a process that rewards merit and punishes inefficiency. It maintains that "the market" delivers benefits that could never be achieved by planning.

Attempts to limit competition are treated as inimical to liberty. Tax and regulation should be minimised, public services should be privatised. The organisation of labour and collective bargaining by trade unions are portrayed as market distortions that impede the formation of a natural hierarchy of winners and losers. Inequality is recast as virtuous: a reward for utility and a generator of wealth, which trickles down to enrich everyone. Efforts to create a more equal society are both counterproductive and morally corrosive. The market ensures that everyone gets what they deserve.

We internalise and reproduce its creeds. The rich persuade themselves that they acquired their wealth through merit, ignoring the advantages – such as education, inheritance and class – that may have helped to secure it. The poor begin to blame themselves

for their failures, even when they can do little to change their circumstances.

Never mind structural unemployment: if you don't have a job it's because you are unenterprising. Never mind the impossible costs of housing: if your credit card is maxed out, you're feckless and improvident. Never mind that your children no longer have a school playing field: if they get fat, it's your fault. In a world governed by competition, those who fall behind become defined and self-defined as losers....

(George Monbiot, [Ⓔ] [Neoliberalism – the ideology at the root of all our problems](#), *The Guardian*, Friday 15 April 2016)

⁴¹⁹ [Neoliberally oriented 'experts'](#), like Anne Krueger, a former *World Bank* chief economist and former first deputy managing director of the *International Monetary Fund*, have, since the 1970s, displayed a wanton blindness to the [social and ecological](#) consequences of the neoliberally driven [remaking of the capitalist world](#).

Little has changed in the understanding of 'free marketeers' since [Thomas Huxley's 19th century description](#) of their position.

Here is Krueger's assessment of the wondrous consequences of 'free market' policies inflicted on the world since the 1970s:

According to today's populists, "good jobs" in US manufacturing have been "lost" to competition from imports and preferential trading arrangements. But this narrative does not fit the facts, because imports create jobs, too.

For starters, many jobs are directly connected to trade. Think of the longshoremen who load and unload cargo, the pilots and crews who transport goods by air, the truckers who do so by land, and the wholesale and retail workers who stock and sell those goods.

Second, imports often provide cheaper inputs than what is available in the United States, which enables American manufacturers to compete better with foreign firms in export markets, and to maintain their share of domestic markets. Third, foreign direct investment (FDI) helps American companies acquire some inputs at less cost, while engaging in more research and development and other activities.

Last but not least, exporting to the US gives foreigners more income with which to buy imports from the US and other countries. Because export-industry jobs usually require more valuable skills, and thus pay more than jobs in industries that compete with imports, the additional exports generated by imports create better jobs overall.

Without imports, many jobs that exist today would disappear. According to some estimates, the jobs that service an imported consumer good account for more than half of its retail price. Many imports require local service facilities with American workers. Foreign automobiles, for example, would not be sold if the parts and mechanics for servicing them were unavailable.

For any manufactured good or line of goods, the production process typically involves several steps. Some steps require considerable engineering and technical skills, and others entail relatively low-

skilled employment. Because the US labor force is highly skilled overall, American companies have an advantage over their foreign competitors.

But US firms that rely on components produced by unskilled labor must either make those components themselves, or buy them from high-cost domestic sources. This can put them at a cost disadvantage if they are competing with companies in other industrial countries that can import the same inputs for less, or with companies in countries where unskilled labor is cheaper.

On the other hand, when US firms can import low-skill inputs for less than it would cost to produce those inputs themselves, they can reduce the price of their final product. This allows them to fend off foreign competitors at home and compete more effectively abroad. Germany and Japan have expensive skilled labor forces, but their firms are able to compete in world markets precisely because they can outsource high-cost, low-skill production stages.

Low-cost imports, rather than "destroying" Americans' jobs, actually sustain them. And when companies can expand as a result of their improved competitiveness at home and abroad, they create even more jobs. But if firms must purchase higher-cost domestic inputs, they will have to reduce their profits or raise the price of their products. With reduced profits, they will be less likely to expand and hire more workers; and if they lose money, they may have to shed workers. But raising prices is likely to mean losing market share, implying fewer employees to meet demand.

(Anne Kreuger, ^{CE} [How Imports Boost Employment](#), *Project Syndicate*, February 25, 2017)

⁴²⁰ Unfortunately, costs related to maintaining the integrity of the environment from which raw materials are extracted have usually also been excluded from consideration. The environmental deterioration has far-too-often been accepted as 'collateral damage' of capitalist enterprise.

Costs related to maintaining the integrity of the community from which labor is drawn and within which capitalist enterprise is conducted are similarly ignored in the interests of 'profitability' and 'competitive advantage'.

It is only possible to do this if 'the economy' and 'economic activity' are considered entirely separate from other 'environments', an independently existing, self-regulating domain (see [People and recognized Environments](#)).

⁴²¹ As Rubén Hernández-Murillo and Christopher Martinek explained in 2009:

Milton Friedman, in particular, doubted that CSR [Corporate Social Responsibility] was socially desirable at all. He maintained that the only social responsibility of a business is to maximize profits (conducting business in open and free competition without fraud or deception). He argued that the corporate executive is the agent of the owners of the firm and said that any action by the executive toward a general social purpose amounts to spending someone

else's money, be it reducing returns to the stockholders, increasing the price to consumers or lowering the wages of some employees.

Friedman pointed out that the stockholders, the customers or the employees could separately spend their own money on social activities if they wished to do so. Friedman, however, also noted that there are many circumstances in which a firm's manager may engage in actions that serve the long-run interest of the firms' owners and that also have indirectly a positive social impact.

(Rubén Hernández-Murillo and Christopher J. Martinek, ^{CE} [Corporate Social Responsibility can be Profitable](#), *The Regional Economist*, (www.stlouisfed.org) April 2009, Pp. 4, 5)

⁴²² Jonathan Macey (2008) has explained it well:

...*Dodge v. Ford* still has legal effect, and is an accurate statement of the form, if not the substance, of the current law that describes the fundamental purpose of the corporation. By way of illustration, the American Law Institute's ("ALI") ^{CE} [Principles of Corporate Governance](#) ("*Principles*"), considered a significant, if not controlling, source of doctrinal authority, are consistent with *Dodge v. Ford*'s core lesson that corporate officers and directors have a duty to manage the corporation for the purpose of maximizing profits for the benefit of shareholders. Specifically, section 2.01 of the *Principles* makes clear that "a corporation should have as its objective the conduct of business activities with a view to enhancing corporate profit and shareholder gain."

Significantly, the *Principles* specify that the goal of the corporation is shareholder wealth maximization. According to Professor Mel Eisenberg, Reporter for the ALI's Principles of Corporate Governance Project, shareholder wealth maximization is used because "the market is usually more accurate" and is less susceptible to manipulation than other measures of corporate performance. Moreover, the ALI expressly emphasizes shareholder wealth rather than corporate wealth, and specifically excludes labor interests as something that should be maximized....

The Principles contain only three rather minor exceptions to the shareholder wealth maximization norm. Corporations can ignore shareholder wealth maximization in order to: (1) comply with the law; (2) make charitable contributions; and (3) devote a "reasonable amount of resources to public welfare, humanitarian, educational, and philanthropic purposes."

(Macey, Jonathan R., ^{CE} [A Close Read of an Excellent Commentary on Dodge v. Ford](#)" (2008). *Yale Law School Faculty Scholarship Series*. Paper 1384)

⁴²³ British Prime Minister Margaret Thatcher, talking to *Women's Own* magazine, October 31 1987:

I think we've been through a period where too many people have been given to understand that if they have a problem, it's the government's job to cope with it. 'I have a problem, I'll get a grant.' 'I'm homeless, the government must house me.' They're casting their problem on society. And, you know, there is no such thing as society. There are individual men and women, and there are families. And no government can do anything except through

people, and people must look to themselves first. It's our duty to look after ourselves and then, also to look after our neighbour. People have got the entitlements too much in mind, without the obligations. There's no such thing as entitlement, unless someone has first met an obligation.

424 As we observed [elsewhere](#), under capitalism, the logic of the marketplace effectively emasculates (or spays) morality. It also guts 'society' and inclusive, caring communities.

Just as the end result of Aquinas's model was the secularization of western European populations, so the end result of Adam Smith's model has been the dismembering of society and self-interested individualization of populations (see [The Economy: A New Environment](#) for more on this).

Keynes (1930), seeing the post-1929 consequences of rampant free-market capitalism, provided an interesting, if unrealistically optimistic, vision of a post-capitalist Western future where old fashioned morality, at last, triumphs over the asocial and amoral logic of the capitalist free-market:

When the accumulation of wealth is no longer of high social importance, there will be great changes in the code of morals. We shall be able to rid ourselves of many of the pseudo-moral principles which have hag-ridden us for two hundred years, by which we have exalted some of the most distasteful of human qualities into the position of the highest virtues.

We shall be able to afford to dare to assess the money-motive at its true value. The love of money as a possession -as distinguished from the love of money as a means to the enjoyments and realities of life -will be recognised for what it is, a somewhat disgusting morbidity, one of those semicriminal, semi-pathological propensities which one hands over with a shudder to the specialists in mental disease.

All kinds of social customs and economic practices, affecting the distribution of wealth and of economic rewards and penalties, which we now maintain at all costs, however distasteful and unjust they may be in themselves, because they are tremendously useful in promoting the accumulation of capital, we shall then be free, at last, to discard.

(Keynes (1930) [Ⓔ] [Economic Possibilities for Our Grandchildren](#) (pp.5-6), in John Maynard Keynes (1963) *Essays in Persuasion*, W. W. Norton & Co., New York, pp. 358-373)

Little wonder that free-market capitalists consider Keynesian economics a threat!

425 {§} (03/07/16){§} (05/12/16) My introduction to the realities of the neoliberal future into which we were all heading was demoralizing. I had been immersed in anthropological research in a non-Western community for some years in the early 1980s and returned to Australia in 1984. Shortly after my return I heard a knock at my front door and on opening it found a middle aged acquaintance standing there. He was a simple man with no educational achievements to his name but had successfully held down a job as a sweeper at a Ford Motors factory for the previous decade.

Now, with tariff barriers being lowered and deregulation gathering steam, he had been informed that he was being 'let go'. His union could (or would) do nothing about it and he vainly hoped that perhaps I would be able to do something to help him.

{§} (22/07/16) I have seldom felt so impotent as I did that afternoon. The prime minister of Australia, responsible for overseeing Australia's neoliberal reorganization, had been president of the Australian Council of Trade Unions for 10 years prior to moving into politics. I knew that, with most politicians convinced of both the inevitability and desirability of deregulation and 'opening up' Australia to international competition, there was no point in appeals to the company, to the trade union movement or to members of parliament. This friend was just one sad example of a burgeoning unemployment disaster which was being treated as an 'unfortunate' but 'necessary' consequence of [the evolutionary changes taking place](#). Herbert Spencer (1884) had put it in a sociopathic nutshell:

The state of transition will of course be an unhappy state. Misery inevitably results from incongruity between constitutions and conditions. All these evils which afflict us, and seem to the uninitiated the obvious consequences of this or that removable cause, are unavoidable attendants on the adaptation now in progress.

Humanity is being pressed against the inexorable necessities of its new position - is being molded into harmony with them, and has to bear the resulting unhappiness as best it can. The process must be undergone, and the sufferings must be endured.

No power on earth, no cunningly-devised laws of statesmen, no world-rectifying schemes of the humane, no communist panaceas, no reforms that men ever did broach or ever will broach, can diminish them one jot.

In the long-run, apparently, we would all be better off!

{§} (06/01/17) As [Thomas Carlyle](#) wrote of the Poor in the aftermath of the 1834 revision of the Poor laws:

The New Poor-Law is an announcement, sufficiently distinct, that whosoever will not work ought not to live. Can the poor man that is willing to work, always find work, and live by his work?

... A man willing to work, and unable to find work, is perhaps the saddest sight that Fortune's inequality exhibits under this sun.

{§} (08/07/16) Graham never found another job. And, sadly, [there have been thousands of others just like him!](#)

{§} (22/12/16) Across the neoliberal Western World, they and their dependents number in their millions. People with [shattered dreams](#) and broken lives, [sacrificed](#) on tear- (and [all-too-often blood-](#)) stained altars of neoliberalism by men in fine-woven suits and matching ties, the sociopathic priests and aficionados of neoliberal capitalism. There are no gulags, no concentration camps, no piles of rotting corpses, just [millions of dispossessed](#), discarded, desperate human beings sacrificed to [that perennial neoliberal bottom line!](#)⁷¹³

The Economic Policy Institute's ^{CE} [State of Working America Data Library](#) gives a breakdown of wage changes and share of employment by education level from 1973-2011:

Hourly wages by education, 1973–2011 (2011 dollars)

	Less than high school	High school	Some college	College degree
<i>Real hourly wage</i>				
1973	\$14.93	\$17.11	\$18.43	\$24.96
1979	14.85	16.67	17.82	23.36
1989	12.69	15.47	17.37	24.36
1995	11.46	15.15	16.93	25.16
2000	11.92	16.04	18.23	27.99
2007	12.34	16.24	18.31	28.65
2011	11.82	15.89	17.57	27.99
<i>Annual percent change</i>				
1973–1979	-0.1%	-0.4%	-0.6%	-1.1%
1979–1989	-1.6	-0.7	-0.3	0.4
1989–2000	-0.6	0.3	0.4	1.3
1989–1995	-1.7	-0.3	-0.4	0.5
1995–2000	0.8	1.1	1.5	2.2
2000–2007	0.5	0.2	0.1	0.3
2007–2011	-1.1	-0.5	-1.0	-0.6
<i>Share of employment</i>				
1973	28.5%	38.3%	18.5%	10.1%
1979	20.1	38.5	22.8	12.7
1989	13.7	36.9	26.0	15.6
2000	10.8	31.9	29.8	18.8
2007	9.8	29.6	29.6	20.9
2011	8.4	28.0	30.4	21.9

Source: Authors' analysis of Current Population Survey Outgoing Rotation Group microdata

The share of employment by workers with less than High School education in the US fell from 28.5% to 8.4%. As Dean Baker has said,

...While the impact of automation over a long enough period of time certainly swamps the impact of trade, over the last 20 years there is little doubt that the impact of the exploding trade deficit has had more of an impact on employment. To make this one as simple as possible, we currently have a trade deficit of roughly \$460 billion (@ 2.6 percent of GDP). Suppose we had balanced trade instead, making up this gap with increased manufacturing output.

Does the NYT want to tell us that we could increase our output of manufactured goods by \$460 billion, or just under 30 percent, without employing more workers in manufacturing? That would be pretty impressive. We currently employ more than 12 million workers in manufacturing, if moving to balanced trade increase employment by just 15 percent we would be talking about 1.8 million jobs. That is not trivial...

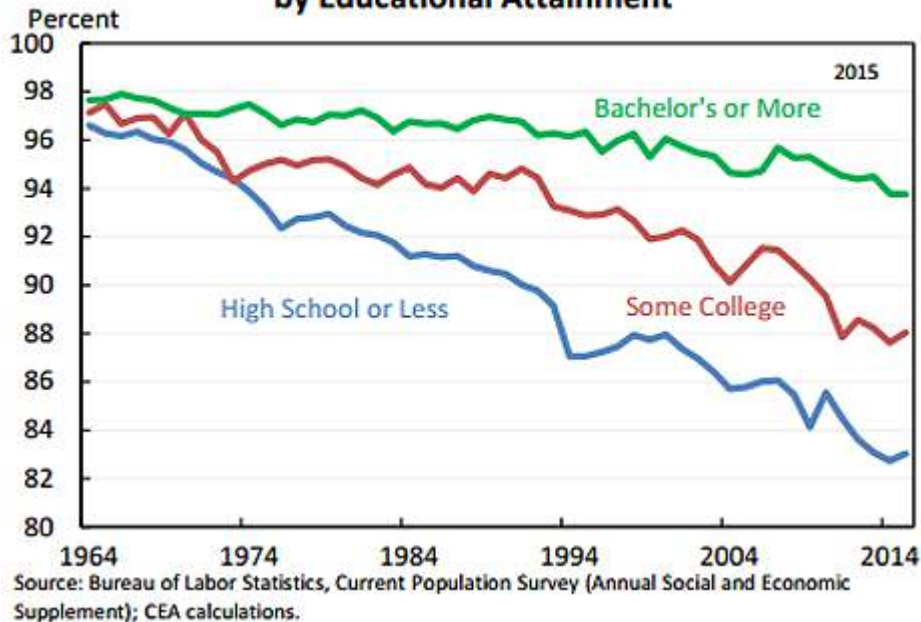
The average hourly wage of men with just a high school degree was 13 percent less in 2000 than in 1973. For workers with some college it was down by more than 2.0 percent. In fact, stagnating wages for men without college degrees is not something new and different, it has been going on for more than forty years.

(Dean Baker, ^{CE} [What's Different About Stagnating Wages for Workers Without College Degrees?](#), *Beat the Press*, 21 December 2016)

An anodyne US White House report on ^{CE} [The Long-term Decline In Prime-age Male Labor Force Participation](#) (US White House, June 2016) in the United States has illustrated the labor force participation decline for prime-age male workers with high school or less between 1964 and 2015:

In 1964 participation rates were similar for different education levels - with 98 percent of primeage men with a college education participating in the workforce as compared to 97 percent of prime-age men with a high school degree or less, as shown in Figure 9. In 2015, every education group had lower participation rates than in previous decades, but the decline was modest for more-educated workers. In contrast, those with a high school degree or less saw their participation rates fall to 83 percent, a 14 percentage point reduction from 1964.

Figure 9: Prime-Age Male Labor Force Participation by Educational Attainment



⁴²⁶ See [The Growth in Third World Debt](#) for more on this.

⁴²⁷ Oxfam International has recently claimed that:

Across the world, impoverished countries are being forced to repay debts far bigger than original loans, instead of spending precious cash on essentials like schools and hospitals.

Bangladesh, for example, has to make crippling debt repayments, when it desperately needs to use money to pay for better health care and education - especially for the 50 million Bangladeshis who

survive on under a dollar a day.

(^{CE} [Debt and Aid](#), Oxfam International)

The United Nations Development Programme, in a Policy Note on Heavily Indebted Poor Countries (HIPC) in 2003 claimed:

There are 42 HIPC countries - 34 in Sub-Saharan Africa, 4 in Latin America, 3 in East Asia and 1 in the Middle East. Thirty-one of them are among the 59 countries identified as priority countries in the 2003 Human Development Report...

Countries with unsustainable external debt are those whose 'net present value' of external debt exceeds 150 per cent of the export revenues...

The World Bank has identified severely indebted low-income countries (SILIC) as countries whose 'net present value' of external debt is higher than 220 per cent of exports and/or more than 80 per cent of gross national income.

At the end of 2001 (latest year for which data are available), the SILIC countries not included in the HIPC list include Indonesia, Kyrgyz Republic, Moldova, Nigeria, Pakistan and Tajikistan. Jubilee Research claims that there is arbitrariness to the picking of countries for inclusion in the HIPC list.

(^{CE} [The Heavily Indebted Poor Countries Initiative](#), UNDP Policy Note October 2003)

⁴²⁸ See [Import Substitution in Third World Countries](#) for more on this.

⁴²⁹ Like genies in bottles, it's so much easier to deregulate than to regulate! The recent attempts to re-regulate banking and investment practices in a globalized economic world show how difficult it is to coordinate legislation and re-establish any genuinely effective controls.

⁴³⁰ Groups committed to *laissez faire* economics or more simply to getting back to the way things were in the 1920s. These groups had long sought effective arguments for the dismantling of the 'welfare state' and reestablishment of 1920s economic conditions.

⁴³¹ A commenter on a blog posting by Dean Baker put it succinctly:

In modern economies demand comes from mass consumption by the 99%, not the 1% buying yachts and hiring servants. How could the increasing inequality in income and wealth not reduce aggregate demand? Does the medieval, aristocratic economy really represent overall efficiency?

When corporations take advantage of low-cost foreign labor this raises profits, reduces domestic wages directly and affects the power of unions. As we have been seeing recently, a "free market" in labor does not ensure that workers get what they consider to be fair wages, despite what are claimed to be labor shortages. Workers need to act collectively to get improvements in wages and benefits.

(skeptonomist, commenter on Dean Baker, ^{CE} [No One Told Greg Mankiw About the Great Recession](#), *Beat The Press*, 06 October 2018)

⁴³² Steven Greenhouse and Julfikar Ali Manik have summed up the international drivers of hyperglobalization which lead to constant

downward pressure on wages and conditions 'as individual production stages are located where the costs of production are lowest':

...[F]actory closings can have immediate economic impact. Some factory owners worry about losing large and profitable orders to other companies and countries, and garment workers themselves fear losing their jobs. In one of the first closings after an Accord inspection, workers took to the streets in a raucous demonstration, protesting that their wages might not be paid...

Worsening tensions, the Bangladeshi commerce minister and the head of the Bangladesh Garment Manufacturers and Exporters Association accused Bangladeshi union leaders this week of undermining the nation's image and garment industry by asserting that some labor leaders and pro-union workers have been tortured, beaten and harassed...

The remediation process, garment industry experts say, could lead to clashes between the Bangladeshi factory owners and the Western brands about who should pay for needed safety improvements - especially because many factory owners are expected to say they cannot afford to make the repairs.

(Steven Greenhouse and Julfikar Ali Manik, ^{CE} [Stalemate Over Garment Factory Safety in Bangladesh](#), *New York Times*, June 25 2014)

See [Globalization, Free Trade Zones and Definitions of Employment](#) for more on all this.

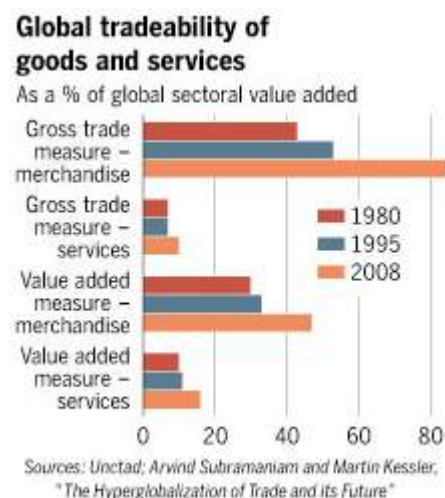
Arvind Subramanian and Martin Kessler, in a paeon to the process of hyperglobalization, have described the growing intensity of this shift:

The period between 1914 and the end of World War II witnessed the Great Reversal of globalization... World trade plunged to a low of 5.5 percent of world GDP just before World War II began (O'Rourke and Williamson 1999; Frieden 2006; Irwin 2011).

A third era, starting after World War II, saw the restoration of world trade, aided by declines in transport costs and trade barriers. Only by about the mid- to late 1970s did world trade revert to the peaks seen before World War I.

The world is now in a fourth era, of hyperglobalization, in which world trade has soared much more rapidly than world GDP. Merchandise exports-to-GDP ratios soared from 15 percent to 26 percent, and goods and services exports to about 33 percent, over the course of the last two decades. This rapid increase is somewhat surprising, because transport costs do not appear to have declined as rapidly as in earlier eras

(Hummels, Ishii, and Yi 2001; Baldwin 2011a). The cost of information and communications did decline significantly, however.



Part of the increase in trade reflects the fragmentation of manufacturing across borders - the famous slicing up of the value-added chain - as individual production stages are located where the costs of production are lowest. This phenomenon, whereby technology no longer requires that successive stages of manufacturing production be physically contiguous or proximate, has been dubbed the "second unbundling" (Baldwin 2011a)

(Arvind Subramanian and Martin Kessler, ^{CE} *The Hyperglobalization of Trade and Its Future*, Working Paper Series 13-6, p. 4, July 2013, Peterson Institute for International Economics)

A UN Food and Agriculture Organization (FAO) report described some of the problems in Third World countries and a few of the reasons why Western nations lowered protectionist barriers:

The reality of global interdependence was called to the attention of policy-makers by the oil crises of 1973 and 1979 and the debt crises [in 3rd World countries] of the 1980s. The debt problem, not yet resolved despite numerous debt relief and reduction initiatives, has deleterious implications for food security.

Debt-servicing obligations reduce the ability to import food, as well as other items that could increase domestic food production and consumption, and constrain resources for development and social welfare. The most recommended cure consisted of macroeconomic stabilization, enacting structural reforms (liberalization and privatization) and an increasing emphasis on international trade.

A combination of policies, inter alia, reforming exchange rates, privatizing state-owned enterprises, reducing the public payroll and public spending generally, dampening inflation and cutting subsidies, was employed.

In the process of adjustment the inward-oriented industrialization strategies of the 1960s and 1970s were replaced by more outward-looking ones. At the same time, a new institutional structure for trade was being constructed. The Uruguay Round of the General Agreement on Trade and Tariffs (GATT) negotiations, dedicated to reducing protection according to a predefined schedule, were concluded [in 1994] and the World Trade Organization (WTO) was founded.

(^{CE} [FAO 1996](#), p. 2)

⁴³³ Thomas Palley has given a clear, concise account of "mainstream economics' celebratory stance toward globalization" and the theoretical gymnastics through which 'mainstream economists' attempt to justify their enthusiasms:

Prior to the 2008 financial crisis there was much debate about global trade imbalances. *Prima facie*, the imbalances seem a significant problem. However, acknowledging that would question mainstream economics' celebratory stance toward globalization. That tension prompted an array of theories which explained the imbalances while retaining the claim that globalization is economically beneficial. This paper surveys those new theories. It contrasts them with the structural Keynesian explanation that views the imbalances as an inevitable consequence of neoliberal globalization. The paper also describes how globalization created a

political economy that supported the system despite its proclivity to generate trade imbalances.

(Thomas Palley (Policy Advisor, AFL-CIO Washington DC, August 2014) [Ⓔ] [The theory of global imbalances: mainstream economics vs. structural Keynesianism](#), *Review of Keynesian Economics*, 2015, vol. 3, issue 1, 45-62)

The curiously naive principles underlying moves to 'free' international trade from the disadvantages of 'protectionism' are well spelt out in the World Trade Organization (WTO) statement of purpose:

The economic case for an open trading system based upon multilaterally agreed rules is simple enough and rests largely on commercial common sense. All countries, including the poorest, have assets-human, industrial, natural, financial-which they can employ to produce goods and services for their domestic markets or to compete overseas.

'Comparative advantage' means that countries prosper by taking advantage of their assets in order to concentrate on what they can produce best. This happens naturally for firms in the domestic market, but that is only half the story. The other half involves the world market.

Most firms recognize that the bigger the market the greater their potential-in terms of achieving efficient scales of operation and having access to large numbers of customers. In other words, liberal trade policies which allow the unrestricted flow of goods, services and productive inputs multiply the rewards that come with producing the best products, with the best design, at the best price ...

The alternative of import protection and perpetual government subsidies leads to bloated, inefficient companies supplying consumers with outdated, unattractive products. Ultimately, factories close and jobs are lost despite protection and subsidies. If other governments pursue such policies overseas, markets contract and world economic activity is reduced.

One of the objectives of the WTO is to prevent such a self-defeating and destructive drift into protectionism.

([Ⓔ] [WTO](#))

⁴³⁴ See [The Economy: A New Environment](#) for more on this.

⁴³⁵ This is, of course, a nonsense. The material resource base upon which communities rely for *all* their needs is, by definition, subsumed within 'the economy'.

⁴³⁶ Economic efficiency arguments are usually based on a presumption of the separation of an economic environment from other 'social' environments. The 'welfare' generated through economic activity is assumed to be a consequence of activity within this insulated environment. The definition of economic efficiency is usually spelt out as the:

Situation in which (with the given state of technology) it is impossible to generate a larger welfare total from the available resources. In other words, the situation where some people cannot

be made better-off by reallocating the resources or goods, without making others worse-off. Also called allocative efficiency, it indicates that a "just the right balance between pain and gain" has been achieved.

(see ^{CE} [Economic Efficiency](#))

This 'balance between pain and gain' is usually explained through reference to the *Pareto Optimum* : "Conditions under which the state of economic efficiency (where no one can be made better off by making someone worse off) occurs."

Any move to build a welfare component into cost structures is regarded as a move to economic inefficiency.

All this is based, of course, on a presumption that human beings are all, at heart, pre-social, independent, self-interested, self-promoting, competitive and acquisitive beings, intent on conserving and expanding their possessions and furthering their own well-being and independence, if necessary, at the expense of others around them (see [Independent individualism](#)).

The real issue in considering social welfare, however, is not the equitable reallocation of resources within the economy (the Pareto Optimum), but the expansion of the circulation of money. Either circulation is limited to activity within 'the economy' (a strict neoliberal approach) or it is [expanded to include community requirements](#).

⁴³⁷ A willingness to mindlessly [pillage the environments of non-Western communities](#) has long been central to the activities of Western governments and corporations. Nor is there any indication that Western capitalism is any more willing to accept responsibility for the [looming environmental consequences](#) of unregulated capitalism in the 21st century. Donald Trump, newly elected president of the United States of America, in a budget blueprint for the 2017 fiscal year has decided to slash the US Environmental Protection Agency's budget by 31 percent. As a *New York Times* commentary on Trump's budget priorities has explained,

The E.P.A. is, arguably, the hardest-hit agency under Mr. Trump's budget proposal: He wants to cut spending by nearly a third - \$2.6 billion from its current level of \$8.2 billion, according to a person who had been briefed on the proposal but was not authorized to speak publicly about it.

That would take the budget down to about \$5.7 billion, its lowest level in 40 years, adjusted for inflation. In an initial draft, the White House had proposed cutting about \$2 billion from the agency's budget, taking it down to just over \$6 billion, according to an aide familiar with the plan.

The E.P.A. administrator, Scott Pruitt, who has himself spoken out against some of the core missions of the agency he leads, went to the White House to request a smaller cut after the White House budget office first presented him its preferred spending level. He pressed for about \$7 billion, according to the person. Instead, the White House slashed his budget down even further, to about \$5.7 billion.

Mr. Trump's proposed cuts to the E.P.A. are a magnitude greater even than those envisioned by congressional Republicans, many of whom forcefully oppose the agency's regulatory agenda.

(Glenn Thrush and Coral Davenport, ^{CE} [Donald Trump Budget Slashes Funds for E.P.A. and State Department](#), *New York Times*, March 15, 2017)

⁴³⁸ Effectively, money is removed from general circulation, accumulating within various 'investment' portfolios. Vast sums are employed in securities, derivatives, currency and equities trading, entering an illusory realm of internationalized electronic wealth creation and manipulation, decoupled from the realities of the stimulation and maintenance of both employment and social welfare; much of it no longer accessible to fund community needs.

As a Wikipedia entry on the ^{CE} [Size of the global fund management industry](#) in 2010 explained:

Conventional assets under management of the global fund management industry increased by 10% in 2010, to \$79.3 trillion. Pension assets accounted for \$29.9 trillion of the total, with \$24.7 trillion invested in mutual funds and \$24.6 trillion in insurance funds. Together with alternative assets (sovereign wealth funds, hedge funds, private equity funds and exchange traded funds) and funds of wealthy individuals, assets of the global fund management industry totalled around \$117 trillion. Growth in 2010 followed a 14% increase in the previous year and was due both to the recovery in equity markets during the year and an inflow of new funds. (Accessed 8 June 2012)

A great deal of that asset accumulation is a consequence of an inevitable concentration of wealth and stalling of market exchange resulting from apparently equitable market exchanges.

Many current models of wealth generation and flow assume a cyclic process, with created wealth invested to fund new productive growth, ensuring both employment and social welfare. An unregulated system however, appears more closely to resemble a spiral than recyclic model.

Wealth injected into the system spirals upward to pool within global fund management portfolios. The recycling which occurs at this level is, far-too-often, a process which remains trapped within the global fund management industry.

Wealth exchange and growth become insulated within a kaleidoscopic virtual realm, creating a world of virtual wealth manipulation with its own experts, entrepreneurs, risk and profit takers, far removed from the mundane world of productive material enterprise, employment and social welfare.

Since, in most recyclic models of wealth generation and flow, no distinction is made between the health of such global funds and the health of productive enterprise, it is easy to confuse the two, assuming that, in order to ensure the health of productive enterprise, one must ensure the health of global fund management portfolios⁷¹⁴.

This has resulted in massive bailouts of the global fund management industry, with the funds absorbed into that realm having a marginal or negative impact on employment and social welfare conditions. Under

these conditions, the injected 'quantitative easing' funds by-pass their intended targets and move directly into the global fund management pool.

It seems essential, in order to ensure a true recycling of funds from the global fund management industry back into the real-world realms of employment and social welfare, that processes be established through which wealth can be redirected back into both employment and community needs.

See John Fullerton, ^{CE} [Why We Need a Financial Transactions Tax](#) (*Huff Post: Business*, 25 August 2011) for a discussion of

... high frequency trading and other "quant" trading strategies that now comprise an astonishing 70 percent of vastly bloated trading volume. The truth is simple: A modest financial transactions tax of less than 1 percent would serve as a remarkably efficient tool to achieve needed reform....

The financial markets are responding to short-term speculative financial interests rather than the long-term fundamental interest of real economic investment essential for creating productive jobs in the real economy. ...

More money, improved market resiliency we desperately need, and a reallocation of capital to productive long-term investment that fuels sustainable growth, creates jobs, and in the process reduces government deficits makes a financial transactions tax a win-win-win.

As Iglesias and de Almeida (2012) suggest: "To avoid condensation and the thermal death of markets some regulation, or some minimum allowance is necessary...".

All this has been explained by [Iglesias and de Almeida](#) in a study of the ^{CE} [Entropy and equilibrium state of free market models](#), (*The European Physical Journal B - Condensed Matter and Complex Systems*, Volume 85 (2012), Number 3, 85-95):

...in a large class of exchange models, the system converges to a very unequal condensed state, where one or a few agents concentrate all the wealth of the society while the wide majority of agents shares zero or almost zero fraction of the wealth. So, in those economic systems a minimum entropy state is attained....

Numerical results..., as well as some analytical calculations..., indicate that a frequent outcome in these models is *condensation*, i.e. concentration of all available wealth in just one or a few agents. This final state corresponds to a kind of equipartition of poverty: all agents (except for a set of zero measure) possess zero wealth while one, or a few ones, concentrate all available resources. In any case the final configuration is a stationary state of "equilibrium", since agents with zero wealth cannot participate in further exchanges.

...Making a parallel between physics and markets, if the second law of thermodynamics, when applied to the whole universe, has as a corollary the "thermal death of the universe", the concentration - or condensation - of wealth leads to a "thermal death of markets", since markets need exchanges, or flux of capital, to survive.

If all agents, with a few exceptions, have zero wealth, there are no exchanges.... What seems to be a fair exchange rule has the implication of spreading misery.

To avoid condensation and the thermal death of markets some regulation, or some minimum allowance is necessary to favor the poorer agents. Even the introduction of a risk-aversion factor, as discussed in the introduction does not impede the condensation. When there are no regulations and/or when no one can win more than he has, the dynamics leads to a condensed state and to a frozen economy.

(2012, pp. 85, 87, 90-93)

See ^{CE} [Capitalism: Sovereign Debt, Quantitative Easing \(QE\) and the Vortex Economy](#) for more on this.

⁴³⁹ This has been clearly demonstrated in the shift in taxation towards income and away from business through the last thirty years in Western countries. 'User Pays' taxation schemes, including

- moves to lower business tax rates (consumption taxes have usually been removed from business costs);
- toward flat personal income tax rates;
- and to broad based 'consumption' taxes such as 'value added' (VAT) and 'goods and services' (GST) tax regimes

all focus on individualising social costs, shifting 'social welfare' costs to personal incomes and advantaging those who are economically successful.

⁴⁴⁰ This naive view of the difference between 'politics' and 'economics' assumes that special interest groups do not form and sustain themselves and each other in economic activity. This is something which Adam Smith readily acknowledged two hundred and fifty years ago,

We rarely hear, it has been said, of the combinations of masters, though frequently of those of workmen. But whoever imagines, upon this account, that masters rarely combine, is as ignorant of the world as of the subject. Masters are always and everywhere in a sort of tacit, but constant and uniform combination, not to raise the wages of labor above their actual rate. To violate this combination is everywhere a most unpopular action, and a sort of reproach to a master among his neighbors and equals.

We seldom, indeed, hear of this combination, because it is the usual, and one may say, the natural state of things, which nobody ever hears of.

(1776, pp. 84-5)

For an example of this kind of collusion, see Laura Macomber (Okapi Productions, May 30, 2013, ^{CE} [Tracking the ALEC Law-Making Machine](#)). As Macomber explains,

Last year, Moyers & Company aired the "^{CE} [United States of ALEC](#)," a report on the American Legislative Exchange Council, a corporate-backed political powerhouse that's bringing profit-driven legislation to a statehouse near you. ALEC brings together lobbyists and state legislators to create "model legislation" that could benefit corporate

interests - laws, for example, that would serve to weaken collective bargaining rights, limit corporate liability and increase the populations at for-profit prisons. And it all takes place behind closed doors. The goal is to get ALEC legislators to pass versions of model laws in their home states. And pass them they do - ALEC boasts that some 200 of its bills become law each year.

441 {§} (15/02/16) Dean Baker has summed up the consequences of President Clinton's (1993-2001) policies for the US:

...There were many positive things that can be said about the economy in President Clinton's second term, but the problem was that it was not sustainable. The stock bubble that generated the demand that made low unemployment possible would inevitably burst. There is a limit to the number of fools with the money to pay billions of dollars for the stock of companies that will never make a profit.

When the bubble did burst in the years 2000-2002 it gave us a recession, which was very severe from the perspective of the labor market. We didn't get back the jobs lost in the downturn until January of 2005. Until the collapse of the housing bubble this was the longest period without net job growth since the Great Depression.

It is important to note that the problem was on the demand side. There was no evidence of serious supply side constraints when the unemployment rate fell to 4.0 percent in 2000. In other words, there is no reason to think that if we got enough demand in the economy, we could not again see the sort of strong and broadly shared growth of the late 1990s.

However it is precisely on this issue of generating demand that Clinton left us with an enormous problem. When he was Clinton's Treasury Secretary, Robert Rubin explicitly advocated a high dollar. This was a sharp departure from his predecessor as Treasury Secretary, Lloyd Bentsen, who was willing to let the dollar fall as a way of reducing the trade deficit. A lower dollar, and therefore a lower trade deficit, was supposed to be one of the fruits of Clinton's deficit reduction program.

The dollar did in fact rise after Rubin became treasury secretary, but really took off following the East Asian financial crisis. Robert Rubin and the rest of the Clinton team directed the bailout from the crisis through the I.M.F. Instead of requiring debt write-downs by creditors (i.e. banks), they demanded that the crisis countries repay their loans in full.

The route to repayment involved a sharp devaluation of their currencies against the dollar, which allowed them to run large trade surpluses with the United States. Several other developing countries also begin to rapidly accumulate foreign exchange reserves (i.e. dollars) to avoid ever being in the same position as the East Asian countries. The result was a sharp rise in the value of the dollar and an explosion in the size of the trade deficit. It went from just over 1.0 percent of GDP in the mid-1990s to almost 4.0 percent of GDP by the end of the Clinton administration (\$720 billion a year in today's economy).

The U.S. has had a large and persistent trade deficit ever since Clinton left office. This deficit creates a huge gap in demand in the economy since it amounts to demand that is being generated by the United States in other countries rather than the United States. The stock bubble filled this demand gap in the 1990s. The housing bubble filled the demand gap until it burst in 2007-2009.

(Dean Baker, ^{CE} [Ross Douthat Has Trouble Remembering the 1990s](#), *Center for Economic and Policy Research*, *Beat the Press*, 14 February 2016)

443 Bill Mitchell has addressed the ways in which concepts of 'full employment' have been revised within both economics and in mainstream media 'explanations' of the issue. Focusing on unemployment in Australia in 2016, he explains,

...[O]ver the years ... mainstream economists have revised the concept of full employment. We now read that Australia, for example, is at "full employment" when its official unemployment rate is 5.7 per cent (1.7 per cent above its previous low in February 2008), underemployment is 8.4 per cent, and the participation rate is still a full 1 percentage below its November 2010 peak (meaning some 190 thousand workers have dropped out of the labour force). By any stretch, the total labour underutilisation rate (that is, idle but willing labour) is in excess of 16 per cent. But to some smug journalists who cannot even get their facts straight, that is 'full employment'. Mainstream economics - [detaching language from meaning](#) and misleading a nation as a result.

We have many examples in the recent past of this capacity to detach language from meaning...

(Bill Mitchell, ^{CE} [Full employment = mass idle labour - detaching language from meaning](#), *Billy Blog*, June 20, 2016)

One needs to be very careful about comparisons in unemployment rates in different periods. The definition of unemployment in the post-1980 period varies from the definitions used both earlier in the post WW2 period and in the 1920s and 30s. With that caution in mind, here is a US Bureau of Labor Statistics graph of unemployment rates between 1969 and 1989:



And the unemployment rate for Germany 1969-1990



See ^{CE} [US and International Unemployment Rates and Employment Indexes](#), *Federal Reserve Economic Data, St Louis*, for information on other regions.

Phineas Baxandall (*Constructing Unemployment: The Politics of Joblessness in East and West*. Hoboken, NJ, John Wiley & Sons, Inc., 2004) provides a detailed examination of the issues. As he explained:

The following pages are both an in-depth study of the reinvention of unemployment, as well as a broader inquiry into the politics of joblessness and the social construction of constraints on policy-making. The American and West European cases provide the original inspiration and insight for this analysis. ...

Unemployment is a socially-constructed benchmark for evaluating the competency of economic rule. In different places and in different times the category of "unemployment" has included different kinds of joblessness and excluded others. It has implied different kinds of commitments or accountability by the state.

New Meanings of unemployment are more than a byproduct of economic change. They are the result of changing politics and changing policy.

(2004, p. 4)

Jack Reardon has given a, brief, review of the book. As he says, Baxandall:

... argues that since its construction more than one hundred years ago, unemployment has been continuously re-conceptualized and redefined by governments-socialist and capitalist alike-to further their own interests. Although Baxandall concedes that "the basic definition of unemployment is almost universally accepted and standardized," it nevertheless obfuscates an understanding of the evolving nature of unemployment and prevents devising efficacious solutions.

(^{CE} [Defining unemployment...](#) *Monthly Labor Review Online*, July 2011, Vol. 134, No. 7)

For discussions on the problems of definition see:

➤ ^{CE} [Unemployment \(Wikipedia\)](#);

- ^{CE} ILO Department of Statistics: Main statistics (annual) - Unemployment;
- ^{CE} ILO-Comparable annual employment and unemployment estimates.

⁴⁴² Robert Skidelsky has described the process:

...In our own time, the emigration of capital has led to the emigration of jobs, as technology transfer has made possible the reallocation of domestic production to foreign locations – thus compounding the potential for job losses.

The economist Thomas Palley sees the reallocation of production abroad as the distinguishing feature of the current phase of globalization. He calls it “barge economics.” Factories float between countries to take advantage of lower costs. A legal and policy infrastructure has been built to support offshore production that is then imported to the capital-exporting country. Palley rightly sees offshoring as a deliberate policy of multinational corporations to weaken domestic labor and boost profits.

The ability of companies to allocate jobs globally changes the nature of the discussion about the “gains from trade.” In fact, there are no longer guaranteed “gains,” even in the long run, to those countries that export technology and jobs.

(Robert Skidelsky, ^{CE} *Protectionism for Liberals*, *Project Syndicate*, Aug 14, 2018)

⁴⁴⁴ Michael Hudson (MH) explained the early 21st century consequences of all this in an interview with Ross Ashcroft (RA):

...[In 2008] The banks were saved, not the economy. Tim Geithner, who was a protégé of Robert Rubin, was moved on behalf of Citibank into the Treasury, and he bailed out the banks - *leaving all the debts in place*, not writing them down. Banks stopped lending mortgage money, and began to call in their credit card loans by about 100 billion dollars, from one trillion to about 900 [billion]. Mortgages were not written off, so homeowners had to pay so much money to pay off the debts that had been built up during the bubble economy that they didn't have enough income left to buy goods and services.

RA: You make a distinction between the real economy and Wall Street or the financialized economy and when you say that the debt has built up since World War II, year on year. Are you're saying that when the real economy can no longer service that debt, we have a financial crisis?

MH: That's when you have a crisis.

...It is inevitable. The magic of compound interest means that interest grows and the debt accumulates. When you *add in new money creation*, debts grow faster than the economy at large. So the situation that existed in 2008 remains the case today: Debt in almost every country is equal to the entire GDP, the entire national income. Now, if debt is equal and the interest rate on debt that people have to pay is 4 percent, then if economies only grow at 1 or

2 percent (as they are today), then all their economic growth has to be devoted to paying the financial sector.

...On interest alone - not mentioning the repayments of principal to pay down the debt. This is the phenomenon of debt deflation that was discussed in the 1930s. It's a phenomenon that is inherent in the mathematics of compound interest. In fact, this should be the focus of the economic curriculum.

...If you're teaching economics, you should begin with the relationship between finance and the economy - between the buildup of debt and the ability to pay. That should be the starting point if you realize that the problem of our time is how can society cope with the debt buildup that has occurred. That is what is keeping the economy from recovering.

... I taught money in banking at the New School for Social Research in the 60s and 70s. Bob Heilbroner, the department chairman, wanted to conform to the mainstream and teach the Chicago School monetarism that treats the economy as if it operates on barter. If you look at almost any economic textbook, all the way through the Ph.D., they treat the economy as being barter. They then factor in money creation as if money ... directly affects prices proportionally - and claim that this doesn't change basic relationships, even between debtors and creditors.

This kind of tunnel vision led people to call the bubble economy's lead-up stage "the Great Moderation." It was a Great Moderation in the sense that the banks were able to lend homeowners and companies and [governments enough money](#) to pay the interest. There has been the [largest increase in credit creation in history](#) since 2008, with almost no increase in consumer prices or wages. All the money creation has gone to buy stocks and bonds into the financial sector.

RA: So just let's define the Great Moderation. Which years would you put the great moderation between?

MH: About 1995 to 2008. As Alan Greenspan explained it, he said that it was moderate because labour didn't complain. [Productivity was soaring and wage rates did not go up](#) in the American economy. He explained this before the Senate committee, as what has been called the "Traumatized Worker Effect." He said that workers are so deeply in debt that they're afraid to strike. They're afraid to complain about working conditions, because they could be walked out the door, and if they are fired, if they don't have a job, then suddenly the interest rates they pay on their credit cards go up to 29 percent. They're one month away from insolvency, one month away from homelessness." So Greenspan said, in effect, "We've hooked them. We've got them."

RA: And his view is that's the optimum state for workers, why?

MH: Because that's what he calls a "free market." It's a free market where the 1% get to smash the 99% without any ability of the 99% to fight back. A free market in which people do what they're told. That is the opposite of what Adam Smith and John Stuart Mill and other classical economists meant by a free market. They meant a market free from rentiers, free from landlords, free from banks - so

that where everybody got only what they deserved and produced. But under Greenspan and modern economics, a market is "free" from government regulation, free from throwing the bankers in jail when they commit crime, free from any kind of policymaking by government, by labor unions, or by society. So a free market today is a centrally planned economy, but it's not planned by government. The planning is shifted out of government to the banks.

(^{CE} [Michael Hudson: Economists' Deadly but Innocuous-Seeming Proclamations](#), Yves Smith, *Naked Capitalism*, December 10, 2016)

⁴⁴⁵ As Paul Roberts concludes:

...[D]uring the first decade of the 21st century "the US lost 54,621 factories, and manufacturing employment fell by 5 million employees. Over the decade, the number of larger factories (those employing 1,000 or more employees) declined by 40 percent. US factories employing 500-1,000 workers declined by 44 percent; those employing between 250-500 workers declined by 37 percent, and those employing between 100-250 workers shrunk by 30 percent. These losses are net of new start-ups. Not all the losses are due to offshoring. Some are the result of business failures"....

In other words, to put it in the most simple and clear terms, millions of Americans lost their middle class jobs not because China played unfairly, but because American corporations betrayed the American people and exported their jobs. "Making America great again" means dealing with these corporations, not with China. When Trump learns this, assuming anyone will tell him, will he back off China and take on the American global corporations?

(Paul Craig Roberts, ^{CE} [How Long Can The Federal Reserve Stave Off the Inevitable?](#) *Institute for Political Economy*, June 28, 2018)

⁴⁴⁶ By the 1960s, the US and its European allies were displaying a clear lack of awareness of the [New Deal understanding of the fiat nature of sovereign currency](#). This led to a great deal of confusion about the consequences of the increased international demand for reserve currency US dollars (including concern over the amount of gold held by the US to [underwrite its currency obligations](#)).

The effects were explained by Robert Triffin in the 1960s who presented a 'fearful situation analysis' arguing that 'the vast redistribution of net reserves from the United States to the rest of the world... could not continue indefinitely without eventually undermining confidence in the dollar itself' .

Carol Connell, in a 2011 article entitled 'Why the Triffin Plan was Rejected and the Alternative Accepted? – A Heterodox Analysis', has given an account of the dilemma faced by the US as provider of the international reserve currency in the [Gold Standard period](#) which, in the early 1970s, led to the move from fixed to flexible exchange rates. As she recounts,

Whatever the value of hindsight provided by ex-post analysis, there is no question that many policy makers and academic economists in the US and Europe perceived a potential crisis for the dollar by 1960. Presidents Dwight Eisenhower, John F Kennedy and Lyndon Johnson considered US payments deficits a problem as critical to US security as the nuclear threat. Kennedy calculated that the US payments deficit in 1962 was equal to the cost of maintaining US

troops in Europe and weighed the advantages of eliminating the deficit by recalling the troops or negotiating with the French as the US had with Germany to pay for the troops via US armaments purchases, thus allowing the US to use the cash received to retire the deficit... Cold War Presidents were concerned that the Soviet Union might pursue an alliance with Germany or that France might pursue an alliance with Germany, pushing the US out of European affairs.

European policy makers feared restrictions on or termination of all sales of gold by the US monetary authorities; restrictions on international payments through the introduction of foreign exchange controls and prohibitions of capital transfers; import restrictions of all sorts; the blocking of deposits of foreign nationals; the end of convertibility; elimination of key-currencies from the official reserves of central banks and consequently a drastic reduction in "liquidity" everywhere and, ultimately, reductions in production and employment resulting from import restrictions and export reduction ...

No one offered a more fearful situation analysis than Robert Triffin, Belgian monetary economist, Yale professor and architect of the European Payments Union created to deal with Europe's trade and payments problems. Triffin argued that the growth of foreign countries' reserves had taken place in recent years largely as a result of a vast redistribution of net reserves from the United States to the rest of the world and that such a movement could not continue indefinitely without eventually undermining confidence in the dollar itself...

(Carol M Connell, [Ⓔ] [Why the Triffin Plan was Rejected and the Alternative Accepted? – A Heterodox Analysis](#), *World Journal of Social Sciences*, Vol. 1. No. 5. November 2011. Pp. 28-35)

As a *Wikipedia* entry has summarized:

The Triffin dilemma or Triffin paradox is the conflict of economic interests that arises between short-term domestic and long-term international objectives for countries whose currencies serve as global reserve currencies. This dilemma was first identified in the 1960s by Belgian-American economist Robert Triffin, who pointed out that the country whose currency, being the global reserve currency, foreign nations wish to hold, must be willing to supply the world with an extra supply of its currency to fulfill world demand for these foreign exchange reserves, thus leading to a trade deficit.

The use of a national currency, such as the U.S. dollar, as global reserve currency leads to tension between its national and global monetary policy. This is reflected in fundamental imbalances in the balance of payments, specifically the current account, as some goals require an outflow of dollars from the United States, while others require an overall inflow.

([Ⓔ] [Triffin dilemma](#), *Wikipedia*, accessed 4 September, 2018)

Robert Wolff, in a comment on a self-serving *Project Syndicate* article by Lawrence Summers, provided additional comment on all this:

...[T]he dollar as the main reserve currency for the world makes the richest richer but hurts working Americans, creates US trade

deficits, causes continuing increases in US public and private debt, the concentration of US power in ridiculous wealthy class , and the "Buying of America" by foreigners.

The dominance of the dollar as world transaction and reserve currency has created an additional 15% profits/GDP all earned by Wall Street international banks and their owners with no additional US production. That means more trade deficits and more wealth concentration.

(Robert Wolff, Comment on article by Lawrence Summers, ^{CE} [Setting the Record Straight on Secular Stagnation](#), *Project Syndicate*, September 03, 2018)

⁴⁴⁷ Paul Krugman has provided some historical context to Trump's willingness to tear up trade agreements and impose tariffs on other nations:

... Until the 1930s, U.S. trade policy was both dirty and dysfunctional. It wasn't just that overall tariffs were high; who got how much tariff protection was determined through a free-for-all of horse-trading among special interests....

...[T]he game changed in 1934, when F.D.R. introduced the Reciprocal Trade Agreements Act. Henceforth, tariffs would be negotiated via deals with foreign governments, giving export industries a stake in open markets. And these deals would be subject to up-or-down votes, reducing the ability of interest groups to buy themselves special treatment.

This U.S. innovation became the template for a global trading system, culminating in the creation of the World Trade Organization. And tariff policy went from being famously dirty to remarkably clean.

Now, the creators of this trading system knew that it needed some flexibility to remain politically viable. So governments were given the right to impose tariffs under a limited set of circumstances: to give industries time to cope with import surges, to respond to unfair foreign practices, to protect national security. And in the U.S. the power to impose these special-case tariffs was vested in the executive branch, on the understanding that this power would be used sparingly and judiciously.

Then came Trump.

So far, Trump has imposed tariffs on about \$300 billion worth of U.S. imports, with tariff rates set to rise as high as 25 percent. Although Trump and his officials keep claiming that this is a tax on foreigners, it's actually a tax hike on America. And since most of the tariffs are on raw materials and other inputs into business, the policy will probably have a chilling effect on investment and innovation.

But the pure economic impact is only part of the story. The other part is the perversion of the process. There are rules about when a president may impose tariffs; Trump has obeyed the letter of these rules, barely, but made a mockery of their spirit. Blocking imports from Canada in the name of national security? Really?

(Paul Krugman, ^{CE} [Making Tariffs Corrupt Again](#): Trump has

perverted the process and undermined U.S. credibility, *New York Times*, September 20, 2018)

Veronique de Rugy has explained the 2018 impact on US producers and consumers of increased tariffs on US imports imposed by the Trump administration:

If there is a silver lining to the recent trade insanity, it's the bright light that it shines on the victims of President Trump's tariffs. These victims include construction companies, equipment manufacturers and the many American producers whose costs are increasing. Workers in these industries as well as ordinary American consumers pay higher prices for automobiles, washers and dryers, and the other goods whose prices are artificially hiked by the tariffs.

Because of the president's hyperactive use of his trade authority, the scale of this pain is unusually high. But the reality is that this disregard for the consequences inflicted on buyers in the industries downstream from tariffs is nothing new. In fact, thanks to the handiwork of interest groups who benefit from the tariffs and the politicians who serve them, it's embedded in our trade system, sometimes even in the legislation itself.

Consider how easy it was for Mr. Trump to get a 25 percent tariff on steel imports. His administration simply concocted a fanciful national-security narrative about why the steel industry needed protection from foreign steel imports — this despite the industry's enjoying a 70 percent share of the United States steel market and despite the Department of Defense finding no national-security harm from global steel imports.

Why is such a half-baked justification so easy to spin? In large part, it has to do with the Commerce Department, which is responsible for measuring a given tariff's impact. A department report on a tariff measures the direct impact on an industry — say, steel manufacturers — as well as steel-consuming industries and the economy more broadly.

However, while it has the data, the Department of Commerce is not required by law to consider the impact on the industries in the cross hairs of a tariff in its recommendation to impose the penalty — even though the impact can be brutal.

For example, for the projected impact of the steel tariffs, numbers produced by the Commerce Department show that they may increase employment in the metals industry by 14,000 jobs. But the report also says that a significantly larger number of jobs will be destroyed, as a result of these tariffs, in industries downstream from metal production...

(Veronique de Rugy, ^{CE} [How Special Interests Hide the True Costs of Tariffs](#), *New York Times*, Opinion, August 29, 2018)

Mary Lovely has described the consequences of the US 'trade war' with China in the second decade of the 21st century:

...The health of China's economy depends on exporting to the United States, so, the thinking goes, the Chinese government will capitulate to American demands.

This strategy is certain to backfire.

First, about 60 percent of China's exports to the United States are produced at factories owned by non-Chinese companies. Many of them produce customized inputs for American manufacturers, such as computer routers, LED fixtures and boat motors. That means the tariffs imposed by the Trump administration that are directed at China actually affect many American (and European) companies that own factories in China.

These companies cannot immediately respond to tariffs by quickly moving their operations out of China. Instead, they will absorb the import tax or pass it along to American consumers in the form of higher prices. This is already happening: a 20 percent tariff on washing machines imposed in February was followed by a 16.4 percent spike in consumer prices for these products. So most of the revenue raised by the tariffs is coming out of the pockets of American consumers, not Chinese companies.

Reduced American demand for Chinese products does hurt China. American merchandise imports account for about 3 percent of Chinese manufacturing revenue. That's a large enough share for tariffs to do a bit of damage, but certainly not catastrophic.

Moreover, much of what the United States imports from China contains value created in other locations, including America. Much of the value in an iPhone imported from China, for example, includes displays from South Korea, chips from Japan and design and programming from America. So each dollar of sales lost by a Chinese company actually has a less-than-\$1 impact on the Chinese economy. In computers and electronics, which account for the largest share of China's exports to the United States, the Chinese value added in each dollar of imports is about 50 cents. Consequently, the negative effect of tariffs on Chinese manufacturing is unlikely to be large enough to have much of an impact on China's trade practices...

...[W]hen the next round of tariffs hits, American households will face higher prices on computers, clothing and thousands of other products. [But] China, not the United States, will improve its standing in the world as a place to make and build the future (Mary E. Lovely, ^{CE} [How China Wins the Trade War](#), *New York Times*, Opinion, August 8, 2018)

⁴⁴⁸ As Krugman elaborated:

Trump obviously believes that trade is a game in which he who runs the biggest surplus wins, and that America, which imports more than it exports, therefore has the upper hand in any conflict. That's also why Peter Navarro predicted that nobody would retaliate against Trump's tariffs. Since that's actually not how trade works, we're already facing plenty of retaliation and the strong prospect of escalation.

But here's the thing: Trump's tariffs are badly designed even from the point of view of someone who shares his crude mercantilist view of trade. In fact, the structure of his tariffs so far is designed to inflict maximum damage on the U.S. economy, for minimal gain. Foreign retaliation, by contrast, is far more sophisticated: unlike

Trump, the Chinese and other targets of his trade wrath seem to have a clear idea of what they're trying to accomplish....

In the modern world economy... a large part of trade is in intermediate goods – not cars but car parts. Put a tariff on car parts, and even the first-round effect on jobs is uncertain: maybe domestic parts producers will add workers, but you've raised costs and reduced competitiveness for downstream producers, who will shrink their operations.

So in today's world, smart trade warriors – if such people exist – would focus their tariffs on final goods, so as to avoid raising costs for downstream producers of domestic goods. True, this would amount to a more or less direct tax on consumers; but if you're afraid to impose any burden on consumers, you really shouldn't be getting into a trade war in the first place.

(Paul Krugman, ^{CE} [How to Lose a Trade War](#), *New York Times*, July 7, 2018)

A commenter (pseudonym 'Cathy') on the article summed it all up:

The trade war is the result of both stupidity and a vast belief in super simplistic answers to super complex problems. We are weighted down with a [White House] that is narcissistic, uncritical and simplistic, all at once. They don't have the capacity to even guess at how much damage they can do without trying

⁴⁴⁹ James Mittleman described the 1980s-1990s scene:

In the early and mid-20th century, industrial organization in the USA and other Western countries centered on mass production and the assembly line staffed by semi-skilled workers who could easily be replaced.

In the last decades of the 20th century, the Fordist system of mass production and mass consumption has tended to give way to another structure. Post-Fordism entails a more flexible, fragmented and often geographically dispersed labor force. The new model is based on greater specialisation - batch production in small firms linked through dense networks and niche marketing.

Accompanying the movement from Fordism to post-Fordism is a shift from vertical integration of production to vertical disintegration, especially as enterprises seek to establish distinct niches ...

An integral part of this restructuring process is the weakening of trade unions based in the old Fordist industries. The strength of organized labor has clearly declined in the West, and workers are docile in some other regions, notably so in East Asia ...

Whereas capital is forming large unregulated markets, Labor is less capable of transnational reorganization. Capital is increasingly globalized, but Labor unions and the collective rights of workers still primarily delimit their reference point as the nation-state. The changing relations between capital and labor - the one clearly on the ascent and the other markedly defensive - are linked to the tension between the economic globalization trend and the Westphalian territorial mode of political organization.

(Mittleman 1994, pp. 283-4)

Michael Spence and Sandile Hlatshwayo (2011) have provided a description of employment trends in the US from 1990-2008. The growth in employment since the 1980s has come through an expansion in government-related services. As they explained, 'Government at all levels is the largest employer in the nontradable sector':

In the global economy, some goods and services trade internationally and some do not. The tradable sector consists of the goods and services that can be produced in one country and consumed in another, or, as in tourism or education, consumed by people from another country. The nontradable sector is the set that must be produced and consumed in the same country...

When a certain kind of activity declines in our economy, normally it does not just disappear from the global economy, but instead moves to another location. These powerful market forces operate directly on the tradable sector, and indirectly on the nontradable portion through wage and price effects and shifting opportunities in labor markets...

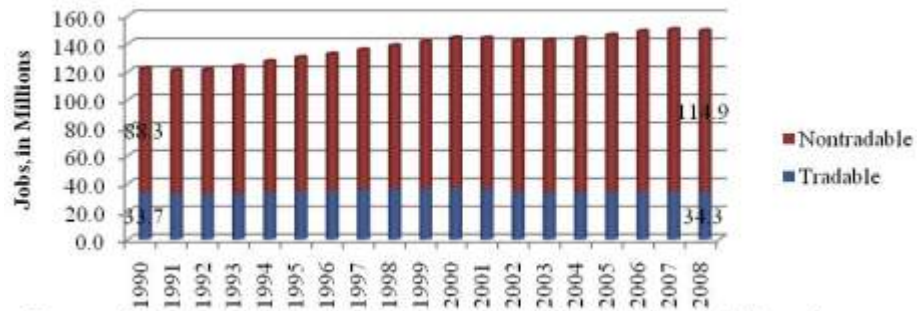
Between 1990 and 2008, jobs have seen a net increase of 27.3 million on a base of 121.9 million in 1990...

Almost all of those incremental jobs (26.7 of 27.3 million) were created in the nontradable sector. In the aggregate, tradable sector employment growth was essentially flat: some industries grew and others declined. Within the period considered, employment rose for about a decade and then fell back to its 1990 starting level. As is clear in figure 4, the nontradable sector is large, and, in terms of share of total employment, became larger over time...

The large nontradable sectors are government, health care, retail, accommodation/food service (i.e., hotels, restaurants, and hospitality), and construction (see figure 6). In 2008, these accounted for 73.5 million jobs, 64 percent of employment in the nontradable sector and just under 50 percent in the whole economy. Together, the top five nontradable sectors contributed 65 percent of the total increment in jobs from 1990 to 2008.

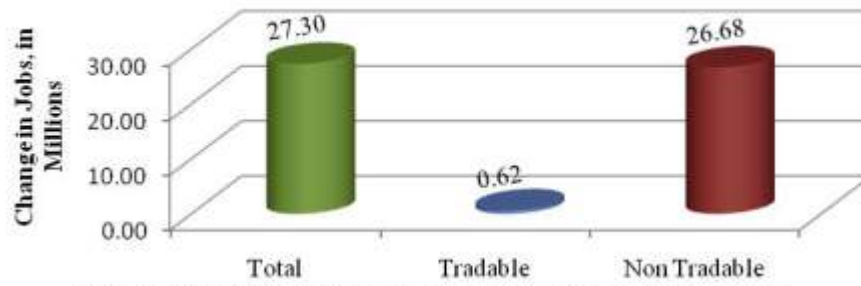
Government at all levels is the largest employer in the nontradable sector and accounts for more than 22.5 million jobs in 2008. Health care is a close second, with an end of period total of 16.3 million. In terms of increments, health care's growth of 6.3 million jobs tops the list and the government's addition of 4.1 million comes in second. These two increments combined produced almost 40 percent of the total net incremental employment in the economy since 1990.

Figure 4. Tradable/Nontradable Jobs, 1990–2008



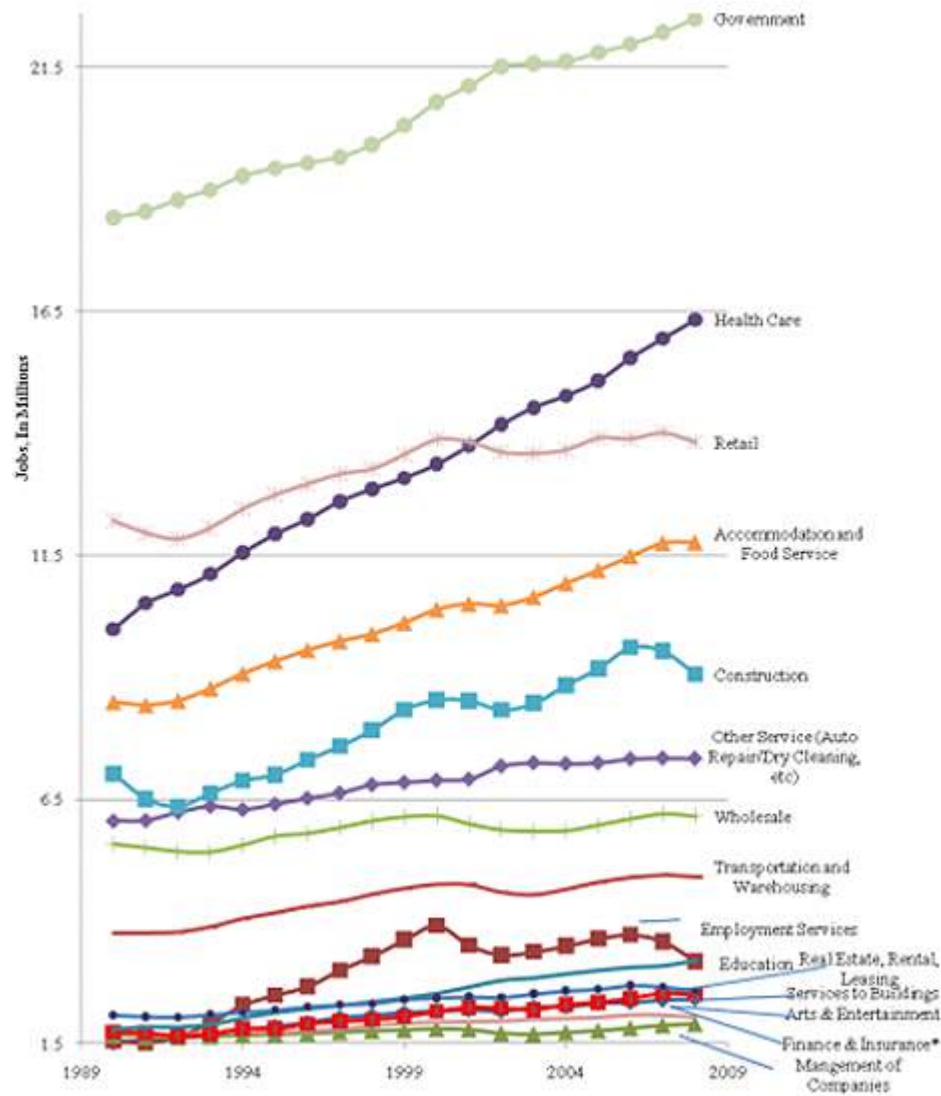
Source: Authors' calculations using Bureau of Labor Statistics historical data series

Figure 5. Total Change in Jobs, 1990–2008



Source: Authors' calculations using Bureau of Labor Statistics historical data series

Figure 6. Nontradable Industry Jobs, 1990-2008



Source: Authors' calculations using Bureau of Labor Statistics historical data series
 *Industries that are not predominantly or entirely nontradable include an asterisk.

(Michael Spence and Sandile Hlatshwayo, ^{CE} [The Evolving Structure of the American Economy and the Employment Challenge](#), Working Paper 13, The Council on Foreign Relations, March 2011, pp. 9, 12-13)

⁴⁵⁰ Josh Bivens has explained how job losses through both automation and globalization proliferate through communities and why workers oppose trade agreements:

In textbook trade models, using policy levers (lower tariffs, for example) to boost trade with poorer countries will indeed cause total national income in the United States to rise. But these same textbooks also predict that the resulting expansion of trade will redistribute far more income than it creates. And the direction of this redistribution is upward. So it is perfectly possible to have policy efforts to expand trade lead to higher national income yet leave the majority of workers worse off. Importantly, the losers in these textbook models are not just workers directly displaced by imports - they're all the workers in the entire economy who resemble the trade-displaced in terms of education and credentials.

To put it simply, landscapers might not lose their jobs to rising imports, but their wages are hurt if they have to compete for jobs with workers who were laid-off from apparel factories as imports replaced domestic clothing. In the end, for many trade flows (particularly, say, trade flows between the United States and countries like Mexico and China) the common formulation is exactly backwards. The losers are the majority of American workers who still lack a 4-year college degree, while the winners are the minority of workers who do have these degrees.

In the NPR story, Arnold and MIT's David Autor provide some intuition behind the effects of trade. Their example has two countries (France and the United States) and two goods (cars and cheese). What it's missing is two kinds of workers - those with and those without substantial human capital (think a 4-year college degree). After all, if there is only one kind of worker, then worrying about redistribution makes no sense. With two kinds of workers, the intuition gets clearer.

Take another example, one that swaps out cars and cheese for two goods that will sharpen the intuition a bit. In this example, the United States produces and exports more human capital-intensive goods (say airplanes) and imports more labor-intensive goods (say apparel). By focusing on what we're relatively better at producing (capital-intensive airplanes) and trading this extra output for what our trading partners are relatively better at producing (labor-intensive apparel), we can see total national incomes rise in both countries. This specialization in the United States requires shifting resources (i.e., workers and capital) out of apparel production and into airplane production. But each \$1 in apparel production lost requires more labor and less capital than the \$1 in airplane production gained - causing an excess supply of labor and an excess demand for capital. Capital's return rises while labor's wage falls.

What's particularly striking in so many of these trade-explainer articles are the claims that wage pressures stemming from policy efforts to expand trade are some huge surprise. They shouldn't be - again, textbook economics says clearly that the likely outcome of efforts to expand trade with lower-wage nations should be a redistribution of income to highly credentialed workers from the rest...

(Josh Bivens, ^{CE} [It's not a puzzle if American workers oppose trade agreements](#), *Economic Policy Institute*, Working Economics Blog, April 19, 2016)

⁴⁵¹{§} (09/04/17) Didem Tüzemen and Jonathan Willis have discussed job polarization in the US. As they say,

Over the past three decades, the share of middle-skill jobs in the United States has fallen sharply. Middle-skill jobs are those in which workers primarily perform routine tasks that are procedural and repetitive. The decline in the employment share of middle-skill jobs has been associated with a number of sweeping changes affecting the economy, including advancement of technology, outsourcing of jobs overseas, and contractions that have occurred in manufacturing. As the share of middle-skill jobs has shrunk, the share of high-skill jobs has grown, and that trend has drawn

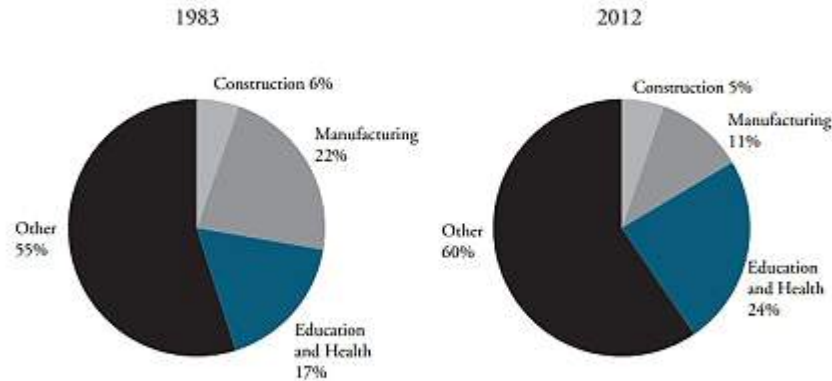
considerable attention. Less well known is the fact that the share of low-skill jobs has also risen. This employment phenomenon where job opportunities have shifted away from middle-skill jobs toward high- and low-skill jobs is called "job polarization."

(^{CE} [The Vanishing Middle: Job Polarization and Workers' Response to the Decline in Middle-Skill Jobs](#) (*Economic Review*, Federal Reserve Bank of Kansas City, First Quarter 2013 pp. 5-32))

They provide graphic illustration of the changes:

Chart 3

EMPLOYMENT SHARES BY SECTOR

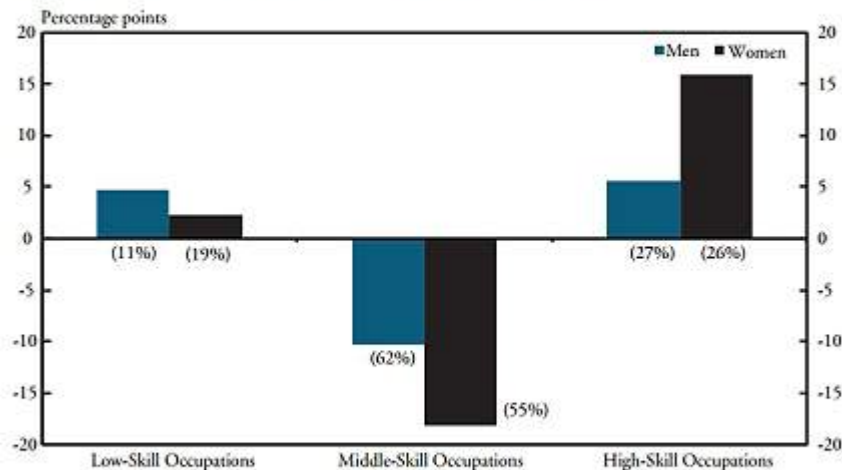


Note: Data are restricted to workers ages 16 to 64 who are not self-employed and are not employed in military or agricultural occupations.

Source: Current Population Survey and authors' calculations.

Chart 5

CHANGES IN EMPLOYMENT SHARES BY SKILL LEVEL AND GENDER BETWEEN 1983 AND 2012



Note: The chart reports the percentage point change in the employment share for each skill group, where employment shares are computed separately for each respective gender. Data are restricted to workers ages 6 to 64 who are not self-employed and are not employed in military or agricultural occupations. For each group, the employment share in 1983 is shown in parentheses.

Source: Current Population Survey and authors' calculations.

Nir Jaimovich and Henry Siu (2012) examined the relationship between job polarization and jobless recoveries. As they explained:

In the past 30 years, the US labor market has seen the emergence of two new phenomena: "job polarization" and "jobless recoveries." Job polarization refers to the increasing concentration of employment in the highest- and lowest-wage occupations, as job opportunities in middle-skill occupations disappear. Jobless recoveries refer to periods following recessions in which rebounds in

aggregate output are accompanied by much slower recoveries in aggregate employment. We argue that these two phenomena are related.

(^{CE} [The Trend is the Cycle: Job Polarization and Jobless Recoveries](#), Federal Reserve Bank, St Louis, August 14, 2012)

A Pew Research Center report entitled *Digital Life in 2025: AI, Robotics, and the Future of Jobs* focused on "advances in artificial intelligence (AI) and robotics, and their impact on jobs and employment". Their summary:

Key Findings

The vast majority of respondents to the 2014 Future of the Internet canvassing anticipate that robotics and artificial intelligence will permeate wide segments of daily life by 2025, with huge implications for a range of industries such as health care, transport and logistics, customer service, and home maintenance. But even as they are largely consistent in their predictions for the evolution of technology itself, they are deeply divided on how advances in AI and robotics will impact the economic and employment picture over the next decade.

We call this a canvassing because it is not a representative, randomized survey. Its findings emerge from an "opt in" invitation to experts who have been identified by researching those who are widely quoted as technology builders and analysts and those who have made insightful predictions to our previous queries about the future of the Internet. (For more details, please see the section "About this Canvassing of Experts.")

Key themes: reasons to be hopeful

1. Advances in technology may displace certain types of work, but historically they have been a net creator of jobs.
2. We will adapt to these changes by inventing entirely new types of work, and by taking advantage of uniquely human capabilities.
3. Technology will free us from day-to-day drudgery, and allow us to define our relationship with "work" in a more positive and socially beneficial way.
4. Ultimately, we as a society control our own destiny through the choices we make.

Key themes: reasons to be concerned

1. Impacts from automation have thus far impacted mostly blue-collar employment; the coming wave of innovation threatens to upend white-collar work as well.
2. Certain highly-skilled workers will succeed wildly in this new environment-but far more may be displaced into lower paying service industry jobs at best, or permanent unemployment at worst.
3. Our educational system is not adequately preparing us for work of the future, and our political and economic institutions

are poorly equipped to handle these hard choices.

(Pew Research Center, August 2014, "AI, Robotics, and the Future of Jobs" Available at:

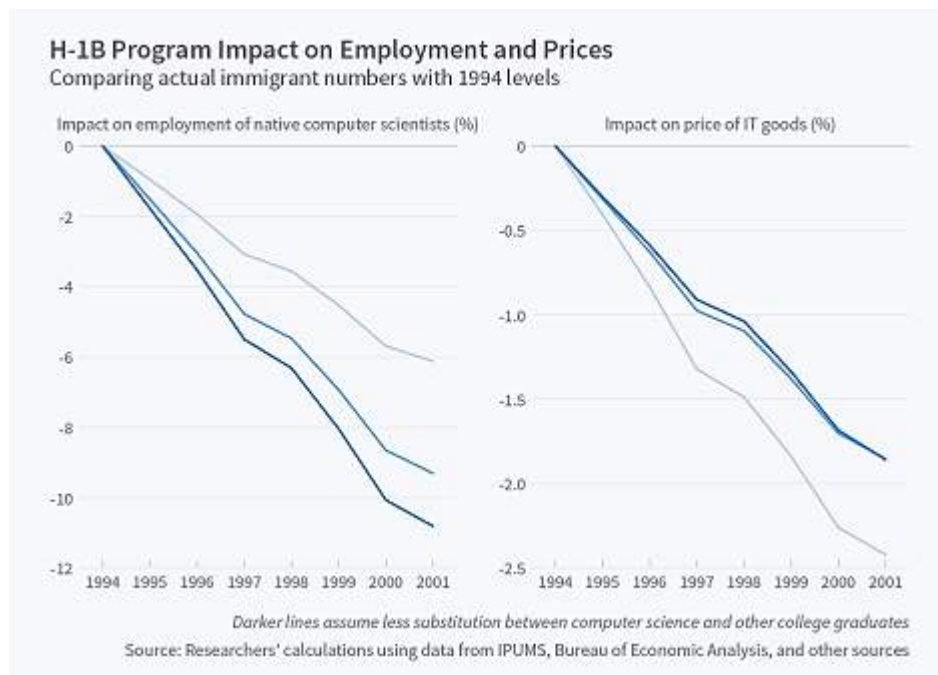
<http://www.pewinternet.org/2014/08/06/future-of-jobs/>)

It is easy to forget that a change in the percentage of high-skill jobs does not necessarily equate with increased remuneration. The most striking aspects of this shift have been that:

- as skill requirements have increased, relatively high-skill jobs have become more numerous;
- increasing numbers of people have been urged to 're-skill' to take advantage of this shift;
- 'Skilled Worker' immigration and 'non-immigrant temporary foreign worker' schemes have proliferated;
- and wage rates for such jobs have come under increasing pressure.

Steve Maas has summarized an NBER Working Paper examination of the 'Winners and Losers from the US H-1B Visa Program':

Who are the winners and losers in the special visa program that enables U.S. companies to employ high-skilled foreign workers on a temporary basis in specialized occupations? In *Understanding the Economic Impact of the H-1B Program on the U.S.* (NBER Working Paper No. 23153 [February 2017]), John Bound, Gaurav Khanna, and Nicolas Morales explore how the availability of such workers has affected the welfare of domestic workers, firms, and consumers.



Based on their model, the researchers calculate that the influx of foreign-born computer scientists enabled by the H-1B program had a positive effect on the U.S. IT sector, and consequently the U.S. economy, but had significant distributional effects. They estimate that absent the influx of foreigners, U.S. computer scientists would have earned between 2.6 and 5.1 percent more in 2001.

Moreover, some U.S. workers switched to other occupations, lowering the number of domestic computer scientists by between 6 and 11 percent. The picture is brighter in other respects: Foreign scientists were found to be strong contributors to innovation and productivity. That translated into wage and job gains in related fields, and into more choice and lower prices for consumers. The research focuses on the Internet boom years, when workers in computer-related occupations became the largest share of H-1B visa holders.

(Steve Maas, ^{CE} [Winners and Losers from the H-1B Visa Program](#), *NBER Digest*, April 2017)

Julia Preston, in a *New York Times* Op Ed described the process. As she explains,

... about 250 Disney employees were told in late October that they would be laid off. Many of their jobs were transferred to immigrants on temporary visas for highly skilled technical workers, who were brought in by an outsourcing firm based in India. Over the next three months, some Disney employees were required to train their replacements to do the jobs they had lost.

"I just couldn't believe they could fly people in to sit at our desks and take over our jobs exactly," said one former worker, an American in his 40s who remains unemployed since his last day at Disney on Jan. 30. "It was so humiliating to train somebody else to take over your job. I still can't grasp it."...

... the layoffs at Disney and at other companies, including the Southern California Edison power utility, are raising new questions about how businesses and outsourcing companies are using the temporary visas, known as H-1B, to place immigrants in technology jobs in the United States. These visas are at the center of a fierce debate in Congress over whether they complement American workers or displace them.

According to federal guidelines, the visas are intended for foreigners with advanced science or computer skills to fill discrete positions when American workers with those skills cannot be found. Their use, the guidelines say, should not "adversely affect the wages and working conditions" of Americans. Because of legal loopholes, however, in practice, companies do not have to recruit American workers first or guarantee that Americans will not be displaced.

Too often, critics say, the visas are being used to bring in immigrants to do the work of Americans for less money, with laid-off American workers having to train their replacements.

"The program has created a highly lucrative business model of bringing in cheaper H-1B workers to substitute for Americans," said Ronil Hira, a professor of public policy at Howard University who studies visa programs and has testified before Congress about H-1B visas...

(Julia Preston, ^{CE} [Pink Slips at Disney. But First, Training Foreign Replacements](#), *New York Times*, June 3, 2015)

Ronil Hira, in a hearing before The Judiciary Committee, U.S. Senate, March 17, 2015, summarized the problem in the US (replicated in many

high-wage regions around the world) in a paper entitled [Ⓔ] ["Immigration Reforms Needed to Protect Skilled American Workers"](#):

Congress and multiple Administrations have inadvertently created a highly lucrative business model of bringing in cheaper H-1B workers to substitute for Americans. There are mainframesized loopholes built into the H-1B program's design - the statutory law, regulations, administrative law, and policy guidance - and a complete disinterest on the part of multiple Administrations in enforcing the current rules, however weak they may be. Some of these loopholes are intentional, some are not, but they all add up to a system that encourages employers to exploit the H-1B program for cheap labor. Given the extraordinarily high profits involved in using guestworkers instead of Americans, it should surprise no one that many employers are taking advantage of this business model and lobbying to expand it.

Daniel Costa and Ron Hira expanded on this theme in a blog entry on the consequences of "TiSA: A Secret Trade Agreement That Will Usurp America's Authority to Make Immigration Policy":

... the competitive advantage foreign companies will get from TiSA is the ability to provide cheaper services by importing much cheaper labor to supplant American workers. They'll do this by paying their workers the much lower salaries they would earn in their home countries (as they often already do in the L-1 and B-1 visa programs), and the United States might even be prohibited in future from imposing minimum or prevailing wage standards (at present, neither the L-1 or B-1 visa program has a minimum or prevailing wage rule).

([Ⓔ] [TiSA: A Secret Trade Agreement That Will Usurp America's Authority to Make Immigration Policy](#) ' (*Economic Policy Institute*, Working Economics Blog, Posted June 11, 2015))

As [Jefferson described](#) for the early 19th century:

... those of great dexterity only can keep their ground, while those of less must sink into the class of paupers. Nor is it manual dexterity alone, but the acutest resources of the mind also which are impressed into this struggle for life; and such as have means a little above the rest, as the master-workmen, for instance, must strengthen themselves by acquiring as much of the philosophy of their trade as will enable them to compete with their rivals, and keep themselves above ground

Hence the industry and manual dexterity of [England's] journeymen and day-laborers, and the science of their master-workmen, keep them in the foremost ranks of competition with those of other nations...

See [Adam Davidson](#) (*New York Times*, November 20, 2012), [Ⓔ] [It's the Economy: Skills Don't Pay the Bills](#) for a picture of the downward pressure on skilled wages and conditions in the US in the first decade and more of the 21st century.

Paul Beaudry, David Green and Ben Sand (2013) have explored rather different forces at work in the US since 2000. As they explain:

...we argue that in about the year 2000, the demand for skill (or, more specifically, for cognitive tasks often associated with high educational skill) underwent a reversal. Many researchers have documented a strong, ongoing increase in the demand for skills in the decades leading up to 2000. In this paper, we document a decline in that demand in the years since 2000, even as the supply of high education workers continues to grow. We go on to show that, in response to this demand reversal, high-skilled workers have moved down the occupational ladder and have begun to perform jobs traditionally performed by lower-skilled workers. This deskilling process, in turn, results in high-skilled workers pushing low-skilled workers even further down the occupational ladder and, to some degree, out of the labor force all together.

(Paul Beaudry, David A. Green, Benjamin M. Sand, ^{CE} [The Great Reversal in the Demand for Skill and Cognitive Tasks](#), NBER Working Paper No. 18901, Issued in March 2013, updated November 2013)

⁴⁵² While Just-in-Time organizational processes might superficially appear benign, they rely not only on the minimization of material inventories but also on the manipulation of employees' work times and durations. Employees become cogs in an industrial complex which makes little distinction between the manipulation of employees and other 'production inputs'. As a report by Lambert, Henly and Haley-Lock (2010) explains,

Hourly workers - the majority of the wage and salary workforce - are especially susceptible to reduced, irregular and fluctuating hours, and the myriad of challenges associated with them.
(see [Hourly Workers](#) for more on this).

David Wessel ([Wall Street Journal July 27, 2011](#)) put it succinctly:

Over the past 10 years:

- The U.S. economy's output of goods and services has expanded 19%.
- Nonfinancial corporate profits have risen 85%.
- The labor force has grown by 10.1 million.
- But the number of private-sector jobs has fallen by nearly two million.
- And the percentage of American adults at work has dropped to 58.2%, a low not seen since 1983.

What's wrong with the American job engine? As United Technologies Corp. Chief Financial Officer Greg Hayes put it recently: "Sales have come back, but people have not."

That's largely because the economy is growing much too slowly to absorb the available work force, and industries that usually hire early in a recovery-construction and small businesses-were crippled by the credit bust.

Then there's the confidence factor. If employers were sure they could sell more, they would hire more. If they were less uncertain about everything from the durability of the recovery to the details of regulation, they would be more inclined to step up their hiring.

Something else is going on, too, a phenomenon that predates the recession and has persisted through it: Changes in the way the job market works and how employers view labor.

Executives call it "structural cost reduction" or "flexibility."

Northwestern University economist Robert Gordon calls it the rise of "the disposable worker," shorthand for a push by businesses to cut labor costs wherever they can, to an almost unprecedented degree.

([What's Wrong With America's Job Engine? Wary Companies Rely on Temps, Part-Timers, Hire Overseas](#), *Wall Street Journal* July 27, 2011)

⁴⁵³ In the early 21st century, the process has become refined. Dan Lyons has described conditions at a software company at which he was employed:

At HubSpot, the software company where I worked for almost two years, when you got fired, it was called "graduation." We all would get a cheery email from the boss saying, "Team, just letting you know that X has graduated and we're all excited to see how she uses her superpowers in her next big adventure." One day this happened to a friend of mine. She was 35, had been with the company for four years, and was told without explanation by her 28-year-old manager that she had two weeks to get out. On her last day, that manager organized a farewell party for her.

It was surreal, and cruel, but everyone at HubSpot acted as if this were perfectly normal. We were told we were "rock stars" who were "inspiring people" and "changing the world," but in truth we were disposable.

Many tech companies are proud of this kind of culture. [Amazon keeps getting called out](#) for its bruising environment, most notably in a ^{CE} [long exposé](#) in this newspaper last year. On Tuesday, Jeff Bezos, the founder of Amazon, said that people who didn't like the company's grueling environment were free to work elsewhere. "We never claim that our approach is the right one - just that it's ours - and over the last two decades, we've assembled a group of like-minded people," he wrote in ^{CE} [a letter to shareholders](#).

Some viewed the statement as a sign that Mr. Bezos at least seems to recognize that it's not normal for employees to cry at their desks. But it was also a defiant message that he had no intention of letting up.

(Dan Lyons, ^{CE} [Congratulations! You've Been Fired](#), *New York Times*, Sunday Review, April 9, 2016)

⁴⁵⁴ Davidson gives a clear description of a few of the pressures being brought to bear on skilled employment in this new 'flexible' world of stripped-down, ultimately self-defeating, profiteering. As he explains of the apparent 'skills shortage' of the early 21st century:

The secret behind this skills gap is that it's not a skills gap at all. I spoke to several other factory managers who also confessed that they had a hard time recruiting in-demand workers for \$10-an-hour jobs. "It's hard not to break out laughing," says Mark Price, a labor economist at the Keystone Research Center, referring to manufacturers complaining about the shortage of skilled workers.

"If there's a skill shortage, there has to be rises in wages," he says. "It's basic economics." After all, according to supply and demand, a shortage of workers with valuable skills should push wages up. Yet according to the Bureau of Labor Statistics, the number of skilled jobs has fallen and so have their wages.

In a recent study, the Boston Consulting Group noted that, outside a few small cities that rely on the oil industry, there weren't many places where manufacturing wages were going up and employers still couldn't find enough workers. "Trying to hire high-skilled workers at rock-bottom rates," the Boston Group study asserted, "is not a skills gap."

The study's conclusion, however, was scarier. Many skilled workers have simply chosen to apply their skills elsewhere rather than work for less, and few young people choose to invest in training for jobs that pay fast-food wages. As a result, the United States may soon have a hard time competing in the global economy. The average age of a highly skilled factory worker in the U.S. is now 56. "That's average," says Hal Sirkin, the lead author of the study. "That means there's a lot who are in their 60s. They're going to retire soon." And there are not enough trainees in the pipeline, he said, to replace them.

(Adam Davidson, ^{CE} [Skills Don't Pay the Bills](#) (*New York Times*, November 20th 2012))

⁴⁵⁵ As the Alberta Labor Report explained:

Increasing use of temporary workers has been a major change in the workplace. Temporary workers may be hired on a contract, through a temporary agency or they may be placed on a company's payroll.

They are different from other employees in that companies make no commitment to these employees; they are expendable. This 'contingent workforce' includes part-time employees, temps, contract employees and freelancers.

Traditionally temporary workers filled mainly low-skilled jobs; these days skilled technical, professional and executive positions may also be filled on a temporary basis. Many sources estimate that 20 to 25 per cent of the U.S. workforce are contingent workers. The Canadian situation is similar. Most predict that this trend towards relying on temporary workers will grow, forecasting that up to one half of all workers could be employed on this basis by the year 2000.

The largest private employer in the U.S., by number of employees, is Manpower Inc. with 500,000 workers. Manpower Inc. supplies other companies with temporary workers. Several factors have contributed to this significant change in human relations practices.

A key factor is the corporate downsizing of the past ten years. Many companies including blue chip firms have laid off staff. Some companies have had several rounds of layoffs. Even as business improves companies remain reluctant to hire on more employees in case the recovery is temporary. For some companies it makes more sense to operate with a core group of regular employees whose

skills are critical to the business, and then expand and contract the work force as needed.

(Alberta Labor 1994, pp.3-4)

⁴⁵⁶ In 2015, the growth of 'digital job platforms' has led to an exponential growth in the 'contingent workforce'. Laura Tyson and Lenny Mendonca have explained:

...[D]igital platforms are emerging, linking workers with customers or companies for specific tasks or services. Such platforms play a growing role in the market for "contingent" or "on-demand" workers, broadly defined as workers whose jobs are temporary and who do not have standard part-time or full-time contracts with employers. Well-known digital platforms that link contingent workers directly to customers include Lyft, TaskRabbit, Uber, and Angie's List. Freelancer.com and Upwork are examples of platforms that help companies find and hire contingent workers for a range of specialized tasks such as software or website development. Freelancer.com has more than 17 million users worldwide.

The trouble is that even as these sites provide new opportunities for workers and companies, they are bypassing the traditional channels through which the US and many countries deliver benefits and protections to their workforce. In the US, in particular, the "social contract" has long relied on employers to deliver unemployment insurance, disability insurance, pensions and retirement plans, worker's compensation for job-related injuries, paid time off, and protections under the Fair Labor Standards Act. Although the Affordable Care Act has made it easier for workers to acquire health insurance on their own, most workers continue to receive health insurance through their employers

With the proliferation of digital job platforms, the social safety net for workers in the US - threadbare to begin with - is at risk of unraveling for a growing share of the workforce. This is because most individuals who find work through digital job platforms operate as independent contractors, leaving them without the benefits and protections provided in standard employment contracts for full-time and part-time workers. The difference between the cost of a full-time employee with benefits and an independent contractor can be 30% or more, so there is a strong incentive for companies to replace workers on standard full-time employment contracts with independent contractors as long as companies can attract the talent they need.

Digital job platforms also make it easier for businesses to hire and fire workers on temporary contingent contracts. This creates the potential for a race to the bottom, with employers competing on labor costs through regulatory arbitrage.

(Laura Tyson and Lenny Mendonca, ^{CE} [Worker Protection in the Gig Economy](#), *Project Syndicate*, November 28, 2015)

Erin Hatton (^{CE} [The Rise of the Permanent Temp Economy](#), *New York Times*, January 26, 2013) explained the problem at the start of 2013:

Politicians across the political spectrum herald "job creation," but frightfully few of them talk about what kinds of jobs are being

created. Yet this clearly matters: According to the Census Bureau, one-third of adults who live in poverty are working but do not earn enough to support themselves and their families.

A quarter of jobs in America pay below the federal poverty line for a family of four (\$23,050). Not only are many jobs low-wage, they are also temporary and insecure. Over the last three years, the temp industry added more jobs in the United States than any other, according to the American Staffing Association, the trade group representing temp recruitment agencies, outsourcing specialists and the like.

Low-wage, temporary jobs have become so widespread that they threaten to become the norm. But for some reason this isn't causing a scandal. At least in the business press, we are more likely to hear plaudits for "lean and mean" companies than angst about the changing nature of work for ordinary Americans.

... By peddling products like the "Semi-Permanent Employee," the "Never-Never Girl" and more, temp industry leaders promoted a model in which permanent employees were a "costly burden," a "headache" that needed relief. "Stop paying help you don't use," Western Services advised in 1969. It even urged employers to convert their own permanent employees to temps, as in a 1971 advertisement in The Personnel Journal: "Just say goodbye... then shift them to our payroll and say hello again!"

According to the temp industry, workers were just another capital investment; only the product of the labor had any value. The workers themselves were expendable.

The following is one of dozens of similar explanations of the activities of businesses which manage the contingent workforce requirements of other companies:

Procuring and managing your contingent workforce (temporary workers, contractors and consultants) needn't be costly and time consuming.

In this increasingly complex and regulated world, some things seem daunting. ...We have been designing, deploying and managing complex multi-location, multi-geography, multi-worker category, Contingent Workforce Sourcing & Management Programmes for over a decade.

Our approach

It might not be surprising to learn that AMS solutions are ever-evolving and are bespoke for each client, carefully taking into consideration your short, medium and long term needs and desired outcomes.

For some it's a one-off health-check to assess and assure their existing model, recommending changes and highlighting areas of risk. For others, it's a multi-geographic, online enablement of their entire non-permanent workforce, introducing visibility, control, efficiency where required and regulatory compliance for peace of mind.

To compliment our bespoke approach there are some elements we never ever compromise on - risk and compliance are at the core of

those.

Our approach to tenure management, co-employment risks, contractual protection for our clients and workers, liability and insurance levels, legislative compliance, background checking and screening is unwavering.

These elements are core to our proposition, are shared between our clients and via AMS's network of Global Customer Service centers, are replicable and repeatable which delivers certainty and assurance to all AMS's clients

(^{CE} [Alexander Mann Solutions](#))

⁴⁵⁷ Jonas Prising (Chairman and CEO of *ManpowerGroup*), is a prominent player in the management of corporate contingent workforce requirements worldwide. In the lead-up to the Davos *World Economic Forum Annual Meeting* (20-23 January 2016, Davos-Klosters, Switzerland), he has given an optimistic summation of where this has led the world in the past four decades.

...Rather than attempting to hang on to a job for life, the goal today is to remain employable - to develop the skills, experience, and expertise necessary to move on or up, regardless of the employer.

As a result, [wages and opportunities are increasingly being dictated by skills](#), rather than tenure. Those with sought-after talents have more bargaining power, are better able to manage their careers, and command higher salaries. [Those without in-demand skills are struggling and feel disposable](#).

So far, this abundance of choice has discouraged companies from spending resources on training employees, who might, after all, soon decide to join a competitor. However, as talent shortages loom, the need to retain employees could tip the balance back toward greater investment in professional development. Employers that provide learning opportunities will become a destination for talent.

The third trend reshaping labor markets is rapid technological change. Few industries are safe from disruption. Automation, facilitated by better artificial intelligence, is poised to have a major impact on jobs. Up to 47% of the jobs that existed in the US in 2010 are highly likely to be computerized out of existence in the next two decades. If history is a guide, new industries and opportunities will replace those that are lost; nonetheless, the transition will be painful and could last decades.

And yet, there is reason for optimism. Even as technology sweeps away industries, it is facilitating the emergence of new models that could help solve some of the problems in the labor market.

PricewaterhouseCoopers estimates that the five main sectors of [the sharing economy](#) - peer-to-peer finance, online staffing, peer-to-peer accommodation, car sharing, and music video streaming - could grow from around \$15 billion in revenue today to \$335 billion by 2025. To be sure, the industry is small. But it has nonetheless unleashed a torrent of creativity focused on the basic question of how better to align supply and demand for labor in a faster-paced world.

A fourth global trend evident in today's labor market is the rapid embrace among technologically sophisticated employers of data-based approaches to human resources. Talent management has gone from being an art to a science, as organizations have applied big data and supply-chain techniques to recruiting and retention. With the proliferation of so-called people analytics - behavioral and intelligence tests, digital performance scorecards, and better information systems - companies know their workers like never before. It is easier to see where the best talent resides within a company, or where the gaps might be.

Companies are using these data to think more strategically about how to source talent. For example, given the difficulty of staying up to speed with changing technology, firms are increasingly outsourcing information-technology management to third-party experts. This, in turn, creates new efficiencies, allowing cybersecurity providers to monitor attacks against a wide range of clients and share strategies and solutions. Recruitment is another area in which companies are turning to outsourcing in order to obtain expertise and increase efficiency.

(Jonas Prising, [Ⓔ] [Reshaping the Labor Landscape](#), *Project Syndicate*, January 18, 2016)

As one of the commenters on the article has said:

A very nice analysis. But this column reflects the vision of Davos people. The working people (non Davos) could be selected, "reshaped", worked over, finished and polished and put in the exact place in the mechanisms which produce enrichment of the Davos people. The Romans used to call slaves ...talking tools. Today Davos people call modern slaves thinking tools.
(portocala mechanica, JAN 18, 2016)

⁴⁵⁸ I first became acutely aware of this problem in the late 1980s. I was sitting at the hospital bedside of a friend who was dying of cancer. On the other side of the bed sat a workmate of his from the Ford Motors automotive plant (since closed and moved to East Asia). Our friend was drifting in and out of consciousness as a large dose of morphine took effect.

More for something to fill the silence than anything, I asked him whether he was working any overtime. He replied that he was but that it was unpaid work. When I asked why he would do this, he replied that he was worried about losing his job and believed that if he could show himself committed to the company he would be less likely to be 'let-go' at the next downturn in the economy.

Twenty years earlier, no union would have allowed this to happen. By the late 1980s, with their authority seriously undermined and in the face of threats of plant closure, they were powerless to do anything about it.

As Miana, González-Morales *et al* (2011) explained,

Insecurity at work is directly and negatively linked to satisfaction in work and life, as well as affecting performance and commitment....the feeling that one is going to lose their job worsens satisfaction levels in other areas of life, such as family, health, financial circumstances and the work-free time balance.

As the fear of unemployment increases "the level of work insecurity rises, people are less satisfied with their personal, work and family lives and they are less committed to their work"

(Beatriz Sora Miana, M. Gloria González-Morales, Amparo Caballer y José M. Peiró. "Consequences of Job Insecurity and the Moderator Role of Occupational Group". *The Spanish Journal of Psychology*. 2011. 14, (2), 820-831 - Here is a [EurekAlert](#) (23-Feb-2012) summary of the findings: [Fear of job loss causes dissatisfaction and a lack of commitment at work](#))

- 459 This form of surveillance, of course, is merely a 21st century upgrading of Jeremy Bentham's (1748-1832) pernicious plans for a panopticon. As a [Ⓔ] [CARTOME description](#) puts it:

The Panopticon ("all-seeing") functioned as a round-the-clock surveillance machine. Its design ensured that no prisoner could ever see the 'inspector' who conducted surveillance from the privileged central location within the radial configuration. The prisoner could never know when he was being surveilled - mental uncertainty that in itself would prove to be a crucial instrument of discipline.

To quote Bentham himself from a "series letters written in the year 1787, from Crecheff in White Russia to a friend in England". The Panopticon was:

A new mode of obtaining power of mind over mind, in a quantity hitherto without example:... No matter how different, or even opposite the purpose... whether it be applied to the purposes of perpetual prisons in the room of death, or prisons for confinement before trial, or penitentiary-houses, or houses of correction, or work-houses, or manufactories, or mad-houses, or hospitals, or schools.

It is obvious that, in all these instances, the more constantly the persons to be inspected are under the eyes of the persons who should inspect them, the more perfectly will the purpose X of the establishment have been attained. Ideal perfection, if that were the object, would require that each person should actually be in that predicament, during every instant of time. This being impossible, the next thing to be wished for is, that, at every instant, seeing reason to believe as much, and not being able to satisfy himself to the contrary, he should conceive himself to be so.

(Bentham, Jeremy, [Ⓔ] [The Panopticon Writings](#). Ed. Miran Bozovic (London: Verso, 1995). p. 29-95)

In such a climate, as Sewell and Wilkinson described of a British factory in the early 1990s:

... the operators at Kay work in the knowledge that their basic work activity is subject to constant scrutiny, a factor which, when combined with the certainty of immediate public humiliation which will accompany the exposure of their divergences, invokes a powerful disciplinary force ...

Up to the point when a member finally absents themselves [sic] from the shop floor at Kay they are, at least tacitly, acceding to being constantly subjected to close surveillance of an *Electronic Panopticon* which has the ability to penetrate to the very core of an

individual's work activities, providing a mechanism of *Power/Knowledge* which can bring out the minutest distinctions between individuals.

Thus, in attending work, members simultaneously submit themselves to 'the direction of their tasks, their nature, method, pace and quality of work [by management] ... [and] a system of worker evaluation, punishment and reward'.

(Sewell & Wilkinson 1992, pp. 283-4, 287)

New technologies have given employers increasingly sophisticated surveillance tools through the 21st century. Hannah Kuchler (2014) has sketched the direction in which surveillance techniques are moving:

...More than half of human resources departments around the world report an increase in the use of data analytics compared with three years ago, according to a recent survey by the Economist Intelligence Unit. But many employees are still blissfully unaware of how information they may deem private is being analysed by their managers.

For its part, Evolv analyses more than half a billion "employee data points" from across 13 countries, seeking to identify patterns across companies and industries. These data points range from how often employees interact with their supervisor to how long it takes a worker to get to the office.

Evolv's clients use them to help guide their hiring decisions, as well as to evaluate an employee's performance throughout his or her career.

The company has so far focused on customer-facing industries such as retailers and call centres. One client is Kelly, an employment agency. It says it has seen a 7 per cent improvement in employee efficiency across the board by incorporating Evolv's insights into its hiring policy.

(Hannah Kuchler, [Ⓔ] [Data pioneers watching us work](#), *Financial Times* /Management, February 17, 2014)

Simon Head has sketched staff management practices at Amazon's center at Rugeley, England in 2014:

In a fine piece of investigative reporting for the London Financial Times, economics correspondent Sarah O'Connor describes how, at Amazon's center at Rugeley, England, Amazon tags its employees with personal sat-nav (satellite navigation) computers that tell them the route they must travel to shelve consignments of goods, but also set target times for their warehouse journeys and then measure whether targets are met.

All this information is available to management in real time, and if an employee is behind schedule she will receive a text message pointing this out and telling her to reach her targets or suffer the consequences. At Amazon's depot in Allentown, Pennsylvania (of which more later), Kate Salasky worked shifts of up to eleven hours a day, mostly spent walking the length and breadth of the warehouse. In March 2011 she received a warning message from her manager, saying that she had been found unproductive during several minutes of her shift, and she was eventually fired. This

employee tagging is now in operation at Amazon centers worldwide...

(Simon Head, [Ⓔ] [Worse than Wal-Mart: Amazon's sick brutality and secret history of ruthlessly intimidating workers](#), *Salon*, Sunday, Feb 23, 2014)

⁴⁶⁰ As Adam Smith explained of the motivations of 'Merchants and master manufacturers':

Merchants and master manufacturers are... the two classes of people who commonly employ the largest capitals, and who by their wealth draw to themselves the greatest share of the public consideration. ...

As their thoughts, however, are commonly exercised rather about the interest of their own particular branch of business, than about that of the society, their judgment, even when given with the greatest candour (which it has not been upon every occasion) is much more to be depended upon with regard to the former of those two objects than with regard to the latter. Their superiority over the country gentleman is not so much in their knowledge of the public interest, as in their having a better knowledge of their own interest than he has of his.

It is by this superior knowledge of their own interest that they have frequently imposed upon his generosity, and persuaded him to give up both his own interest and that of the public, from a very simple but honest conviction that their interest, and not his, was the interest of the public. The interest of the dealers, however, in any particular branch of trade or manufactures, is always in some respects different from, and even opposite to, that of the public.

To widen the market and to narrow the competition, is always the interest of the dealers. To widen the market may frequently be agreeable enough to the interest of the public; but to narrow the competition must always be against it, and can serve only to enable the dealers, by raising their profits above what they naturally would be, to levy, for their own benefit, an absurd tax upon the rest of their fellow-citizens.

The proposal of any new law or regulation of commerce which comes from this order ought always to be listened to with great precaution, and ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention. It comes from an order of men whose interest is never exactly the same with that of the public, who have generally an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it.

(Adam Smith, 1776, [Ⓔ] [An Inquiry Into the Nature and Causes of the Wealth of Nations](#), Book 1, Chapter XI, Conclusion of Chapter)

⁴⁶¹ See Dew-Becker and Gordon (2005) for more on the divergence between productivity gains and both employment numbers and incomes in Western countries (and, of course, everywhere else) over the past forty years. As the authors explain:

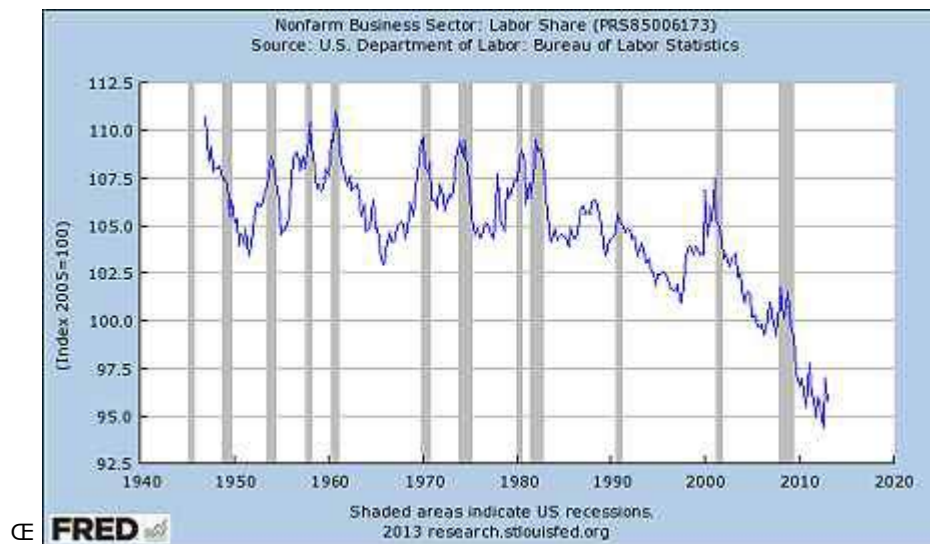
A basic tenet of economic science is that productivity growth is the source of growth in real income per capita. But our results raise doubts by creating a direct link between macro productivity growth and the micro evolution of the income distribution.

We show that over the entire period 1966-2001, as well as over 1997-2001, only the top 10 percent of the income distribution enjoyed a growth rate of real wage and salary income equal to or above the average rate of economy-wide productivity growth.

Growth in median real wage and salary income barely grew at all while average wage and salary income kept pace with productivity growth, because half of the income gains went to the top 10 percent of the income distribution, leaving little left over for the bottom 90 percent. Half of this inequality effect is attributable to gains of the 90th percentile over the 10th percentile; the other half is due to increased skewness within the top 10 percent.

(Ian Dew-Becker and Robert J. Gordon ^{CE} [Where Did the Productivity Growth Go? Inflation Dynamics And The Distribution Of Income](#), (NBER Working Paper Series, Working Paper 11842, National Bureau Of Economic Research, December 2005))

Here is a US Bureau of Labor Statistics graph of the labor share in the nonfarm business sector 1947-2013:



The original chart can be found in an essay by Susan Fleck, John Glaser, and Shawn Sprague, ^{CE} [The compensation-productivity gap: a visual essay](#), (US Bureau of Labor Statistics *Monthly Labor Review*, January 2011, p. 63 - ^{CE} [updated charts and associated data can be found here](#)). As they explain:

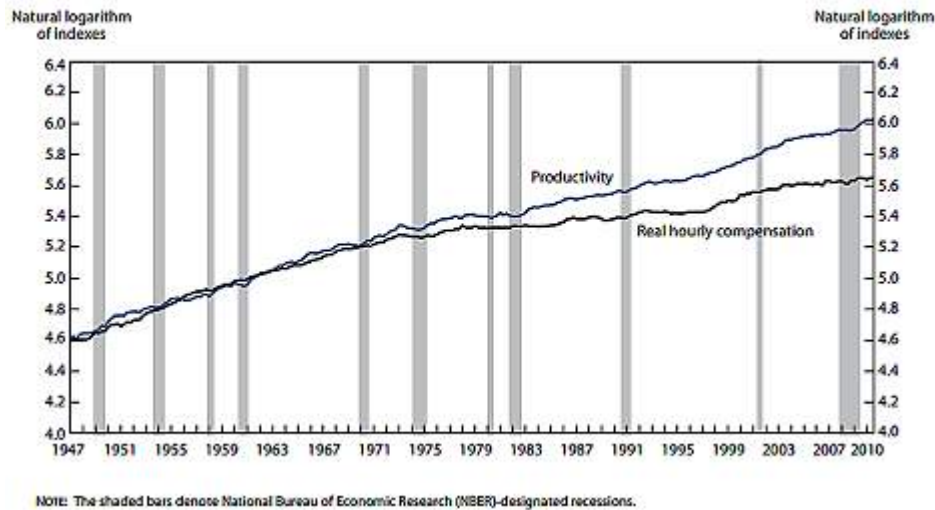
Labor share is the portion of output that employers spend on labor costs (wages, salaries, and benefits) valued in each year's prices. Nonlabor share-the remaining portion of output-includes returns to capital, such as profits, net interest, depreciation, and indirect taxes.

Labor share averaged 64.3 percent from 1947 to 2000. Labor share has declined over the past decade, falling to its lowest point in the third quarter of 2010, 57.8 percent. The change in labor share from one period to the next has become a major factor contributing to the compensation-productivity gap in the nonfarm business sector.

(see Paul Krugman, [Ⓔ] [Human Versus Physical Capital](#), *New York Times*, December 11, 2012 for more on this)

Also, for a comparison of labor productivity and real hourly compensation in the US, see this graph and accompanying explanation:

1. Productivity and real hourly compensation, nonfarm business sector, first quarter 1947–third quarter 2010



(Labor productivity is output, adjusted for price changes, divided by hours worked at all jobs. Productivity in the U.S. nonfarm business sector grew an average of 2.2 percent per year over the past 63 years, despite a pro-longed slowdown from 1973 to 1995.

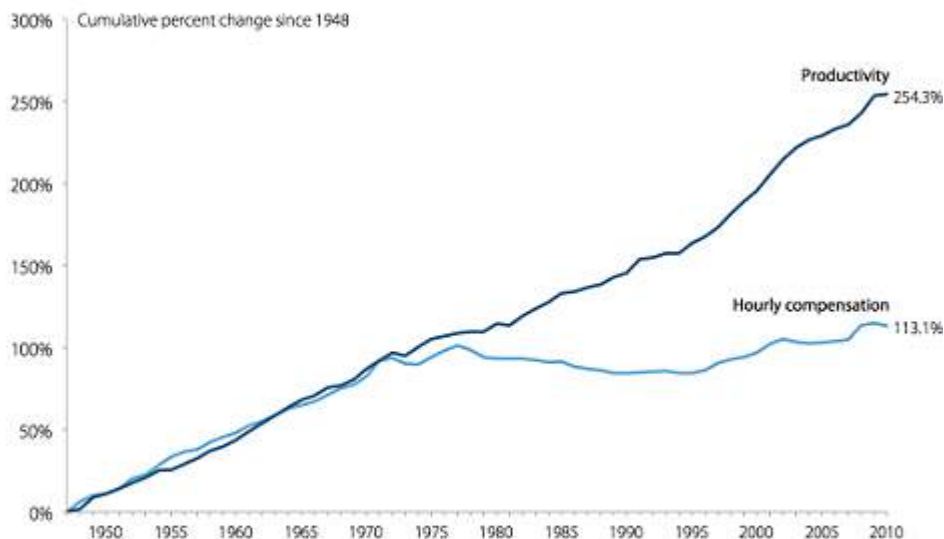
Real hourly compensation is the hourly cost to businesses, adjusted for price changes, of wages, salaries, and benefits paid to workers. Real hourly compensation grew at an average annual rate of 1.7 percent over the 63-year period. Since the 1970s, real hourly compensation has grown more slowly than productivity.)

([Ⓔ] [Monthly Labor Review January 2011 p. 59](#))

See Lawrence Mishel, [Ⓔ] [The wedges between productivity and median compensation growth](#) (*Economic Policy Institute*, Issue Brief #330, April 26, 2012) for more on this:

Figure A

Growth of real hourly compensation for production/nonsupervisory workers and productivity, 1948–2011

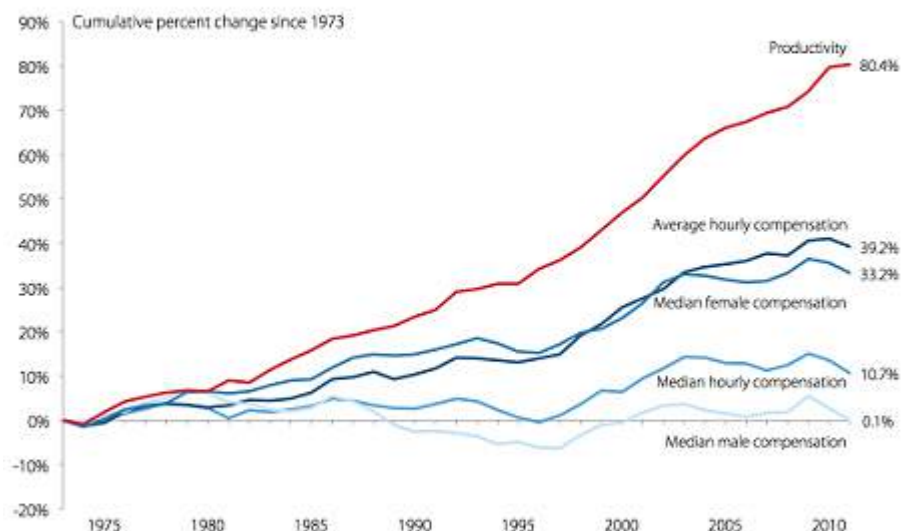


Note: Hourly compensation is of production/nonsupervisory workers in the private sector and productivity is for the total economy.

Source: Author's analysis of unpublished total economy data from Bureau of Labor Statistics, Labor Productivity and Costs program and Bureau of Economic Analysis, National Income and Product Accounts public data series

Figure B

Growth of hourly productivity, real average hourly compensation, and real median hourly compensation (overall and by gender), 1973–2011



Note: Compensation is for production/nonsupervisory workers in the private sector, and productivity is for the total economy.

Source: Author's analysis of unpublished total economy data from the Bureau of Labor Statistics, Labor Productivity and Costs program and Bureau of Economic Analysis, National Income and Product Accounts public data series

As Mishel explains:

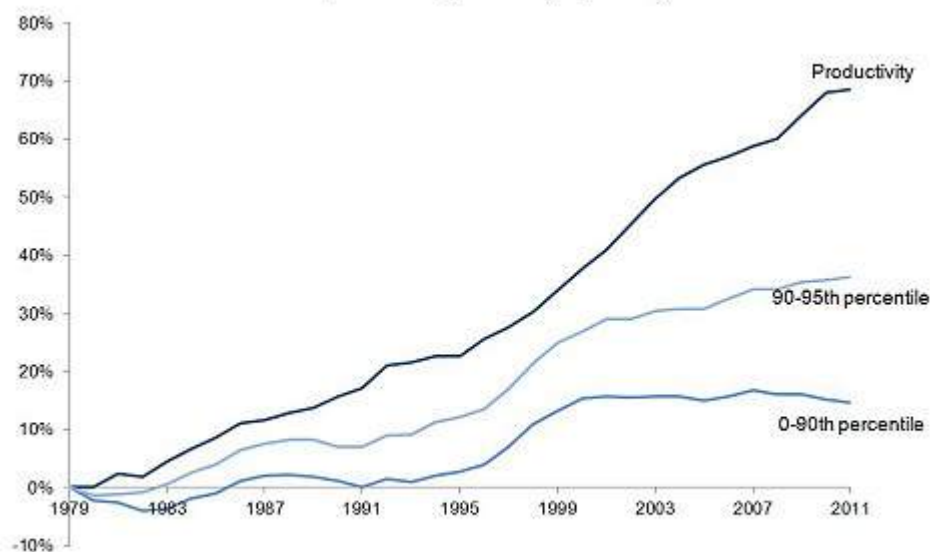
Income inequality has grown over the last 30 years or more driven by three dynamics: rising inequality of labor income (wages and compensation), rising inequality of capital income, and an increasing share of income going to capital income rather than labor income. As a consequence, examining market-based incomes one finds that "the top 1 percent of households have secured a very large share of all of the gains in income-59.9 percent of the gains

from 1979-2007, while the top 0.1 percent seized an even more disproportionate share: 36 percent. In comparison, only 8.6 percent of income gains have gone to the bottom 90 percent" (Mishel and Bivens 2011).

... the experience of the vast majority of workers in recent decades has been that productivity growth actually provides only the potential for rising living standards: Recent history, especially since 2000, has shown that wages and compensation for the typical worker and income growth for the typical family have lagged tremendously behind the nation's fast productivity growth.

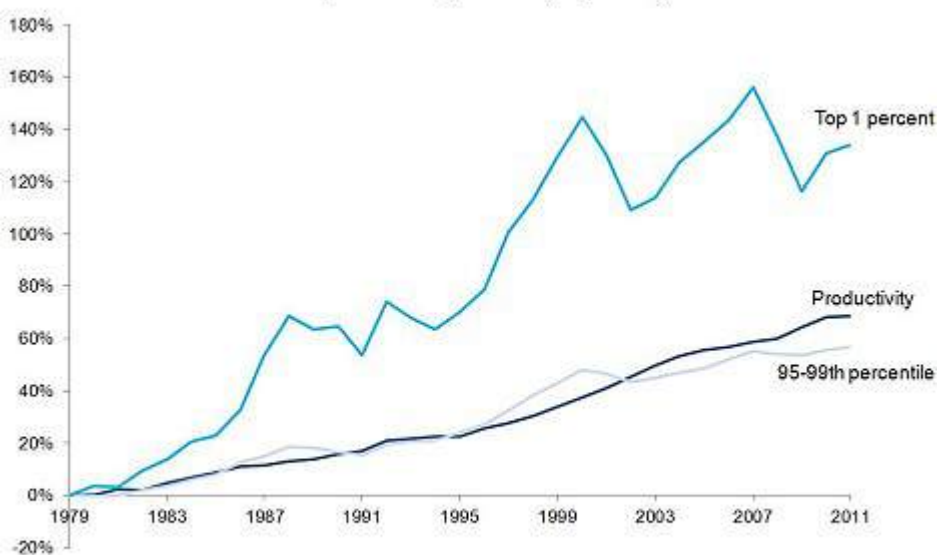
Josh Bivens, ^{CE} [The Compensation/Productivity Link Is Indeed Broken for the Vast Majority of American Workers](#) (*Economic Policy Institute*, Blog, July 19, 2013) provides a further breakdown:

Cumulative productivity and wage growth, 1979–2011



Source: Author's analysis of unpublished Total Economy Productivity data from the Bureau of Labor Statistics (2012) and Kopczuk, Saez, and Song (2010) and Social Security Administration wage statistics

Cumulative productivity and wage growth, 1979–2011



Source: Author's analysis of unpublished Total Economy Productivity data from the Bureau of Labor Statistics (2012) and Kopczuk, Saez, and Song (2010) and Social Security Administration wage statistics

Josh Bivens and Lawrence Mishel have provided an updated version of the above graphs. As they explain:

This paper updates and explains the implications of the central component of the wage stagnation story: the growing gap between overall productivity growth and the pay of the vast majority of workers since the 1970s. A careful analysis of this gap between pay and productivity provides several important insights for the ongoing debate about how to address wage stagnation and rising inequality.

First, wages did not stagnate for the vast majority because growth in productivity (or income and wealth creation) collapsed. Yes, the policy shifts that led to rising inequality were also associated with a slowdown in productivity growth, but even with this slowdown, productivity still managed to rise substantially in recent decades. But essentially none of this productivity growth flowed into the paychecks of typical American workers.

Second, pay failed to track productivity primarily due to two key dynamics representing rising inequality: the rising inequality of compensation (more wage and salary income accumulating at the very top of the pay scale) and the shift in the share of overall national income going to owners of capital and away from the pay of employees.

Third, although boosting productivity growth is an important long-run goal, this will not lead to broad-based wage gains unless we pursue policies that reconnect productivity growth and the pay of the vast majority.

Ever since EPI first drew attention to the decoupling of pay and productivity (Mishel and Bernstein 1994), our work has been widely cited in economic analyses and by policymakers. It has also attracted criticisms from those looking to deny the facts of inequality. Thus in this paper we not only provide an updated analysis of the productivity-pay disconnect and the factors behind it, we also explain why the measurement choices we have made are the correct ones. As we demonstrate, the data series and methods we use to construct our graph of the growing gap between productivity and typical worker pay best capture how income generated in an average hour of work in the U.S. economy has not trickled down to raise hourly pay for typical workers.

(Josh Bivens and Lawrence Mishel, ^{CE} *Understanding the Historic Divergence Between Productivity and a Typical Worker's Pay: Why It Matters and Why It's Real* (Economic Policy Institute, Briefing Paper #406, September 2 2015))

(See also Lawrence Mishel and Kar-Fai Gee ^{CE} *Why Aren't Workers Benefiting from Labour Productivity Growth in the United States?* *International Productivity Monitor*, No. 23, Spring 2012 pp. 31-43)

⁴⁶² *The Independent Commission for the Reform of International Corporate Taxation*, in a statement of principles, has addressed the problems of nation-state exploitation and tax evasion which are at the root of these developments:

1. States must reject the artifice that a corporation's subsidiaries and branches are separate entities entitled to separate treatment under tax law, and instead recognize that multinational corporations act as single firms conducting business activities across international borders.
2. States should develop model bilateral and multilateral agreements to enable participating jurisdictions to apportion revenues and costs attributable to a multinational corporation operating in those jurisdictions.
3. Instead of attributing income from the control or ownership of intellectual property to a low tax jurisdiction, the income should be apportioned to the jurisdictions where the intellectual property was developed or, if sold, apportioned according to objective economic factors such as sales and employment.
4. States should treat a company affiliate of a resident multinational corporation that carries out business activity in a jurisdiction as a presumptive permanent establishment with tax nexus in that jurisdiction.
5. States should revise the permanent establishment rules to provide that when a corporation sells or provides downloads of products from the internet to customers in a jurisdiction, exceeding a specified threshold, that business activity creates a permanent establishment.
6. In the long term, the system for taxing a multinational corporation's subsidiaries as separate entities should be replaced by a system of taxing multinational corporations as single and unified firms, using formulary apportionment based upon objective factors, such as sales and employment, and with adequate consideration of the source principle.
7. International cooperation for reform must go beyond the current OECD's BEPS initiative and begin to research and negotiate the specific elements of an international consolidation and apportionment system, including what rules would apply to determine the tax base and apportion profits among countries where multinational firms operate, and how to avoid the vertical disintegration to which it may give rise. (The Independent Commission for the Reform of International Corporate Taxation, [Ⓔ] *Declaration: of the Independent Commission for the Reform of International Corporate Taxation, Statement of Principles*, June 2015; see: George Turner, [Ⓔ] *Fixing the international tax system, the Tax Justice Network*, November, 2017, for more on all this)

See Joseph E. Stiglitz, [Ⓔ] *America in the Way* (Project Syndicate, August 6, 2015) for discussion of some of the related issues.

⁴⁶³ For more on foreign direct investment (FDI) flows and cross-border mergers and acquisitions (M & As) over the past three decades, see this United Nations Conference on Trade and Development (UNCTAD) site: [Ⓔ] [Research on FDI and TNCs](#).

⁴⁶⁴Dani Rodrik (2015) has described some of the problems associated with agreements such as the Trans-Pacific Partnership (TPP), Transatlantic Trade and Investment Partnership (TTIP) and the Trade in Services Agreement (TiSA):

Perhaps most worrisome are the Investor-State Dispute Settlement (ISDS) provisions of the two agreements. These provisions establish a separate judicial track, outside a country's own legal system, that allows firms to sue governments for apparent violations under trade treaties. Proponents defend ISDS by saying that it will not have much consequence for countries, such as the US, where there is good rule of law, and that it will promote investment in countries, such as Vietnam, where there is not. In that case, it is unclear why ISDS provisions are needed for the TTIP, which covers the advanced economies of North America and Europe.

In all of these areas, the TPP and TTIP seem to be about corporate capture, not liberalism.

(Dani Rodrik, ^{CE} [The Muddled Case for Trade Agreements](#), *Project Syndicate*, June 11 2015)

(For more information on the nature and possibilities of Investor-State dispute settlement (ISDS) mechanisms see ⁷¹⁵.)

For the composition of "The Obama administration's corporate-heavy network of official trade advisers" involved in the TPP negotiations, see this *Washington Post* breakdown. As the authors illustrate:

Private industry and trade groups represent the lion's share of committee members - 480, or 85% of the total [566]

...The industry make-up of each of the 28 advisory committees differs as well. But most committees are devoted primarily or exclusively to business interests and related trade associations.

(Christopher Ingraham and Howard Schneider, ^{CE} [Industry voices dominate the trade advisory system](#), *The Washington Post*, Feb. 27, 2014)

For an introduction to the debate on the nature and importance of the Trans-Pacific Partnership, see Joseph Stiglitz and Adam Hersh, ^{CE} [The Trans-Pacific Free-Trade Charade](#) (*Project Syndicate*, October 2, 2015) and the associated comments on the pros and cons of the TPP. The authors set the tone for this debate:

You will hear much about the importance of the TPP for "free trade." The reality is that this is an agreement to manage its members' trade and investment relations - and to do so on behalf of each country's most powerful business lobbies. Make no mistake: It is evident from the main outstanding issues, over which negotiators are still haggling, that the TPP is not about "free" trade.

As one of the commenters, Douglas Ungredda, put it:

...[T]he question at the end of the day, it seems to me, is: can I trust the government of my country to defend MY interests when they are in conflict with others within the polis? And if the answer to that is no - and most of the comments below seem to offer that answer - then TPP is (or in my view ought to be) the least of the common citizen's worries.

While the TPP and TTIP negotiations have attracted attention, of possibly great importance for the future of democracy is the Trade in Services Agreement (TiSA), currently being negotiated.

Lambert Strether has re-stressed the dangers of complacency. The *apparent* demise of the Trans-Pacific Partnership following US President Trump's 2017 decision not to ratify the agreement does not signal the demise of its intentions; nor has it significantly affected the continued development of The Trade in Services Agreement (TiSA):

Trade activists may regard the defeat of TPP — its (no doubt feigned) rejection by Democrat candidate Clinton, and its deep-sixing by President Trump on his third day in office — as a victory, and they're not wrong.

But it's a mistake to regard the defeat of a deal as the defeat of the deal-makers: The forces and drivers behind the deal, which, if unchecked, will simply emerge with a [cough] new deal serving the same objectives.

In this post I want to look briefly at the the state of play in "trade," and then begin to look at the Trade in Services Agreement (TiSA) — that lowercase "i" gets me every time; I suppose it's meant to make the acronym seem friendlier — because, unlike the regional TPP, TiSA is a global agreement, because it's far less undead than TPP, and because it provides great insight into the future world our globalist elites would like us to live in.

(Lambert Strether, ^{CE} [Sleeping Monster: The Trade in Services Agreement \(TiSA\) and the Supply Chain](#), *Naked Capitalism*, July 19, 2017)

WikiLeaks, in 2015, provided a timely introduction to the framing of the Trade in Services Agreement (TiSA):

Since 2013, 51 nations have been conducting closed-door negotiations on a Trade in Services Agreement (TiSA) whose text has been kept secret, despite that the pact, as proposed, would impose binding constraints on a broad swath of domestic safeguards, including financial regulations.... On July 2, 2015, leaked copies of several draft TiSA texts, including an Annex on Financial Services, were posted online.

The leaked TiSA texts reveal the dangers of sweeping, so-called "trade" agreements that are negotiated outside of public scrutiny, providing a cautionary tale for the controversial Trans-Pacific Partnership and Trans-Atlantic Free Trade Agreement that are also being negotiated in secret. As governments around the world implement the lessons of the 2008 financial crisis by re-regulating financial firms to prevent another crisis, the leaked TiSA rules could require countries - including the world's largest financial centers - to halt and even roll back financial regulations.

Indeed, the leaked TiSA Annex on Financial Services makes clear that TiSA restrictions on financial regulations would apply to virtually the entire financial sector - including derivatives, banking, stocks and bonds, foreign exchange, life and non-life insurance, credit cards, financial data processing, credit-rating, reinsurance and other financial services (Annex, Art. X.2(a))...

(Ben Beachy, Public Citizen's Global Trade Watch, ^{CE} [TiSA Leak](#)

Reveals 10 Key Threats to Commonsense Financial Regulations,
PublicCitizen, July 2, 2015)

(See WikiLeaks ^{CE} [Trade in Services Agreement](#) for more information on TiSA negotiations.)

Don Quijones, an editor at *Wolf Street*, has provided a summary of some of the key issues being addressed in TISA negotiations:

...[T]hanks to whistle blowing sites like WikiLeaks, the Associated Whistleblowing Press and Filtrala, crucial details have seeped to the surface. Here's a brief outline of what is known to date...:

1. **TiSA would "lock in" the privatization of services** - even in cases where private service delivery has failed - meaning governments can never return water, energy, health, education or other services to public hands.
2. **TiSA would restrict signatory governments' right to regulate stronger standards in the public's interest.** For example, it will affect environmental regulations, licensing of health facilities and laboratories, waste disposal centres, power plants, school and university accreditation and broadcast licenses.
3. **TiSA would limit the ability of governments to regulate the financial services industry**, at a time when the global economy is still struggling to recover from a crisis caused primarily by financial deregulation. More specifically, if signed the trade agreement would:

- Restrict the ability of governments to place limits on the trading of derivative contracts - the largely unregulated weapons of mass financial destruction that helped trigger the 2007-08 Global Financial Crisis.
- Bar new financial regulations that do not conform to deregulatory rules. Signatory governments will essentially agree not to apply new financial policy measures which in any way contradict the agreement's emphasis on deregulatory measures.
- Prohibit national governments from using capital controls to prevent or mitigate financial crises. The leaked texts prohibit restrictions on financial inflows - used to prevent rapid currency appreciation, asset bubbles and other macroeconomic problems - and financial outflows, used to prevent sudden capital flight in times of crisis.
- Require acceptance of financial products not yet invented. Despite the pivotal role that new, complex financial products played in the Financial Crisis, TISA would require governments to allow all new financial products and services, including ones not yet invented, to be sold within their territories.

4. **TiSA would ban any restrictions on cross-border information flows and localization requirements for ICT service providers.** A provision proposed by US negotiators would rule out any conditions for the transfer of personal data to third countries that are currently in place in EU data protection law. In other words, multinational corporations will have carte blanche to

pry into just about every facet of the working and personal lives of the inhabitants

(Don Quijones, [Ⓔ] [Uruguay Does Unthinkable, Rejects Global Corporatocracy](#), *Wolf Street*, September 22, 2015)

465 {§} (11/02/16) Jeronim Capaldo and Alex Izurieta, provide an assessment of projected benefits of the TPP agreement claimed in a number of existing analyses⁷¹⁶ :

According to its proponents, the TPP will generate higher economic growth throughout the area by eliminating tariffs and other obstacles to international trade and investment.

With its coverage of a large share of the world economy, potential implications for several policy areas and a fairly large membership, the TPP bears a close resemblance with the Trans-Atlantic Trade and Investment Partnership (TTIP) discussed by the European Union and the United States. As with its trans-Atlantic homologue, much political emphasis has been placed on the TPP's prospective economic effects.

Several analyses have highlighted potential advantages and risks of the TPP for trade flows, industrial output, wages, international investment and financial stability. Calculating the net effects of these factors on economic growth, employment and income distribution requires making assumptions about how economies adjust to external shocks. Different theories exist to explain these processes. The standard model assumes full employment and invariant income distribution, ruling out the main risks of trade and financial liberalization. Subject to these assumptions, it finds positive effects on growth. An important question, therefore, is how this conclusion changes if those assumptions are dropped.

In this paper, we review existing projections of the TPP and propose alternative ones based on more realistic assumptions about economic adjustment and income distribution. We start from the trade projections put forward in the main existing study and explore their macroeconomic consequences using the United Nations Global Policy Model.

We find negative effects on growth in the United States and in Japan. We also find increasing inequality and job losses in all participating economies. Overall, we project the loss of 770,000 jobs, with the largest losses occurring in the United States. Furthermore, we project negative effects on growth and employment in non-TPP countries. This increases the risk of global instability and a race to the bottom, in which labor incomes will be under increasing pressure.

This paper takes no position on the overall desirability of the TPP, and makes no policy recommendation. Instead, it seeks to provide policymakers with the most realistic projections of how the TPP would impact macroeconomic performance.

(Jeronim Capaldo and Alex Izurieta with Jomo Kwame Sundaram, [Ⓔ] [Trading Down: Unemployment, Inequality and Other Risks of the Trans-Pacific Partnership Agreement](#), *Global Development and Environment Institute*, Tufts University, Working Paper No. 16-01, January 2016, pp. 1-2)

Public Citizen website has provided a [summary of key features](#) of the released Trans-Pacific Partnership text, slanted toward United States concerns. Many of the issues they raise are of importance to all partners in the negotiated agreements. In a preamble to their findings, entitled *Secret TPP Text Unveiled: It's Worse Than We Thought, With Limits on Food Safety and Controversial Investor-State System Expanded, Rollback of Bush-Era Medicine Access and Environmental Terms*, they say:

Today's long-awaited release of the text of the Trans-Pacific Partnership (TPP) reveals that the pact replicates many of the most controversial terms of past pacts that promote job offshoring and push down U.S. wages while further expanding the scope of the controversial investor-state system and rolling back improvements on access to affordable medicines and environmental standards that congressional Democrats forced on the George W. Bush administration in 2007.

"Apparently, the TPP's proponents resorted to such extreme secrecy during negotiations because the text shows that the TPP would offshore more American jobs, lower our wages, flood us with unsafe imported food and expose our laws to attack in foreign tribunals," said Lori Wallach, director of Public Citizen's Global Trade Watch. "When the administration says it used the TPP to renegotiate NAFTA, few expected that meant doubling down on the worst job-killing, wage-suppressing NAFTA terms, expanding limits on food safety and rolling back past reforms on environmental standards and access to affordable drugs."...

Today's text release confirms concerns about the TPP that were based on earlier leaks and reveals ways in which the TPP rolls back past public interest reforms to the U.S. trade model and expands anti-public interest provisions demanded by the hundreds of official U.S. corporate trade advisers:

Worse anti-public-interest provisions relative to past U.S. trade pacts

- The TPP Intellectual Property Chapter would roll back the "May 2007" reforms for access to medicines.
- The TPP Environment Chapter would roll back the "May 2007" reforms by eliminating most of the seven Multilateral Environmental Agreements that past pacts have enforced.
- The TPP Investment Chapter would expand the scope of policies that can be challenged and the basis for such challenges, including for the first time ever allowing investor-state dispute settlement (ISDS) enforcement of World Trade Organization intellectual property terms and new challenges to financial regulations.
- With Japanese, Australian and other firms newly empowered to launch ISDS attacks against the United States, the TPP would double U.S. ISDS exposure with more than 9,200 additional subsidiaries operating here of corporations from TPP nations newly empowered to launch ISDS cases against the U.S. government. (About 9,500 U.S. subsidiaries have ISDS rights under ALL existing U.S. investor-state-enforced pacts.)

- The TPP E-Commerce chapter would undermine consumer privacy protections for sensitive personal health, financial and other data when it crosses borders by exposing such policies to challenge as a violation of the TPP limits on regulation of data flows.
- TPP "Sanitary and Phytosanitary" chapter terms would impose new limits on imported food safety relative to past pacts. This includes new challenges to U.S. border inspection systems that can be launched based on extremely subjective requirements that inspections must "limited to what is reasonable and necessary" as determine by a TPP tribunal. New language that replicates the industry demand for a so-called Rapid Response Mechanism that requires border inspectors to notify exporters for every food safety check that finds a problem and give the exporter the right to bring a challenge to that port inspection determinations - meaning new rights to bring a trade challenge to individual border inspection decisions (including, potentially, laboratory or other testing) that second-guesses U.S. inspectors and creates a chilling effect that would deter rigorous oversight of imported foods.

Anti-public interest provisions that are the same as past U.S. pacts

- The TPP Investment Chapter would eliminate many of the risks and costs of relocating American jobs to low-wage countries, incentivizing more American job offshoring.
- The TPP procurement chapter would offshore our tax dollars to create jobs overseas instead of at home by giving firms operating in any TPP nation equal access to many U.S. government procurement contracts, rather than us continuing to give preference to local firms to build and maintain our public libraries, parks, post offices and universities.
- Contrary to Fast Track negotiating objectives, the TPP would grant foreign firms greater rights than domestic firms enjoy under U.S. law and in U.S. courts. One class of interests - foreign firms - could privately enforce this public treaty by skirting domestic laws and courts to challenge U.S. federal, state and local decisions and policies on grounds not available in U.S. law and do so before extrajudicial ISDS tribunals authorized to order payment of unlimited sums of taxpayer dollars.
- There are no new safeguards that limit ISDS tribunals' discretion to issue ever-expanding interpretations of governments' obligations to investors and order compensation on that basis. The text reveals the same "safeguard" Annexes and terms that were included in U.S. pacts since the 2005 Central America Free Trade Agreement (CAFTA) that have failed to rein in ISDS tribunals. CAFTA tribunals have simply ignored the "safeguard" provisions that are replicated in the TPP, and as with past pacts, in the TPP such tribunal, conduct is not subject to appeal.

- The TPP would ban the use of capital controls and other macroprudential financial regulations used to prevent speculative bubbles and financial crises.

(Nick Florko and Valerie Holdford, ^{CE} [Secret TPP Text Unveiled: It's Worse Than We Thought](#), *Public Citizen*, November 5, 2015)

⁴⁶⁶ Thom Hartmann, in an important and insightful essay, has described the fragility of democratic government and the importance of never-failing vigilance as a prerequisite for its survival:

We think of our civilization as having a democratic heritage, but that's a mirage. For most of these thousands of years, kings, emperors, Caesars, Popes, and warlords have ruled the lives of ordinary people. Democracy was tried for just 185 years, from 507 BCE to 322 BCE, on the Greek island of Athens; the experiment came to a bloody end with the conquest of the area by warlord Alexander the Great.

The idea lay dormant for two thousand years. The rule of kings and warlords resumed, until the American experiment birthed it again - in the midst of an economic crisis. There have been just three of these 75-year economic cycles in our history, and both of the previous ones threatened the very foundations of human liberty.

Yet as rare as democracy is in history, the concept is immensely compelling to the human spirit, and American expressions of the ideal have been the beacon that has lit the path. From the French Revolution in 1789 to the people's uprising in Beijing in 1989, people around the world have used language and icons from the pen of Thomas Jefferson and his peers. The Greek-Roman-Masonic-Iroquois-American idea of a government "deriving its just powers from the consent of the governed" is one of the most powerful and timeless ideas in the world - even if we didn't quite get it right at first (it was only true for propertied white males), and even if it's been strained since its inception....

But while much of the world moves to emulate the American experiment, contemporary America is moving in the direction of the corporate-state partnership. Executives from regulated industries are heading up the agencies that regulate them. Another symptom of increasing corporate control of the nation is widespread privatization - a euphemism for shifting control of a commons resource (like water supplies) from government agencies to corporations. And corporations and their agents have become the largest contributors to politicians, political parties, and so-called "think tanks" which both write and influence legislation.

The distinction between corporate control and human control is absolutely pivotal: governments that derive their just powers from the governed are responsible to citizens and voters, and their agencies are created exclusively to administer and protect the resources of the commons used by citizens and voters. Corporations are responsible only to stockholders and are created exclusively to produce a profit for those stockholders. When aggressive corporations are in seats of power, the results are predictable.

We have recently seen, all too often, the strange fruits borne by placing a corporate sentry where a public guardian should stand: for instance, we now know that the California energy crisis was manipulated into existence by Enron and a few other Texas energy companies. The cost to humans, for this corporate plunder, was horrific; but who was accountable, and who will go on trial? And more to the point, how did it come to be that corporations had the ability to do such things while the public protested vigorously?

It turns out, says the Supreme Court, that they have human rights. In several different decisions, all grounded in an 1886 case, the Court has ruled that corporations are entitled to a voice in Washington, the same as you and me.

But that is a peculiar thought. Our nation is built on equal protection of people (regardless of differences of race, creed, gender, or religion), and corporations are much bigger than people, much more able to influence the government, and don't have the biological needs and weakness of people. And therein lies the rub - a subtle shift that happened 136 years ago, which put us on this road.

The path from government of, by, and for the people to government of, by, and for the corporations was paved largely by an invented legal premise that corporations are, in fact, people - a premise called "corporate personhood." This states not just that people make up a corporation, but that each corporation, when created by the act of incorporation, is a full-grown "person" - separate from the humans who work for it or own stock in it - with all the rights granted to persons by the Bill of Rights.

This idea would be shocking to the Founders of the United States. James Madison, often referred to as "the father of the Constitution," wrote, "There is an evil which ought to be guarded against in the indefinite accumulation of property from the capacity of holding it in perpetuity by...corporations. The power of all corporations ought to be limited in this respect. The growing wealth acquired by them never fails to be a source of abuses."...

(Thom Hartmann, ^{CE} [Democracy and Economic Cycles](#), *Thom's Articles*, November 2, 2007)

467 {§} (05/04/16) Edward Morris has provided a clear explanation of the reasons for the fiscal and financial regulations developed during the 1930s in the US and the consequences of the repeal of those regulations in the post-1970s neoliberal age. In an article entitled 'Why Bernie's right about Glass-Steagall', he explains:

Bernie Sanders is advocating a reprise of the 1933 Glass-Steagall Act, specifically that section of the Depression-era act that had prohibited commercial banks and investment banks from operating under the same roof. Sanders believes that the repeal of Glass-Steagall in 1999 led to the formation of banks that became "too big to fail," contributed to the financial crisis in 2008 - and will lead to another crisis without corrective legislation...

Sanders has a strong argument, one that can be effectively made using Citigroup, the two-century old bank that, along with other Wall Street banks, has a history of wreaking havoc on itself and the

economy when it mixes commercial banking with investment banking

The first instance occurred in the 1920s when Charles "Sunshine" Mitchell became president of what was then National City Bank. The bank was the largest in the U.S. and its securities affiliate, under his aggressive management, had also become the country's largest investment operation, with sixty-nine sales offices in fifty-eight cities. Much of National City Bank's growth, however, was at the expense of its growing clientele of unwary investors, who became victims of shoddy securities offerings the bank originated and, most famously, the notorious investment pools the bank sponsored in the Roaring Twenties.

In 1933, long after the 1929 stock market crash and in the depth of the Great Depression, Mitchell was brought before the Senate Banking and Currency Committee to explain how investment pools worked and how National City Bank played a role. First, it turned out, the bank loaned money to a "pool manager" to facilitate the purchase of a selected "story stock" by a small group of initial investors. Then the pool manager planted rumors and bogus news accounts to entice the general public to purchase the stock at ever increasing prices. National City's investment affiliate further aided the pool manager in its efforts by authorizing the payment of "premium" commissions to tout the targeted stock. When the stock's price reached some level judged unsustainable by the pool manager, the early investors quietly bailed out, leaving smaller and less informed investors holding the bag. If those chump investors had purchased their stock on margin, they likely owed large sums of money in addition to holding the deflated stock.

And buying stocks on margin was a practice greatly encouraged by National City Bank, a major supplier of "broker loans." When the Federal Reserve tried to tamp down stock market speculation in 1929 by limiting the amount of margin debt, Mitchell - himself a member of the Fed's board of governors - instructed National City to go directly counter to the central bank's wishes by increasing the high volume of broker loans it was already providing. During the Senate hearings on the collapse of the stock market, Senator Carter Glass (the Glass in Glass-Steagall) proclaimed that Mitchell "more than forty others is responsible for the present situation."

(Edward Morris, ^{CE} [Why Bernie's Right About Glass-Steagall](#), *History News Network*, April 3, 2016)

By the 1990s, in the US, Glass-Steagall and other New Deal legislation was under siege by those who believed in the virtues of free markets, globalization and the removal of 'obstacles' which prevented American banks from growing larger so that they could "better compete on the world stage".

Peter Conti-Brown, in a discussion of Bank of England proposals "to provide a ring-fence of protection and business continuity for retail banking units of large banks, effectively shielding them from problems their investment banking arms may face", spelt out the process by which Glass-Steagall legislation was progressively dismantled over the years:

Enacted as a response to the Great Depression of the 1930s, Glass-Steagall originally also sought separation of banking activities, but

was progressively watered down before being repealed in 1999. "[Former Federal Reserve chairman] Alan Greenspan hated Glass-Steagall and he subjected it to 10,000 cuts in terms of regulatory waivers and loopholes and such," Black said. "By the time it was effectively repealed in 1999 under Bill Clinton, there wasn't a whole lot left of Glass-Steagall."

(^{CE} [Can the Bank of England's New 'Ring-fencing' Rules Work?](#), *Knowledge@Wharton*, The Wharton School, University of Pennsylvania, Oct 20, 2015)

As President Obama summed it all up in 2008:

"By the time the Glass-Steagall Act was repealed in 1999, the \$300 million lobbying effort that drove deregulation was more about facilitating mergers than creating an efficient regulatory framework," Mr. Obama said in a speech on the economy at Cooper Union in New York in March 2008. "Instead of establishing a 21st century regulatory framework, we simply dismantled the old one," thereby encouraging "a winner take all, anything goes environment that helped foster devastating dislocations in our economy."

(Cyrus Sanati, ^{CE} [10 Years Later, Looking at Repeal of Glass-Steagall](#), *New York Times*, November 12, 2009)

Simon Johnson has provided a compelling case for a 21st century version of Glass-Steagall legislation. As he says,

The best argument for a modern Glass-Steagall act is the simplest. We should want a lot more loss-absorbing shareholder equity. And, to reinforce this, we should want to make the largest banks simpler and more transparent, with "strong structural firewalls" as Dennis Kelleher, of Better Markets, puts it. Of course, in that context, we should ensure that various activities by "shadow banks" (structures that operate with bank-like features, as Lehman Brothers did) are properly regulated.

Building support for legislation to simplify the biggest banks would greatly strengthen the hand of those regulators who want to require more shareholder equity and better regulation for the shadows. These policies are complements, not substitutes.

(Simon Johnson, ^{CE} [Resurrecting Glass-Steagall](#), *Project Syndicate*, October 29, 2015)

⁴⁶⁸ Martin Baily and Susan Lund (^{CE} [Financial Globalization in Reverse?](#), *Project Syndicate*, Apr. 12, 2013) have summed up the scene in the early 21st century:

New information technologies made it possible to conduct transactions halfway around the world in the blink of an eye. Savers gained the ability to diversify, while the largest borrowers could tap global pools of capital. As national financial markets grew more intertwined, cross-border capital flows rose from \$0.5 trillion in 1980 to a peak of \$11.8 trillion in 2007.

But the 2008 crisis exposed the dangers, with the globalized financial system's intricate web of connections becoming a conduit for contagion. Cross-border capital flows abruptly collapsed. Almost five years later, they remain 60% below their pre-crisis peak.

This pullback in cross-border activity has been accompanied by muted growth in global financial assets (despite the recent rallies in stock markets around the world). Global financial assets have grown by just 1.9% annually since the crisis, down from 7.9% average annual growth from 1990 to 2007.

Summing up the 1980s, Strange concluded:

No one who knows anything about international finance is in any doubt that it has grown rather phenomenally in the last quarter century. There is, however, the problem of measurement and, connected with it, the problem of definition. The numbers that are available are only rough indicators, not precise indices. Here are a few of them:

Transactions in the Eurocurrency markets had risen to over US\$ 1,000 billion - 1 trillion - in the year 1984, compared with US\$75 billion in 1970 and only US\$3 billion in the early 1960s.

Trading in the foreign exchange markets worldwide in the late 1980s amounted to over US\$600 billion *a day*, no less than 32 times the volume of international commercial transactions worldwide.

Between the mid-1960s and the mid-1980s, international banking grew at a compound rate of 26 per cent a year on average, compared with an average growth in output of a little over 10 per cent.

The issue of bonds is a credit instrument traditionally associated with international finance since the last century. Equal in value to 2 per cent of world exports in 1980, their total value had risen to 9 per cent of world exports by 1985 and they have continued to grow in popularity since. ECU-dominated bond issues, which totalled ECU 1.9 billion in 1982, totalled nearly ECU 17 billion in 1988.

Transnational trading in shares was comparatively rare even by 1980. Most national stock exchanges dealt only in the shares of nationally registered companies within the state. By 1989, more than 18 per cent of all share trading was in the shares of foreign corporations-only the major multinationals. Among the significant numbers, we should also note the growth of trading in futures and options in some of the main international financial centers like London, Paris, and Frankfurt.

(Strange 1994, pp. 233-4)

⁴⁶⁹ As Robert Guttman described:

Deregulation of money has turned many Americans into investors (see especially the role of pension plans and mutual funds), and has allowed the middle class to join the rentier class (the 'money class'). This change in class composition is reinforced by aging baby boomers going from being debtors in the 1970s (favoring inflation) to becoming savers (favoring low inflation and high 'real' interest rates). This gives the Federal Reserve a political constituency for the 'hard money' course of the last fifteen years, which favors financial investors.

Deregulation of money has also led to much more volatile interest rates and exchange rates, which in turn have dramatically accelerated the use of hedging and speculative investments for

capital gains as the new profit-centre of MNCs and TNBs, and with a concomitant wave of innovations to facilitate this activity (e.g., financial futures and other derivatives).

The trend toward the dominance of a new kind of financial capital, which I characterise as *fictitious capital*, has also been profoundly deepened by the rapid *securitization* of credit (as a now more attractive form of financial capital for both sides, as opposed to the traditional loan capital mediated by commercial banks), which has helped to promote securities trading as a profitable, high-risk activity. This leads to an unprecedented combination of financial explosion and industrial stagnation, with ST-oriented shareholder capital combining with international competition battles and the labor-saving information revolution to enforce global 'downsizing'.

Electronic money is entirely global in nature, composed of an unregulated worldwide Euro-banking network, global investment portfolios, and interconnected financial markets.

(Guttman 1995)

⁴⁷⁰ Joseph Stiglitz (2011), summed up the consequences in the early 21st century:

It's no use pretending that what has obviously happened has not in fact happened. The upper 1 percent of Americans are now taking in nearly a quarter of the nation's income every year.

In terms of wealth rather than income, the top 1 percent control 40 percent. Their lot in life has improved considerably. Twenty-five years ago, the corresponding figures were 12 percent and 33 percent. One response might be to celebrate the ingenuity and drive that brought good fortune to these people, and to contend that a rising tide lifts all boats. That response would be misguided. While the top 1 percent have seen their incomes rise 18 percent over the past decade, those in the middle have actually seen their incomes fall.

For men with only high-school degrees, the decline has been precipitous-12 percent in the last quarter-century alone. All the growth in recent decades-and more-has gone to those at the top. In terms of income equality, America lags behind any country in the old, ossified Europe that President George W. Bush used to deride. Among our closest counterparts are Russia with its oligarchs and Iran. While many of the old centers of inequality in Latin America, such as Brazil, have been striving in recent years, rather successfully, to improve the plight of the poor and reduce gaps in income, America has allowed inequality to grow.

Economists long ago tried to justify the vast inequalities that seemed so troubling in the mid-19th century-inequalities that are but a pale shadow of what we are seeing in America today. The justification they came up with was called "marginal-productivity theory." In a nutshell, this theory associated higher incomes with higher productivity and a greater contribution to society. It is a theory that has always been cherished by the rich. Evidence for its validity, however, remains thin.

The corporate executives who helped bring on the recession of the past few years-whose contribution to our society, and to their own companies, has been massively negative-went on to receive large bonuses. In some cases, companies were so embarrassed about calling such rewards "performance bonuses" that they felt compelled to change the name to "retention bonuses" (even if the only thing being retained was bad performance).

Those who have contributed great positive innovations to our society, from the pioneers of genetic understanding to the pioneers of the Information Age, have received a pittance compared with those responsible for the financial innovations that brought our global economy to the brink of ruin.

(Of the 1%, by the 1%, for the 1% *Vanity Fair*, May 2011)

The following excerpt from George Soros' self-promoting book *The Crash of 2008*, gives a picture of what happens when speculators, presuming public underwriting of their 'commercial paper', are left to their own devices:

The bankruptcy of Lehman Brothers on Monday, September 15, 2008, was a game-changing event. As I have noted, until then, whenever the financial system came close to a breakdown, the authorities intervened. This time they did not. The consequences were disastrous. CDSs (credit default swaps) went through the roof, and American International Group (AIG), which carried a large short position in CDSs, was facing imminent default. By the next day, Tuesday, Treasury Secretary Henry Paulson had to reverse himself and come to the rescue of AIG, albeit on extremely punitive terms. But worse was to come.

Lehman was one of the main market-makers in commercial paper and a major issuer. An independent money market fund held Lehman paper, and, since it had no deep pocket to turn to, it had to "break the buck" - stop redeeming its shares at par. This caused panic among depositors, and by Thursday a run on money market funds was in full swing. The panic spread to the stock market. The Federal Reserve had to extend a guarantee to all money market funds, short selling of financial stocks was suspended, and the Treasury announced a \$700 billion rescue package for the banking system. This provided some temporary relief to the stock market. (Soros 2009 p. 161)

⁴⁷¹ Steven Rattner addressed the problem in the US between 2000 and 2015:

A few days ago, I visited the shiny headquarters of the Peterson Institute for International Economics on "think tank row" in Washington - basically, the locker room of the Team Globalization and Free Trade cheering squad....

...I emphasized that I had paid attention in economics class and understood that globalization incontrovertibly has benefited not only the world but also the United States. That's in part because trade permits Americans to buy goods at lower prices; the added purchasing power helps our economy expand faster.

But I soon pivoted to my experience working in the Obama administration on the auto rescue, an experience that had seared

into me the sense that intermingled among the many winners from globalization were a substantial number of losers.

So far, so good. Then I went rogue and uttered two blasphemous words: "Ross Perot." He had a point, I said heretically, when he campaigned in 1992 against the landmark North American Free Trade Agreement, saying that it would result in a "giant sucking sound" of jobs headed south to Mexico.

A cool breeze drifted toward me.

As I looked out at my audience, I realized that the room was filled with winners - folks who, from all appearances, earned their livings from intellectual labor. Neither their jobs nor their wages were in jeopardy as countries ranging from Vietnam to Colombia became more competitive with us.

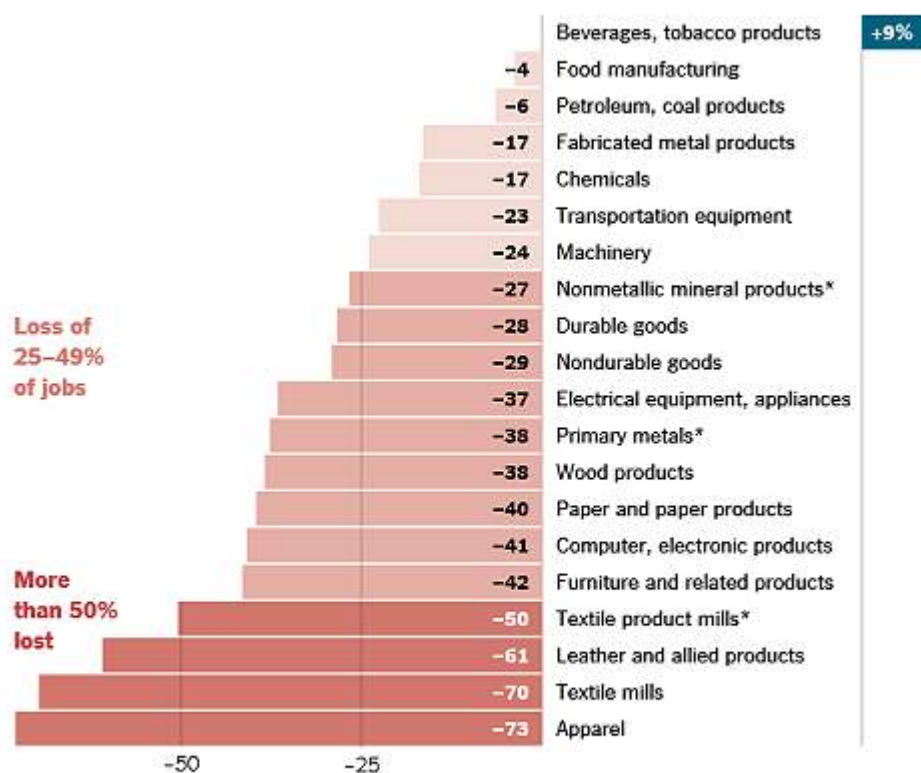
I pressed on.

Last year, according to the recent figures, our nation added 2.65 million new jobs. [Just 30,000 of them were in manufacturing.](#) So much for the widely trumpeted renaissance of Made in America.

At first glance, the automobile industry looks to be in better shape. From the depths of the crisis in 2009 through 2013, employment in the auto manufacturing sector in the United States rose by 23 percent, to 690,000 from 560,000.

Manufacturing Jobs Draining Away

Percent change in the number of U.S. employees in each industry, 2000 to 2015.



*Nonmetallic mineral products include glass, cement, concrete and gypsum; primary metals include iron, steel and aluminum; textile product mills make non-apparel textile products such as sheets and towels.

Source: Bureau of Labor Statistics

By The New York Times

...My central argument was not that we should close our borders or retreat from the world; it was that we need to be sensitive to the

losers and try to help. The point - well illustrated in Steve's book - is that globalization is not only an economic matter but also a moral one.

Presently, the institute's blunt director, Adam Posen, used his final moments to shut me down, declaring that the "fetishization" of any industry was "immoral." The problem of manufacturing is technology, he declared flatly.

Blaming technology is a common refrain from economists who hate the thought that globalization is not the world's unambiguous salvation.

(Steven Rattner, ^{CE} [What's Our Duty to the People Globalization Leaves Behind?](#) *New York Times*, Opinion Pages, Jan. 26, 2016)

Autor, Dorn and Hanson (2012) explained the consequences for the US in a study sub-titled 'Local Labor Market Effects of Import Competition in the United States':

We analyze the effect of rising Chinese import competition between 1990 and 2007 on local U.S. labor markets, exploiting cross-market variation in import exposure stemming from initial differences in industry specialization while instrumenting for imports using changes in Chinese imports by industry to other high-income countries.

Rising exposure increases unemployment, lowers labor force participation, and reduces wages in local labor markets. Conservatively, it explains one-quarter of the contemporaneous aggregate decline in U.S. manufacturing employment. Transfer benefits payments for unemployment, disability, retirement, and healthcare also rise sharply in exposed labor markets.

(David H. Autor, David Dorn, Gordon H. Hanson, ^{CE} [The China Syndrome: Local Labor Market Effects of Import Competition in the United States](#), NBER Working Paper No. 18054, May 2012)

For a recent updating and expansion of these issues see: David H. Autor, David Dorn, Gordon H. Hanson, ^{CE} [The China Shock: Learning from Labor Market Adjustment to Large Changes in Trade](#), NBER, Working Paper No. 21906, January 2016; David Autor, David Dorn, Gordon Hanson, Kaveh Majlesi, ^{CE} [Importing Political Polarization? The Electoral Consequences of Rising Trade Exposure](#), NBER Working Paper No. 22637, September 2016, updated: December 2016.

As [Mishel and Bivens \(2011\)](#) show, while the richest 5 percent of households obtained roughly 82 percent of all the nation's gains in wealth between 1983 and 2009; the bottom 60 percent of households actually had less wealth in 2009 than in 1983, meaning they did not participate at all in the growth of wealth over this period.

See ^{CE} [The high price of losing manufacturing jobs](#) (*EurekaAlert* 23-Feb-2012) for an assessment of the impact of the removal of tariff barriers in the 1980s on U.S. manufacturing jobs in the 21st century. As the report explains:

In the study, published as a working paper by the *National Bureau of Economic Research*, Autor, along with economists David Dorn and Gordon Hanson, examined the effect of overseas manufacturing

competition on 722 locales across the United States over the last two decades....

"Trade tends to create diffuse beneficiaries and a concentration of losers," Autor says. "All of us get slightly cheaper goods, and we're each a couple hundred dollars a year richer for that." But those losing jobs, he notes, are "a lot worse off." For this reason, Autor adds, policymakers need new responses to the loss of manufacturing jobs: "I'm not anti-trade, but it is important to realize that there are reasons why people worry about this issue."

⁴⁷² See Alice H. Amsden and Rolph Van Der Hoeven, [⌘ Manufacturing output, employment and real wages in the 1980s: labour's loss until the century's end](#). *Journal of Development Studies*, April 1, 1996 for more on this. As the authors explained:

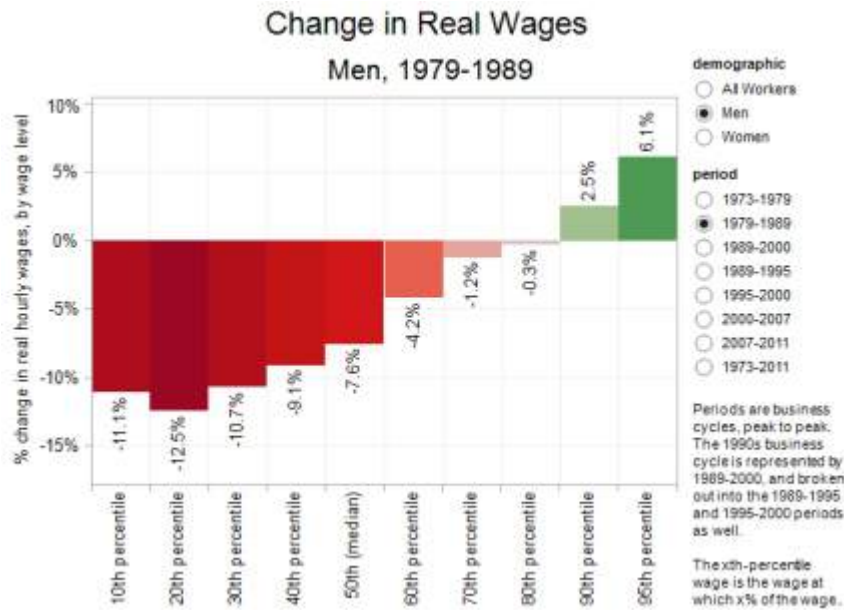
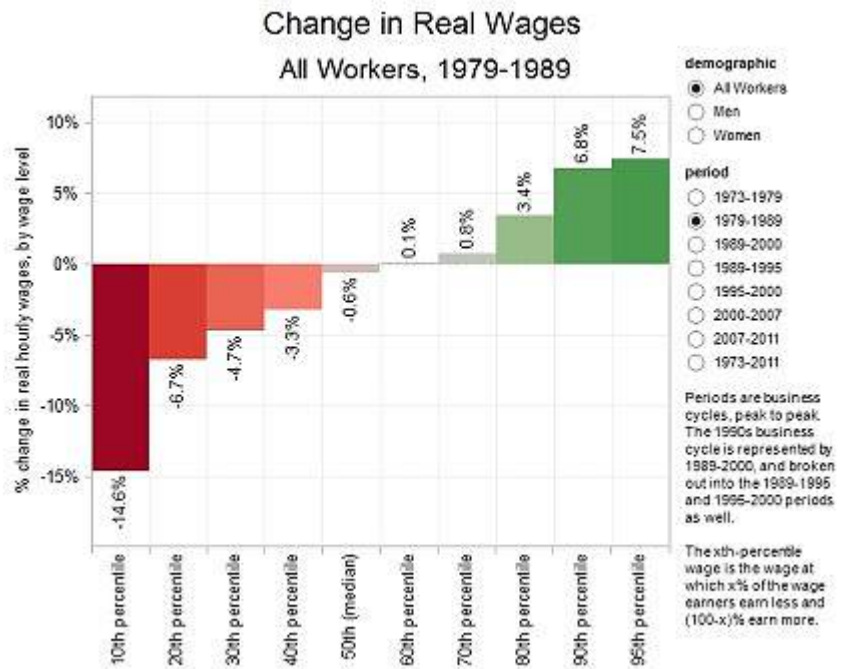
... there is a stark difference between growth in GDP and growth in manufacturing wages in the 1960s and the 1980s: whereas in the 1960s, for all countries with reliable information, growth in real manufacturing wages was, on average, equal to growth in real GDP per capita, growth in real wages started to lag behind GDP growth per capita in the 1970s and was considerably lower than it in the 1980s. We observe also that, in the 1980s, real wages rose more slowly (or fell faster) than GDP per capita growth for all groups of countries whatever their per capita growth, while in the 1960s and the 1970s wages grew faster in slow-growing countries and were more or less equal to GDP growth in the moderate- and fast-growing countries in the 1960s.

Lawrence Mishel and Colin Gordon provide excellent graphic illustration of the changes: [⌘ Real hourly wage growth: The last generation](#), *The Economic Policy Institute Blog*, Posted October 10, 2012.

Here are 3 graphs of changes in real wages for the period: the first for all workers; the second for men only; the third for women only, obtained from their *Tableau* data set (Economic Policy Institute, [⌘ State of Working America 2012](#), tables 4.4, 4.5, and 4.6; Colin Gordon, updated June 2013).

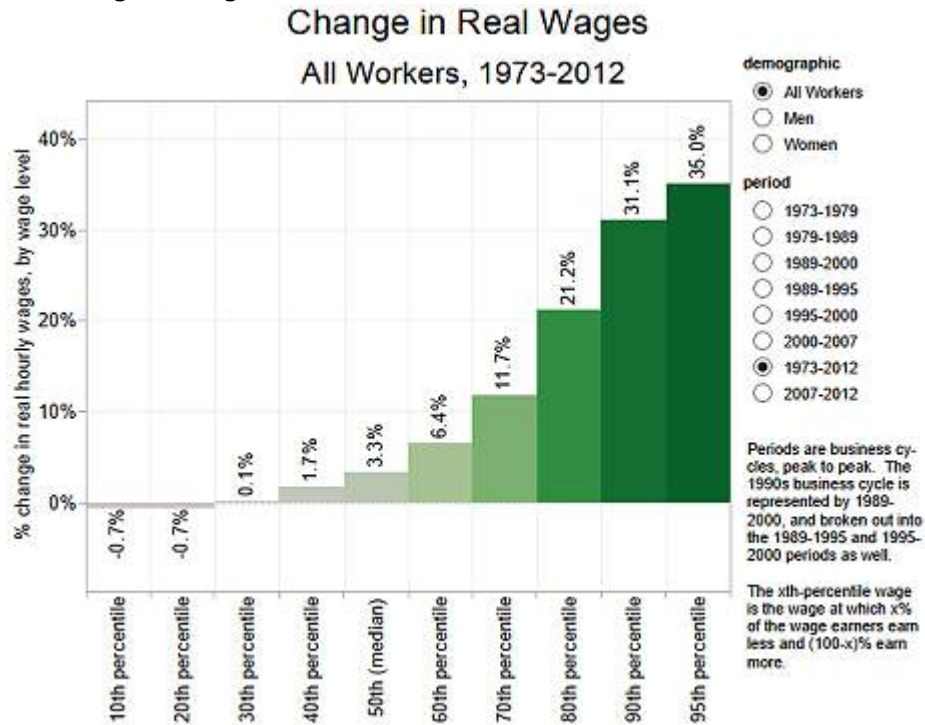
The increase in women's wage rates over the period should be balanced against the decrease in men's wage rates. This was a period of 'equal opportunity': a period when lower women's wage rates could be used to justify decreasing men's wage rates through competition (see: *Median Earnings of Full-Time, Year-Round Workers 15 Years and Older by Sex: 1960 to 2012*, below, for more on this).

Real Wage Changes 1979-1989:



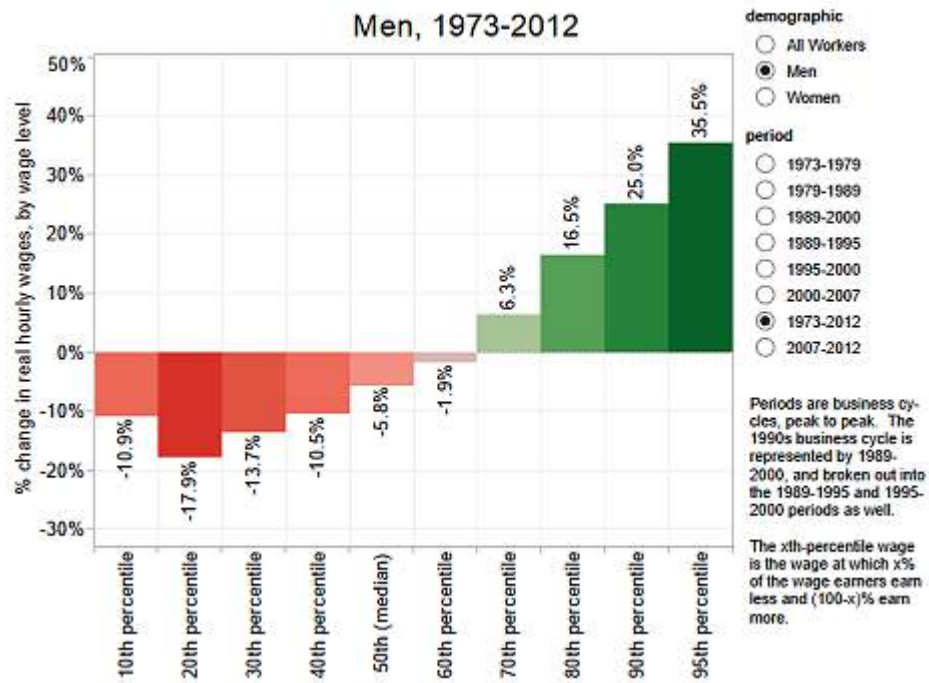


Real Wage Changes 1973-2012:



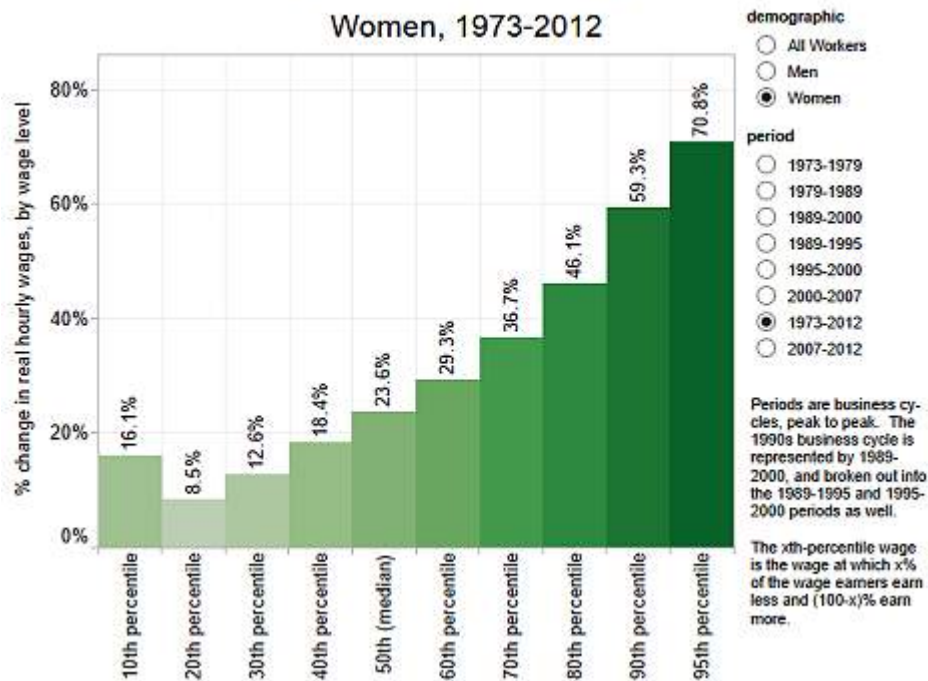
Change in Real Wages

Men, 1973-2012



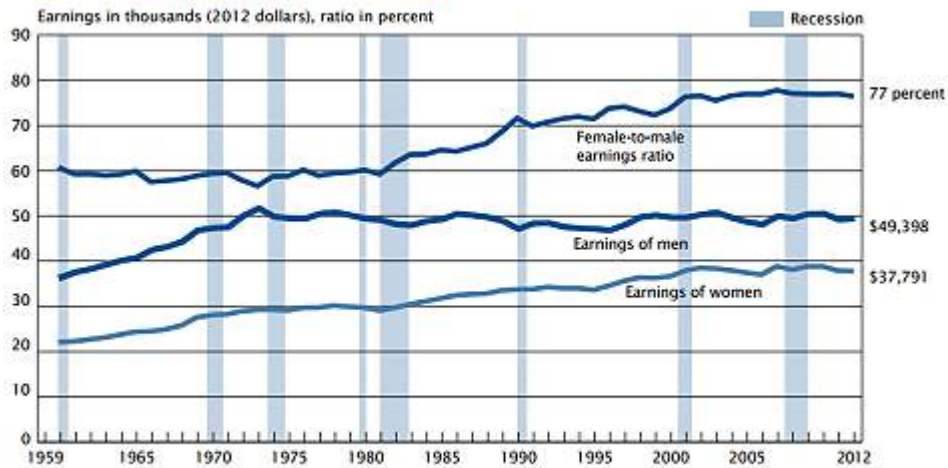
Change in Real Wages

Women, 1973-2012



Here is a comparison, for the US, of the Female-to-Male Earnings Ratio and Median Earnings of Full-Time, Year-Round Workers 15 Years and Older by Sex: 1960 to 2012

Female-to-Male Earnings Ratio and Median Earnings of Full-Time, Year-Round Workers 15 Years and Older by Sex: 1960 to 2012



Note: Data on earnings of full-time, year-round workers are not readily available before 1960. Implementation of 2010 Census population controls began in 2010. For information on recessions, see Appendix A.
Source: U.S. Census Bureau, Current Population Survey, 1961 to 2013 Annual Social and Economic Supplements.

(From p.11 of: DeNavas-Walt, Carmen, Bernadette D. Proctor, and Jessica C. Smith, U.S. Census Bureau, Current Population Reports, P60-245, *Income, Poverty, and Health Insurance Coverage in the United States: 2012*, U.S. Government Printing Office, Washington, DC, 2013.)

⁴⁷³ In 2018 the growth in inequality in the US shows no signs of slowing down. Lawrence Mishel and Julia Wolfe have documented the continued growth in US wage inequality:

Newly available ^{CE} wage data for 2017 show that annual wages grew far faster for the top 1.0 percent (3.7 percent) than for the bottom 90 percent (up only 1.0 percent). The top 0.1 percent saw the fastest growth, up 8.0 percent—far faster than any other wage group. This fast wage growth for the top 0.1 percent reflects the sharp ^{CE} 17.6 percent spike upwards in the compensation of the CEOs of large firms: executives comprise the largest group in both the top 1.0 and top 0.1 percent of earners. The fast wage growth of the top 1.0 percent in 2017 brought their wages to the highest level ever, \$719,000, topping the wage levels reached before the Great Recession of \$716,000 in 2007. The wages of the top 0.1 percent reached \$2,757,000 in 2017, the second highest level ever, roughly only 4 percent below their wages in 2007.

FIGURE A

Cumulative percent change in real annual wages, by wage group, 1979–2017



Source: EPI analysis of Kopczuk, Saez, and Song (2010, Table A3) and Social Security Administration wage statistics

Economic Policy Institute

(Lawrence Mishel and Julia Wolfe, ^{CE} [Top 1.0 percent reaches highest wages ever—up 157 percent since 1979](#), *Economic Policy Institute*, Working Economics Blog, October 18, 2018)

Paul Volker, former Chairman of the Federal Reserve put it well:

...[T]here is something more worrisome affecting policy than fear... Money....

The central issue is we're developing into a plutocracy. We've got an enormous number of enormously rich people that have convinced themselves that they're rich because they're smart and constructive. And they don't like government, and they don't like to pay taxes.

(Andrew Ross Sorkin, ^{CE} [Paul Volcker, at 91, Sees 'a Hell of a Mess in Every Direction'](#), *DealBook*, *New York Times*, October 22, 2018)

Chuck Collins and Josh Hoxie, in an *Institute for Policy Studies* report entitled ^{CE} [Billionaire Bonanza 2018: Inherited Wealth Dynasties in the 21st-Century United States](#) (October 2018), summarized it:

Key Findings

Wealth in the United States is concentrating into fewer and fewer hands, a trend we tracked in two previous *Billionaire Bonanza* reports in 2015 and 2017. This year's edition focuses primarily on "dynastic" wealth that has passed from one generation to another within families. Our analysis is based on the *Forbes* magazine list of the 400 wealthiest individuals in the United States and the Federal Reserve Survey of Consumer Finances.

- Three dynastic wealth families—the Waltons, the Kochs, and the Mars—have seen their wealth increase nearly 6,000

percent since 1982. Meanwhile, median household wealth over the same period went down by 3 percent.

- These three wealth dynasties own a combined fortune of \$348.7 billion. That's more than four million times the median wealth of U.S. families.
- The dynastic wealth of the Walton family grew from \$690 million in 1982 (or \$1.81 billion in 2018 dollars) to \$169.7 billion in 2018, a mind-numbing increase of 9,257 percent.
- Three individuals—Jeff Bezos, Bill Gates, and Warren Buffett—still own more wealth than the bottom half of the country combined.
- A third of the members of the Forbes 400 own fortunes derived from companies that were founded by earlier generations.
- The 15 wealthiest multi-generational dynastic families on the Forbes 400 own a combined \$618 billion. Their parents or other ancestors founded all of the companies from which their wealth is derived.
- The Forbes 400 combined own \$2.89 trillion dollars, more than the combined wealth of the bottom 64 percent of the United States. It's also more than the GDP of Britain, the 5th-largest economy in the world. Just 45 individuals own half of this wealth.
- The median family in the United States owns just over \$80,000 in household wealth. The richest person in the United States (and the world), Jeff Bezos, has accumulated a fortune nearly 2 million times that amount.
- The Bezos fortune expanded by \$78.5 billion just in the last year to \$160 billion. Even at the recently increased wage of \$15/hour, a full-time Amazon worker would need to toil for 2.5 million years to generate this much money.

474 {§} (07/06/16){§} (18/09/16) It needs to be remembered that 'economic efficiency' and 'social equity' are not necessarily linked. As I suggest elsewhere, unless democratic capitalist societies pursue effective redistributive policies, they inevitably, over time, [devolve from democracy to plutocracy](#).

It is perfectly possible to have great inequality in social/economic outcomes across a society and yet have a well-tuned, 'efficient' economy. Increasing inequality might, in the long-term, lead to social unrest but, in the absence of effective political outcomes, it is equally likely to lead to resignation and acceptance of the *status quo*. One needs to be cautious about assuming that economic stability somehow equates with social equity. Alexis de Tocqueville (1835) described the nature of 19th century capitalism after his visit to Manchester:

...[H]ere is the slave, there the master; there the wealth of some, here the poverty of most; there the organized effort of thousands produce, to the profit of one man, what society has not yet learned to give. Here the weakness of the individual seems more feeble and

helpless even than in the middle of a wilderness; here the effects, there the causes...

From this foul drain the greatest stream of human industry flows out to fertilise the whole world. From this filthy sewer pure gold flows. Here humanity attains its most complete development and its most brutish; here civilization works its miracles, and civilized man is turned back into a savage.

(☞ 1958 p. 107)

The conditions outlined in de Tocqueville's description were not those of a brief period in Western European history. They had existed through most of the 18th century and would persist through most of the 19th.

Historically determined presumptions of what is 'socially equitable', held by the effective social and political hegemonies of communities, determine economic, and consequent social, conditions. That is, social equity is not economically, but socially and politically determined and cannot be achieved through manipulating economic factors. Such manipulation merely preserves the *status quo*. As Keynes explained,

I am now no longer of the opinion that the concept of a 'natural' rate of interest, which previously seemed to me a most promising idea, has anything very useful or significant to contribute to our analysis. It is merely the rate of interest which will preserve the *status quo*; and, in general, we have no predominant interest in the *status quo* as such.

(*The General Theory of Employment, Interest, and Money*, 1936, Chapter 17, [The Essential Properties Of Interest And Money](#), Section 6)

Jefferson described [conditions in England](#) through the 1700s and early 1800s:

The population of England is composed of three descriptions of persons (for those of minor note are too inconsiderable to affect a general estimate). These are,

1. The aristocracy, comprehending the nobility, the wealthy commoners, the high grades of priesthood, and the officers of government.
2. The laboring class.
3. The eleemosynary class, or paupers, who are about one-fifth of the whole.

The aristocracy, which have the laws and government in their hands, have so managed them as to reduce the third description below the means of supporting life, even by labor; and to force the second, whether employed in agriculture or the arts, to the maximum of labor which the construction of the human body can endure, and to the minimum of food, and of the meanest kind, which will preserve it in life, and in strength sufficient to perform its functions.

{§} (20/09/16){§} (24/09/16) Through the 20th century, conditions for the 'laboring' and 'eleemosynary' populations of Western democracies steadily improved (this was, of course, not true for most Third World

peoples). Largely as a consequence of the New Deal, Western economies were reorganized to ensure the welfare of Western populations.

{§} (12/06/17) Then, since memories are sadly short, from the mid-1960s neoliberalism reared what can only be described as its ugly head and began to attack the safeguards and communal empowerments of the post-New Deal period.

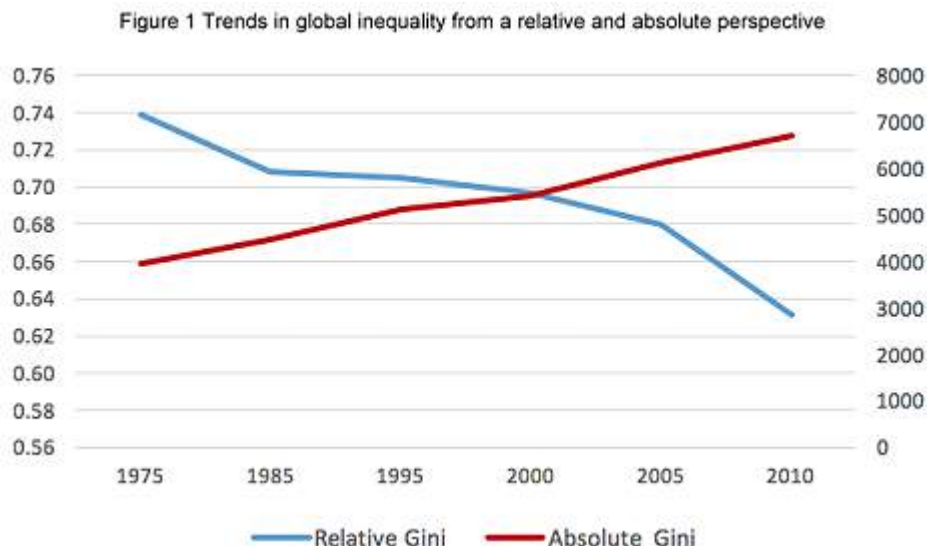
Miguel Niño-Zarazúa, Laurence Roope and Finn Tarp have examined income inequality in a globalizing world. As they say:

Since the turn of the century, inequality in the distribution of income, together with concerns over the pace and nature of globalisation, have risen to be among the most prominent policy issues of our time...

So what has actually happened to global inequality? Has global income inequality gone up (or down) in recent decades?

...[R]elative global inequality, as measured by the Gini coefficient, declined steadily over the past few decades from 0.739 in 1975 to 0.631 in 2010 (Niño-Zarazúa et al. 2016). The relative Gini takes the value zero for a society where all are equal, and the value of one for a society where all income goes to one person.

The fall over the past 35 years (i.e. the blue line in Figure 1) was driven primarily by declining inequality between countries, arising from the extraordinary economic progress observed in fast developing countries such as China and India. And this overall trend was achieved despite an increasing trend of inequality within countries. In contrast, absolute inequality, as measured by the absolute Gini coefficient, which is based on absolute changes in income, and depicted by the red line in Figure 1, has increased dramatically since the mid-1970s.



(Miguel Niño-Zarazúa, Laurence Roope, Finn Tarp, ^{CE} [Income inequality in a globalising world](#), Vox, 20 September 2016)

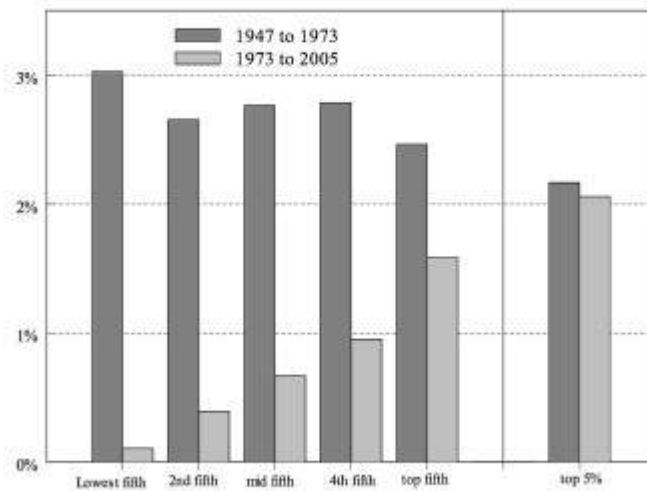
It has taken fifty years for the consequences to become inescapably obvious (despite the deliberate distortion of evidence and denial of those consequences by neoliberally oriented ideologues⁷¹⁷). Without determined [political and social revolution](#), neoliberal forces [will continue to dismantle](#) those New Deal and post-New Deal structures and supports.

The future, without revolution, is indeed written into Western European history!

Zachary Goldfarb has provided a graphic illustration of growing inequality in economic outcomes in the US between 1973 and 2005. As he explained,

Obama came of age when something dramatic was changing in the U.S. economy. During his grandparents' generation - a period for which he has expressed deep nostalgia - incomes at all levels of the economy grew at roughly the same pace. But around the time Obama moved to Chicago to start his adult life, the prospects of the top earners and most Americans had started to wildly diverge. Here's a chart documenting the trend from Harvard professor Lawrence Katz.

**Growing Together (1947-73) vs. Growing Apart (1973-2005):
Annual Growth Rate of Real Income Across the Family
Income Distribution**



Source: Census Bureau. From Lawrence Katz, Harvard professor

(Zachary A. Goldfarb *Washington Post* November 28 2012, [Obama's economic philosophy, in 8 charts](#))

Richard Reeves has described (and many of the reader comments on his description illustrate) the self-serving 21st century myopia of the beneficiaries of that upward redistribution of wealth in the self-proclaimed 'classless' United States:

...[I]magine my horror at discovering that the United States is more calcified by class than Britain, especially toward the top. The big difference is that most of the people on the highest rung in America are in denial about their privilege. The American myth of meritocracy allows them to attribute their position to their brilliance and diligence, rather than to luck or a rigged system. At least posh people in England have the decency to feel guilty.

In Britain, it is politically impossible to be prime minister and send your children to the equivalent of a private high school. Even Old Etonian David Cameron couldn't do it. In the United States, the most liberal politician can pay for a lavish education in the private sector. Some of my most progressive friends send their children to

\$30,000-a-year high schools. The surprise is not that they do it. It is that they do it without so much as a murmur of moral disquiet.

Beneath a veneer of classlessness, the American class reproduction machine operates with ruthless efficiency. In particular, the upper middle class is solidifying. This favored fifth at the top of the income distribution, with an average annual household income of \$200,000, has been separating from the 80 percent below. Collectively, this top fifth has seen a \$4 trillion-plus increase in pretax income since 1979, compared to just over \$3 trillion for everyone else. Some of those gains went to the top 1 percent. But most went to the 19 percent just beneath them.

The rhetoric of "We are the 99 percent" has in fact been dangerously self-serving, allowing people with healthy six-figure incomes to convince themselves that they are somehow in the same economic boat as ordinary Americans, and that it is just the so-called super rich who are to blame for inequality.

Politicians and policy wonks worry about the persistence of poverty across generations, but affluence is inherited more strongly. Most disturbing, we now know how firmly class positions are being transmitted across generations. Most of the children born into households in the top 20 percent will stay there or drop only as far as the next quintile. As Gary Solon, one of the leading scholars of social mobility, put it recently, "Rather than a poverty trap, there seems instead to be more stickiness at the other end: a 'wealth trap,' if you will."

(Richard V. Reeves, ^{CE} [Stop Pretending You're Not Rich](#), *New York Times*, Sunday Review, Opinion, June 10, 2017)

Pavlina Tcherneva has provided a clear illustration of the changing fortunes of the lower 90% of the US population over the past sixty years. As she explained:

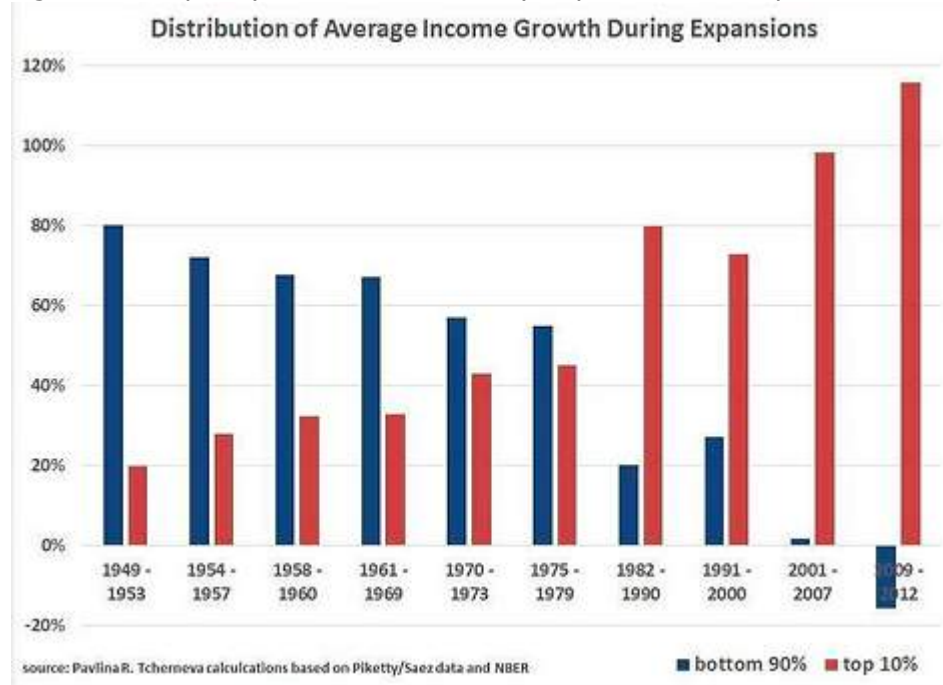
An examination of average income growth during every postwar expansion (from trough to peak) and its distribution between the wealthiest 10% and bottom 90% of households reveals that income growth becomes more inequitably distributed with every subsequent expansion during the entire postwar period (Figure 2).

Only during the 1950-53 expansion did the bottom 90% capture all of the average income growth in the economy. Since then, the top 10% of households have been capturing greater and greater share of the income growth and, in the first two expansions of the 21st century, they have captured all of the income growth.

Note that income distribution still eroded during the "Golden Age" of American economy, at a time when the government heavily relied on conventional pump priming methods to stabilize the business cycle. With the advent of supply-side fiscal measures, income inequality worsened much faster, and in the age of New Consensus fiscal policy stabilization, the economy has witnessed the largest transfer of income to the top in American history (ibid).

(Pavlina R. Tcherneva, [Reorienting Fiscal Policy: A Critical Assessment of Fiscal Fine-Tuning](#), Working Paper No. 772, Levy Economics Institute of Bard College, August 2013, pp. 13-14)

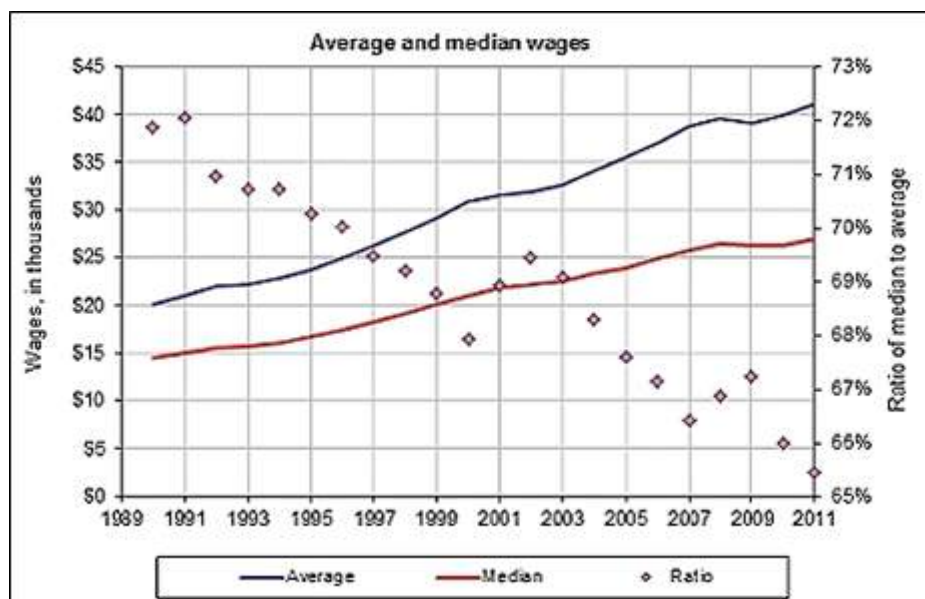
Figure 2 Inequality worsens with every expansion in the postwar era



Another way to illustrate the shift in income between low wage earners and middle and high wage earners is to examine the difference between average and median net wage compensation through time. Here is such a comparison for the United States between 1989 and 2011 provided by the US Social Security Administration (similar results can be shown for most Western communities over the same period). As they explain:

An average is just one measure of central tendency for any set of data. Another measure is a median. For our wage data, the median wage (or net compensation) is the wage "in the middle." That is, half of the workers earned below this level. The table below shows that the median wage is substantially less than the average wage. The reason for the difference is that the distribution of workers by wage level is highly skewed.

Average and median net compensation are shown in the graph below. Also shown is the ratio of median to average amounts:



(U. S. Social Security Administration, ^{CE} [Measures of Central Tendency for Wage Data](#), 16th October 2012)

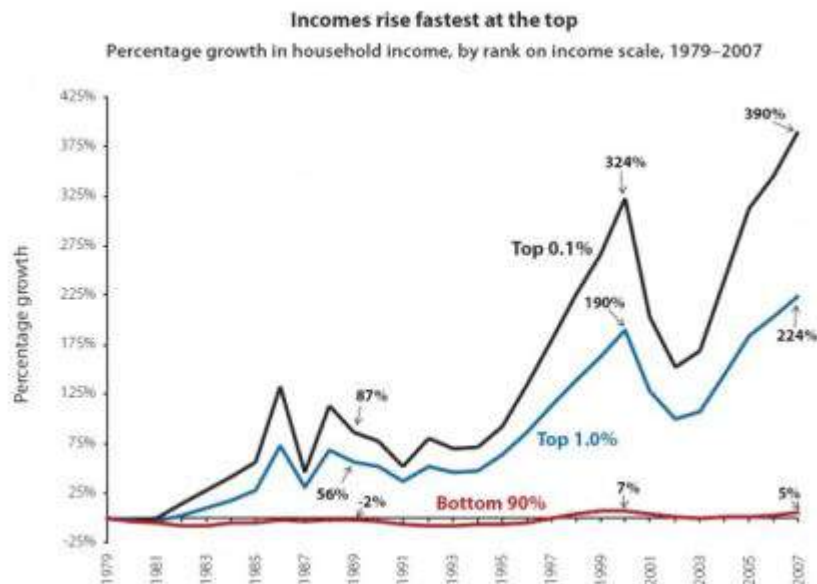
For an example of the use of median and mean values in determining Changes in U.S. Family Finances between 2010 and 2013, see this US Federal Reserve Bulletin: September 2014 Vol 100, No 4, ^{CE} [Changes in U.S. Family Finances from 2010 to 2013: Evidence from the Survey of Consumer Finances](#).

For a discussion of the widening income gap between the top 10% and the rest in the US see Mishel and Bivens (2011). As they explain:

In the long period before the current recession, from 1979 to 2007, inflation-adjusted average annual incomes of the highest-income 1 percent of households grew by 224 percent.... Those even better off, the top 0.1 percent (the highest-income one one-thousandth of households), saw their incomes grow by 390 percent.

In contrast, incomes of the bottom 90 percent grew just 5 percent between 1979 and 2007-and all of that growth occurred in the unusually strong income growth that occurred from 1997 to 2000, a period followed by declining income from 2000 to 2007.

These data include all sources of market-based incomes such as wages and salaries, dividend and interest income, and realized capital gains, but do not include government transfer income (such as Social Security income or unemployment benefits).



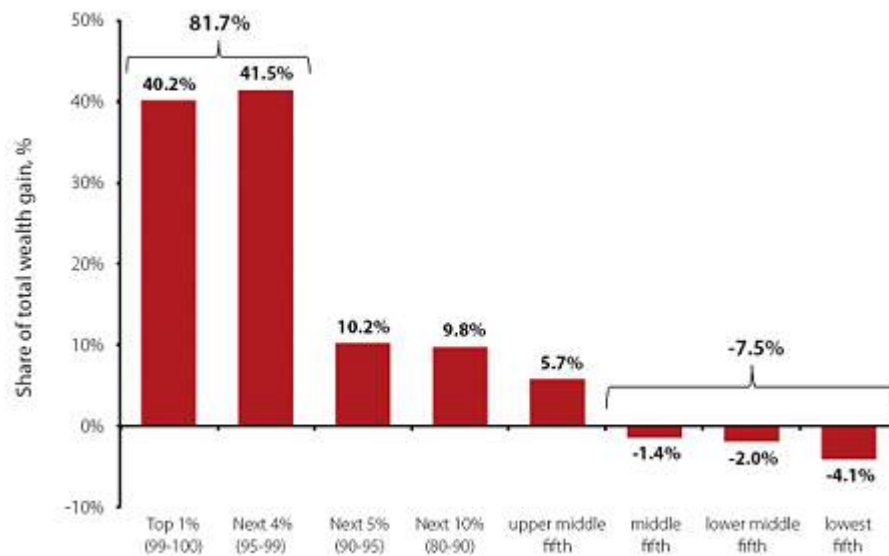
SOURCE: Economic Policy Institute analysis of data from Piketty and Saez (2010).

... Perhaps more startlingly, more than 94 percent of the gains in wealth from 1983 to 2009 accrued to the top fifth of wealthiest households, with 40.2 percent of the gains going to the wealthiest 1 percent and 41.5 percent going to the next wealthiest 4 percent of households (Figure L). This translated to gains among the wealthiest 1 percent of \$4.5 million per household and gains among the next wealthiest 4 percent of roughly \$1.2 million per household.

Figure L

The rich gain most of the growth in wealth

Share of total wealth gain, by percentile rank in wealth, 1983-2009



SOURCE: Economic Policy Institute analysis of Wolff in Allegretto (2010).

In other words, the richest 5 percent of households obtained roughly 82 percent of all the nation's gains in wealth between 1983 and 2009. The bottom 60 percent of households actually had less wealth in 2009 than in 1983, meaning they did not participate at all in the growth of wealth over this period.

(Mishel, Lawrence and Josh Bivens. 2011. [Occupy Wall Streeters are Right About Skewed Economic Rewards in the United States](#). Economic Policy Institute Briefing Paper No.331)

See: Arthur F. Jones Jr. and Daniel H. Weinberg, [The Changing Shape of the Nation's Income Distribution 1947-1998](#), (June 2000, P60-204, Current Population Reports, Demographic Programs, U.S. Census Bureau) for an examination of changing US household income distributions between 1967 and 1998. As they explained and illustrated:

Whereas the data on household income inequality between 1967 and 1980 are ambiguous, it is clear that the household income distribution became increasingly unequal beginning in 1981...

these changes signified the beginning of a period marked by rising household income inequality. The 1980s have been widely characterized as a period of rising income inequality. While true, some of the measures presented here suggest that the rise in inequality started earlier-in the mid-1970s.

Figure 3A.
Change in Share of Aggregate
Income for Households: 1967-1980

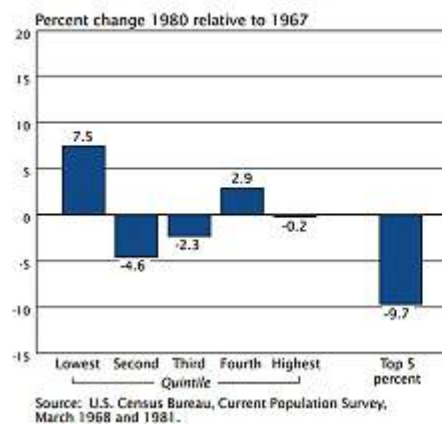
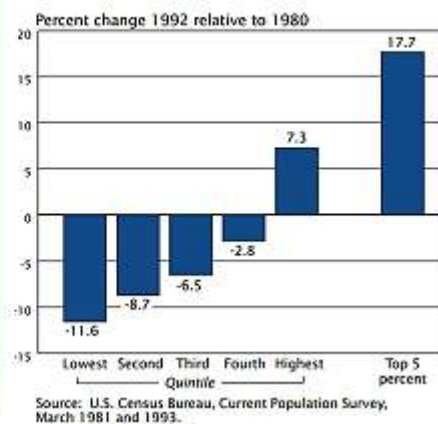


Figure 3B.
Change in Share of Aggregate
Income for Households: 1980-1992



For a comparative set of graphs on these issues, see this set of 'charts prepared for a speech by Alan B. Krueger, Chairman of the Council of Economic Advisers, on January 12, 2012 at the Center for American Progress': [The Rise and Consequences of Inequality in the United States: charts](#).

For Krueger's explanation of the significance of the charts he presents, see: [The Rise and Consequences of Inequality in the United States](#) , Alan B. Krueger.

See also: [Trends in the Distribution of Household Income Between 1979 and 2007](#) , The Congress of the United States, Congressional Budget Office, October 2011.

For the picture in OECD countries from 1990 to the mid 2000s, see [OECD Employment Outlook 2012](#) (OECD (2012), OECD Publishing. http://dx.doi.org/10.1787/empl_outlook-2012-en). As the report explains:

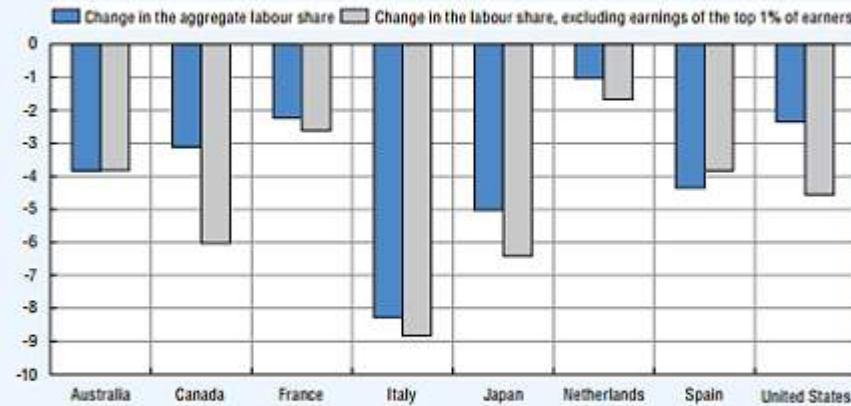
Box 3.1. Trends in the labour share excluding top-income earners [pp.115-6]

In recent years, long time series on income of top earners have become available for many countries (see e.g. Atkinson et al., 2011). This evidence shows a general upward trend for the share of top income earners on total income. For example, in OECD countries for which data are available, the share of the top 1% of earners has increased on average from 6.7% to 10.3% between the mid-1970s and the mid-2000s. This stylised fact has fuelled much of the recent debate on inequality (see OECD, 2011a)...

Therefore, subtracting [the labour share of the top 1% of income earners] from the aggregate labour share yields an estimate of the labour share of the bottom 99% of earners (see OECD, 2012, for more details). The results from this exercise are summarised in the chart below.


Labour share declines, excluding the top 1% of income earners in selected OECD countries, 1990 to mid-2000s

Percentage point changes



Note: Three-year averages, starting and ending with indicated initial and end years. Initial year is 1990 for all countries, except for Japan (1991); mid-2000s data refer to 2007 for Australia, 2000 for Canada, 2005 for France and Japan, 2004 for Italy, 1999 for the Netherlands, 2008 for Spain and the United States.

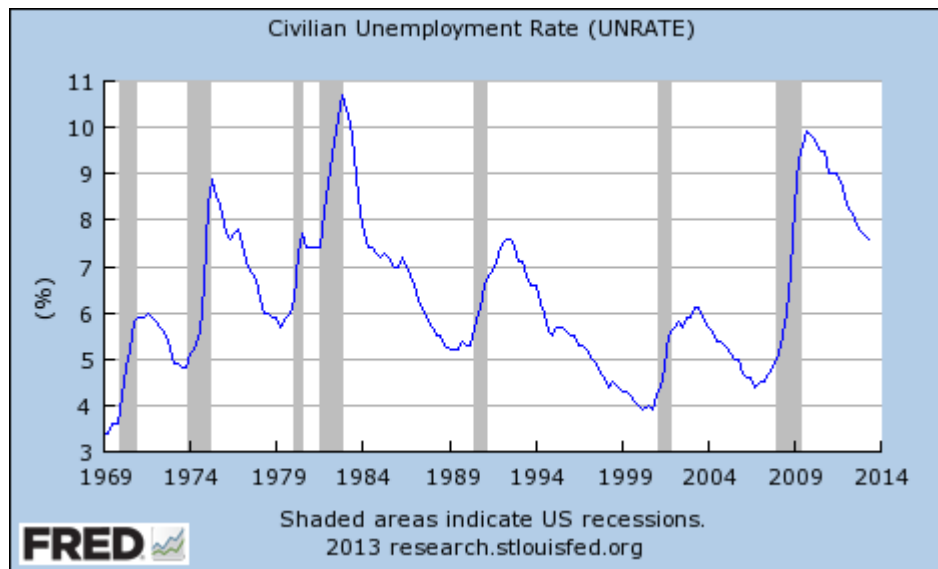
Source: OECD (2012), "Labour Losing to Capital", supporting material for Chapter 3 of the 2012 OECD Employment Outlook, OECD Publishing, Paris, available online at www.oecd.org/employment/outlook.

StatLink  <http://dx.doi.org/10.1787/888932651788>

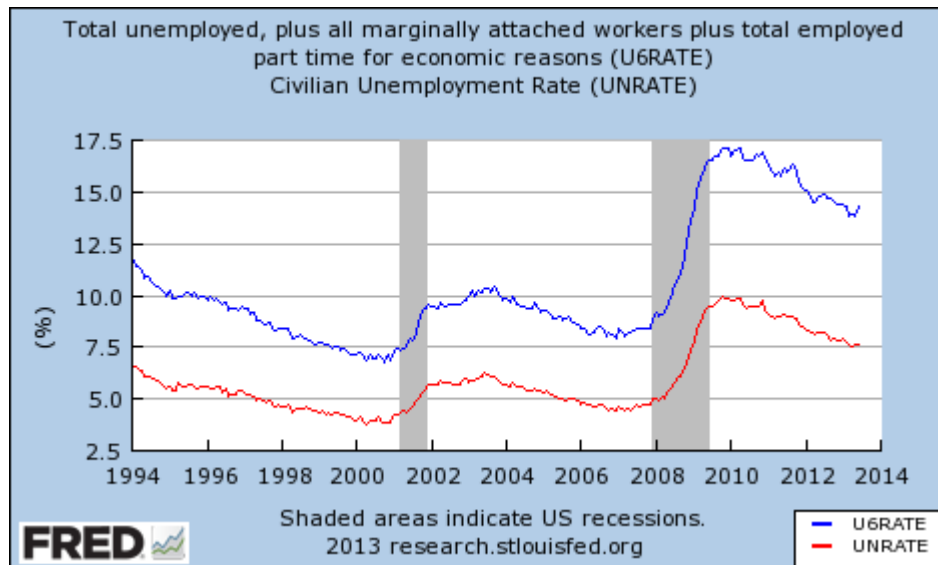
Once top earners' income is excluded from the computation of the wage bill, the drop of the labour share appears somewhat greater, especially in Canada and the United States. In 1990s and 2000s, the decline in the adjusted labour share in these two countries (6 and 4.5 percentage points, respectively) was substantially greater than that of the unadjusted labour share, due to an increase in the share of wage income in total income of top earners (2.9 and 2.2 percentage points in Canada and the United States, respectively; see OECD, 2012). In most other countries, the difference is smaller: on average, the cumulated labour income of the bottom 99% of earners expressed as a fraction of national income decreased by 0.9 percentage points more than the unadjusted aggregate labour share. Conversely, the top 1% of earners saw their labour share increasing by the same amount.* The only exception is Spain, where the adjusted labour share fell less than the unadjusted one, mostly due to a minor decrease in the share of labour income in top earners' income.

* Note that, as the labour share of the top 1% of earners is about 5% on average, this implies that the labour income of the top 1% of earners as a percentage of national income has increased by about 20% on average.

⁴⁷⁵ The graph below shows the US unemployment rates (by %) for the 1969-2013 period:



The next graph compares both unemployed and underemployed for the period 1994-2013 (the earliest available information for this selection):



(One needs to treat graphs of this kind, which compare 'unemployment rates' through time, with some caution. Official definitions of 'unemployment' have varied, often considerably, through time (see [Definition of Unemployment](#) for more). See ⁴⁷⁶ [US BLS Labor Force Statistics from the Current Population Survey](#) for details of US unemployment rates.)

⁴⁷⁶ {§} (26/02/16) {§} (28/04/16) By the early 1980s, neoliberals were able to point to the early consequences of their policies in Thatcher's Britain. This resulted in a large number of converts, including politicians who had come out of the labor movement.⁷¹⁸

They seemed [not to understand](#) the income redistribution and threat to government welfare programs implied in the changes.

In Australia, the move to deregulation in the 1980s was undertaken by the Labor government under Bob Hawke - who had come out of the labor movement. He had been president of the Australian Council of Trade Unions (ACTU) for ten years before moving into parliament and becoming prime minister of Australia.

Labor leaders, in many Western regions, are now very often conspicuously 'middle class' in their attitudes and lifestyles - which sometimes seems to result in an ambivalence toward 'working class' issues.

Many previously 'working class' people in Western regions, in the post-Second World War era, were transformed into a new 'middle class' with, as American politicians are wont to put it, "middle class aspirations". See the US report *Middle Class In America* for an explanation of what this means in the United States. As the report says:

Most Americans consider themselves middle class. This raises the question, what does it mean to be middle class?

([Middle Class In America](#), Office of the Vice President of the United States Middle Class Task Force, January 2010)

The 'middle classes', in Western countries, traditionally identified with managers and their staff - who negotiated with labor unions but did not belong to unions themselves. The newly transformed, upwardly mobile, 'working class' people of the 1950s and 1960s, now seeing themselves as 'middle class', similarly identified themselves with that managerial group and so felt that they had 'outgrown' unionization. Many people also felt that they had outgrown the need for the guarantees of the New Deal!

The most obvious consequence of this shift has been the loss of a coherent 'center' in US political life. As Ezra Klein ([There's no such thing as 'the center'](#), July 25 2013, *Washington Post*) has put it, 'the concept of "the center" has been completely hollowed out'. The 'working class' constituency to which Roosevelt appealed in the 1930s, when he promised the US population a 'New Deal' ([see FDR's New Deal](#)), has largely evaporated. Anyone attempting a similar set of reforms in the early 21st century would be hard-pressed to gain an electoral majority in support of the legislation.

Daniel Gross (2004) ([Goodbye, Pension. Goodbye, Health Insurance. Goodbye, Vacations. Welfare capitalism is dying. We're going to miss it](#)) described the process through which the former 'working classes' became members of the 'middle class'. As he says, "welfare capitalists made industrial work a ticket to the middle class".

⁴⁷⁷ Neil Irwin, in an essay on the validity of the Phillips Curve in determining US Federal Reserve policies on interest rate moves, raised the question of its applicability in the post 1980s world:

Next week, when Federal Reserve officials meet to decide whether to raise interest rates for the first time in nine years, one question will be front and center: How much faith should be placed in a line on a graph first drawn by a New Zealand economist nearly six decades ago, based on data on wages and employment in Britain dating to the 1860s?

That would be the Phillips curve, one of the most important concepts in macroeconomics. It shows how inflation changes when unemployment changes and vice versa. The intuition is simple: When joblessness is low, employers have to pay ever higher wages to attract workers, which feeds through into higher prices more broadly. And inflation is particularly prone to rise when the unemployment rate falls below the "natural rate" at which pretty

much everybody who wants a job either has one or can find one quickly.

As the Fed's chairwoman, Janet L. Yellen, put it in a [2007 speech](#), the Phillips curve "is a core component of every realistic macroeconomic model."...

Except it doesn't work. Or at least, it hasn't worked very well in the last few decades in the United States. And it has proved particularly problematic to try to use that historical relationship to predict where inflation is going.

(Neil Irwin, ^{CE} [The 57-Year-Old Chart That Is Dividing the Fed](#), *New York Times*, Upshot: Monetary Policy, October 24, 2015)

The Phillips Curve, of course, relies on a relatively closed system, with wage rates negotiated between employees and employers, based on changing bargaining power as unemployment falls or rises. A naive acceptance of employment/unemployment statistics can lead to misleading presumptions about the consequences of increasing 'labor participation rates'. [Phineas Baxandall](#) (2004) explained the problem:

Unemployment is a socially-constructed benchmark for evaluating the competency of economic rule. In different places and in different times the category of "unemployment" has included different kinds of joblessness and excluded others. It has implied different kinds of commitments or accountability by the state.

New Meanings of unemployment are more than a byproduct of economic change. They are the result of changing politics and changing policy.

Disguised unemployment decreases workers' bargaining power⁷¹⁹. Further, as labor organization is undermined and enabling legislation gutted, it becomes possible for employers to move (or threaten to move) offshore when wage demands rise.

Disguised unemployment, [globalization](#) and deregulation all undermine the preconditions for successful Phillips Curve predictions. The Phillips Curve then becomes decreasingly reliable as a predictor of likely wage shifts and consequent inflation rates. In such conditions, it becomes "particularly problematic to try to use that historical relationship to predict where inflation is going". As Irwin put it,

... [T]his month, two Fed governors, Lael Brainard and Daniel K. Tarullo, argued against a rate move. Ms. Brainard said that the Phillips curve relationship was "at best, very weak at the moment." Mr. Tarullo said that it was "probably wise not to be counting so much on past correlations, things like the Phillips curve, which haven't been working effectively for 10 years now."

It's only a slight exaggeration to say that the Fed's rate decision this year will be based on whether its leaders really believe that the Phillips curve is useful in describing how the economy works in 2015.

⁴⁷⁸ Since welfare costs had been excluded from basic production costs, this was an inevitable consequence of neoliberal policies.

⁴⁷⁹ *Investopedia* has summed it up:

"There is no alternative," often abbreviated "TINA," is a phrase that originated with the Victorian philosopher Herbert Spencer and became a slogan of British Prime Minister Margaret Thatcher in the 1980s. Today it is often used by investors to explain a less-than-ideal portfolio allocation, usually to stocks, since other asset classes offer even worse returns. Such decisions by investors can lead to the "Tina Effect," in which stocks rise only because investors have no viable alternative....

Herbert Spencer, who lived from 1820 to 1903, was a British intellectual who strongly defended classical liberalism. He believed in laissez-faire government and positivism – the ability of technological and social progress to solve society's problems – and thought Darwin's theory of "survival of the fittest" should apply to human interactions. To critics of capitalism, free markets and democracy, he frequently responded, "There is no alternative."

Margaret Thatcher, a Conservative, served as Britain's prime minister from 1979 to 1990. She used the phrase in a similar way to Spencer, responding to critics of her market-oriented policies of deregulation, political centralization, spending cuts and a rollback of the welfare state. Alternatives to this approach abounded, from the policies advocated by Labour to those in place in the Soviet Union. To Thatcher, though, free-market neoliberalism had no alternative. (*Investopedia*, ^{CE} [TINA: There Is No Alternative](#) [accessed 24-02-2018])

480 {§} (23/12/16) It has been fashionable over recent years to suggest that minimum wages should be dictated by market forces, with government providing a 'tax credit' (a neoliberal rendition of 'let them eat cake'⁷²⁰) or some other wage readjustment to ensure a living wage. We should, however, never forget the 19th century consequences of allowing wage rates to be driven solely by 'market forces'. The 1795 [Speenhamland decrees](#), which topped up inadequate wages from the 'public purse', resulted in the 1834 Poor Law Amendment which made the, now woefully inadequate, market wage the only income and reduced hundreds of thousands to destitution.

The argument that increasing the minimum wage would make businesses less competitive and so cost jobs is, of course, inevitably true in an internationalized free market. But, such an argument is based on the inevitability of an international race to the bottom, in which the lowest wage becomes the necessary wage. As [Arvind Subramanian and Martin Kessler \(2013\)](#) have described

The world is now in a fourth era, of hyperglobalization, in which world trade has soared much more rapidly than world GDP.. Part of the increase in trade reflects the fragmentation of manufacturing across borders - the famous slicing up of the value-added chain - as individual production stages are located where the costs of production are lowest. This phenomenon, whereby technology no longer requires that successive stages of manufacturing production be physically contiguous or proximate, has been dubbed the "second unbundling"

One need look no further than [Thomas Jefferson's description of England in 1814](#) for the consequences of such a race.

Paul Krugman⁷²¹ (1998), in a review of the book *The Living Wage: Building a Fair Economy* (Robert Pollin and Stephanie Luce, The New Press, 1998), spelt out the common case for favoring subsidy over minimum wage adjustment (though he has modified his view since then):

Now to me, at least, the obvious question is, why take this route [of a higher minimum wage]? Why increase the cost of labor to employers so sharply, which...must pose a significant risk of pricing some workers out of the market, in order to give those workers so little extra income? Why not give them the money directly, say, via an increase in the tax credit?

One answer is political: What a shift from income supports to living wage legislation does is to move the costs of income redistribution off-budget. And this may be a smart move if you believe that America should do more for its working poor, but that if it comes down to spending money on-budget it won't. Indeed, this is a popular view among economists who favor national minimum-wage increases: They will admit to their colleagues that such increases are not the best way to help the poor, but argue that it is the only politically feasible option.

But I suspect there is another, deeper issue here-namely, that even without political constraints, advocates of a living wage would not be satisfied with any plan that relies on after-market redistribution. They don't want people to "have" a decent income, they want them to "earn" it, not be dependent on demeaning handouts.

(quoted in a [Washington Monthly](#) blog posting (February 14, 2013) by Ed Kilgore

See Matthew Yglesias, [Paul Krugman on the Minimum Wage](#) (*Slate*, Feb. 14 2013) for the text of the review.)

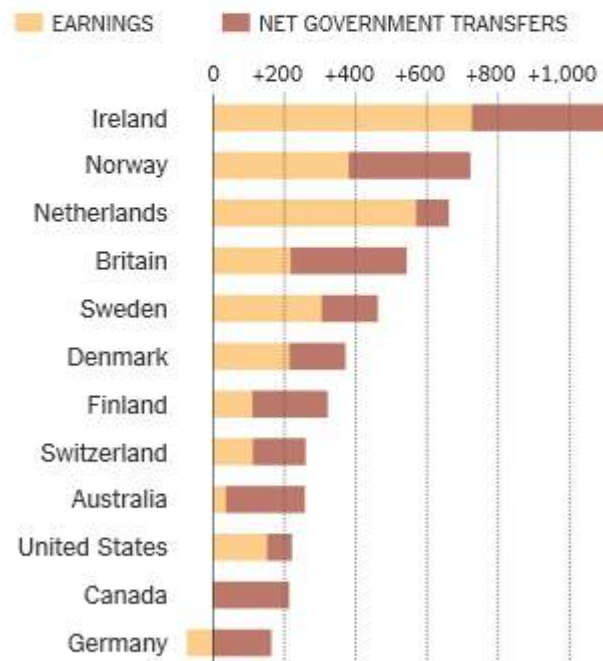
For a discussion of why "the job market - that most critical institution of capitalist societies, the principal vehicle to distribute the nation's wealth among its people - is not working properly", see Eduardo Porter, 'Big Mac Test Shows Job Market Is Not Working to Distribute Wealth' (*New York Times*, April 21, 2015). As he illustrates, "Government transfers have become a bigger source of income for working families in many industrialized nations, as earnings from the labor market have slowed":

The Labor Market Falters

Government transfers have become a bigger source of income for working families in many industrialized nations, as earnings from the labor market have slowed.

Change in labor market earnings and government transfers, for households in the second-from-bottom quarter of earners

Average change in dollars per year, 1979-2007



Source: Analysis of Luxembourg Income Study data by Lane Kenworthy, University of California, San Diego

By The New York Times
Eduardo Porter, ECONOMIC SCENE, APRIL 21, 2015

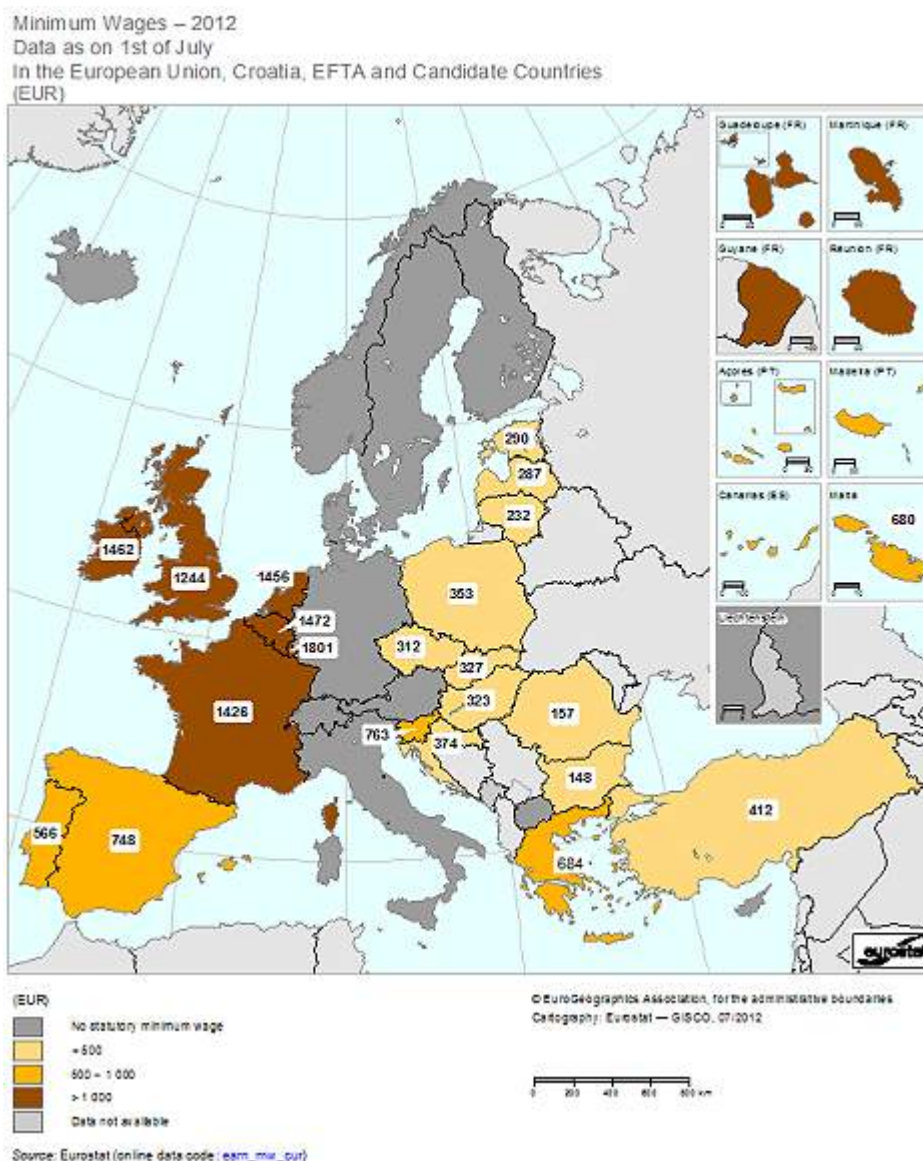
{§} (26/12/16) As Lane Kenworthy's analysis of [Luxembourg Income Study Data](#) (above) has illustrated, the European Union brings countries with very different wage policies into 'partnership'. In such circumstances, those with 'more competitive' wage profiles gain an edge in intra-European trade.

The European Commission report [Eurostat, Minimum wage statistics](#) provides a clear picture of the mismatch between minimum wage rates in various European Union countries and the US (see Rosner 2012, below, for a graphic illustration of this mismatch). As van Treeck and Stürn (2012, see below) show, "nominal unit labour costs stagnated completely in Germany before the Great Recession". All that is required for real wage reduction is that nominal unit labor costs stagnate over time, with wage increases failing to match inflation. The report lists countries not covered by the minimum wage data collection:

Germany, Cyprus and the Former Yugoslav Republic of Macedonia have statutory minimum wages that do not apply to all or the large

majority of employees but are restricted to specific groups which are defined e.g. by sectors or by professions. These are excluded from the data collection. Also excluded are countries where there are no statutory national minimum wages: Denmark, Italy, Austria, Finland, Sweden, Iceland, Norway and Switzerland. In these countries, wages are either determined by negotiations between the social partners, at company level or at the level of each individual contract.

As the map below shows, Germany, Italy and a number of other 'competitive' countries in the EU have no statutory minimum wage.



An article in *The Economist* (Nov. 5th 2011) gave a picture of what this means for Germany in the early 21st century:

Germany is one of the few European countries to lack a statutory minimum wage. Unions and employers negotiate wages sector by sector. In ten sectors agreed minimums apply to all. But jobs are growing in fragmented services not in manufacturing.

Just over half of workers in western Germany are now covered by central agreements; in the east it is only a third. In 2007, 3.7m workers earned under €7 (\$9) an hour and 1.2m under €5.

Some reader comments on the minimum wage appended to the above article seem sadly in tune with similar comments made by middle ranking Western Europeans in the 18th and 19th centuries.

See *The Virtuous Capitalist, The Poor and the Wasteland* for more on this.

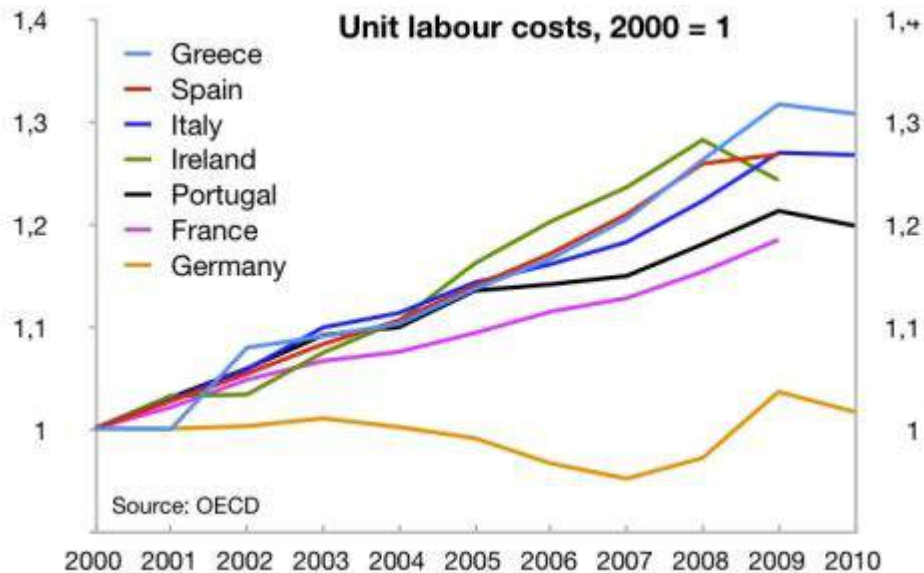
{§} (28/05/17) Joshua Rosner (Æ [Graham Fisher & Co](#), July 17 2012) summed up German experience since 2000:

Past Eurozone growth, particularly in Germany, did not come from meaningful improvements in productivity, but rather on the back of household wage reductions and industry friendly reforms to the labor market - the Hartz reforms - which transferred wealth from the people to the banking and export driven sectors of the economy....

Under Hartz's leadership the commission redefined the German workforce, reducing traditional full-time employment and introducing the concept of "minijobs." These so-called "minijobs" provided German companies with the ability to hire short-term workers without restrictions on hours worked and who were terminable at will.

While "minijob" workers did not pay taxes on earnings; the earnings maxed out at a meager €400.... From 2002 to 2005, the German public and private sectors embarked on a series of massive Hartz reform austerity measures focused on using the high levels of unemployment to extract meaningful wage reductions from public and private labor.

Eurozone Unit Labor Costs 2000-2010



Unfortunately for the German population, while German business profited handsomely, and German Banks exported capital to the rest of the world, the costs were borne by German workers who faced wage pressure. German households never reaped the fruits of their labor. The imbalances that Delors warned about were being built into the very structure of the Eurozone by the German government's sole focus on protecting domestic business interests at the expense of their own population....

The German population has been led to believe, over the past decade, that they are frugal and that frugal is good. Germans are indeed frugal, but not entirely by choice. This is a perverse spin on the real situation, the German people have been deprived of wage increases and therefore of consumption of goods.

John Miller has given an account of German wage policies and practice since 1990:

Following the adoption of the euro, Germany instituted a set of "labormarket flexibility" policies intended to further improve its international competitiveness. Known as the "Agenda 2010 Reforms," the new policies reduced pensions, cut medical benefits, and slashed the duration of unemployment benefits from nearly three years to just one. They made it easier to fire workers, while encouraging the creation of parttime and short-term jobs. The Organisation for Economic Co-operation and Development (OECD) reports that, from the mid-1990s to 2008, the incomes of the poorest 30% of Germans actually declined in real (inflation-adjusted) terms. Germany's repressive labor policies kept a lid on wage growth. In every year from 2000 through the onset of the financial crisis in 2009, German compensation per employee increased more slowly than the eurozone average, and less even than in the United States.

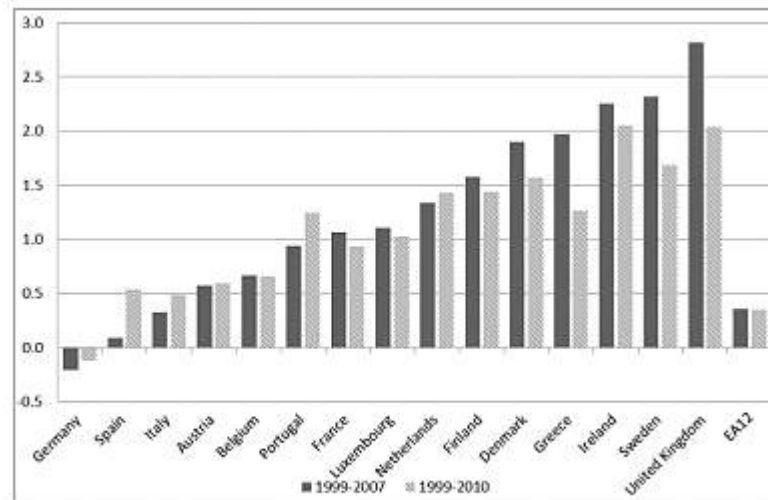
(John Miller, [German Wage Repression: Getting to the Roots of the Eurozone Crisis](#), *TripleCrisis*, 21 August, 2015)

Till van Treeck and Simon Stürn explained the problem for countries which are economically tied into a union with Germany:

[p. 46]... as nominal unit labour costs stagnated completely in Germany before the Great Recession, firms were able to increase their profit margins, resulting in a strong decline in real compensation per employee (Figure 40), which in turn depressed private consumption.

ILO ([Global Employment Trends 2012. Preventing a Deeper Jobs Crisis](#)], p. 46) argues that the wage deflation policies in Germany during the 2000s have contributed in an important way to the rising inequality and weak domestic demand in Germany and put pressure on the other member countries of the European Monetary Union which "increasingly see only even harsher wage deflation policies as a solution to their lack of competitiveness."

Figure 40: Real compensation per employee, average annual growth rate, selected countries

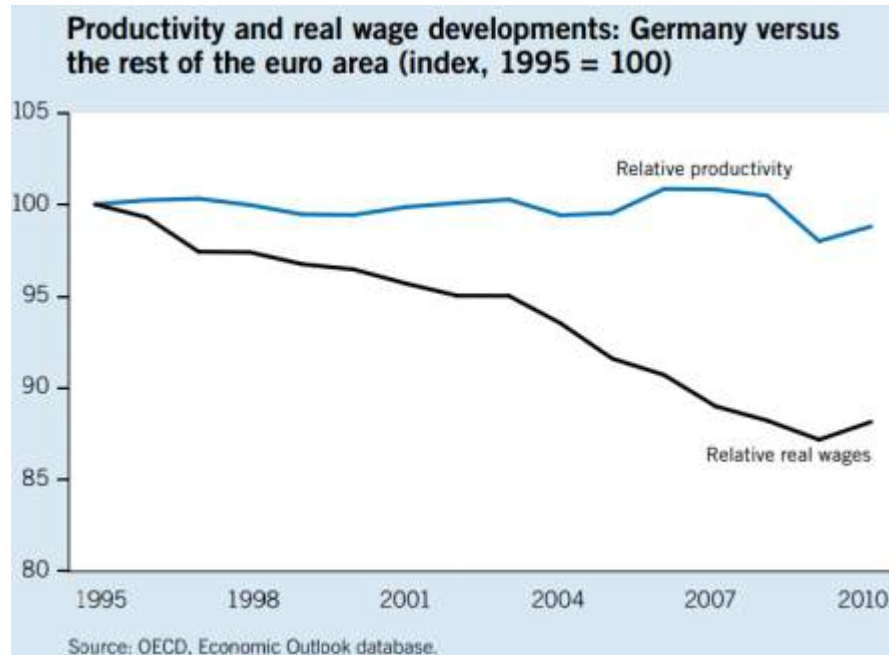


Note: Deflated with price deflator for private final consumption expenditure.

Source: AMECO; authors' calculations

(Till van Treeck and Simon Storn, *Conditions of Work and employment*, series no. 39, International Labour Organization 2012)

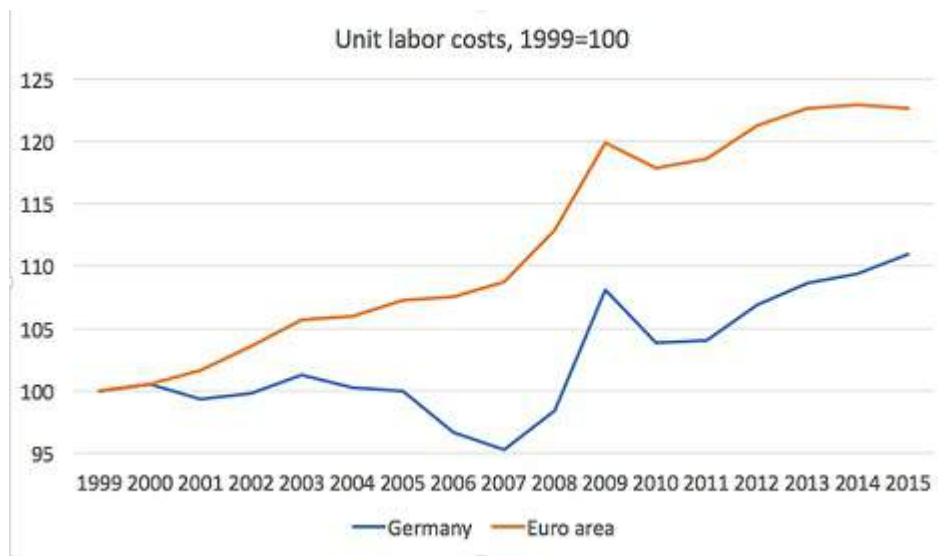
Here is an ILO graph, showing a comparison of both productivity and real-wage developments in Germany relative to the rest of Europe since 1995. As Rosner (2012) argued, Germany has been practicing a particularly unpleasant form of wage austerity for the past 18 years or more. Its status as the 'economic powerhouse' of Europe is built "on the back of household wage reductions and industry friendly reforms to the labor market".



Ekkehard Ernst et al 2012, p. 46 (*Global Employment Trends 2012. Preventing a Deeper Jobs Crisis* ILO, Geneva)

Paul Krugman, providing yet another example of the fairy dust of *expansionary austerity* (with more than a hint of cynical plutocratic self-interest involved in what happened), has summed it all up:

The basic story is illustrated by the following chart, of unit labor costs since the creation of the euro:



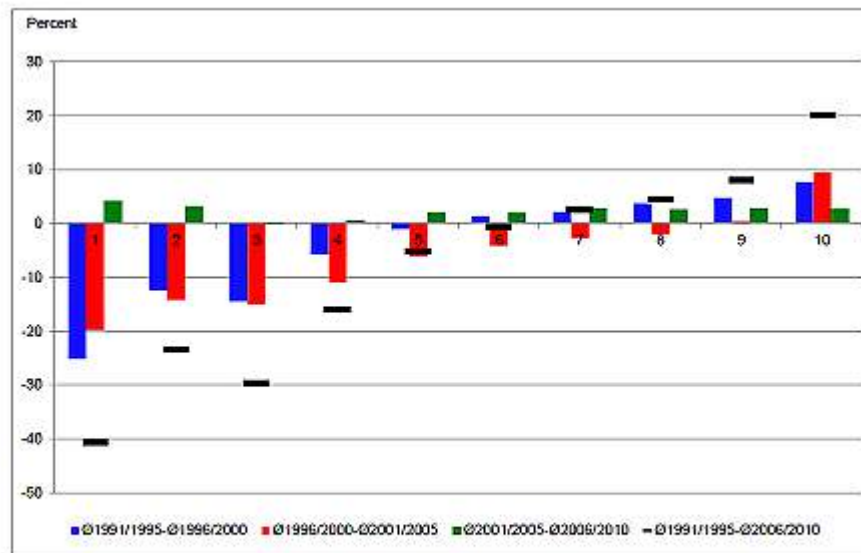
Here's what happened: during the era of euphoria, when capital rushed into supposedly safe southern European economies, those economies experienced moderate inflation, allowing Germany to gain a big competitive advantage without actually having to deflate. Then confidence and capital flows collapsed, and what was needed was strong German reflation that would in effect return the favor — let southern Europe regain competitiveness without grinding deflation and the debt problems that go along with such a strategy.

But Germany hasn't. It has practiced its own austerity, unforced — in the face of negative interest rates! — and harassed the ECB as it attempts to boost overall EZ inflation. The result is that the competitive gap that opened up after 1999 has barely closed, producing both huge German surpluses and a deadly drag on the rest of the euro area.

(Paul Krugman, ^{CE} [Germany's Real Sin](#), *New York Times*, Opinion Pages, May 27, 2017)

See Kai Daniel Schmid and Ulrike Stein (2013) for further detail. As the authors illustrate and explain,

Figure 4.1 Change of 5-year Average of Market Equivalized Income by Income Decile Groups



Note: This figure illustrates the change of 5-year average incomes between selected time periods by income decile groups. Income changes are plotted on the vertical axis in percent. Income is reported in real terms in 2010 prices.

Source: SOEP, own calculations.

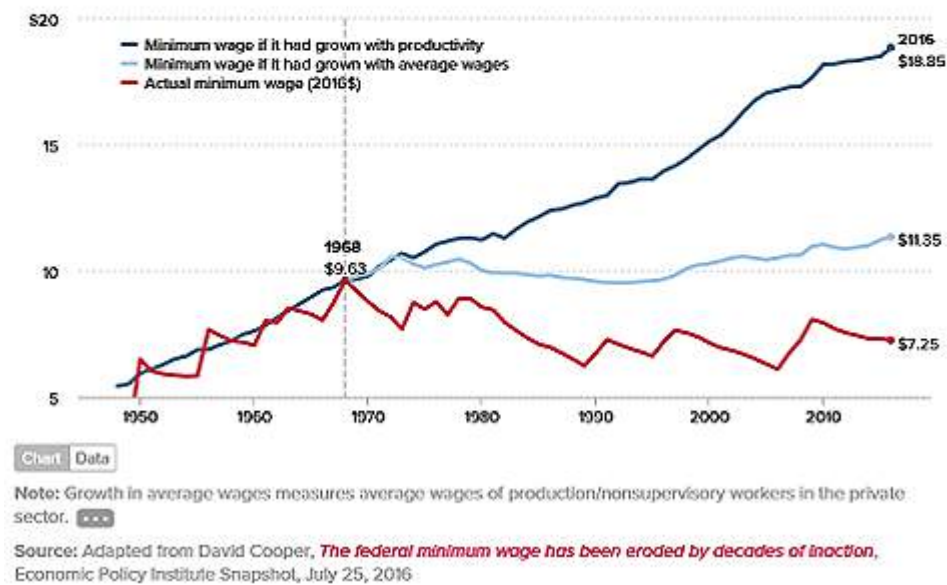
...The black lines show the overall change of average income between 1991 and 2010. In the second half of the 2000s, incomes in the lower half of the income distribution are between 5 percent and 40 percent lower than in the first half of the 1990s. In contrast, the average income in the highest income decile increased by 20 percent during the same period.

(Kai Daniel Schmid and Ulrike Stein, [Explaining Rising Income Inequality in Germany, 1991-2010](#), Macroeconomic Policy Institute (IMK), Düsseldorf, Germany, September, 2013, p. 16.)

The US *Economic Policy Institute* has neatly summarized US minimum wage realities between 1948 and 2016:

The minimum wage would be much higher if it had kept up with a growing economy

The inflation-adjusted minimum wage, and hypothetical minimum wage values if it had grown with average wages and productivity since 1968



As they explain,

The federal minimum wage is meant to ensure a fair wage for the nation's lowest-paid workers. But it hasn't done that since 1968. Since the inception of the federal minimum wage in 1938, Congress has periodically raised it, ostensibly so that its real (inflation-adjusted) value would reflect changing economic circumstances. Before 1968, the real value of the federal minimum wage grew at roughly the same pace as the growth in labor productivity - i.e., the rate at which the average worker can produce income from each hour of work. This makes sense: if the economy as a whole can produce more income per hour of work, it means there is capacity for wages across the distribution to grow at a similar rate. But after 1968, when the real value of the minimum wage in today's dollars was \$9.63, the minimum wage stopped rising at the same pace as productivity. As the top line in the graph shows, had the minimum wage kept pace with rising productivity, it would be nearly \$19 per hour today. Not \$7.25.

(^{CE} [The top charts of 2016](#): 13 charts that show the difference between the economy we have now and the economy we could have, Economic Policy Institute Report * December 22, 2016)

Annette Bernhardt *et al* (2009) [Broken Laws, Unprotected Workers: Violations of Employment and Labor Laws in America's Cities](#) have examined some of the consequences of poor regulation of wages and conditions in the US. As they say in their Executive Summary,

This report exposes a world of work in which the core protections that many Americans take for granted-the right to be paid at least the minimum wage, the right to be paid for overtime hours, the right to take meal breaks, access to workers' compensation when injured, and the right to advocate for better working conditions-are failing significant numbers of workers. The sheer breadth of the

problem, spanning key industries in the economy, as well as its profound impact on workers, entailing significant economic hardship, demands urgent attention.

(See [National Employment Law Project](#) for more on all this.)

⁴⁸¹ In 2017, neoliberal policies are still potent in challenging those New Deal provisions. President Macron's reforms of the French labor code are the latest move to weaken remaining union powers and workers' rights in a determination to give 'more flexibility to companies to adapt to the marketplace' and empower the Government to '[balance the budget](#)' in the name of 'economic responsibility'.

Philippe Aghion and Benedicte Berner, true believers in the need to oppose 'socialist tendencies' and promote essential '[economic freedoms](#)' and [efficiencies](#), have spelt it out. As they explain,

First, capital income is too heavily taxed in France, compared to other developed countries, which discourages innovation and entrepreneurship. Second, public money is not invested in the most cost-effective and growth-enhancing way. Third, France suffers from a multiplicity of administrative layers, which generates inefficiencies and redundancies in the provision of public services. Finally, France remains a highly corporatist country, with a multiplicity of health, pension, and family subsidy systems; in an innovation-driven economy where individuals are likely to change jobs and sectors repeatedly over their lifetime, this bureaucratic thicket becomes a source of inefficiency and risk.

So, in order to ensure 'innovation and entrepreneurship' and tackle that 'bureaucratic thicket' which promotes economic 'inefficiency and risk' in France,

The French government has just announced the guidelines for a new labor code, its first major reform to boost France's economy, by giving more flexibility to companies to adapt to the marketplace. The second major reform sought by President Emmanuel Macron's cabinet – an overhaul of the French state – is set to follow.

The changes to the labor code have four goals. First, direct negotiations between employers and employees in small and medium-size firms (accounting for 55% of the workforce) would be facilitated by allowing such companies to negotiate with elected representatives not mandated by the trade unions. Second, social dialogue within larger firms would be simplified by merging separate workers' committees (for hygiene, health, safety, and so on) into a central body. Third, collective bargaining over wages and employment would be decentralized from national to sectoral and/or firm level. Finally, laying off employees would become easier and more predictable, in particular with the introduction of upper and lower levels on payouts issued by labor courts.

The reform of the labor code will soon be accompanied by reforms of the unemployment insurance and job training systems. On the former, the government will take over from the unions, in order to provide unemployment benefits to all categories of workers, including the self-employed and those who voluntarily quit their current job to search for a new one. The cost of reforming unemployment insurance, however, is estimated at €3-5 billion

(\$3.6-6 billion), which may prove difficult to square with 2018 budget plans, which foresee a €20 billion cut in spending.

Altogether, the labor market reform is intended to reconcile more flexibility for firms to hire and shed workers – which is needed in an economy where growth is driven by innovation and creative destruction – with more income security and more training for the unemployed. The French labor market currently suffers from a huge divide between qualified workers under long-term contracts and low-skill workers who shuttle constantly between unemployment and short-term jobs. The government's reform is meant to close this divide by increasing social mobility.

The second pillar of Macron's economic program, reform of the state, has two major components: a revamp of fiscal policy and an overhaul of the public spending system....

(Philippe Aghion and Benedicte Berner, [Ⓔ] [The Two Pillars of French Economic Reform](#), *Project Syndicate*, September 1, 2017)

⁴⁸² In an article entitled 'Emmanuel Macron's 'Extreme Centrism' Is a Threat to Democracy: Hiding behind appeals to 'rationalism,' the French leader seeks to 'fix' the French economy by cozying up to a tiny, binge-eating wealthy elite', Juliette Legendre has documented French president Emmanuel Macron's promotion of neoliberalism:

...As a former investment banker at Rothschild, Macron envisions the transformation and revitalization of France through a Silicon-Valley-style neoliberalism, which embraces the "creative destruction" theory of Austrian economist Joseph Schumpeter. And, as a graduate student of the elite National School of Administration and a former finance minister, he also envisions governance through the lens of a French technocrat, who believes in the verticality and centralization of power.

Both perspectives reflect a thin conception of representative democracy — one that puts the supposed needs of the market over popular deliberation and participation.

(Juliette Legendre, [Ⓔ] [Emmanuel Macron's 'Extreme Centrism' Is a Threat to Democracy](#): Hiding behind appeals to 'rationalism,' the French leader seeks to 'fix' the French economy by cozying up to a tiny, binge-eating wealthy elite, *Inequality*, *Blogging Our Great Divide*, July 02, 2018)

⁴⁸³ These incentives remain important in many (if not all) countries, both Western and non-Western, in the first decades of the 21st century. A *New York Times* report (December 1, 2012), part of a series examining business incentives and their impact on jobs and local economies, described the scene in the United States:

A Times investigation has examined and tallied thousands of local incentives granted nationwide and has found that states, counties and cities are giving up more than \$80 billion each year to companies. The beneficiaries come from virtually every corner of the corporate world, encompassing oil and coal conglomerates, technology and entertainment companies, banks and big-box retail chains.

The cost of the awards is certainly far higher. A full accounting, The Times discovered, is not possible because the incentives are granted by thousands of government agencies and officials, and many do not know the value of all their awards. Nor do they know if the money was worth it because they rarely track how many jobs are created. Even where officials do track incentives, they acknowledge that it is impossible to know whether the jobs would have been created without the aid.

"How can you even talk about rationalizing what you're doing when you don't even know what you're doing?" said Timothy J. Bartik, a senior economist at the ^{CE} [W.E. Upjohn Institute for Employment Research](#) in Kalamazoo, Mich.

The Times analyzed more than 150,000 awards and created a [searchable database of incentive spending](#). The survey was supplemented by interviews with more than 100 officials in government and business organizations as well as corporate executives and consultants.

A portrait arises of mayors and governors who are desperate to create jobs, outmatched by multinational corporations and short on tools to fact-check what companies tell them. Many of the officials said they feared that companies would move jobs overseas if they did not get subsidies in the United States.

Over the years, corporations have increasingly exploited that fear, creating a high-stakes bazaar where they pit local officials against one another to get the most lucrative packages. States compete with other states, cities compete with surrounding suburbs, and even small towns have entered the race with the goal of defeating their neighbors.

While some jobs have certainly migrated overseas, many companies receiving incentives were not considering leaving the country, according to interviews and incentive data.

... For local governments, incentives have become the cost of doing business with almost every business. The Times found that the awards go to companies big and small, those gushing in profits and those sinking in losses, American companies and foreign companies, and every industry imaginable.

Workers are a vital ingredient in any business, yet companies and government officials increasingly view the creation of jobs as an expense that should be subsidized by taxpayers, private consultants and local officials said.

Even big retailers and hotels, whose business depends on being in specific locations, bargain for incentives as if they can move anywhere. The same can be said for many movie productions, which almost never come to town without local subsidies.

(Louise Story, ^{CE} [As Companies Seek Tax Deals, Governments Pay High Price](#), *New York Times*, December 1, 2012)

⁴⁸⁴ See a Bloomberg report (by Bob Ivry, Bradley Keoun and Phil Kuntz - Nov 28, 2011) ^{CE} [Secret Fed Loans Gave Banks \\$13 Billion Undisclosed to Congress](#) for the extent of the Federal bailout of private financial institutions during the 2007-9 financial crisis. As the report says,

The amount of money the central bank parceled out was surprising even to Gary H. Stern, president of the Federal Reserve Bank of Minneapolis from 1985 to 2009, who says he "wasn't aware of the magnitude." It dwarfed the Treasury Department's better-known \$700 billion Troubled Asset Relief Program, or TARP. Add up guarantees and lending limits, and the Fed had committed \$7.77 trillion as of March 2009 to rescuing the financial system, more than half the value of everything produced in the U.S. that year.

⁴⁸⁵ See [Transnational Companies in the Third World](#) for more on this.

⁴⁸⁶ The story of Greece's descent into a privatized world based on IMF brokered 'structural adjustment' and 'debt management' strategies is far from told.

(see [Debt-Equity Conversion Programs - Swapping the Family Farm!](#); [Ⓔ] [Press Release No.10/177](#), IMF Managing Director Dominique Strauss-Kahn, May 2, 2010; [Ⓔ] [IMF Executive Board Completes Fourth Review Under Stand-By Arrangement for Greece and Approves €3.2 Billion Disbursement](#) IMF Press Release No. 11/273 July 8, 2011 for more on this).

Here are a few indications of where it is headed:

★ ATHENS/BRUSSELS (Reuters [Mon Feb 13, 2012 2:31pm EST]) - Europe gave [Greece](#) until Wednesday to convince skeptical international creditors that it would stick to the punishing terms of a multi-billion-euro rescue package, endorsed by parliament as rioters torched downtown Athens.

Lawmakers backed drastic cuts in wages, pensions and jobs on Sunday as the price of a 130 billion euro (\$170 billion) bailout by the European Union and International Monetary Fund to avert a messy default that would send shockwaves through the [euro zone](#).

Scenes of running battles between police and rioters and flames engulfing cinemas, shops and banks underscored a sense of deepening turmoil in the country after more than four years of recession and two of punishing austerity.

The EU warned on Monday that the consequences of failure would be "devastating."

It gave the fragile ruling coalition of Prime Minister Lucas Papademos until Wednesday, when euro zone [finance](#) ministers are expected to meet, to specify how 325 million euros of the 3.3 billion euros demanded in budget savings will be achieved.

By the same deadline, Greek political leaders must give a written commitment to implement the terms of the deal, a Greek government spokesman said, reflecting fatigue among EU leaders who say they have heard enough broken promises.

The spokesman said Greece would hold an election in April, when deep public anger over the second round of austerity could drive voters further to the left and right and test Greece's commitment to the programme.

Euro zone paymaster [Germany](#) said ahead of the vote that it was losing patience with throwing money into the "bottomless pit" of

Greece's debt crisis. Official reaction from Berlin on Monday was muted.

"Now we need to wait and see what comes after the legislation," Economy Minister and deputy Prime Minister Philipp Roesler said on German television.

"We have taken one step in the right direction but we are still far from the goal," he said.

Greece needs the international funds before March 20 to meet debt repayments of 14.5 billion euros.

EU Economic and Monetary Affairs Commissioner Olli Rehn said a disorderly default would have devastating consequences for Greek society.

"I am quite confident that the other conditions, including the identification of concrete measures of 325 million euros, will be completed by the next meeting of the Eurogroup, which would then decide on the adoption of the programme," he said.

(^{CE} [Greece still to convince Europe over rescue deal](#))

★ See Michael Birnbaum, ^{CE} [Deal reached on \\$170 billion Greek bailout](#), *Washington Post*, February 21 2012 for more on this. As Michael Birnbaum (2012), has explained:

...unemployment has already spiked to 21 percent - 49 percent for those younger than 25 - and the economy contracted by 7 percent in the third quarter of 2011.

Europe has demanded that the public sector shrink by 150,000 people, that the minimum wage be lowered by 22 percent, that pensions be cut and that Greece do more to sell off its publicly owned companies, among other measures that filled a 50-page booklet.

⁴⁸⁷ See [The 'Development' Business](#) for more on this.

⁴⁸⁸ Jonathan Stevenson has given an excellent outline of Rostow's influence through the 1960s and 1970s in an article entitled '^{CE} [The Cold Warrior Who Never Apologized](#)' (*New York Times*, September. 8, 2017):

A Yale Ph.D. and a Rhodes scholar, Rostow left his academic perch at M.I.T. to join the State Department under John F. Kennedy; he was later Lyndon Johnson's national security adviser during the center-cut of American involvement in Vietnam, from April 1966 to January 1969. More than anyone else, he epitomized the overweening confidence of the civilian strategists of the era — he was the best and the brightest of "the best and the brightest."

One of the commenters on the article, Alan Haigh, summed it all up well,

The severely ambitious are often delusional and even high intelligence is no vaccine for the stupidity of excess hubris and unconditional love of ones own theories and ideology, even when disputed by results on the ground.

⁴⁸⁹ This figure appears to be plucked out of the air - no rationale is given for using it. With characteristic, if unrealistic, optimism, Rostow assumed, in 1961, that 80% of the world's people were already involved

in "self-sustaining" economic growth, allowing them to "enjoy the blessings and choices opened up by the march of compound interest".

His assessment of the ease with which the world's populations could transition into "self-sustained economic growth" has fuelled the optimism of Third World Development specialists and their programs ever since.

⁴⁹⁰ See [Capitalism and its Colonies](#); [The Decay of Western Influence](#) for more on this.

⁴⁹¹ Type the term "failing states" into any search engine and you will get a deluge of opinions on what should be done - very few accept the legitimacy of this last option.

⁴⁹² by an American author, Mary Mapes Dodge, in *Hans Brinker, or the Silver Skates* published in 1865

⁴⁹³ See [Capitalism and Its Colonies](#); [Capitalism and Work](#) for more on this.

⁴⁹⁴ ☞ ["To Join the Waters": Indexing Metonymies of Territoriality in Cora Ritual.](#) by Philip E. Coyle

⁴⁹⁵ See [Revitalization Movements and Fundamentalism](#) for more on this.

⁴⁹⁶ See ☞ [9 Billion?](#) (*Science* 29 July 2011: Vol. 333 no. 6042 pp. 540-543) for a brief description of population statistics over the past century, with projections through to the year 2100.

In population statistics, as in all statistical description, we need always to remember that correlation is *not* explanation.

The following internet address provides access to international population statistics: ☞ <http://www.census.gov/ipc/www/idb/>.

⁴⁹⁷ The alienation of land and displacement of indigenous communities has gathered momentum through the first two decades of this century. Seaquist, Johansson and Nicholas (2014) have produced a report on global land acquisitions in the 21st century. As they summarize:

Global land acquisitions, often dubbed 'land grabbing' are increasingly becoming drivers of land change. We use the tools of network science to describe the connectivity of the global acquisition system. We find that 126 countries participate in this form of global land trade. Importers are concentrated in the Global North, the emerging economies of Asia, and the Middle East, while exporters are confined to the Global South and Eastern Europe.

A small handful of countries account for the majority of land acquisitions (particularly China, the UK, and the US), the cumulative distribution of which is best described by a power law. We also find that countries with many land trading partners play a disproportionately central role in providing connectivity across the network with the shortest trading path between any two countries traversing either China, the US, or the UK over a third of the time.

The land acquisition network is characterized by very few trading cliques and therefore characterized by a low degree of preferential trading or regionalization. We also show that countries with many export partners trade land with countries with few import partners, and vice versa, meaning that less developed countries have a large

array of export partnerships with developed countries, but very few import partnerships (dissassortative relationship).

Finally, we find that the structure of the network is potentially prone to propagating crises (e.g., if importing countries become dependent on crops exported from their land trading partners). This network analysis approach can be used to quantitatively analyze and understand telecoupled systems as well as to anticipate and diagnose the potential effects of telecoupling.

(J W Seaquist, Emma Li Johansson and Kimberly A Nicholas, [Ⓔ] 'Architecture of the global land acquisition system: applying the tools of network science to identify key vulnerabilities', *Environmental Research Letters*, Vol. 9 (2014) 114006 (12pp))

See *Rights and Resources 2011-2012*, [Ⓔ] [What future for forest peoples and resources in the emerging world order?](#) (Rights and Resources Initiative, Washington, D.C.) for an examination of some of the current trends in forcing land change on non-Western peoples. As the report says,

While infrastructure investment is a potent catalyst of change in remote regions, its land-take has been eclipsed in recent years by landgrabbing by agri-businesses, often funded and organized from abroad. Land-grabbing has become recognized as a global phenomenon. In 2011, both *Oxfam* and the *International Land Coalition* estimated that more than 200 million hectares had been bought or leased by agri-businesses since 2001-more than four times a previous estimate by the World Bank.

Responding to growing alarm, in October the United Nations Committee on World Food Security discussed voluntary guidelines to protect communities. To the anger of human rights campaigners, however, it postponed a decision until 2012..

Land-grabbing has been triggered by concerns about food security, coupled with the lure of rising world food prices. Most of the grabs have been for state lands, including pastures, forests, and wetlands, most of which are the customary property of communities.

Two-thirds of the reported land grabs have been in Africa, where nearly 700 million people live on land that is customarily owned but has insecure tenure under statutory law. Most of this land is deemed-falsely-by governments to be "empty" or "underused".

⁴⁹⁸ Weiqi Yao *et al* have explained:

The geological record contains many examples in which the earth system was out of equilibrium and large parts of the ocean were inhospitable to life.... Current data suggest that in the PETM [Paleocene-Eocene Thermal Maximum (~55 Ma)] the atmosphere had to accommodate about 2500-4500 Gt of carbon released within 4000 years.

This is an increase of the same order of magnitude as the [Ⓔ] [IPCC RCP8.5 emission scenario](#) [temperature change of 2.6°C to 4.8°C by 2100], which projects a cumulative anthropogenic CO₂ release of 2000 GtC by 2100. Although the carbon dioxide release rate during the PETM was about 10 times slower, it is our best analog to study

non-linear feedbacks and consequences of the anthropogenic carbon cycle perturbation.

The geochemical cycles of carbon and sulfur are linked through microbial sulfate reduction (MSR), where the electron transfer from sulfate to sulfide provides the energy to respire organic matter (OM) back to CO₂. Combined, these cycles constitute the dominant control on atmospheric oxygen. Due to their drastically different residence times (0.1 Myrs versus 10 Myrs), they are rarely considered together. Our data suggest however that MSR is able to alter the redox state of the marine sulfur reservoir on timescales which are comparable to that of the carbon cycle. This has three important implications:

1. Unlike oxic respiration MSR also produces H₂S which is toxic to most life forms even at low concentrations;
2. If we accept the premise that the PETM is a model for the present day oceans, the timescales of the observed changes in the redox state of marine sulfur suggest that similar processes could affect the oceans in the near future;
3. The development of oxygen free waters creates a sizable but intermittent reservoir in the global sulfur cycle, with fluxes exceeding traditional weathering/burial flux estimates.

...Modeling predictions exploring the effects of anthropogenic climate change suggest that measurable oxygen loss from the subarctic North Pacific will occur by 2030-2040 and that the total volume of suboxic ocean water will expand by 50% by 2100. Once local oxygen concentrations drop below 4 μ M, sulfate reduction will commence, resulting in the production of H₂S, which is toxic at levels as low as 4 μ g/l.

This will:

- A) Create an ocean internal reservoir of reduced sulfur;
- B) Create an ocean which is no longer well mixed with respect to sulfate;
- C) Compress the eco-zones of fish species which venture in the mesopelagic and bathypelagic zones and change their ecosystem structure which could jeopardize 10-50% of worldwide pelagic predator diversity with unknown consequences for global fish stocks.

(Weiqi Yao, Adina Paytan, Ulrich G. Wortmann, ^{CE} [Large-scale ocean deoxygenation during the Paleocene-Eocene Thermal Maximum](#), *Science*, 19 Jul 2018)

⁴⁹⁹ Somini Sengupta, in a brief comment on a change in Australian conservative political leadership, summed up a common problem in early 21st century Western democracies:

Climate change policy toppled the government in Australia on Friday.

How much does that really matter?

It is certain to keep Australia from meeting its emissions targets under the Paris climate agreement. It's also a glimpse into what a potent political issue climate change and energy policy can be in a handful of countries with powerful fossil fuel lobbies, namely Australia, Canada and the United States.

In Australia, the world's largest exporter of coal, climate and energy policy have infused politics for a decade, helping to bring down both liberal and conservative lawmakers.

This week, the failure to pass legislation that would have reined in greenhouse gas emissions precipitated Malcolm Turnbull's ouster as prime minister. He was elbowed out by Scott Morrison, an ardent champion of the Australian coal industry who is known for having brought a lump of the stuff to Parliament....

The Australian parallels with the United States are striking. The Trump administration has promised to revive the coal industry, rolled back fuel emissions standards and announced the country's exit from the Paris pact altogether....

(Somini Sengupta, ^{CE} [Climate Change Policy Toppled Australia's Leader. Here's What It Means for Others](#), *New York Times*, 24 August, 2018)

⁵⁰⁰ The U.S. Secretary of the Interior in 2018 might not be aware of the fact, but Christmas has not 'come a few weeks early this year'. Intelligent and aware people around the world have known of the existence of such resources for a long time (there are far more of them around the world than those the U.S. Geological Survey report has identified). But, being intelligent and aware people, they have also realized that developing such resources would quickly result in a world where climatic conditions spiraled out of control.

As Jim Reilly explained, the Permian and similar mature basins have not been considered viable for producing large new recoverable resources. That Reilly is now prepared to contemplate their development, 'thanks to advances in technology', says a lot more about US political opportunism than about mature responsibility for safeguarding future generations from the climatic disaster waiting in the wings.

⁵⁰¹ Han Chen, in a Natural Resources Defense Council (NRDC) report entitled ^{CE} [Carbon Trap: How International Coal Finance Undermines the Paris Agreement](#), has explained:

A few nations within the Group of 20 (G20) account for the vast majority of international coal finance. The export credits used to finance coal mainly benefit businesses in the home countries rather than in the recipient countries. The emerging economies are then left to grapple with the financial, public health, and environmental impacts.

⁵⁰² {§} (26/01/18){§} (09/02/18) Let's start with William Blum's question to us all:

...[W]hat do American leaders think of their own record?

He starts the ball rolling by providing his own assessment:

Former Secretary of State Condoleezza Rice was probably speaking for the whole private club when she wrote that in the pursuit of its national security the United States no longer needed to be guided

by "notions of international law and norms" or "institutions like the United Nations" because America was "on the right side of history."

Clearly, the current US president is not the only US 'leader' prone to announcing the bizarre - though he has elevated it to a minor art form! CBS News has compiled a list of 30 of Donald Trump's wildest quotes. As might be expected, climate change, along with shiny red buttons and sundry other absurdities, figures prominently:

On November 6, 2012, Donald Trump tweeted: "The concept of global warming was created by and for the Chinese in order to make U.S. manufacturing non-competitive."

On October 19, 2015, he then tweeted: "It's really cold outside, they are calling it a major freeze, weeks ahead of normal. Man, we could use a big fat dose of global warming!"

([Ⓔ] [30 of Donald Trump's wildest quotes](#), CBS News (accessed 04 January, 2018))

Yes, he's President Trump of the United States of America - and he has a solid core of supporters backing him, not only from the 'rabid right' but some of the US' most prominent politicians and corporate CEOs. Jeet Heer of the *New Republic* magazine explained:

...Thankfully, we have actual data on Trump's supporters. Far from being idiots, they are people who would normally be considered functioning and successful. Trump's supporters are better educated and wealthier than the American average.

(Jeet Heer, [Ⓔ] [Are Donald Trump's supporters idiots?](#), *New Republic*)

As William Blum put it:

"Let me tell you about the very rich," F. Scott Fitzgerald famously wrote. "They are different from you and me."...

[L]et me tell you about American leaders. In power, they don't think the way you and I do. They don't feel the way you and I do.

Tom Engelhardt, with depressing clarity, explains:

...[Trump] isn't at all unique (except in the details, except in the exaggeration of it all). What makes him so clownish, in the sense I'm describing, is that he offers a chillingly exaggerated, wildly fiery-and-furious version of the very imperial American presidency we've come to know over these last seven decades:

- the one that has long ridden herd on a [nuclear apocalypse](#);
- that [Ⓔ] [killed millions on its journey to nowhere](#) in Southeast Asia in the previous century;
- that hasn't been able to stop itself from overseeing more than a quarter-century of war-making -- two wars, to be exact -- in Afghanistan of all places;
- that, in its pursuit of its [never-ending "war" on terror](#), has made war on so much else as well, turning significant parts of the planet into zones of increasing chaos, failed states, [Ⓔ] [fleeing populations](#), and wholesale destruction;
- the one whose [Ⓔ] [precision](#) military -- the battle against ISIS in Iraq and Syria has been termed the "most precise

campaign in history" -- has helped transform cities from ^{CE} [Ramadi](#) and ^{CE} [Fallujah to Mosul](#) ^{CE} and [Raqqa](#) into landscapes that, in their indiscriminate wreckage, look like Stalingrad after the battle in World War II

➤ (and that now is threatening to develop a "precision" version of nuclear war as well);

and

➤ that has, in this century, overseen the creation of "^{CE} [Saudi America](#)" on a planet in which it was already easy enough to grasp that fossil fuels were doing the kinds of damage to the human environment that nothing short of a giant asteroid or nuclear war might otherwise do.

From his America First policies to his reported desire to see (and make use of) terrorist attacks on this country, the man who has declared climate change a Chinese hoax, threatened to loose "fire and fury like the world has never seen," described other countries in language once considered unpresidential by presidents who nonetheless treated the very same countries like "shitholes," and given "[his](#)" [generals a remarkably free hand](#) to "win" the war on terror is but an eerily clownish version of all that has gone before.

He has, in a sense, ripped away the façade of dignity from the imperial presidency and let us glimpse just what is truly imperial (and imperious) about it. He continues to show us in new ways quite an old reality: how terrifying a force for destruction, possibly even on a planetary level, U.S. power can be.

(Tom Engelhardt, ^{CE} [Creating an Empire of Graveyards? At the Circus with Donald Trump](#), January 25, 2018)

William Blum (2014) has provided a thought-provoking perspective on US foreign policy over the past half century and more:

... [L]et me tell you about American leaders. In power, they don't think the way you and I do. They don't feel the way you and I do. They have supported "awful jihadists" and their moral equivalents for decades. Let's begin in 1979 in Afghanistan, where the Moujahedeen ("holy warriors") were in battle against a secular, progressive government supported by the Soviet Union; a "favorite tactic" of the Moujahedeen was "to torture victims [often Russians] by first cutting off their nose, ears, and genitals, then removing one slice of skin after another", producing "a slow, very painful death".

With America's massive and indispensable military backing in the 1980s, Afghanistan's last secular government (bringing women into the 20th century) was overthrown, and out of the victorious Moujahedeen arose al Qaeda.

During this same period, the United States was supporting the infamous Khmer Rouge of Cambodia; yes, the same charming lads of Pol Pot and The Killing Fields.

President Carter's National Security Adviser, Zbigniew Brzezinski, was a leading force behind the US support of both the Moujahedeen and the Khmer Rouge. What does that tell you about that American leader? Or Jimmy Carter – an inspiration out of office, but a rather

different person in the White House? Or Nobel Peace Laureate Barack Obama, who chose Brzezinski as one of his advisers?

...More recently, the US has supported awful jihadists in Libya and Syria, with awful consequences.

It would, moreover, be difficult to name a single brutal dictatorship of the second half of the 20th Century that was not supported by the United States; not only supported, but often put into power and kept in power against the wishes of the population. And in recent years as well, Washington has supported very repressive governments, such as Saudi Arabia, Honduras, Indonesia, Egypt, Colombia, Qatar, and Israel.

Not exactly the grand savior our sad old world is yearning for. (Oh, did I mention that Washington's policies create a never-ending supply of terrorists?)

And what do American leaders think of their own record? Former Secretary of State Condoleezza Rice was probably speaking for the whole private club when she wrote that in the pursuit of its national security the United States no longer needed to be guided by "notions of international law and norms" or "institutions like the United Nations" because America was "on the right side of history." (William Blum, ^{CE} [The Historical US Support for al-Qaeda](#), *Foreign Policy Journal*, Jan 10, 2014)

⁵⁰³ Elizabeth Gamillo has summarized the findings:

The hefty document includes data compiled by 524 scientists working in 65 countries. A few highlights:

- Atmospheric concentrations of CO₂—the primary planetary warming gas—last year rose by 2.2 ppm over 2016. Similar levels were last reached at least 800,000 years ago, according to data obtained from air bubbles trapped in ancient ice cores.
- Atmospheric concentrations of methane and nitrous oxide—both potent warming gases—were the highest on record. Levels of methane increased in 2017 by 6.9 parts per billion (ppb), to 1849.7 ppb, compared with 2016. Nitrous oxide levels increased by 0.9 ppb, to 329.8 ppb.
- Last year also marked the end of a world-wide coral bleaching event that lasted 3 years. Coral bleaching occurs when seawater warms, causing corals to release algae living within their tissues, turning the coral white and sometimes resulting in the death of the coral. It was the longest documented bleaching event.
- Global precipitation in 2017 was above the long-term average. Russia had its second wettest year since 1900. Parts of Venezuela, Nigeria, and India also experienced heavier than usual rainfall and flooding.
- Warmer temperatures contributed to wildfire outbreaks around the world. The United States suffered an extreme wildfire season that burned 4 million hectares and caused more than \$18 billion in damages. The Amazon region experienced some 272,000 wildfires.

- In Alaska, record high permafrost temperatures were reported at five of six permafrost observatories. When thawed, permafrost releases CO₂ and methane into the atmosphere and can contribute to global warming.
- Arctic sea ice took a hit. The extent of sea ice hit a 38-year low, and was 8% below the mean extent reported for 1981 to 2010. Spring snow cover in the Arctic, however, was greater than the 1981 to 2010 average, and the Greenland Ice Sheet recovered from a record low mass reported in 2016. 2017 was also the second warmest year on record for the Arctic.
- Many countries reported setting high-temperature records, including Argentina, Uruguay, Spain, Bulgaria, and Mexico.

(Elizabeth Gamillo, ^{CE} [Atmospheric carbon last year reached levels not seen in 800,000 years](#), *Science Magazine*, Climate, Aug. 2, 2018)

⁵⁰⁴ Capitalist enterprises, entrepreneurs, developers, 'aid workers' and fellow travelers have intruded into the environments of communities and appropriated their material resources to expand the resource base upon which capitalist nations rely to meet their constantly expanding material 'needs'.

Cecil Rhodes is reputed to have expressed it eloquently:

We must find new lands from which we can easily obtain raw materials and at the same time exploit the cheap slave labor that is available from the natives of the colonies. The colonies would also provide a dumping ground for the surplus goods produced in our factories.

In doing so, they have obscured the material constraints of 'capitalist development'.⁷²²

Michael Kalecki, in 1943, explained the rationale:

1. A solid majority of economists is now of the opinion that, even in a capitalist system, full employment may be secured by a government spending programme, provided there is in existence [an] adequate plan to employ all existing labour power, and **provided adequate supplies of necessary foreign raw-materials may be obtained** in exchange for exports. If the government undertakes public investment (e.g. builds schools, hospitals, and highways) or subsidizes mass consumption (by family allowances, reduction of indirect taxation, or subsidies to keep down the prices of necessities), and if, moreover, this expenditure is financed by borrowing⁷²³ and not by taxation (which could affect adversely private investment and consumption), the effective demand for goods and services may be increased up to a point where full employment is achieved. Such government expenditure increases employment, be it noted, not only directly but indirectly as well, since the higher incomes caused by it result in a secondary increase in demand for consumer and investment goods.
2. It may be asked where the public will get the money to lend to the government if they do not curtail their investment and consumption. To understand this process it is best, I think, to imagine for a

moment that the government pays its suppliers in government securities. The suppliers will, in general, not retain these securities but put them into circulation while buying other goods and services, and so on, until finally these securities will reach persons or firms which retain them as interest-yielding assets. In any period of time the total increase in government securities in the possession (transitory or final) of persons and firms will be equal to the goods and services sold to the government. Thus what the economy lends to the government are goods and services whose production is 'financed' by government securities. In reality the government pays for the services, not in securities, but in cash, but it simultaneously issues securities and so drains the cash off; and this is equivalent to the imaginary process described above.

(Michael Kalecki, [Ⓔ] [Political Aspects of Full Employment](#), *Political Quarterly*, 14/4, 1943, pp. 322-31 [My emphasis])

People in capitalist communities have become convinced that there are, indeed, no limits to the possibilities of material accumulation.

Bill Mitchell has explained the real resource constraints faced by capitalist nations:

[First, a currency-issuing government] can always use its currency-issuing capacity to ensure that all available productive resources that are for sale in that currency, including all idle labour, can be productively engaged.

That is, such a government can always, without exception, ensure there is full employment.

There is no financial constraint on such a government who desires to achieve that desirable policy goal.

While that might sound salutary, and, by comparison with the ambitions of most governments in this neo-liberal era, is light years ahead on any well-being index, it somewhat evades a further question as to whether achieving this desirable goal moves a nation out of poverty.

So, second, here is another totally general statement to complement the first. The worst-case scenario for a nation, irrespective of its government's currency-issuing capacity, is defined by the real resources that such a nation can access.

If a nation can only access limited quantities of real resources relative to its population, then no matter what capacities the government might have, that nation, in all likelihood, will be poor.

The ultimate constraint on prosperity is the real resources a nation can command, which includes the skills of its people and its natural resource inventory.

Thus, even if the government productively deploys all the resources a nation has available, it will still be poor if its resource base is limited.

Clearly, productively deploying all resources is a necessary condition for prosperity. And that remains the responsibility of the currency-issuing government after all of the non-government sector spending decisions have been made. But it is not a sufficient condition. A nation has to have sufficient resources to be prosperous.

The problem in this neo-liberal era is that currency-issuing governments use the myth that they are financially constrained to avoid fulfilling the responsibility to achieve full employment no matter how resource rich the nation might be.

So we have the obscene situation where even resource rich nations are succumbing to elevated levels of mass unemployment and increasing poverty rates amidst the 'plenty' because the ideological currents at the moment that has spawned an obsessive neo-liberal Groupthink are intent on shifting national income distribution in favour of those at the top end at the expense of everyone else.

(Bill Mitchell, ^{CE} [Ultimately, real resource availability constrains prosperity](#), Bill Mitchell - *Billy Blog*, Posted on Thursday, February 11, 2016)

- ⁵⁰⁵ Or, as in the case of the Maya of Mexico, changes in climate. As Douglas Kennett *et al*, ^{CE} [Development and Disintegration of Maya Political Systems in Response to Climate Change](#) (*Science* 9 November 2012, Vol. 338 no. 6108; pp. 788-791) explain:

The interval from 1535 to 1542 C.E. was particularly dry. Historical accounts link this drought to reduced agricultural productivity, famine, disease, death, and population relocation. Some estimates suggest that drought-related agricultural disaster caused nearly a million deaths in Mexico in 1535 C.E., illustrating how meteorologically dry conditions presage agricultural drought with severe effects scaled to population density and level of agricultural intensification.

- ⁵⁰⁶ The often quoted Greek invention of a steam-powered piston and its use as a toy is an example of this. The technological developments in non-Western communities reflected their utilization of their environments. The Western presumption that the sophistication of a community can be judged by its mastery of sophisticated technologies is ethnocentric. That is only likely to apply if community technologies are being driven by expanding material needs and wants.

(Of course, human beings, driven by intellectual curiosity, have often developed technologies to facilitate intellectual exploration - as in the case of the Greek steam piston. This, however, has seldom (if ever) resulted in technologies designed to cater to mass production of consumer goods and services.)

- ⁵⁰⁷ Gustave Speth, Administrator of the ^{CE} [United Nations Development Program](#), in 1994 (repeating a description he gave in a World Bank address (^{CE} [Speth 1993](#))), outlined some of the massive problems confronting the world a decade ago (and confronting us even more starkly today),

Today, the average person among the 4 billion in the developing countries consumes about 2,500 calories of food each day. The average person consumes 3,400 calories per day in Western Europe and more than 3,600 in the United States...

[A]ccording to recent estimates by the world's leading soil scientists, an area of about 1.2 billion hectares - about the size of China and India combined - has experienced moderate to extreme soil deterioration since World War II as a result of human activities.

Over three-fourths of that deterioration has occurred in the developing regions, most of it in arid and semi-arid regions from such causes as overgrazing, deforestation, land clearing, unwise agricultural practices, and increased soil salinity and waterlogging, largely from irrigation.

Other environmental threats to the agricultural resource base include loss of water through contamination; loss of genetic resources, habitats, and species: adverse impacts of pesticides, and greater resistance of plant diseases, weeds and insects...

When combined with other environmental threats to the agricultural resource base - loss of water and generic resources, loss of cultural resources, and climate change, both local and global - the situation is disturbing indeed.

⁵⁰⁸ Accounts of the period include numerous comments on the 'generosity' or, alternatively, profligacy of 'simple' 'primitive' peoples who seemed unaware of the true 'value' of objects in their possession. Stories also abounded of their willingness to casually discard 'valuable' possessions they were given, often in an attempt to 'do the right thing' and 'pay' for the 'valuables' received from them.

⁵⁰⁹ As a 1990 editorial in *The Ecologist* put it:

History", wrote the French philosopher Voltaire, "is a fable upon which we are all agreed". So far as the colonial period goes, the fable would have us believe that the colonial powers were primarily motivated by a desire to bring "progress" and "civilization" to their colonies. Whilst this may indeed have been true of the missionaries who trail-blazed Europe's colonial expansion, it was far from the minds of the main architects of colonial rule.
(*Ecologist* Vol 20 No 6 1990 p. 202)

⁵¹⁰ See ^{CE} [King Leopold II and the Belgian Congo](#) for one of the more extreme examples of this reorganization in central Africa.

⁵¹¹ See [The mono-agricultural re-organization of Africa](#) for more on this.

⁵¹² See this ^{CE} [International Institute for Tropical Agriculture \(IITA\) and the Center for International Forestry Research \(2011\)](#) report for a typical Western solution to a problem driven by the imposition of mono-agricultural production for Western markets on small-holdings. Indigenous people, caught in the trap of constant downward pressures on income as production increases are blamed for the problems this creates:

Cocoa production in West Africa is an important commercial sector and a source of livelihoods for about two million households in the region. For the last 20 years Côte d'Ivoire has been the largest producer both in terms of output and numbers of producers, followed by Ghana, Nigeria, and Cameroon with these four countries now accounting for 70% of global cocoa supply.

According to the study, cocoa production in West Africa's Guinean Rainforest region doubled between 1987 and 2007, but most of this increase was fueled by clearing forest areas resulting in large losses of biodiversity and high carbon emissions.

The Guinean Rainforest (GRF) of West Africa, identified over 20 years ago as a global biodiversity hotspot, had reduced to 113,000 km² at the start of the new millennium, which was 18% of its original area, according to the report. The principal driver of this environmental change has been the expansion of low-input smallholder agriculture that depends on environmentally destructive practices like slash-and-burn and land clearing.

Researchers at IITA found that increasing fertilizer use on cocoa-timber farms would have spared roughly 2 million hectares of tropical forest from being cleared or severely degraded. On average, farmers are using less than 4kg of total nutrients per hectare in the region.

The study suggests that farmers could have achieved the same outputs without rampant deforestation through the intensified use of fertilizer and agrochemicals coupled with improved crop husbandry. According to IITA, by doing so farmers would have doubled their incomes and helped to avoid deforestation and degradation on 2.1 million hectares and in the process, this would have generated a value of over 1,600 million dollars on 1.3 billion tons of CO₂ emissions that would not have come from deforestation.

(^{CE} [EurekAlert 7-Apr-2011](#))

Alex Renton, in an article in the ^{CE} [Sunday Independent 2nd January 2011](#) entitled *India's hidden climate change catastrophe: Over the past decade, as crops have failed year after year, 200,000 farmers have killed themselves* provides a description of the kind of problems this creates:

Mr Sainath is an award-winning expert on rural poverty in India, a famous figure across India through his writing for The Hindu newspaper. I spoke to him at a screening of Nero's Guests, a documentary film about the suicide epidemic and some of the more eye-popping inequalities of modern India.

"Poverty has assaulted rural India," he said. "Farmers who used to be able to send their children to college now can't send them to school. For all that India has more dollar billionaires than the UK, we have 600 million poor. The wealth has not trickled down."

Almost all the bereaved families report that debts and land loss because of unsuccessful crops were among their biggest problems.

The causes of that poverty are complex. Mr Sainath points to the long-term collapse of markets for farmers' produce. About half of all the suicides occur in the four states of India's cotton belt; the price of cotton in real terms, he says, is a twelfth of what it was 30 years ago. Vandana Shiva, a scientist-turned-campaigner, also links failures of cotton farming with the farmer suicides: she says the phenomenon was born in 1997 when the Indian government removed subsidies from cotton farming. This was also when genetically modified seed was widely introduced.

"Every suicide can be linked to Monsanto," says Ms Shiva, claiming that the biotech firm's modified Bt Cotton caused crop failure and poverty because it needed to be used with pesticide and fertilisers. The Prince of Wales has made the same accusation. Monsanto

denies that its activities are to blame, saying that Indian rural poverty has many causes.

Beyond any argument - though no less politically charged - is the role of the weather in this story. India's climate, always complicated by the Himalayas on one side and turbulent oceans on the two others, has been particularly unreliable in recent years. In Rajasthan, in the north-west, a 10-year drought ended only this summer, while across much of India the annual monsoons have failed three times in the past decade.

India's 600 million farmers and the nation's poor are often the same people: a single failed crop tends to wipe out their savings and may lead to them losing their land. After that, there are few ways back. The drought, following a failed monsoon, that I saw in Andhra Pradesh in 2009 was the tipping point that drove Mr Naik to suicide.

Such tragedies and even the selling of children for marriage or as bonded labor - a common shock-horror news story in India - are the most dramatic results. But far more common is the story of rural families migrating, in tens of millions, to India's cities, swelling the ranks of the urban poor and leaving holes in the farming infrastructure that keeps India fed. ...

I visited an idyllic village, Surah na Kheda, last month in the limerick-worthy district of Tonk, Rajasthan. We arrived to find the rows of whitewashed mud-walled houses gleaming in the rising sun, while inside the courtyards women in bright saris were stirring milk to make yogurt and butter for the day's meals. Their daughters kneaded dough for the breakfast chapattis.

But there was an odd thing: a distinct lack of people. There were the old and the very young - but virtually no one of working age. Half the village, some 60 adults and many children, had gone to Jaipur, the state capital, to look for work. Even though the Diwali holiday fell the following week, no one expected their neighbors and relatives back. Times were too hard.

Prabhathi Devi, 50, said four of her seven children had joined the exodus. "They had to go," she said. "Twenty years ago, we could grow all we needed, and sell things too. Now we can't grow wheat, we can't grow pulses, we can't even grow carrots, because there is not enough rain. So we go to the cities, looking for money."

⁵¹³ See [From Indolent Subsistence to Labor-pool Worker](#) for more on this.

⁵¹⁴ These constantly escalating demands have not lessened in the 21st century. As long as Western social templates are centered on competitive material accumulation and consumption, attempts at 'sustainable development' must, by definition, fail.

Sustainability requires a stable demand for material goods. This can only happen when the social templates of communities are focused on something other than competitive, individual material accumulation and consumption. Of course, to hold consumption and accumulation at present levels is already an unsustainable proposition.

Unless the social templates of Western countries and their accumulative and consumptive demands are reduced to genuinely sustainable levels, and the status systems of other communities are not warped through

competition with the West and through the stimulation of material needs and wants by promotional agencies, 'sustainable development' is an oxymoron.

⁵¹⁵ The populations of Third World communities are, indeed, out of control. However, we need to ask when they began this uncontrolled growth. It seems that in almost all Third World countries the take-off into uncontrolled population growth coincided with the commencement of the 'development' drive of the post-Second World War period.

Kevin Noone has summed up the post-WW2 'great acceleration' in 'development' well:

Indeed, around 1950, the world seems to have reached a tipping point, with practically every factor that heightens humanity's impact on the planet - population, GDP, fertilizer use, the proliferation of telephones, and paper consumption, to name only a few - beginning to increase rapidly. During this period, which the scientist Will Steffen dubbed the "Great Acceleration," the human population became sufficiently large and connected, with high enough consumption, to become a major global force.

(Kevin J. Noone, *Project Syndicate*, Oct. 2, 2013, [Ⓔ] [Problem Solving in the Anthropocene](#))

It is contended that the rapid increase in population growth is largely a consequence of the disruption of communities, through attempting to reorganize them to Western requirements. Communal controls on population have been disrupted, and people are socially disoriented and confused.

Population growth is no longer driven by the needs and requirements of communities, and individuals have not been reoriented to Western forms of individualized population control based on material cost calculations.

As I have argued elsewhere ([Ideology and reality](#)), Western belief that people can easily be reoriented to Western assumptions and Western drives is naive. The more vigorously such attempts are pursued, the more disrupted communities become and therefore the less effective population control measures become.

⁵¹⁶ See [Capitalism and Work: The white Man's Burden; Capitalism and its Colonies](#)

⁵¹⁷ See [Capitalism and its Colonies](#) for more on this.

⁵¹⁸ A cynical observer might say that colonial powers had found a way to retain the advantages and avoid the disadvantages of empire.

They handed political control/ responsibility to colonial politicians, ducking the problems of independence movements and political unrest, while retaining most of the economic advantages of empire.

In doing so, they could require post-colonial countries to purchase the requirements of government (including weapons, infrastructural equipment of various sorts, and pay for expertise) while retaining privileged access to their resources.

⁵¹⁹ Where post-colonial nations attempted to break this connection, focusing on internal development, as in Nyerere's *ujamaa* movement in Tanzania from 1964-85, they found themselves under very strong First World pressure to conform. Any move away from the *status quo*, in the

Cold War climate of the period, was construed as a move to socialism and communism. This, inevitably invoked very similar political pressures to those experienced in Chile and elsewhere (see ^{CE} [CIA Activities in Chile, September 18, 2000](#) for a frank official CIA explanation and assessment of its involvement in coup activity in Chile).

⁵²⁰ There was, of course, an element of truth in this (the best excuses are those which appear to be corroborated). See [Corruption](#) for more on this.

⁵²¹ They did not appear to have seriously hampered economic development in the East Asian 'tiger' nations.

⁵²² Patric Hamm, Lawrence P. King and David Stuckler ("Mass Privatization, State Capacity, and Economic Growth in Post-Communist Countries", *American Sociological Review*, Vol. 77, No. 2 (April 2012), pp. 295-324) spelt out the [consequences of the mass privatization programs](#), devised by private economists and both the IMF and World Bank, for former Soviet Union members in the early 1990s. A EurekAlert summary summed it up:

Devised principally by western economists, mass privatization was a radical policy to rapidly privatize large parts of the economies of countries such as Russia during the early 1990s. The policy was pushed heavily by the International Monetary Fund, the World Bank, and the European Bank for Reconstruction and Development (EBRD). Its aim was to guarantee a swift transition to capitalism, before Soviet sympathizers could seize back the reins of power.

Instead of the predicted economic boom, what followed in many ex-Communist countries was a severe recession, on par with the Great Depression of the United States and Europe in the 1930s. The reasons for the economic collapse and skyrocketing poverty in eastern Europe, however, have never been fully understood. Nor have researchers been able to explain why this happened in some countries, like Russia, but not in others, such as Estonia.

Some economists argue that mass privatization would have worked if it had been implemented even more rapidly and extensively. Conversely, others argue that although mass privatization was the right policy, the initial conditions were not met to make it work well. Further still, some scholars suggest the real problem had more to do with political reform.

In their new study, Lawrence King, a Reader in sociology at the University of Cambridge, David Stuckler, a Lecturer in sociology at the University of Cambridge, and Patrick Hamm, a doctoral candidate in sociology at Harvard University, test for the first time the idea that implementing mass privatization was linked to worsening economic outcomes, both for individual firms, and entire economies. The more faithfully countries adopted the policy, the more they endured economic crime, corruption, and economic failure. This happened, the study argues, because the policy itself undermined the state's functioning and exposed swathes of the economy to corruption.

The report also carries a warning for the modern age: "Rapid and extensive privatization is being promoted by some economists to resolve the current debt crises in the West and to help achieve

reform in Middle Eastern and North African economies," said King. "This paper shows that the most radical privatization program in history failed the countries it was meant to help. The lessons of unintended consequences in Russia suggest we should proceed with great caution when implementing untested economic reforms." ([Mass privatization put former communist countries on road to bankruptcy, corruption: Western economists advocated the policy after Soviet Union's Fall](#), Eurekaalert 29-Mar-2012)

⁵²³ [Milton Friedman's views](#) were hardly original. As we have already seen, similar views were forcefully promoted through the 19th century (see [19th Century Free-Marketters](#)).

In a review of Nancy MacLean's (2017), *Democracy in Chains: The Deep History of the Radical Right's Stealth Plan for America*, George Monbiot has described the origins of Public Choice Theory well:

...[James] Buchanan, in collaboration with business tycoons and the institutes they founded, developed a hidden programme for suppressing democracy on behalf of the very rich. The programme is now reshaping politics, and not just in the US.

Buchanan was strongly influenced by both the neoliberalism of Friedrich Hayek and Ludwig von Mises, and the property supremacism of John C Calhoun, who argued in the first half of the 19th century that freedom consists of the absolute right to use your property (including your slaves) however you may wish; any institution that impinges on this right is an agent of oppression, exploiting men of property on behalf of the undeserving masses.

James Buchanan brought these influences together to create what he called [Ⓔ] [public choice theory](#). He argued that a society could not be considered free unless every citizen has the right to veto its decisions. What he meant by this was that no one should be taxed against their will. But the rich were being exploited by people who use their votes to demand money that others have earned, through involuntary taxes to support public spending and welfare. Allowing workers to form trade unions and imposing graduated income taxes were forms of "differential or discriminatory legislation" against the owners of capital.

Any clash between "freedom" (allowing the rich to do as they wish) and democracy should be resolved in favour of freedom. In his book [Ⓔ] [The Limits of Liberty](#), he noted that "despotism may be the only organisational alternative to the political structure that we observe." Despotism in defence of freedom.

His prescription was a "constitutional revolution": creating irrevocable restraints to limit democratic choice. Sponsored throughout his working life by wealthy foundations, billionaires and corporations, he developed a theoretical account of what this constitutional revolution would look like, and a strategy for implementing it.

He explained how attempts to desegregate schooling in the American south could be frustrated by setting up a network of state-sponsored private schools. It was he who first proposed privatising universities, and imposing full tuition fees on students:

his original purpose was to crush student activism. He urged privatisation of social security and many other functions of the state. He sought to break the links between people and government, and demolish trust in public institutions. He aimed, in short, to save capitalism from democracy.

(George Monbiot, ^{CE} [A despot in disguise: one man's mission to rip up democracy](#), *The Guardian*, Australian Edition, US politics, Opinion, 19 July, 2017)

See Boston (1991) for a discussion of the emergence of the theoretical arguments.

⁵²⁴ See [Third World Debt](#) for more on this.

⁵²⁵ See [The Triumph of Neoliberalism](#) for more on this. James Galbraith has spelt out the major presumptions of the post 1960s neoliberal movement:

What was monetarism? Friedman famously defined it as the proposition that "inflation is everywhere and always a monetary phenomenon." This meant that money and prices were tied together. But more than that, Friedman believed that money was a policy variable - a quantity that the Central Bank could create or destroy at will. Create too much, there would be inflation. Create too little, and the economy might collapse. There followed from this that the right amount would generate the right result: stable prices at what Friedman came to call the natural rate of unemployment.

The intent and effect of this line of reasoning was to defend a core proposition about capitalism: that free and unfettered markets are intrinsically stable. In Friedman's gospels government is the lone serpent in Eden, while the task of policy is to stay out of the way. Just as this was the vulgar lesson of "Free to Choose" so it turns out it was also the deep lesson of the larger structure of Friedman's thought. Friedman and Schwartz's *Monetary History* for all its facts and statistics carried a simple message: the market did not fail; the government did.

(James K. Galbraith, [The Collapse of Monetarism and the Irrelevance of the New Monetary Consensus](#), 25th Annual Milton Friedman Distinguished Lecture at Marietta College, Marietta, Ohio March 31, 2008)

It is, perhaps, worth reminding ourselves of the rationale underpinning neoliberal forms of 'Third World development'.

Fundamental to the neoliberal creed is the presumption that Government should not interfere in the functioning of national or international market exchange, either through regulations which attempt to straitjacket market activity or through the supply of goods and services to the community.

It is there as an arbiter of disputes among suppliers and consumers, and its most important role is in the maintenance of those rules and regulations which will ensure that economic activity - the production, exchange, and consumption of goods and services - remains equitable
⁷²⁴.

This requires two important forms of legislation.

- ★ The first is aimed at ensuring that those involved in a transaction are 'free' from coercion to be involved in, or to settle the transaction to their disadvantage. That is, the state should ensure that economic activity takes place on a 'level playing field'.

As Milton Friedman, a neoliberal theorist, explained, governments are responsible to ensure

the protection of individuals in the society from coercion whether it comes from outside or from their fellow citizens. Unless there is such protection, we are not really free to choose.
(Friedman & Friedman 1980, p. 29)

- ★ Secondly, the state should ensure that the market remains truly competitive. That is, it should ensure that there is no collusion on the part of suppliers or purchasers to fix prices or to gain a monopoly in any area of trade. This is because the most efficient economy is that which is most competitive.

Unfettered competition will ensure that prices are kept low, that quality is constantly improved and that supply is similarly constantly improved. It will also ensure that the reach of markets is constantly expanded as competitors strive to remain viable through expanding sales. This will result in the internationalization of business activities.

It is good that major multinational firms are entering the economies of Third World countries.

Companies should be strongly encouraged to operate across national borders, and a prime responsibility of government is to make such internationalization possible through removing legislative obstacles. Unfettered competition will also ensure that suppliers are forced to be innovative in improving and diversifying their product ranges so that they might keep ahead of the inevitable saturation of the market by particular products.

This constant emphasis on innovation, it is argued, results in human beings continually exploring their environments, searching for new ways in which to profit. In the process they expand their horizons, thus ensuring fuller development of the human potential.

These requirements of government preclude it from involvement in economic activity. One cannot allow the referee to start playing because if the government is a player, it will also be a biased arbiter. Further, since those who work for the government are not primarily focused on material profit, but on the provision of services in the absence of competition, they will, by definition, be less efficient than private enterprise.

Public enterprise (including the various 'social services') should be privatized to improve efficiency. There must be a clear and unequivocal separation of the public realm of government from the private realm of economic activity. The primary responsibility of the public realm is to ensure that private players abide by the rules of fair trading.⁷²⁵

The rules of fair trading and economic development require two fundamental principles to be maintained. The first is that no individual could be compelled to enter into a transaction with another individual.

The second is that self-interested accumulative activity, provided it does not infringe the first principle, should be rewarded.

If multinational companies made large profits from their Third World activities, this demonstrated the validity of neoliberal principles.

The person/ corporation who, playing the game by the rules, is able to accumulate property of one kind or another is not only entitled to that property, but should be recognized as having substantially contributed to the public good in the act of accumulation ⁷²⁶.

Unless such people/corporations are directly, materially able to benefit from their activity they will put less effort into it. This, in turn, will result in economic stagnation. On the other hand, if those who generate profits are allowed to retain them, they, through reinvesting those profits, will generate increased economic activity.

It is assumed that since human nature is the distillation of millions of years of evolutionary experience, human beings as individuals will be adapted innately (through natural selection) to make the best of their natural and social environments. (Of course, there are many who do not accept an evolutionary explanation, preferring to rely on the 'natural law' argument ⁷²⁷ as justification for their belief in the primacy of independent and competitively opposed individuals.)

Effectively, therefore, if one removes all social inhibitions aimed at channeling and distorting human behavior, human beings, in any community, will be freed to real self-development which, inevitably, will most satisfactorily be expressed in involvement in market exchange.

So, human communities are best served, and individuals will benefit most, if they are empowered to engage in the uninhibited, competitive exchange of goods and services. All human beings, it is claimed, are naturally and individually competitively opposed to each other and intent on accumulation. ⁷²⁸

These principles, naively presumed to be universally valid, have driven Third World economic development advice since the 1970s. That advice has been mandated through the demands of international agencies as Third World countries have found themselves unable to meet their international financial 'responsibilities'.

⁵²⁶ It has taken a further 20 years of neoliberal control within the 'developed' world for policies similar to those imposed on Third World nations to be imposed, with similar force, on Western nations. [Greece is, arguably, the first in line to experience similar treatment](#) at the hands of 'creditors' and international organizations such as the IMF. (Argentina has experienced similar treatment at the hands of international creditors and institutions over the past thirty years.)

It is not alone. Portugal, Spain, Ireland have been subjected to similar demands. The major difference between Greece and those nations is that, in 2015, it has opted for a government which rejected the 'austerity' demands of the European and IMF technocrats and has consequently been labeled 'leftist' - a government which must be brought to heel lest its rebellion become contagious.

Paul Krugman has summarized Greek experience in recent years well:

... the campaign of bullying - the attempt to terrify Greeks by cutting off bank financing and threatening general chaos, all with the almost open goal of pushing the current leftist government out of office - was a shameful moment in a Europe that claims to believe in democratic principles. It would have set a terrible precedent if that campaign had succeeded, even if the creditors were making sense.

What's more, they weren't. The truth is that Europe's self-styled technocrats are like medieval doctors who insisted on bleeding their patients - and when their treatment made the patients sicker, demanded even more bleeding...

(Paul Krugman, ^{CE} [Ending Greece's Bleeding](#), *New York Times*, The Opinion Pages, July 5, 2015)

Sadly, Greece's story is far from told. While its populace has voted not to accept the austerity demands of the 'European Troika' (the International Monetary Fund (IMF), European Commission (EU) and European Central Bank (ECB)), rejecting austerity demands of neoliberal technocrats has seldom worked in Third world nations. It will indeed be surprising if European neoliberal technocrats quietly accede to Greek demands. As Krugman concludes:

In the failed negotiations that led up to Sunday's referendum, the central sticking point was Greece's demand for permanent debt relief, to remove the cloud hanging over its economy. The troika - the institutions representing creditor interests - refused, even though we now know that one member of the troika, the International Monetary Fund, had concluded independently that Greece's debt cannot be paid. But will they reconsider now that the attempt to drive the governing leftist coalition from office has failed?

I have no idea ...

⁵²⁷ Simon Johnson (2014) has summed up IMF influence around the world:

The IMF is founded on the premise that it represents cooperation between all of the countries of the world. The reality is that it stands for and operationalizes US power, in cooperation with America's closest allies.

Anyone who doubts that should review a recent letter orchestrated by the Bretton Woods Committee, addressed to Congressional leaders on behalf of an impressive array of former Republican and Democratic cabinet secretaries. The first paragraph reads, "The IMF has always been a valuable tool for advancing US national interests globally."

The US does not dictate what happens at the IMF, but it does have a disproportionate influence. Given the Fund's origins in helping to rebuild Europe after World War II, European countries are also very well represented on its executive board and in terms of ownership shares (and thus voting weight on important decisions).

(Simon Johnson, ^{CE} [The Importance of Being Boring](#), *Project Syndicate*, March 27, 2014)

Barry Riddell, examining the implementation of SAPs in Third World countries in the late 1980s, concluded that:

... the I.M.F. has imposed 'conditionalities' in sub-Saharan Africa as integral elements of Structural Adjustment Programs (S.A.P.s) that affect not only the lives of all the inhabitants, but also the nature and landscapes of the nations concerned - their very geographical composition ...

Although the specifics of S.A.P.s differ, four basic elements are always present:

- currency devaluation,
- the removal/ reduction of the state from the workings of the economy,
- the elimination of subsidies in an attempt to reduce expenditures,
- and trade liberalization

... at the same time, the countries themselves are altered in certain fundamental ways. These involve the organization of the state, the character of the environment, the supply of food, the meaning of development, urban-rural interaction, and distinctly different future prospects for the several areas that make up the Third World [⁷²⁹]
...

The debt crisis dominates national life: unemployment is increasing, food and fuel are in short supply, availability of services has deteriorated, and standards of living are falling. It is more than a matter of export earnings not meeting the financial obligations of debt servicing and the costs of imports, for the situation is exacerbated by rapid population growth, environmental deterioration, over-urbanization, unemployment, and AIDS. ...

Chinua Achebe wrote *Things Fall Apart* (London 1958) in order to describe disasters which befell African society and economy with the onset of colonialism. Financial stringency is leading to similar results again almost a century later. The exigency means that the economies of the newly independent states are in decline, with little or no hope for the immediate future despite the rhetoric of international institutions.

(Riddell 1992, pp. 53-55)

⁵²⁸ Third world nations have inherited a wide range of difficulties and problems stemming from both their own [pre-colonial historical backgrounds](#) and the naive presumptions which all-too-often underpinned their [formation as 'post-colonial' nation states](#).

Their difficulties have been compounded through the past 50 years through the Western imposition of neoliberal restructuring. The disastrous consequences of Western imposed structural adjustment programs have been well summarized by Bill Mitchell:

The evidence shows that the so-called structural adjustment program (SAPs) that the IMF and World Bank typically impose on poor nations struggling with balance-of-payments problems – based upon fiscal austerity, elimination of food subsidies, increase in the price of public services, wage reductions, trade and market liberalisation, deregulation, privatisation of state-owned assets, etc.

– have had a disastrous social, economic and environmental impact wherever they have been applied.

Not only have they kept millions in persistent poverty but they also foisted unsustainable levels of external debt on these nations, which were then used to justify the imposition of destructive export-led production strategies that in many cases devastated the existing subsistence systems and led to large-scale environmental ruin (for example, massive deforestation in Mali).

Though masqueraded as development programs, SAPs have actually acted as giant siphons, sucking out wealth and resources from these countries and pumping it into the pockets of the rich elites and corporations in the US, Europe and elsewhere.

To add insult to injury, in many instances these policies also wrecked the borrowing countries' local productive sectors, thus creating increased import and debt dependencies.

Clearly, the IMF and the World Bank have outgrown their original purpose and have ceased to play any positive role in the management of world affairs.

Rather, their interventions have undermined prosperity and impoverished millions of people across the world, and continue to do so – mostly, but not exclusively, in the developing world (as the Fund's participation in Greece's bailout program testifies).

(Bill Mitchell, ^{CE} *If Africa is rich – why is it so poor?*, *Billy Blog*, June 19, 2017)

⁵²⁹ See [Reciprocity and Exchange](#) for a discussion on the nature of social exchange.

⁵³⁰ I have never found anyone who could satisfactorily explain why this presumption was (and is) held.

⁵³¹ Siphoning of funds into patron-client networks was, of course, a feature of both government and business organization in many Third World countries. See Biersteker (1987) and Robison (1990) for descriptions of the relationship between government and private enterprise in Nigeria and Indonesia.

Of course, [corporate funding of politicians and lobbyists](#) has become an art form in the US and most Western nations over the past half century.

⁵³² The Secretary-General of UNCTAD, in 1996, explained:

International trade and production have not expanded at the same rate as international financial transactions, but production by transnational corporations has grown faster than trade. More importantly, trade and the internationally integrated production of TNCs have acted both separately and in interplay with each other to increase interdependence of economies in terms of production activities, lending a qualitative dimension to globalization that distinguishes it from its earlier variants ...

The principal driving force in the globalization process today is the search of both private and publicly-owned firms (and more generally, producers and asset holders) for profits worldwide.

Their efforts are made possible or facilitated by advances in information technology and by decreasing transport and communication costs. To maintain or increase market share and maximize profits in a world economy with rapid technological change, converging consumer tastes and liberalised flows of goods, services, capital and technology across national boundaries, firms are pursuing strategies that allow them to exploit all available sources of competitive strength, combining their own, firm-specific assets with assets that are specific to particular locations.

They minimize transaction costs and maximize efficiency and profits through appropriate choice of modes of international transactions and distribution of assets and of international production activity ...

As firms increasingly see transnational production as necessary for their competitiveness and profitability, they are exerting more and more pressures on Governments to provide conditions that will allow them to operate worldwide. This involves not only further liberalization of international trade but also freedom of entry, right of establishment and national treatment, as well as freedom for international financial transactions, deregulation and privatization ...

Macroeconomic forces have, meanwhile, exerted other pressures on firms and Governments. Slow growth of demand, stagnant wages and persistently high unemployment in the developed countries over the past 20 years have resulted in pressures from firms and workers that have influenced these countries' policies.

The slow growth of domestic demand and the related squeeze on profits in developed countries has led firms there to intensify their search for growth and profits in other markets; in so doing, they also apply pressure on their home Governments to demand greater openness of foreign markets.

(^{CE} UNCTAD 1996, ch. 1, pp 15-16,20-21)

⁵³³ See [Inflation of the Material Requirements of Status Positions](#) for more on this.

⁵³⁴ Briones and Zosa (1994) described the situation in the Philippines:

... for more than two decades, external debt accumulation in the Philippines has been characterised by an accelerating trend. These are monetary and non-monetary liabilities incurred by both the public and the private-sector from foreign entities such as commercial banks, multilateral organizations, the International Monetary Fund, the private bond market, foreign government and bilateral agencies, and other foreign institutions ...

The Philippines external debt increased almost ninefold between 1972 and 1982 ...

This illustrates the policy of development financing during the period - a policy where development projects were financed by borrowings from external sources, particularly from the international financial system, which was awash with recycled petrodollars ...

Investment and international financial resources flowed into their economies. Unfortunately, global finance innovations also facilitated the outflow of these resources in larger amounts through capital

flight, which resulted from the unsettling political and social events prevailing at the time. The outcome was the 1983 debt crisis where debtor economies like the Philippines had to declare a series of moratoria on debt service payments ...

Even after the debt crisis, the Philippine external debt continued to rise. This was accounted for mainly by net availment of foreign loans, foreign exchange fluctuations, and capitalised interest on debt service payments after the debt reschedulings following the moratoria ...

Again, shift in the international financial and monetary systems played a major role in the structure of the Philippine external debt. With the capitalisation of unpaid interest after the moratoria, debt stocks rose and correspondingly bloated debt service payments.

This necessitated the need for more loans and financial assistance, which the international financial community provided at increasingly higher costs financially, economically, and politically. The access enjoyed by developing countries to Eurocurrency credit markets in the 1970s and 1980s made these debtor nations more vulnerable to foreign exchange fluctuations.

(Briones & Zosa 1994, pp. 253-5)

⁵³⁵ See [Center for the Study of Democracy \(1995\)](#) for an exploration of the options available to Bulgaria as it struggled to handle a debt crisis in the mid 1990s.

See Chapter 2 of that study for an economic advisor's description of the rationale for such programs: [Rationale for a Debt Conversion Program](#) and Chapter 3: [Debt for Equity Conversion Models](#) for the implementation models of such schemes in a variety of Central and South American countries. As the writer explained,

Debt Conversion Programs are no panacea for a country's debt or development problems. They should be viewed as useful but limited vehicle for debt reduction and for the attraction of new investments. However, in certain circumstances, they can make a substantial contribution both by encouraging foreign capital inflows at a time when it is scarce and in alleviating the debt service burden. Some countries have used these programs as an incentive for capital flight reversal.

⁵³⁶ Briones and Zosa described a few of the problems faced by the Philippines in the early 1990s:

The Philippines has reduced around \$3.4 billion of external debt through the above-mentioned schemes, including its debt buy-back of US \$1.3 billion.

It is important to stress that, although these voluntary debt reduction schemes may ease cash-flow payments, they are clearly inadequate to reduce overall debt stocks. Furthermore, these schemes are expensive and require foreign exchange resources to implement.

For example, the cash buy-back of US \$1.3 billion (which involved purchasing the debt papers at 50 cents in the dollar) had to be supported by an official loan of US \$650 million from multilateral

and bilateral creditors as the Philippines did not have the reserves to support the buy-back.

Thus, what was gained in reduction of commercial bank debt was lost in terms of an increase in official loans.

Furthermore, debt-equity programs and other debt schemes also create undue inflationary pressure. These, too, link the debt problem to investments in debtor economies like the Philippines.

As scarce capital deters local investors, the premium enjoyed by investors in debt-equity programs and debt-for-note/debt programs favor foreign investors and accords them the opportunity of availing themselves of the assets/resources in the economy at 'sweet-heart' prices.

The hold of transnationals in key industries and sectors of the Philippine economy remains a burning issue. In the medium and long-term, the pressure on foreign exchange reserves brought about by profit remittances will also have to be addressed. (Briones & Zosa 1994, pp. 269-270)

⁵³⁷ Rajeev Chandrasekhar has described the phenomenon for India and China in the 21st century:

The movement of the rural poor to large cities is one of the exemplary narratives of the modern era. And governments, which typically focus on crude measures of economic performance, encourage rapid urbanization.

In China, for example, the relaxation of migration controls in the 1980's and the opening of the economy led to the spectacular growth of the country's eastern cities. More than 50% of Chinese live in urban areas today, up from 25% in 1990, and the proportion is expected to reach 70% by 2035.

While the majority of Indians still live in rural areas, this, too, is changing fast. From 1970 to 2010, India's urban population grew by 250 million. The next quarter-billion will be added in half that time. By 2030, 70% of India's GDP will come from its cities.

But cities are simply unable to cope with the influx of migrants on the current scale. The fast-growing metropolises of India, China, Brazil, and other major emerging economies offer plenty of jobs, but basic amenities are lacking; as a result, many of the urban poor live in slums, without adequate health care, water supplies, or electricity.

The problems are legion. Municipalities, often owing to corruption or poor management, are unable or unwilling to impose rigorous planning regulations. Infrastructure spending is either inadequate or poorly targeted. Workers come home from their jobs to homes that are dark, dank, and depressing. They feel unsafe on poorly-lit streets, and have little access to parks or recreational facilities. Mornings and evenings are lost to long commutes on polluted highways.

(^{CE} *Civilizing the City*, Project Syndicate, May 4, 2013)

In Western regions, the movement into urban areas commenced in the 16th century, with land consolidation and the dispossession of millions of

small land holders. It continues to the present.

In non-Western regions, the problems of consolidation began with the economic reorganization of colonial regions to feed the factories of Europe. Urbanization was kept in check through laws and regulations controlling the movement of people from 'traditional' reserves.

Following the 2nd World War, those legal restrictions were challenged as 'anti-democratic' and people began to move to possible employment centers (see [The Right of Individuals to Freedom of Movement and Self-expression](#) for more on this).

With the globalization of economic activity over the past forty years, the [problem has grown even more serious](#). As Un-Habitat's, *The Challenge of Slums: Global Report on Human Settlements 2003* explained:

The locus of poverty is moving from the countryside to cities, in a process now recognized as the "urbanization of poverty." The absolute number of poor and undernourished in urban areas is increasing, as are the numbers of urban poor who suffer from malnutrition.

Kennedy Odede has described his own experience and that of millions of others around the world:

My mother, like her mother, her grandmother, and so on, was born into poverty in the rural village of Rarieda, Kenya. I, too, was born in the village, and lived there until it was struck by a brutal famine when I was two years old. With no food, money, or opportunities, my mother did what thousands of African villagers do every day: she moved us to the city in search of a better life. But, given the lack of jobs and housing in Nairobi, we ended up in Kibera, one of Africa's largest slums.

Located just a couple of miles from downtown Nairobi, Kibera is a heavily polluted, densely populated settlement composed of informal roads and shacks with corrugated tin roofs. Kenya's government does not recognize Kibera, there is no sewage system or formal power grid. Its residents, estimated to number anywhere from a few hundred thousand to more than a million, do not officially exist.

Kibera is just one example of the consequences of the rapid urbanization that is gaining momentum worldwide. More than 44% of developing-country residents already live in cities. The Population Reference Bureau estimates that by 2050, only 30% of the global population will remain in rural areas. But few have stopped to consider this shift's implications for families like mine.

When people think of Africa, they often focus on the hardships of village life - a perception reflected in iconic images of African women on their daily excursions to fetch water. But an increasing number of people - already nearly 300 million - are facing the harsh reality of the urban slum, where resources are scarce and economic opportunities are elusive. More than 78% of the urban population in the world's least-developed countries, and one-third of the global urban population, lives in slums.

(Kennedy Odede, ^{CE} [Africa's Urban Challenge](#), Project Syndicate, Aug. 1, 2013)

538 As Charmes described:

Estimates of the informal sector as comprising between 20 and 60 per cent of urban or non-agricultural employment are now accepted truths, and the wide margin is taken as evidence that the lower level of development of a country, the larger its informal sector ...

(Charmes 1990, p. 17)

Perhaps the most important point to remember in considering informal economic activity in Third World countries is that people are involved in supplying their subsistence and status-related needs and wants in ways which are acceptable to people in their own communities. They are organizing activity in ways which 'fit' the requirements of the social templates which underwrite all communal organization and activity.

The forms of productive exchange and consumptive organization and activity which emerge are likely to reflect more closely forms from the community's own past than formal economic organization and activity. For this reason, a great deal of the activity will only coincide poorly with the requirements for involvement in Western economic activity, that is in 'formal' economic activity.

Attempts by well-meaning development agencies to 'harness the informal sector' in promoting formal economic development are inappropriate since they are attempts to refashion such activity to fit the presumptions and requirements for involvement in Western social template activity. The social engineering implications of such attempts are enormous, though seldom recognized by those who promote such refashioning.

539 As Dharam Ghai explained:

The establishment of colonial rule in the 19th and early 20th century in most parts of Africa set in motion a series of developments with profound implications for the environmental balance.

The principal mechanisms disturbing the equilibrium were expropriation of land for settlement and plantations, assumption of state sovereignty over natural resources, commercialisation of agriculture, development projects and policies and population growth ...

These developments not only disrupted the long established systems of shifting cultivation and nomadic pastoralism but also confined indigenous populations to restricted areas often of low agricultural potential ...

The situation varied by regions and colonial authorities but the general trend was towards increasing central control and growing disenfranchisement of local communities ... The process continued after independence from colonial rule ...

The search for profits brought an ever increasing area of land under cultivation. Some of the earlier practices of crop rotation, intercropping, mixed farming and shifting cultivation were either abandoned or restricted ...

The growth of export commodities such as cotton and groundnuts reduced soil fertility and increased its vulnerability to erosion. This was especially the case with continuous mono-cropping. The

deleterious effects on soil fertility have also been observed with continuous mono-cropping of food crops such as maize even when fertilisers are used.
(Ghai 1993, p. 65)

⁵⁴⁰ See [Just-in-Time and Total-Quality-Control](#) for more on this.

⁵⁴¹ John Borrego described their experience in the 1990s:

The spatio-temporal unity of the polity and economy, characterising the earlier phases of capitalist development, has been fractured. The State's capacity to mediate between market and society has been weakened.

In particular, global capitalism has substantially reduced the local, regional and national State's control over its economic and non-economic environments (Ross & Trachte, 1990). Post-Fordist firms seek settings with 'good business environments'.

While this concept can suggest qualities such as a skilled labor force and highly developed and maintained infrastructure, it can also mean low wages, weak unions, and lax regulation of the work place and environment which disempower people and communities.

In this setting, States use tax abatements and various other subsidies to attract or simply hold businesses. 'Economic development' often means States encouraging competitive rollbacks in all these areas which force communities into 'placewars' in order to attract globally mobile capital (Mingione, 1991; Donald Haider, 1992: 127-134).

(Borrego 1995, pp. 37-8)

⁵⁴² See [Moves to Automation](#) for more on this.

⁵⁴³ It is easy for people who still have adequate housing and reasonably paid employment and conditions (fewer than there were five years ago) to forget that, in the history of capitalism, the conditions they enjoy are an 80 year long exception to a far harsher rule.

For most of the past four hundred years, Alexis de Tocqueville's description of Manchester in the 1830s has not been exceptional:

Thirty or forty factories rise on the tops of the hills I have just described. Their six stories tower up; their huge enclosures give notice from afar of the centralisation of industry.

The wretched dwellings of the poor are scattered haphazard around them. Round them stretches land uncultivated but without the charm of rustic nature and still without the amenities of a town ...

Some of [the] roads are paved, but most of them are full of ruts and puddles into which foot or carriage wheel sinks deep ... Heaps of dung, rubble from buildings, putrid, stagnant pools are found here and there amongst the houses and over the bumpy, pitted surfaces of the public places ...

Amid this noisome labyrinth from time to time one is astonished at the sight of fine stone buildings with Corinthian columns ...

But who could describe the interiors of those quarters set apart, home of vice and poverty, which surround the huge palaces of industry and clasp them in their hideous folds?

On ground below the level of the river and overshadowed on every side by immense workshops, stretches marshy land which widely spaced muddy ditches can neither drain nor cleanse. Narrow twisting roads lead down to it. They are lined with one-storey houses whose ill-fitting planks and broken windows show them up, even from a distance, as the last refuge a man might find between poverty and death. Nonetheless the wretched people reduced to living in them can still inspire jealousy of their fellow beings. Below some of their miserable dwellings is a row of cellars to which a sunken corridor leads; twelve to fifteen human beings are crowded pell-mell into each of these damp, repulsive holes.

(^{CE} 1958, pp.105-6)

Here is a (2005) description of one of the slums in Mumbai, see ^{CE} Denis Gruber et al (2005):

The settlement unit 'Bharantinga Nagar Ekta' close to Kurla station was founded about 65 years ago. Like Dharavi, it is located close to a railway line and station, which guarantees access to transport and work in more distant places of Bombay (Desai 1995:149).

The slum is surrounded by apartment blocks (so-called shawls) of the former workers' class. Outside the slum are huge heaps of rubbish and a ditch that replace a sewerage system. A gangplank crossing the main ditch allows reaching the huts and houses. Here only Muslims live.

Therefore, this slum reflects a very homogenous social composition. As the slum population has no legal right to stay although many of them settled before 1995, and there are administrative plans for building a huge bridge in this area, the people are afraid of eviction and demolition of their houses and working places, what is very common in India and has recently (late 2004, early 2005) in Maharashtra experienced a new height that has even caused international protest. According to our question, concerning political activities in order to attain a legal sanction people regretted that there is no time for a political engagement, since they are mainly concerned with making their survival.

(2005 p. 7)

See [Who's to blame for their degrading circumstances; organizing the Working Poor; The Breakdown and Revitalization of Communities](#) for more on this.

⁵⁴⁴ See [The Granting of Monopolies](#) for more on this.

⁵⁴⁵ In the second decade of the 21st century, [globalization, economic deregulation and the disenfranchisement of 'democratic' communities](#) have produced their inevitable consequences. Dambisa Moyo has addressed 'the inequality puzzle' which has emerged (the comments on Moyo's article contextualize it well). As she has explained:

Over the past decade, income inequality has come to be ranked alongside terrorism, climate change, pandemics, and economic stagnation as one of the most urgent issues on the international policy agenda. And yet, despite all the attention, few potentially effective solutions have been proposed. Identifying the best policies for reducing inequality remains a puzzle.

To understand why the problem confounds policymakers, it is helpful to compare the world's two largest economies. The United States is a liberal democracy with a market-based economy, in which the factors of production are privately owned. China, by contrast, is governed by a political class that holds democracy in contempt. Its economy - despite decades of pro-market reforms - continues to be defined by heavy state intervention.

But despite their radically different political and economic systems, the two countries have roughly the same level of income inequality. Each country's Gini coefficient - the most commonly used measure of income equality - is roughly 0.47.

In one important way, however, their situations are very different. In the US, inequality is rapidly worsening. In 1978, the top 1% of the US population was ten times richer than the rest of the country. Today, the average income of the top 1% is roughly 30 times that of the average person in the remaining 99%. During the same period, inequality in China has been declining.

This poses a challenge for policymakers. Free market capitalism has proved itself to be the best system for driving income growth and creating a large economic surplus. And yet, when it comes to the distribution of income, it performs far less well.

Most democratic societies have attempted to address the problem through left-leaning redistributive policies or right-leaning supply-side approaches. But neither seems to be particularly effective. In the US, income inequality has steadily widened under both Democratic and Republican administrations. China's success in this arena points to the possible advantages of its heavy-handed system - a conclusion that makes many Western policymakers uncomfortable.

(Dambisa Moyo, ^{CE} [The Inequality Puzzle](#), *Project Syndicate*, February 18, 2016)

Robert Bruce, in a comment on Moyo's article, addressed the erosion of national borders and 'parochial' legislatures which has emerged in the pursuit of genuinely deregulated, internationalized free markets. He endorses the [disenfranchising of national governments](#) in favor of 'a new "Global Economic Community" with the mandate to regulate Global trade and enforce new minimum standards for the benefit of all'. As he explains, for him, and for most of those committed to globalization, the problem is:

...the elephant in the room - which is a crisis of Global governance. The need to remain Globally competitive now overrides all national government policy. Any country that tries to increase marginal tax rates in isolation will simply see wealth moved off-shore to lower tax competitors. Just today Greece has been criticised in *The Economist* for raising corporation tax to the outrageous level of 29% ! They point out that Greece is now losing business to neighbours such as Cyprus (12.5%) and Bulgaria (10%). We will never be able to tackle wealth inequality until we can set minimum marginal rates for taxation which must apply to any country wishing to trade in the Global single market. The best way to achieve this is through a new "Global Economic Community" with the mandate to regulate Global trade and enforce new minimum standards for the benefit of all.

⁵⁴⁶The world is in the throes of an [unprecedented expansion](#) of major internationalized conglomerates. Christine Chemnitz has detailed the seemingly unstoppable drive toward internationalized monopolization which is occurring in the agricultural sphere:

The industrial-agriculture sector has long faced criticism for practices that contribute to climate change, environmental destruction, and rural poverty. And yet the sector has taken virtually no steps to improve quality and sustainability, or to promote social justice.

This is not surprising. Although there are more than 570 million farmers and seven billion consumers worldwide, just a handful of companies control the global industrial-agriculture value chain – from field to shop counter. Given the high profits and vast political power of these companies, changes to the status quo are not in their interest.

Moreover, market concentration in the agriculture sector is on the rise, owing to increased demand for the agricultural raw materials needed in food, animal feed, and energy production...

The biggest players in these sectors have been buying out their smaller competitors for years. But now they are also buying out one another, often with financing provided by investors from completely different sectors.

Consider the seed and agrochemical sector, where Bayer, the second-largest pesticide producer in the world, is in the process of acquiring Monsanto, the largest seed producer, for €66 billion (\$74 billion). If the United States and the European Union approve the deal, as seems likely, just three conglomerates – Bayer-Monsanto, Dow-DuPont and ChemChina-Syngenta – will control over 60% of the global seed and agrochemical market. "Baysanto" alone would be the proprietor of almost every genetically modified plant on the planet.

(Christine Chemnitz, ^{CE} [The Rise of the Food Barons](#), *Project Syndicate*, 15 June 2017)

In an article in the *Washington Monthly* (March/April 2010), subtitled "^{CE} [Why creeping consolidation is crushing American livelihoods](#) ", Barry Lynn and Phillip Longman suggest that the term to be used should be 'monopolization':

... while the mystery of what killed the great American jobs machine has yielded no shortage of debatable answers, one of the more compelling potential explanations has been conspicuously absent from the national conversation: monopolization. The word itself feels anachronistic, a relic from the age of the Rockefellers and Carnegies. But the fact that the term has faded from our daily discourse doesn't mean the thing itself has vanished—in fact, the opposite is true. In nearly every sector of our economy, far fewer firms control far greater shares of their markets than they did a generation ago.

Wikipedia provides a base definition for understanding the nature of conglomerate business organization in the 20th century:

A conglomerate is a combination of two or more corporations engaged in entirely different businesses together into one corporate structure, usually involving a parent company and several (or many) subsidiaries.

(^{CE} [Wikipedia accessed 28-06-2010](#))

Over the past thirty years conglomerate organization has become more refined, mitigating many of the perceived problems encountered in the 1960s and 1970s (when regulatory protections were still effective in Western regions). The model which best applies to current practice is a modified and Westernized (and also less focused) version of the Japanese keiretsu (see Wikipedia's entry for the ^{CE} [Keiretsu outside Japan](#) (accessed 28-06-2010) for a preliminary description).

The emphasis in conglomerate organization is now less on the incorporation of 'entirely different businesses' than on the relatively loose interconnection of more focused business interests, coordinating the activities of businesses with complementary interests and strengths. This provides monopoly or cartel-like advantages and strengths while circumventing legal limitations on cartel and monopoly activities.

Praful Bidwai (2010) has provided a sketch of some of the features of conglomerate dealings in India. His description could be replicated in any of the major Western and Third World centers of government.

Corporate lobbyists have become important mediators - and sometimes active players - in business-government relations in a number of areas, including

- the infrastructure (highways, ports and huge projects under the Jawaharlal Nehru National Urban Renewal Mission in 63 cities),
- energy (including gas, oil and energy),
- telecom (where the 3G auction bids show that the earlier 2G-spectrum were sold at a fraction of the market price),
- and mining (where global conglomerates have developed stakes running into billions of dollars in India's tribal heartland).

Not to be ignored is the clout that lobbyists wield in military contracts, agribusiness, seeds, civil aviation, and opening up retail trade to organized business, including multinational hypermarket chains like Metro, Carrefour and Wal-Mart.

Corporate lobbying has become the highest embodiment of crony capitalism in India. It has developed into a formidable industry, with at least 30 major firms based in New Delhi alone. Each of them appoints dozens of "facilitators", "account executives", point-persons and lawyers, all dedicated to securing sweetheart deals and licences for their clients, and just as importantly, ensuring that their clients' rivals don't get them.

(^{CE} [Bidwai May 2010](#))

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A documentary entitled ^{CE} [The Spider's Web; Britain's Second Empire](#) explains the history of the institutional underpinnings of gross

accumulations of 'wealth' in the early 21st century. It provides an intriguing picture of 'the most peculiar, the oldest, the least understood, and perhaps one of the most important institutions in the menagerie of global finance: the [City of London Corporation](#)'; a medieval city corporation, globally metastasizing in the 21st century.

To update and expand [Bacon's \(1625\) metaphor](#):

Gross accumulations of 'wealth' are like putrefying piles of dung whose noxious fumes are suffocating the world. And, atop those polluting piles, thriving in their noxious vapors, repose the mega-wealthy.

Eli Clifton, in an essay entitled 'Follow the Money: Three Billionaires Paved Way for Trump's Iran Deal Withdrawal', has described the kinds of 'influence' wielded by mega-wealth in the United States of America:

...Trump appears absolutely determined to undo as much of what Barack Obama accomplished as possible. In addition, the sheer perversity of his personality may well explain today's action. But it may also be useful to follow the apocryphal advice that Watergate's famous "Deep Throat" offered to Bob Woodward and Carl Bernstein in *All the President's Men*, particularly in the unbelievably corrupt swamp of the Trump era.

Indeed, today's unpopular announcement may have been exactly what two of Trump's biggest donors, Sheldon Adelson and Bernard Marcus, and what one of his biggest inaugural supporters, Paul Singer, paid for when they threw their financial weight behind Trump...

(Eli Clifton, ^{CE} [Follow the Money: Three Billionaires Paved Way for Trump's Iran Deal Withdrawal](#), *Lobe Log*, 08 May, 2018)

As Bacon explained in the 17th century:

...[M]oney is like muck [manure], not good except it be spread. This is done, chiefly by suppressing, or at least keeping a strait [strict] hand, upon the devouring trades of usury, ingrossing [accumulating] great pasturages, and the like.

Peter Goodman, in a *New York Times* Op-Ed entitled 'Davos Elite Fret About Inequality Over Vintage Wine and Canapés', sets the scene:

DAVOS, Switzerland - You have perhaps noticed that in many countries, history-altering numbers of people have grown enraged at the economic elite and their tendency to hog the spoils of globalization. This wave of anger has delivered Donald J. Trump to the White House, sent Britain toward the exit of the European Union, and threatened the future of global trade.

The people gathered here this week in the Swiss Alps for the annual World Economic Forum have noticed this, too. They are the elite - heads of state, billionaire hedge fund managers, technology executives.

They are eager to talk about how to set things right, soothing the populist fury by making globalization a more lucrative proposition for the masses. Myriad panel discussions are focused on finding the best way to "reform capitalism," make globalization work and revive the middle class.

What is striking is what generally is not discussed: bolstering the power of workers to bargain for better wages and [redistributing wealth from the top to the bottom](#).

"That agenda is anathema to a lot of Davos men and women," said Joseph E. Stiglitz, a Nobel laureate economist and author of numerous books on globalization and economic inequality. "More rights to bargain for workers, that's the part where Davos man is going to get stuck. The stark reality is that globalization has reduced the bargaining power of workers, and corporations have taken advantage of it."

Davos is - at least rhetorically - consumed with worries about the shortcomings of globalization...

Yet the solutions that have currency seem calculated to spare corporations and the wealthiest people from having to make any sacrifices at all, as if there is a way to be found to tilt the balance of inequality while those at the top hang on to everything they have.

(Peter S. Goodman, [Davos Elite Fret About Inequality Over Vintage Wine and Canapés](#), *New York Times*, Deal Book, News Analysis, January 18, 2017)

As *Oxfam* has documented in [reports over the past several years](#) to *World Economic Forum* Annual Meetings, the world is in the throes of an unprecedented and snowballing concentration of wealth.

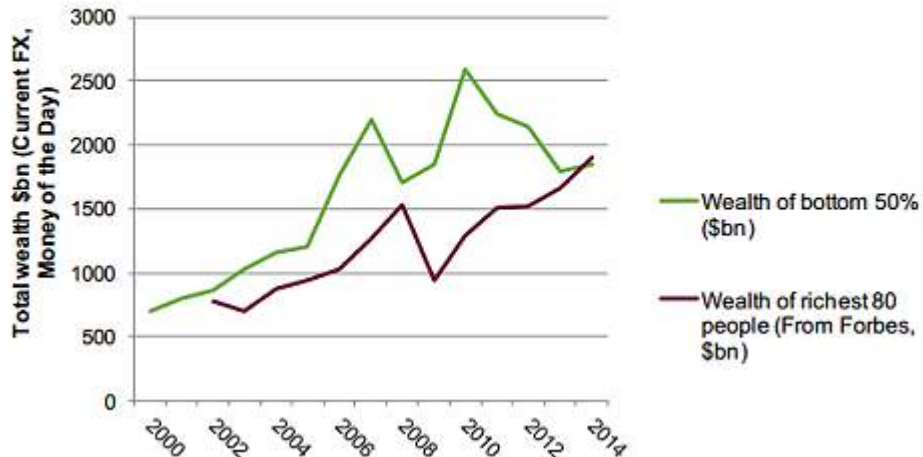
In most economic modeling this takes the form of 'pooling' - as Iglesias and de Almeida put it: "the system converges to a very unequal condensed state, where one or [a few agents concentrate all the wealth of the society](#)". Physicists J. R. Iglesias and R. M. C. de Almeida, in a study of models of trade dynamics, described the seemingly inevitable consequences of unregulated market exchange:

Numerical results, as well as some analytical calculations, indicate that a frequent outcome in these models is *condensation*, i.e. concentration of all available wealth in just one or a few agents. This final state corresponds to a kind of equipartition of poverty: All agents (except for a set of zero measure) possess zero wealth while one, or a few ones, concentrate all available resources. In any case the final configuration is a stationary state of "equilibrium", since agents with zero wealth cannot participate in further exchanges. ([Entropy and equilibrium state of free market models](#), published by arxiv.org 29 Aug. 2011)

Deborah Hardoon provided a clear summary of the absurd growth in wealth among the very richest in the world over the five years between 2010 and 2015. As she has explained:

In 2010, the richest 80 people in the world had a net wealth of \$1.3tn. By 2014, the 80 people who top the Forbes rich list had a collective wealth of \$1.9tn; an increase of \$600bn in just 4 years, or 50% in nominal terms...

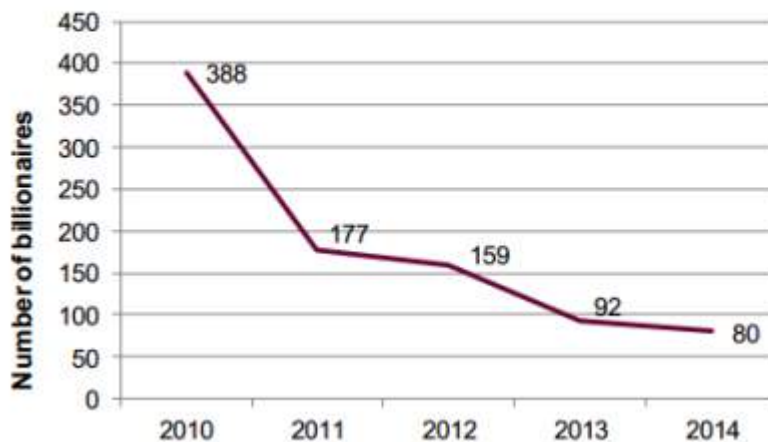
Figure 3: Wealth of the 80 richest people³ in the world has doubled⁴ in nominal terms between 2009 and 2014, while the wealth of the bottom 50% is lower in 2014 than it was in 2009.



The wealth of these 80 individuals is now the same as that owned by the bottom 50% of the global population, such that 3.5 billion people share between them the same amount of wealth as that of these extremely wealthy 80 people. As the wealth of everyone else has not been increasing at the same rate as that for the top 80, the share of total wealth owned by this group has increased and the gap between the very rich and everyone else has also been increasing.

As a result, the number of billionaires who have the same amount of wealth as that of the bottom half of the planet has declined rapidly over the past five years. In 2010, it took 388 billionaires to equal the wealth of the bottom half of the world's population; by 2014, the figure had fallen to just 80 billionaires (see Figure 4).

Figure 4: Number of billionaires it takes to have accumulated the same amount of wealth as the bottom 50% of the global population



(Deborah Hardoon, [Wealth: Having It All and Wanting More](#), Oxfam Issue Briefing: January 2015)

In an update of Hardoon's summary, prepared for the *World Economic Forum* Annual Meeting (20-23 January 2016, Davos-Klosters, Switzerland), Oxfam shows that the concentration of wealth around the world has continued apace:

AN ECONOMY FOR THE 1%

The gap between rich and poor is reaching new extremes. Credit Suisse recently revealed that the richest 1% have now accumulated more wealth than the rest of the world put together. This occurred a year earlier than Oxfam's much publicized prediction ahead of last year's World Economic Forum. Meanwhile, the wealth owned by the bottom half of humanity has fallen by a trillion dollars in the past five years. This is just the latest evidence that today we live in a world with levels of inequality we may not have seen for over a century.

'An Economy for the 1%' looks at how this has happened, and why, as well as setting out shocking new evidence of an inequality crisis that is out of control.

Oxfam has calculated that:

- In 2015, just 62 individuals had the same wealth as 3.6 billion people - the bottom half of humanity. This figure is down from 388 individuals as recently as 2010.
- The wealth of the richest 62 people has risen by 44% in the five years since 2010 - that's an increase of more than half a trillion dollars (\$542bn), to \$1.76 trillion.
- Meanwhile, the wealth of the bottom half fell by just over a trillion dollars in the same period - a drop of 41%.
- Since the turn of the century, the poorest half of the world's population has received just 1% of the total increase in global wealth, while half of that increase has gone to the top 1%.
- The average annual income of the poorest 10% of people in the world has risen by less than \$3 each year in almost a quarter of a century. Their daily income has risen by less than a single cent every year.

Growing economic inequality is bad for us all - it undermines growth and social cohesion. Yet the consequences for the world's poorest people are particularly severe.

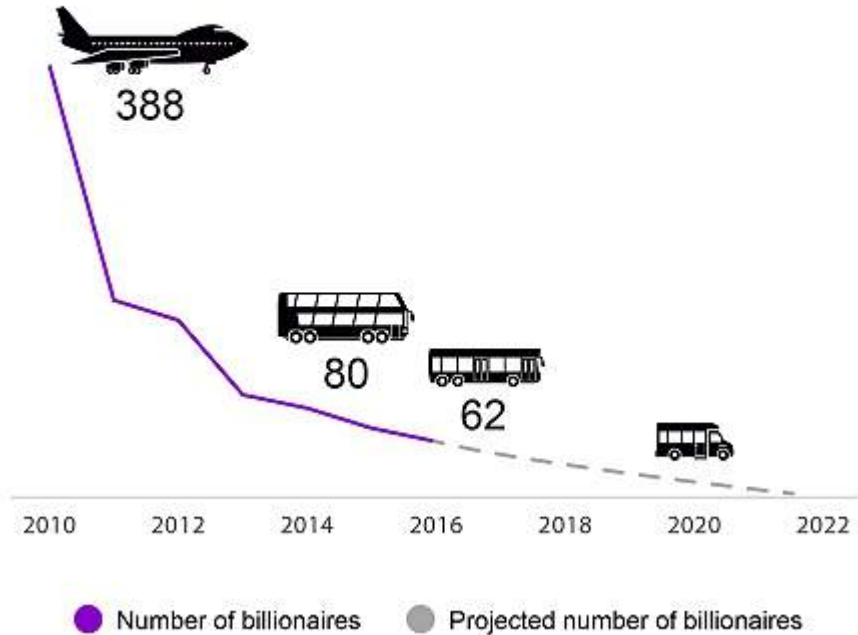
(D. Hardoon, R. Fuentes-Nieva, S. Ayele, [An Economy for the 1%: How Privilege and Power in the Economy Drive Extreme Inequality and How This can be Stopped](#), 210 Oxfam Briefing Paper, 18 January 2016, Summary)

And the absurdity grows.

Oxfam shows that, a year later, in January 2017, ^{CE} [8 men now own the same as the poorest half of the world](#). As they illustrate:

Billionaires who own the same wealth as half the world

And what transport they would fit on



They summarize it all in their January 2017 Oxfam Briefing Paper:

New estimates show that just eight men own the same wealth as the poorest half of the world. As growth benefits the richest, the rest of society - especially the poorest - suffers. The very design of our economies and the principles of our economics have taken us to this extreme, unsustainable and unjust point. Our economy must stop excessively rewarding those at the top and start working for all people. Accountable and visionary governments, businesses that work in the interests of workers and producers, a valued environment, women's rights and a strong system of fair taxation, are central to this more human economy.

AN ECONOMY FOR THE 99%

It is four years since the World Economic Forum identified rising economic inequality as a major threat to social stability, and three years since the World Bank twinned its goal for ending poverty with the need for shared prosperity. Since then, and despite world leaders signing up to a global goal to reduce inequality, the gap between the rich and the rest has widened. This cannot continue. As President Obama told the UN General Assembly in his departing speech in September 2016: 'A world where 1% of humanity controls as much wealth as the bottom 99% will never be stable'.

Yet the global inequality crisis continues unabated:

- Since 2015, the richest 1% has owned more wealth than the rest of the planet.
- Eight men now own the same amount of wealth as the poorest half of the world.

- Over the next 20 years, 500 people will hand over \$2.1 trillion to their heirs - a sum larger than the GDP of India, a country of 1.3 billion people.
- The incomes of the poorest 10% of people increased by less than \$3 a year between 1988 and 2011, while the incomes of the richest 1% increased 182 times as much.
- A FTSE-100 CEO earns as much in a year as 10,000 people working in garment factories in Bangladesh.
- In the US, new research by economist Thomas Piketty shows that over the last 30 years the growth in the incomes of the bottom 50% has been zero, whereas incomes of the top 1% have grown 300%.
- In Vietnam, the country's richest man earns more in a day than the poorest person earns in 10 years.

Left unchecked, growing inequality threatens to pull our societies apart. It increases crime and insecurity, and undermines the fight to end poverty. It leaves more people living in fear and fewer in hope. (Oxfam Briefing Paper, ^{CE} [AN ECONOMY FOR THE 99%: It's time to build a human economy that benefits everyone, not just the privileged few](#), 16 January 2017)

Rachel Ehrenberg (2011) has discussed "the international web of relationships among companies" which has resulted, over the past fifty years, in a serious concentration of wealth in the hands of a small number of companies, apparently independent of each other, but tightly networked. As she has explained:

Conventional wisdom says a few sticky, fat fingers control a disproportionate slice of the world economy's pie. A new analysis suggests that the conventional wisdom is right on the money.

Diagramming the relationships between more than 43,000 corporations reveals a tightly connected core of top economic actors. In 2007, a mere 147 companies controlled nearly 40 percent of the monetary value of all transnational corporations...

The analysis is a first effort to document the international web of relationships among companies and to examine who owns shares - and how many - in whom. Tapping into the financial information database Orbis, scientists from ETH Zurich in Switzerland examined transnational companies, which they defined as having at least 10 percent of their holdings in more than one country. Then the team looked at upstream and downstream connections, yielding a network of 600,508 economic actors connected through more than a million ownership ties.

This network takes on a bowtie shape, with a large number of diffuse actors in the wings and a few major players tangled up in the tie's knot. So while it's true that ownership of publicly held corporations is broadly distributed, says complex systems scientist James Glattfelder, a coauthor of the new work, "take a step back and it's all flowing into the same few hands."

While any man on the street may have predicted this outcome, the economic literature portrays markets as so dynamic that they lack

hot spots of control, Glattfelder says.

(Rachel Ehrenberg, August 15th, 2011, "[Financial world dominated by a few deep pockets: Economic "superentity" controls more than one-third of global wealth](#)" *Science News*)

See Stefania Vitali, James B. Glattfelder, Stefano Battiston, 2011, [Ⓔ] [The network of global corporate control](#) for the original Cornell University published study. As the authors explain:

We present the first investigation of the architecture of the international ownership network, along with the computation of the control held by each global player. We find that transnational corporations form a giant bow-tie structure and that a large portion of control flows to a small tightly-knit core of financial institutions. This core can be seen as an economic "super-entity" that raises new important issues both for researchers and policy makers.

(Stefania Vitali, James B. Glattfelder, Stefano Battiston, [The network of global corporate control](#), *PLoS ONE* 6(10), e25995 (2011) (arXiv:1107.5728 [q-fin.GN]))

Foster *et al* (2011) have examined the growth in monopolization around the world since the 1970s. As they graphically illustrate and explain,

...what we have been witnessing in the last quarter century is the evolution of monopoly capital into a more generalized and globalized system of monopoly-finance capital that lies at the core of the current economic system in the advanced capitalist economies-a key source of economic instability, and the basis of the current new imperialism.

(John Bellamy Foster, Robert W. McChesney and R. Jamil Jonna, [Ⓔ] [Monopoly and Competition in Twenty-First Century Capitalism](#), *Monthly Review*, 2011, Volume 62, Issue 11 (April))

Robert Lenzner (*Forbes* - *Mon*, Nov 21, 2011), in an article entitled [Ⓔ] ['The Top 0.1% Of The Nation Earn Half Of All Capital Gains'](#), explains the widening gap between the richest and the rest in the US:

Capital gains are the key ingredient of income disparity in the US - and the force behind the winner takes all mantra of our economic system. If you want [to] even out earning power in the U.S, you have to raise the 15% capital gains tax.

Income and wealth disparities become even more absurd if we look at the top 0.1% of the nation's earners - rather than the more common 1%. The top 0.1% - about 315,000 individuals out of 315 million - are making about half of all capital gains on the sale of shares or property after 1 year; and these capital gains make up 60% of the income made by the [Ⓔ] [Forbes 400](#).

It's crystal clear that the Bush tax reduction on capital gains and dividend income in 2003 was the cutting edge policy that has created the immense increase in net worth of corporate executives, Wall St. professionals and other entrepreneurs.

The reduction in the tax from 20% to 15% continued the step-by-step tradition of cutting this tax to create more wealth. It had first been reduced from 35% in 1978 at a time of stock market and economic stagnation to 28% . Again 1981, at the start of the Reagan era, it was reduced again to 20% - raised back to 28% in

1987, on the eve of the October 19th - 23% crash in the market. In 1997 Clinton agreed to reduce it back to 20%, which move was an inducement for the explosion of hedge funds and private equity firms - the most "rapidly rising cohort within the top 1 per cent."

Make no mistake; the battle that is to be fought over the coming attempt to reverse this reduction in capital gains will be bloody and intense. The facts are clear according to the Congressional Budget Office more than 80% of the increase in income inequality was the result of an increase in the share of household income from capital gains. In fact, you can go so far as to claim that "Capital Gains income is the most unevenly distributed - and volatile - source of household income," according to Laura D'Andrea Tyson, University of California business professor and former chairwoman of the Council of Economic Advisers under President Clinton.

No wonder the super wealthy plutocrats obtained the largest share of national income - 25% of the nation's wealth- greater than any other industrial nation in the period of 1979 to 2005. Make no mistake; after unemployment - this disparity between the 1% - 3 million - or the 0.1% - the 300,000 - and the other 312 million citizens of the U.S. has become the major theme of the Occupy Wall Street movement - and an important national debate.

⁵⁴⁸ The depressing reality is that year after year the self-proclaimed elites of the capitalist world claim that they want to make globalization work and revive the middle class but self-righteously conclude that the only way to do so is to increase their own wealth. The world's premier hoarders of capital believe in Trickle-Down.

Davos' [so-called 'elites'](#) are more convinced than ever that Greed is Good. Joseph Stiglitz has summed it up well:

I've been attending the World Economic Forum's annual conference in Davos, Switzerland – where the so-called global elite convenes to discuss the world's problems – since 1995. Never have I come away more dispirited than I have this year.

...To be sure, here at Davos, CEOs from around the world begin most of their speeches by affirming the importance of values. Their activities, they proclaim, are aimed not just at maximizing profits for shareholders, but also at creating a better future for their workers, the communities in which they work, and the world more generally. They may even pay lip service to the risks posed by climate change and inequality.

But, by the end of their speeches this year, any remaining illusion about the values motivating Davos CEOs was shattered. The risk that these CEOs seemed most concerned about is the populist backlash against the kind of globalization that they have shaped – and from which they have benefited immensely.

...No, the CEOs at Davos were licking their lips at the tax legislation that Trump and congressional Republicans recently pushed through, which will deliver hundreds of billions of dollars to large corporations and the wealthy people who own and run them – people like Trump himself. They are unperturbed by the fact that the same legislation will, when it is fully implemented, lead to an increase in taxes for

the majority of the middle class – a group whose fortunes have been in decline for the last 30 years or so.

...[T]he message hasn't changed: "Greed is good." What depresses me is that, though the message is obviously false, so many in power believe it to be true.

(Joseph E. Stiglitz, ^{CE} [Post-Davos Depression](#), *Project Syndicate*, Feb 1, 2018)

⁵⁴⁹ Not only has "Corporate lobbying... become the highest embodiment of crony capitalism in India", as Praful Bidwai claims, the intermeshing of corporate and government interests has become commonplace throughout the neoliberal global economic world. Lee Fang has summarized the prevailing attitude within major corporations to staff involvement in government service:

Many large corporations with a strong incentive to influence public policy award bonuses and other incentive pay to executives if they take jobs within the government. CitiGroup, for instance, ^{CE} [provides an executive contract](#) that awards additional retirement pay upon leaving to take a "full time high level position with the U.S. government or regulatory body." Goldman Sachs, Morgan Stanley, JPMorgan Chase, the Blackstone Group, Fannie Mae, Northern Trust, and Northrop Grumman are among the ^{CE} [other firms](#) that offer financial rewards upon retirement for government service.

(Lee Fang, ^{CE} [Obama Admin's TPP Trade Officials Received Hefty Bonuses From Big Banks](#), *Republic Report*, February 17, 2014)

Cora Currier, in an article entitled ^{CE} ['Charting the Cozy Connections between JP Morgan and the Senate Banking Committee'](#) (*ProPublica*, June 13, 2012) has provided an example of the 'revolving door' policies through which JP Morgan insulated itself from serious investigation of a series of losses described by Jamie Dimon, the CEO as "complex and hard-to manage risks". Currier provides "a picture of connections between the company and the committee" and concludes:

... through campaign contributions and well-connected staff, JP Morgan appears to have already taken its own accounting of the Banking committee.

Subsequent events, have borne out Currier's observations. Joshua Rosner, in a comprehensive report entitled ^{CE} [JPMorgan Chase: Out of Control](#) (*Graham Fisher & Co.* March 12, 2013, pp.27, 28) gives a clear explanation:

In a recent interview with Jamie Dimon, Andrew Ross Sorkin told Dimon, "You have an army of lobbyists like every other institution in the country." The reality is that JPM's political efforts are not like "every other" firm's. Their army is more comparable to the U.S. government's, which spends more on defense than the next dozen or so countries combined.

JPMorgan may be without peer in its spending on direct and indirect lobbying and PR. Its effort to capture legislators, neuter regulators and influence policymakers are reminiscent of Fannie Mae before it as the firm has retained, employed or had revolving door relationships with more former legislators, legislative staff and

executive branch employees than perhaps any other financial firm in history.

As of mid-2012, the firm had the second-largest corporate political action committee and employed at least 48 lobbyists, including at least 14 in-house lobbyists who are former congressional and federal staffers or legislators. Its lobbying power is not only direct but also the result of domination of several of the largest industry trade associations... When discussing the firm's lobbying [Dimon] clearly understands, as George Orwell pointed out, "All animals are equal, but some animals are more equal than others."

In an article entitled ^{CE} "The Guys From 'Government Sachs'" (*New York Times*, October 17, 2008), Julie Creswell and Ben White described the "power and influence that Goldman wields at the nexus of politics and finance":

THIS summer, when the Treasury secretary, Henry M. Paulson Jr., sought help navigating the Wall Street meltdown, he turned to his old firm, Goldman Sachs, snagging a handful of former bankers and other experts in corporate restructurings.

In September, after the government bailed out the American International Group, the faltering insurance giant, for \$85 billion, Mr. Paulson helped select a director from Goldman's own board to lead A.I.G.

And earlier this month, when Mr. Paulson needed someone to oversee the government's proposed \$700 billion bailout fund, he again recruited someone with a Goldman pedigree, giving the post to a 35-year-old former investment banker who, before coming to the Treasury Department, had little background in housing finance.

Indeed, Goldman's presence in the department and around the federal response to the financial crisis is so ubiquitous that other bankers and competitors have given the star-studded firm a new nickname: Government Sachs.

The power and influence that Goldman wields at the nexus of politics and finance is no accident. Long regarded as the savviest and most admired firm among the ranks - now decimated - of Wall Street investment banks, it has a history and culture of encouraging its partners to take leadership roles in public service.

⁵⁵⁰ Stephen Gill suggested that what has happened through most of the world is an extension of the kind of disorder experienced in the old Soviet Union in the wake of Gorbachev's policy of *perestroika* in the final years of the USSR. As he explained:

Robert Cox (1992) has coined the phrase 'global perestroika' to describe this process. Thus, rather than being simply explicable in terms of conscious political decisions and the direct use of political power, global perestroika (that is, the process beyond the former USSR) has produced a type of institutionalized chaos that is propelled by the restructuring of global capitalism.

Of importance here are accelerating changes in production, finance, and knowledge that have given rise to a relatively coherent, interrelated pattern. In this pattern there has been a cumulative if uneven rise in the structural power of internationally mobile capital

(Gill & Law 1988, 1989), a rise that has brought with it certain limitations and contradictions.

This emerging world order, then, can be contrasted with the one that prevailed in the metropolitan nations in the 1950s and 1960s.

From the vantage point of the early 1990s, it appears to be characterised by deepening social inequalities, economic depression for most parts of the world, and a reconfiguration of global security structures.

These changes are strengthening the strong, often at the expense of the weak. The principle of distributive justice that is increasingly associated with this order is, to paraphrase the Book of Matthew, 'to him that hath shall be given, to him that hath not shall be taken away'. This is what I mean by 'patterned disorder'.

(Gill 1994, pp. 170-1)

⁵⁵¹ For a List of bilateral and multilateral free trade agreements, see this Wikipedia article: [Ⓔ] [List of free trade agreements](#). As the article says,

Every customs union, trade common market, economic union, customs and monetary union and economic and monetary union has also a free trade area.

Most of these multilateral agreements are signed between neighboring countries, but there are exceptions like the worldwide WTO agreements and the TPP agreement that is regional by some definitions, but not neighboring. The rest of the non-regional agreements are concluded between two groups of neighboring states (or between a single group and a third country) and thus are not included in the multilateral list (EFTA-SACU, EU-ACPs and others).

(accessed 3rd Jan. 2013)

See [Ⓔ] [Bilateral and Regional Trade Agreements](#) (Productivity Commission 2010, Research Report, Canberra). for an overview of such agreements.

See [Ⓔ] [Meyer, N. et al. \(2010\)](#) for a discussion of the effects and necessity for such agreements among African countries.

As they say,

...domestic regulation and standards are essential for protecting economies from unscrupulous business practices that bring harm to humans, plant and animal life, the environment, national security and infant industries.

⁵⁵² See [Global Capitalism, Western Realities](#)

⁵⁵³ The topics addressed in this chapter are, by their nature and by the ideological propensities of the 'experts' involved, at times difficult to comprehend for those not already versed in them. I would suggest, should you find the various digressions proffered in the text confusing or difficult to handle, that you first read the chapter without following those leads. Then, should you need further clarification, reread the chapter following those digressions which might enable a deeper understanding of the issues addressed.

⁵⁵⁴ {§} (10/01/16){§} (17/06/16){§} (05/08/16) The Gold Standard was always a fictitious standardization of credit values across sovereign nations. One

decided on a 'fixed' value for a unit of gold against a unit of a currency and then claimed that the currency's value was determined by the value of a unit of gold.

Of course, as with any controlled exchange rates (whatever the justificatory coupling of the currency with a commodity, 'basket of commodities', 'basket of currencies' or anything else), the value of a unit of gold was initially determined by either the existing market 'price' of the unit of gold or by a 'price' which a sovereign government determined against a unit of its currency, effectively freezing the existing relative currency values between nations.

The inevitable consequence of this process is that the exchange rates between the currencies of participating sovereign governments are fixed through internal 'price' setting and acceptance of value equivalences between currencies based on those internal prices. From this point on, whether or not one interpolates 'gold' into the process is irrelevant. The process has established fixed rates of exchange between participating 'Gold Standard' currencies.

The 'value' of a unit of gold is, at some point in time, anchored to the value of a unit of currency. Then, in a sleight-of-hand, the value of the currency is claimed to be anchored to that contrived gold value. One could achieve the same fixed exchange rate result without any reference to gold or any other commodity. Human beings are truly adept at convincing themselves of the 'objective' reality (and therefore unassailability) of their own, often dubiously justifiable, conventions!

As Bill Mitchell explains (below),

...under fixed exchange rates, a nation running a current account deficit faces a chronic bias toward recession and elevated unemployment levels.

This provided superficial justification for the post-1960s neoliberal fixation on 'balanced budgets' and deficit reduction.

They seemed not to realize that they were dealing with countries involved in two very different systems. The first, were post-2nd-World-War countries involved in the Bretton Woods system of *fixed* but adjustable parities; the second were (and are) nations with *floating* exchange rate regimes.

Pierre-Olivier Gourinchas has described some of the strains and tensions which emerge when disparate nations enter into standardized currency value regimes as in the Bretton Woods regime, negotiated in the aftermath of the 2nd World War:

Back in those days, the international monetary system was relatively simple. Market economies pegged their currencies to the U.S. dollar. In turn, the United States maintained the value of its dollar at \$35 per ounce of gold. With the assistance of the International Monetary Fund, countries could obtain liquidity to deal with "temporary" imbalances, but it was incumbent upon them to implement a fiscal and monetary policy mix that would be consistent with a stable dollar parity or, infrequently, to request an adjustment in their exchange rate.

The United States faced no such constraint. The requirement to maintain the \$35 an ounce parity had only minimal bite on U.S.

monetary authorities, as long as foreign central banks were willing, or could be convinced, to support the dollar. By design then, the system was asymmetric and dependent on the U.S., a situation that reflected the country's economic and political strengths in the immediate aftermath of World War II.

Not everyone was happy about this state of affairs. Some objected to the special role of the dollar. In 1965, France famously requested the conversion of its dollar reserves into gold, while its minister of finance complained loudly about the United States' "exorbitant privilege." The Bretton Woods regime allowed the U.S. to acquire valuable foreign assets, so the argument went, because the dollar reserves required to maintain the dollar parity of foreign countries amounted to automatic low-interest, dollar-denominated loans to the U.S.

Others worried about the long-term sustainability of the system. As the world economy grew rapidly in the 1950s and 1960s, so did the global demand for liquidity and the stock of dollar assets held abroad. With unchanged global gold supplies, something had to give. This is the celebrated "Triffin dilemma." In 1968, Triffin's predictions came to pass: Faced with a run on gold reserves, the U.S. authorities suspended dollar-gold convertibility. Shortly thereafter, the Bretton Woods system of fixed but adjustable parities was consigned to the dustbin of history.

(Pierre-Olivier Gourinchas, ^{CE} [The Structure of the International Monetary System](#), *NBER Reporter*, 2016, Number 1, pp.13-17)

Douglas Irwin has examined *The Missing Bretton Woods Debate over Flexible Exchange Rates*. As he explains,

The collapse of the gold standard in the 1930s sparked a debate about the merits of fixed versus floating exchange rates. Yet the debate quickly vanished: there was almost no discussion about the exchange rate regime at the Bretton Woods conference in 1944 because John Maynard Keynes and Harry Dexter White agreed that exchange rate stability through fixed but adjustable pegs was the right approach.

In light of the difficult macroeconomic tradeoffs experienced under the gold standard a decade earlier, the outright rejection of floating exchange rates seems surprising. This paper explores the views of leading economists about the exchange rate provisions in the Bretton Woods agreement and examines why arguments for floating exchange rates were so quickly dismissed.

(Douglas A. Irwin, ^{CE} [The Missing Bretton Woods Debate over Flexible Exchange Rates](#), NBER Working Paper No. 23037, January 2017)

Bill Mitchell has provided a summation of the relative merits of fixed and flexible exchange rate systems:

The Tobin Tax was outlined by the late James Tobin, a mainstream economist in this paper - ^{CE} [A Proposal for International Monetary Reform](#) - which was published in the *Eastern Economic Journal*, Volume 4, 1978.

However, as the paper notes, he first proposed the idea in 1972 as a way of dealing with the breakdown of the Bretton Woods system of fixed exchange rates and the fears that global capital flows would damage economies with the new floating exchange rates.

He actually considered the issue not to be whether the exchange rate was floating or fixed...

He said:

I believe that the basic problem today is not the exchange rate regime, whether fixed or floating. Debate on the regime evades and obscures the essential problem. That is the excessive international - or better, inter-currency - mobility of private financial capital. The biggest thing that happened in the world monetary system since the 1950s was the establishment of *de facto* complete convertibility among major currencies, and the development of intermediaries and markets ... to facilitate conversions. Under either exchange rate regime the currency exchanges transmit disturbances originating in international financial markets. National economies and national governments are not capable of adjusting to massive movements of funds across the foreign exchanges, without real hardship and without significant sacrifice of the objectives of national economic policy with respect to employment, output, and inflation. Specifically, the mobility of financial capital limits viable differences among national interest rates and thus severely restricts the ability of central banks and governments to pursue monetary and fiscal policies appropriate to their internal economies.

While attempting to neutralise the issue about the type of exchange rate regime, Tobin failed to mention that trade imbalances on the current account were much harder to deal with under fixed exchange rate systems than under flexible rate systems, where they are effectively irrelevant.

Domestic policy choices are constrained for a nation with a current account deficit operating under fixed exchange rates (such as the Bretton Woods system) because the central bank has to increase interest rates to offset (via the capital account) the downward pressure on the currency arising from the excess supply of the domestic currency into the foreign exchange markets (to facilitate the excess of imports over exports).

Further, fiscal policy for such a nation has to be restrictive to reduce national income and suppress import expenditure to achieve the same purpose.

So under fixed exchange rates, a nation running a current account deficit faces a chronic bias toward recession and elevated unemployment levels.

Thus, the choice of exchange rate regime does matter...

(Bill Mitchell, [Ⓔ] [ATTAC should drop the ATT part!](#), *Billy Blog*, May 17, 2016)

⁵⁵⁵ For an historical sketch of the creation and evolution of the US Central Banking system see Kevin Granville and Binyamin Appelbaum, [Ⓔ]

[America's Endless War Over Money](#) (*New York Times*, April 7, 2015). As they explain, the current structure and tensions are a result of:

... a conflict as old as the nation, between those who argue that a strong central bank improves economic stability, and those who see an overbearing government engaged in harmful meddling.

For an explanation of a variety of theories of banking which have been held over the past century (and more) in capitalist societies, see [Richard Werner](#) (2015) "A lost century in economics: three theories of banking and the conclusive evidence". Of course, unlike the subject matter of the 'physical' sciences, the '[environment](#)' [addressed by these theories is a human construct](#) and the subject matter prone to mutation as human understandings alter.

556{§} (30/04/18) Governmental Sovereignty is compromised in many ways and any attempt to arrange a classification of sovereignty whether of governments or of currencies, based on 'real world' characteristics of either, will result in a very confusing picture of sovereignty - conflating hegemonic and/or ideological processes with internal governmental forms and responsibilities.

As we have seen, through the past three hundred years, many communities have been subjected to enforced or 'voluntary' acceptance of colonial or 'protectorate' status by Western nations. In the post-colonial era increasing numbers of communities have become embroiled in [IMF and World Bank instigated and controlled 'debt financing'](#) through which those nations have, to one degree or another, surrendered their sovereignty to those international institutions and their 'controllers'.

Cristina Fróes de Borja Reis and Daniela Magalhães Prates, in an examination of a World Bank report on fiscal adjustment in Brazil, concluded that:

...most of the changes in public policies recommended by the report offer profitable opportunities for a small number of powerful and rich national and international companies that compete in oligopolistic markets under weak regulatory frameworks. At the same time, it leaves workers and the poor unprotected, seriously jeopardising the redistributive ability of fiscal policy.

Thus, the report is far from promoting an equitable model. It is rather an undemocratic ideological commitment to the interests of Brazilian elites and of international capital represented in the current government. Given that we are supposedly in a post-neoliberal era and in light of the Bank's rhetorical focus on 'equitable growth', perhaps we were naïve in expecting better from the report.

(Cristina Fróes de Borja Reis and Daniela Magalhães Prates, [Ⓔ] [World Bank report on fiscal adjustment in Brazil: questionable analysis; unfair policies](#), *The Bretton Woods Project*, 27 March 2018)

As [explained elsewhere](#), both the International Monetary Fund (IMF) and the World Bank have been repurposed over the past fifty years and more to enable the continuation of Western domination of vulnerable states. In the process the inherent sovereignty of those nations has been usurped by the invading Western powers and/or institutions redesigned for this purpose.

As former 'dependencies' have gained 'independence', Western powers have contrived, in most cases, to maintain influence over both their economies and politics. So, for these nations, sovereignty is almost always illusory, a way for dominating Western political and/or economic powers to shift responsibility for internal difficulty away from themselves and onto indigenous 'leaders'.

Within Western nations the exercise of sovereignty is strongly influenced by the secondary ideological presumptions of those wielding power and/or authority. As we outline in this chapter, neoliberal understandings presume governmental abdication of authority to economic forces, with government being reduced to capitalism's police force. In such circumstances governmental sovereignty is forfeited to dominating plutocracies. As [Franklin Roosevelt explained](#), echoing both Thomas Jefferson and Abraham Lincoln's Gettysburg Address,

the liberty of a democracy is not safe if the people tolerate the growth of private power to a point where it becomes stronger than their democratic state itself. That, in its essence, is Fascism - ownership of Government by an individual, by a group, or by any other controlling private power.

557 {§} (10/08/16){§} (14/08/16){§} (15/11/16) Central banks are *state institutions*, charged with both the creation and management of credit and official currency supply for their sovereign governments. They are essential capitalist institutions. As *Investopedia* explains,

A central bank, or monetary authority, is a monopolized and often nationalized institution given privileged control over the production and distribution of money and credit. In modern economies, the central bank is responsible for the formulation of monetary policy and the regulation of member banks...

Central banks are inherently non-market-based or even anticompetitive institutions. Many central banks, including the Fed, are often touted as independent or even private. However, even if a central bank is not legally owned by the government, its privileges are established and protected by law.

The critical feature of a central bank - distinguishing it from other banks - is legal monopoly privilege for the issuance of bank notes and cash; privately owned commercial banks are only permitted to issue demand liabilities, such as checking deposits.

(Ⓔ [Central Bank](#), *Investopedia*, accessed 8 August, 2016)

However, as [Randall Wray has explained](#) of the US Federal Reserve, "...the Fed is not a private institution but rather is a creature of Congress and no more independent of government than is the Treasury..."

Bill Mitchell has summed it up concisely:

There has been a huge body of literature emerge to support this agenda over the last 30 odd years. The argument for so-called 'central bank independence' is always clothed in authoritative statements about the optimal mix of price stability and maximum real output growth and supported by heavy (for economists) mathematical models.

If you understand this literature you soon realise that it is just another ideological front in the political fight against discretionary

macroeconomic policy interventions by elected governments.

The mathematical models that are used to 'prove' the worth of 'independence' are not at all useful in describing the real world. They have no credible empirical content and are designed to hide the fact that the proponents do not want governments to do what we elect them to do - that is, advance general welfare.

The central bank 'independence' agenda is also tied in with the growing demand for fiscal rules which will further undermine public purpose in policy.

(Bill Mitchell, ^{CE} [Trump might do us a favour - expose the myth of central bank independence](#), *Billy Blog*, November 14, 2016)

{§} (12/08/16){§} (22/02/17) There are two large macroeconomic levers available to any sovereign government in ensuring economic wellbeing, and, ideally, the two should operate in tandem:

- the *treasury* (or 'ministry of finance') responsible for **implementing** *fiscal policy* ('spending' and 'taxing');
- and the *central reserve authority* (central bank) responsible for **implementing** *monetary policy* (issuing and sequestering credit and official currency).

Of course, as Sir Humphrey Appleby, fictional head of the British Department for Administrative Services, claimed, when being quizzed by a parliamentary committee on activity within his government department (in that delightful fictional television series *Yes Minister*):

It's not for me to comment on Government Policy, you must ask the Minister.

{§} (24/08/16) Government policy is set by parliamentary (political) committees/ agents, it is *implemented* by Government departments, institutions and agencies. The treasury does not decide government policy; nor does (or should) the central reserve authority. They exist to carry out the intentions of *politically determined* policies.⁷³⁰

As in the US, neither The Treasury nor the Federal Reserve Board can (or should) determine the policies they are responsible for implementing. Those are determined by the US President and Congress. The effectiveness of Government departments, institutions and agencies can only be judged in terms of *implementation of the policies* which set the bounds and focuses of their activity. The framing of those policies is a Congressional responsibility. Given the confused commentaries one finds on US Federal Reserve responsibilities and activities, this distinction needs to be stressed.

{§} (30/08/16) So, if the treasury and central reserve authorities are to work in tandem, *government policies* must enable this. This is why it is essential that legislators understand both the source and nature of credit. This cannot remain an esoteric discussion amongst 'professionals', politicians must get their heads around the issue if they are to frame adequate fiscal and monetary policy.

Janet Yellen, chair of the US Federal Reserve Board, in a press conference, gave an appropriately cautionary response to a question posed by Greg Robb from *MarketWatch* :

Greg Robb:

There's been a lot of discussion in last couple months about the slow pace of demand in the global economy, and some economists think that central banks should think about using helicopter money, maybe in Japan first or Europe first. But then, former Fed Chairman Ben Bernanke weighed in saying that he thought it would be a good thing for the Fed to put helicopter money in its toolkit in case there was a downturn in the United States. So I'd like to get your comments on that.

Janet Yellen:

... [I]n normal times, I think it's very important that there be a separation between monetary and fiscal policy, and it's a primary reason for independence of a central bank. We have seen all too many examples of countries that end up with high or even hyperinflation because those in charge of fiscal policy direct their central bank to help them finance it by printing money, and maintaining price stability and low and stable inflation is very much aided by having central bank independence.

Now, that said, in unusual times where the concern is with very weak growth or possibly deflation - rather rare circumstances - first of all, fiscal policy can be a very important tool. And it's natural that if it can be employed that, just as monetary policy is doing a lot to try to stimulate growth, that fiscal policy should play a role. And normally, you would hope, in an economy with those severe downside risks, monetary and fiscal policy would not be working at cross purposes to get - but together.

Now, whether or not in such extreme circumstances, there might be a case for, let's say, coordination - close coordination, with the central bank playing a role in financing fiscal policy; this is something that academics are debating, and it is something that one might legitimately consider. I would see this as a very abnormal, extreme situation where one needs an all-out attempt, and even then it's a matter that academics are debating, but only in an unusual situation

(^{CE} [Transcript of Chair Yellen's Press Conference, US Federal Reserve Media Center, June 15, 2016](#))

{S} (30/09/16) Yellen's response echoes the (perhaps justifiable) fear amongst 'professionals' that if monetary and fiscal policy is left with politicians then disaster awaits (though the performance of 'professionals' has been less than inspiring over the past fifty years!). However, her fears merely underscore the need for 'professionals' to take their responsibility for counselling and educating politicians seriously⁷³¹.

{S} (03/09/16) If it is assumed that credit originates in the private marketplace ([the *laissez faire* presumption](#) favored by those professionals since the 1970s), then, governments are limited in what they can accomplish by the amount of debt they incur in 'borrowing' necessary funds from the private sector (or from Central Banks, presumed to be [independent entities, which 'lend' to governments](#)). So concerns grow about mounting deficits; burgeoning sovereign debt; and the need to 'rein in spending'.

If, on the other hand, it is assumed, as the Roosevelt Administration did, that 'Federal Reserve Bank credit... does not consist of funds that the Reserve authorities "get" somewhere in order to lend, but constitutes funds that they are empowered to create', then [nothing is 'lost' or 'owed' by the government](#) when it issues currency and other forms of credit through its central reserve authority.

The question, of course, is how 'professional' counsellors and educators can [escape the intellectual straitjacket](#) into which neoliberal pragmatic literalists have contorted themselves and the institutions over which they have gained control in the past half century. A great deal of the responsibility for this must rest with the [ideologically driven](#) self-proclaimed economic 'experts' - including all those '[Nobel prize in economics](#)' recipients - [whose simplistic models](#) have resulted in the early 21st century problems we seem unable to escape.

{§} (21/08/16) If legislators, and those counselling and educating them, simplistically assume that it is unnecessary to 'explain' the origin of credit, as far too many politicians (and economists) in Western nations have over the past half century, that credit and 'money' are 'just there', [sprung from 'economic activity'](#), the result is almost certain to be highly confused, and often contradictory, fiscal and monetary policy. In many nations around the world, this has resulted in long-run economic confusion with millions suffering the consequences (as [in the 'peripheral' Euro Zone nations](#) since 2011).

Paul Krugman has illustrated this confusion well in discussing the 'peculiar circumstances that have brought negative interest rates to much of the advanced world':

...[I]t's surely relevant that the two big advanced economies - the US and the eurozone - both have fiscal policy paralyzed by political gridlock, leaving the central banks as the only game in town.

In the U.S., it's House Republicans who block spending on anything except weapons; they won't even allocate funds for Zika! In Europe, nothing fiscal can happen without action by Germany, which is both self-satisfied with its situation and living in its own intellectual universe.

It's true that the UK has some room for maneuver, yet under Cameron/Osborne it went all in for austerity, at least in rhetoric. On the other hand, that may be seen as a political maneuver to discredit the previous government by accusing it of profligacy, and may change quite a lot now that the disastrous duo are out and Theresa May is in.

Japan is, I think, an interesting case, because whatever else it may suffer from, it hasn't faced US or EZ-type gridlock. It's not as clean a case as I would like - Abe allowed himself to be talked by the Serious People into fiscal tightening early on, putting the whole burden on Kuroda. But if you look at the longer-term story since the 1990s, Japan actually has had a combination of deficit spending and relatively cautious monetary policy...

(Paul Krugman, [Ⓔ] [The Gridlock Economy](#), *New York Times*, Opinion Pages, August 20, 2016)

I must confess to being less optimistic than Krugman about the likely consequences of May's influence on British fiscal and monetary policy.

May seems a more pragmatic version of her predecessors, steeped in the same neoliberal marinade, but aware that the Brexit vote signaled a disenchantment with current conservative policies.

The "original sin" of the EU single-currency project was, and is, as Anatole Kaletsky has explained, the Maastricht Treaty's prohibition of "monetary financing" of government deficits by the European Central Bank (ECB). Its 'internal rebalancing' options have been severely curtailed by the flawed political structure/ policies of the euro area.

As Bill Mitchell has explained of Japan in 2016, there should be "harmony between the Japanese Ministry of Finance (fiscal policy) and the Bank of Japan (monetary policy)". As he says,

...[T]he combination of aggressive fiscal stimulus supported by a very easy monetary stance has given Japan a labour market outcome that any nation would be envious of - notwithstanding all the claims about 'lost decades', 'ageing population', 'excessive government debt', 'sclerotic society'.

(Bill Mitchell, [Ⓔ] [Time for fiscal policy as we learn more about monetary policy ineffectiveness](#), *Billy Blog*, August 9, 2016)

558 {§} (23/06/16) Those who recognize that banks do, indeed, *create* credit 'out of thin air' - whether [within central banks](#) or within private banks and similar organizations - will seldom find wide support for, or understanding of, policies and practices based on such understanding. While there seems little doubt that, as Jakab and Kumhof (2015) put it: "banks provide financing through money creation", this works because very few people believe that value *is* conjured out of thin air.

Most Western people ([including far too many 'economic experts'](#)) take it as a given that "banks accept deposits of pre-existing real resources from savers and then lend them to borrowers". They need to believe that their worlds are substantive, that they plant their feet on solid ground! To suggest that credit and 'money' is - or can be - created out of thin air is construed as an attack on 'common sense', on capitalism and on the capitalist world. It is subversive.

{§} (23/07/16) This is why neoliberal understandings of the world so readily supplanted the New Deal understandings from the mid to late 1960s. Their [cartoon capitalist](#) understanding of 'the economy' appealed to what most people saw as 'common sense'. Their explanations provided reassurance to people who 'knew' that credit, money and value were 'real'; that 'government deficits' and 'public debt' were millstones around the necks of drowning nations; that [government budgets were 'just like' household budgets](#).

New Deal understandings, which assumed that sovereign governments had [final freedom](#) from the money market in meeting their financial requirements; that "the public purpose which is served should never be obscured in a tax program under the mask of raising revenue", did not 'make sense'.

For neoliberal pragmatic literalists, [Margaret Thatcher's 'explanation'](#) of the nature of 'money' makes nonsense of such claims:

If the State wishes to spend more it can do so only by borrowing your savings or by taxing you more. It is no good thinking that

someone else will pay - that "someone else" is you. There is no such thing as public money; there is only taxpayers' money

The claim that credit withdrawn from the private realm into the public realm [does not accumulate there](#) but 'disappears' or 'evaporates', to be replaced with 'new' credit, distributed, at the government's discretion, to actors within the private realm, is obviously absurd: evidence of 'government malfeasance'; a *Ponzi* scheme which, like all such schemes, must inevitably result in long-term disaster!

{§} (07/10/16) Capitalism works, for neoliberal pragmatic literalists and fellow travelers, because they 'know' that money is "real"; that credit and value are 'substantial', not conjured out of thin air; that taxes 'fund' government spending; and that 'big government' is parasitic on 'private business', funding the 'wealth takers' at the expense of the 'wealth makers' ⁷³² ; that:

If the government borrows a dollar from you, that is a dollar that you do not spend, or that you do not lend to a company to spend on new investment. Every dollar of increased government spending must correspond to one less dollar of private spending.

([Cochrane \(2009\)](#))

Undermine those beliefs and their faith in capitalism is shaken. And, as we are daily reminded through various market reports - without faith in the markets, capitalism doesn't work!⁷³³

Capitalists are, of course, not unique in this pragmatic, felt need for simplicity and tangibility. Even our understanding of material reality results from faith in its substantiality (I'd be in trouble if I could no longer be certain that my surroundings were 'really' there when I swung my feet out of bed in the morning!). Experience tells us that matter does not "flit into and out of existence" - but, apparently, it does! Adrian Cho, in an article in *Science*, called 'Probing the proton', put it rather well:

In the cartoon view, the positively charged proton and the uncharged neutron both consist of trios of particles called up quarks and down quarks. (Two ups and a down make a proton; two downs and an up make a neutron.) But earlier experiments have shown that those "valence" quarks are just a small part of the story. A nucleon - a proton or neutron - is really a pullulating mass of countless quarks, antiquarks, and gluons, particles that convey the strong nuclear force that holds quarks together. A proton or neutron is so messy that physicists can't say exactly how its most basic properties, such as its mass and spin, emerge from the tangle.

...[T]he quarks within the nucleon cling to one another by exchanging massless particles called gluons, which carry the strong force.

But the strong force is far more complex than the electromagnetic force. Unlike the passive photons, gluons themselves exchange gluons - lots of them. Moreover, a nucleon's three valence quarks aren't the only ones inside it. Untold quark-antiquark pairs also flit into and out of existence. Those fleeting "sea" quarks need not be up and down quarks, but can be heavier strange and charm quarks, too. Thus, each valence quark is shrouded by a cloud of quarks and gluons in which "what you see depends on the scale at which you look," says Michael Pennington, chief theorist at Jefferson Lab.

That complexity makes calculating anything involving the strong force nearly impossible. For example, most of a nucleon's mass comes not from the valence quarks, but from the energy of the quark-gluon cloud (thanks to Einstein's equivalence of mass and energy).

(Adrian Cho, [Ⓔ] [Probing the proton: A newly upgraded accelerator explores the seething maelstrom at the heart of matter](#), *Science*, Vol 347 Issue 6220, 23 January 2015, Pp.363-5)

- ⁵⁵⁹ Bernie Sanders, 2016 US presidential candidate, described the US version of a common problem in an early 21st century neoliberal world:

The sad reality is that the Federal Reserve doesn't regulate Wall Street; Wall Street regulates the Fed. It's time to make banking work for the productive economy and for all Americans, not just a handful of wealthy speculators. And it begins by making the Federal Reserve a more democratic institution, one that is responsive to the needs of ordinary Americans rather than the billionaires on Wall Street.

(Bernie Sanders, [Ⓔ] [To Rein In Wall Street, Fix the Fed](#), *New York Times*, December 23, 2015)

- ⁵⁶⁰ Sam Pizzigati spelt out the inevitable consequences of putting 'profit' before the commonweal:

The United States ended the 20th century on a roll — for the rich. Between 1973 and 2000, the nation's most prosperous 1 percent tripled their incomes, after taking inflation into account.

The even more prosperous top tenth of that 1 percent did quite a bit better. Their incomes more than quintupled between 1973 and 2000, rising an amazing 414.6 percent.

And what about Americans of less exalted means, those stuck in the nation's bottom 90 percent? Between 1973 and 2000, their incomes rose all of . . . 2.6 percent.

Something, in other words, went horribly wrong over the last quarter of the 20th century. And what has happened so far in century 21? Our decision makers in Washington have done their best to make things even worse...

(Sam Pizzigati, [Ⓔ] [A Sweet New Century for America's Most Privileged](#): America's elected leaders haven't ignored inequality since 2000. They've made it spectacularly worse, *Inequality*, Blogging Our Great Divide, July 12, 2018)

- ⁵⁶¹ Orsola Costantini, has provided an example of this warping in a paper entitled *The Cyclically Adjusted Budget: History and Exegesis of a Fateful Estimate*. As she summarizes:

This paper traces the evolution of the concept of the cyclically adjusted budget from the 1930s to the present. The idea of balancing the budget over the cycle was first conceived in Sweden in the 1930s by the economists of the Stockholm School and was soon reinterpreted and incorporated into the fiscal program of the American political coalition supporting the New Deal, especially by the Committee for Economic Development during and after World War II.

In the 1960s, Keynesian economists associated with the Kennedy and Johnson administrations reformulated the notion. Despite their claims at the time, their version differed only in degree from the earlier CED approach, the transformation being largely conditioned by changing political circumstances.

In the 1980s, however, the concept changed substantially. Methods for calculating it transformed dramatically, as the notion became a device to limit and direct governments' fiscal policies in a wide sense, that is, including institutional (or "structural") reforms. The final section of the paper considers the shifting uses of the notion in the European Growth and Stability Pact.

(Orsola Costantini, ^{CE} *The Cyclically Adjusted Budget: History and Exegesis of a Fateful Estimate*, Institute for New Economic Thinking, Working Paper No. 24, October 2015)

⁵⁶² Harry Boyte has neatly summed up the perennial confrontation between democracy and plutocracy in the US in an article subtitled "One side pits winners and losers against each other in a race for the American Dream, while the other wonders what might be possible if we work together to form communities, build schools and create a culture of mutual respect":

Since the beginning, two narratives have warred for the soul of America. One is the "We're Number One" America, in which the American Dream is a competition with few winners and others who bask in their reflected glory. This is the America of land grabs, robber barons and get-rich-quick schemes.

The alternative is the story of democracy in which America is a place of cooperative endeavor where people form associations, build schools, congregations, libraries and towns and fight for "liberty and justice for all."

The novelist Marilynne Robinson was getting at this alternative in her conversation with President Obama last September in Iowa, reprinted in the *New York Review of Books*. "Democracy," she said, "was something people collectively made." Making democracy created a culture of mutual respect.

I learned this understanding of democracy as a young man working for Martin Luther King's Southern Christian Leadership Conference (SCLC) in the civil rights movement. In *Hope and History*, King's friend and sometime speechwriter Vincent Harding described the movement as "a powerful outcropping of the continuing struggle for the expansion of democracy in the United States." It showed "the deep yearning for a democratic experience that is far more than periodic voting."

Today there are new outcroppings of the democracy story but they do not yet merge into a narrative of democracy as a way of life. "We're Number One" America dominates, coming especially from Republican candidates. It has antecedents...

(Harry Boyte, ^{CE} *The Fight For America's Soul*, Moyer & Co, December 16, 2015)

{§} (20/02/16) Ann Jones, in an article subtitled 'A crash course in social democracy', described the world which has, over the past forty years, been dismantled in the name of neoliberal 'free markets', globalization,

economic deregulation and the disenfranchisement of 'democratic' communities⁷³⁴. Most people who live in the Western 'free market' democracies of the 21st century would have lived in such a world had the spirit of the 'New Deal' Roosevelt reforms, *e pluribus unum*, driven the evolution of both communities and their governments:

What Scandinavians call the Nordic model is a smart and simple system that starts with a deep commitment to equality and democracy. That's two concepts combined in a single goal because, as far as they're concerned, you can't have one without the other.

Right there, they part company with capitalist America, now the most unequal of all the developed nations, and consequently a democracy no more. Political scientists say it has become an oligarchy, run at the expense of its citizenry by and for the superrich. Perhaps you've noticed that.

In the last century, Scandinavians, aiming for their egalitarian goal, refused to settle solely for any of the ideologies competing for power - not capitalism or fascism, not Marxist socialism or communism. Geographically stuck between powerful nations waging hot and cold wars for such doctrines, Scandinavians set out to find a middle path. That path was contested - by socialist-inspired workers on the one hand, and by capitalist owners and their elite cronies on the other - but in the end, it led to a mixed economy. Thanks largely to the solidarity and savvy of organized labor and the political parties it backed, the long struggle produced a system that makes capitalism more or less cooperative, and then redistributes equitably the wealth it helps to produce. Struggles like this took place around the world in the 20th century, but the Scandinavians alone managed to combine the best ideas of both camps while chucking out the worst.

In 1936, the popular US journalist Marquis Childs first described the result to Americans in the book *Sweden: The Middle Way*. Since then, all the Scandinavian countries, and their Nordic neighbors Finland and Iceland, have been improving upon that hybrid system. Today in Norway, negotiations between the Norwegian Confederation of Trade Unions and the Confederation of Norwegian Enterprise determine the wages and working conditions of most capitalist enterprises, public and private, that create wealth, while high but fair progressive income taxes fund the state's universal welfare system, benefiting everyone. In addition, those confederations work together to minimize the disparity between high-wage and lower-wage jobs. As a result, Norway ranks with Sweden, Denmark, and Finland as among the most income-equal countries in the world, and its standard of living tops the charts.

So here's the big difference: In Norway, capitalism serves the people. The government, elected by the people, sees to that. All eight of the parties that won parliamentary seats in the last national election - including the conservative Høyre party now leading the government - are committed to maintaining the welfare state. In the United States, however, neoliberal politics puts the foxes in charge of the henhouse, and capitalists have used the wealth generated by their enterprises (as well as financial and political manipulations) to capture the state and pluck the chickens.

They've done a masterful job of chewing up organized labor. Today, only 11 percent of American workers belong to a union. In Norway, that number is 52 percent; in Denmark, 67 percent; in Sweden, 70 percent. Thus, in the United States, oligarchs maximize their wealth and keep it, using the "democratically elected" government to shape policies and laws favorable to the interests of their foxy class. They bamboozle the people by insisting, as Hillary Clinton did at that debate, that all of us have the "freedom" to create a business in the "free" marketplace, which implies that being hard up is our own fault.

In the Nordic countries, on the other hand, democratically elected governments give their populations freedom from the market by using capitalism as a tool to benefit everyone. That liberates their people from the tyranny of the mighty profit motive that warps so many American lives, leaving them freer to follow their own dreams - to become poets or philosophers, bartenders or business owners, as they please.

(Ann Jones, ^{CE} [After I Lived in Norway, America Felt Backward. Here's Why](#): A crash course in social democracy, *The Nation*, January 28, 2016)

563 {§} (09/07/17) *Laissez faire* capitalism is the ideological home of the 'born again' Christian religious right (both in the US and other Western capitalist nations). The religious revivals of the 18th and 19th centuries [launched a religiously and emotionally committed community of capitalists](#) who were, and have remained, deeply convinced:

- that 'the economy' is a self-existent, self-sustaining environment, with its own peculiar characteristics and principles of organization and behavior, established by God to ensure human progress;
- that commitment to the 'natural laws' of the economy will, inevitably, result in the *Summum Bonum*;
- and that people who challenge those laws, [challenge God](#) and threaten the wellbeing of people everywhere.

{§} (14/07/17) Just as many Western social philosophers came to accept the validity of [a quest for an attainable utopia](#) without acknowledging its implicit religious underpinnings, so, many Western conservatives (including economists) appear unaware of the religious origins of their [deeply held commitment to building a *laissez faire* reality](#), convinced that without it the *Summum Bonum* will not be realized.

{§} (26/03/16) {§} (21/06/16) For neoclassical and neoliberal devotees, 'the economy' is an autonomous entity, an objectively existing 'environment' subject to immutable 'natural laws'. Communal 'interference' in the workings of the economy threaten economic wellbeing.

It is in the context of necessary commitment to the 'natural laws' of the economy that one should understand esoteric discussions amongst economists of the 'models' through which economic processes are to be understood. One such discussion focuses on the reasons for, and means of counteracting 'wage stickiness'.

- If one presumes that such matters are 'economic' concerns and that wages are (or should be) solely driven by 'economic' considerations, then one sees, and attempts to address, 'the problem of wage stickiness'. *Investopedia* has succinctly described this:

Stickiness is a theorized condition in the market, and can apply to more areas than wages alone. Stickiness, simply put, is a condition wherein a nominal price resists change. While it can often apply to wages, stickiness may also often be used in reference to prices within a market, which is also often called price stickiness. Prices, however, are generally thought of as not being as sticky as wages are, as the prices of goods often change easily and frequently in response to changes in supply and demand.

(^{CE} [Sticky Wage Theory](#), *Investopedia*, accessed June 2, 2016)

- Equally, if one considers the 'problems' of employment to be fundamentally 'economic', then one assumes that a clearer understanding of the 'forces' at work in determining wage rates (and the floor (if any) below which wages should not be allowed to fall) can be gained. If one can determine that all relevant economic drivers are accounted for in the models employed in determining wage rates, then one can better derive the 'real' rates (and floor) which should apply in the 'labor market' and 'labor force'.

Peter Dorman adopts this approach to determining the 'model' which should be used in such deliberations. As he claims, in a blog entry entitled 'Why You Should Never Use a Supply and Demand Diagram for Labor Markets',

S&D is simply the wrong model, based on a failure to distinguish between offers and transactions. Fortunately, there's a better model out there, search theory, with fairly straightforward intuitions and tons of available data.

Anyone who waves an S&D model at me and makes claims about the labor market is simply advertising that they know less about economics than they think they do.

(Peter Dorman, ^{CE} [Why You Should Never Use a Supply and Demand Diagram for Labor Markets](#), published in *Angry Bear*, July 7, 2017)

- If, on the other hand, one sees 'wages' as **determined by communities**, and *required* of economies (which, of course, for neoclassical and neoliberal devotees, violates the principle of the autonomy of 'the economy'), then **they are a consequence of communal regulation of economic activity**.

Base wage rates are determined by communities which require these rates to be [built into the base costings of economic activity](#). That is, human beings are not like "commodities", and wages are not like "prices".⁷³⁵

{§} (06/02/16) This requires democratically organized capitalist communities with *communally established* processes of wage rate negotiation - usually within labor unions - and is one of the reasons why President Franklin Roosevelt of the US [insisted on the need for well organized, legislatively protected, union movements](#) during the New Deal period.

Dwight Eisenhower, wooing US voters who were already committed to New Deal principles, put the prevailing sentiments succinctly in a 1952

electioneering speech:

I have no use for those - regardless of their political party - who hold some foolish dream of spinning the clock back to days when unorganized labor was a huddled, almost helpless mass.

... Today in America unions have a secure place in our industrial life. Only a handful of unreconstructed reactionaries harbor the ugly thought of breaking unions. Only a fool would try to deprive working men and women of the right to join the union of their choice

(^{CE} [Speech to the American Federation of Labor](#), New York City, 9/17/52)

It also requires a [protected economic environment](#) so that economic pricings, incorporating communally determined base wage rates, can be protected from unfair competition based on pricings which do not include such costs.

In competitive environments where base wage rates act as a floor below which wages cannot fall, wages will inevitably fluctuate as competition between employers leads to above-award-rate wages. However, in a wage-regulated economy there remains a [base rate below which wages cannot fall](#) even if the unemployment rate rises.

New Deal understandings also presumed government responsibility for ensuring an environment which [favored full employment](#).

^{CE} [Bill Mitchell has explained](#) the prevailing presumptions well,

First of all here is a totally general statement about the capacity of a currency-issuing government that applies to any nation...

...[S]uch a government can **always** use its currency-issuing capacity to ensure that all available productive resources that are for sale in that currency, including all idle labour, can be productively engaged.

That is, such a government can always, without exception, ensure there is full employment.

There is no financial constraint on such a government who desires to achieve that desirable policy goal.

In a later blog posting he has described the [late 1940s arm-wrestling](#) between US New Deal supporters and the descendants of 1920s 'free-market' advocates:

In 1946, with the Second World War at an end, the world governments turned to the question of how to maintain the full employment that the prosecution of the War had brought in the peace. It was clear that governments could choose whatever unemployment level they wanted through the manipulation of fiscal and industry policies and so the only question was the political will to maintain the full employment state.

In the US, the political debate led to the Employment Act 1946, which demonstrated ... the parameters of the conflict between conservative and the more liberal forces over what constituted full employment and what responsibility the currency-issuing government had for maintaining high levels of employment.

(Bill Mitchell, ^{CE} [The conservative opposition to full employment legislation in the US](#), *Billy Blog*, 13 July, 2017).

Once one accepts the *laissez faire* presumption of the primacy of the deregulated, globalized marketplace, then communal "interference" in the marketplace is illegitimate and human labor becomes just another "resource" to be exploited and to which "prices" can be attached - subject to 'economic laws of supply and demand' - [the Speenhamland solution](#).

Eduardo Porter has described what is happening around the world as [wages are failing to keep pace with living costs](#):

...[T]he job market - that most critical institution of capitalist societies, the principal vehicle to distribute the nation's wealth among its people - is not working properly. This raises a fundamental question: If the job market cannot keep hardworking people out of poverty and spread prosperity more broadly, how will it be done? Is public assistance our future?

Lane Kenworthy, a professor of sociology at the University of California, San Diego, has disentangled the evolution of household incomes over the last three or four decades. The wages from work, he found, are playing a diminishing role for a growing swath of the labor force.

...Between 1979 and 2007, almost one third of the income gains of American households in the bottom half of the income ladder came from government transfers.

A combination of sluggish employment and stagnant wages has forced more families to rely on the public purse in many developed nations.

...After 40 years of stagnant earnings from the middle on down, Professor Kenworthy said, it's hard to sustain the argument that things will be all right in the end. "That's a very long time to be just an aberration," he told me.

... [Lawrence Katz](#), a professor of economics at Harvard, noted how some 40 years ago, the compensation of American workers became decoupled from productivity growth, which continued to advance even as wages stagnated. "We haven't kept up improving skills as we did before," Professor Katz said. "But it's not all about that."

Globalization, which has moved a large share of industrial jobs to China and other cheap labor markets, has clearly played a role...

(Eduardo Porter, ^{CE} [Big Mac Test Shows Job Market Is Not Working to Distribute Wealth](#) (*New York Times*, April 21, 2015))

Robert Skidelsky (2015) has addressed the problem of the progressive decoupling of wage rates from productivity growth rates:

...As robots increasingly replace human labor, [humans will need incomes to replace wages from work](#). Whereas tax credits point in the direction of replacement incomes, raising the minimum wage points in the opposite direction, by making income more dependent on jobs. In fact, focusing on the minimum wage would almost certainly speed up the automation process. Previous evidence that minimum-wage legislation does not reduce the demand for labor might not stand up against the rapidly falling cost of automating the production of goods and services.

In short, if Osborne is serious about his pledge to provide a "living income" for all, he should be moving toward the idea of a "basic" or "citizen's" income, independent of the job market. A simple way forward would be to provide all citizens an unconditional tax credit, which could be built up gradually as the rewards from work fall...

(Robert Skidelsky, ^{CE} [Minimum Wage or Living Income?](#), *Project Syndicate*, July 16, 2015)

As one of the commenters, pessimistically (or, realistically) responded,

In the age we live in this will not happen. Companies donate to political campaigns which serve their own interests - and it is the interest of every company to have an abundance of cheap labour...
(Michael Public JUL 16, 2015)

In a deregulated globalized marketplace, jobs don't remain in 'wage sticky' areas, they migrate to where the [inducements are most attractive](#) and costs are lowest - "the famous slicing up of the value-added chain - as [individual production stages are located where the costs of production are lowest](#)".

Paul Krugman has illustrated the *laissez faire* mindset well in a blog discussion piece entitled "Sticky Wages and the Macro Story". His 'explanation' seems to presume that the US has gutted or removed all its wage rate legislation and abandoned its workers to the vagaries of 'free', individualized, employer/employee wage bargaining (FDR must be resting uneasily in the hereafter!):

... If we're looking at the market for, say, wheat, and there's an excess supply - sellers want to sell more than buyers want to buy - we expect to see the price fall rapidly to clear the market. So if there were really a large excess supply of labor, shouldn't we be seeing wages plummeting?

And the answer is no - wages (and many prices) don't behave like that. It's an interesting question why, one that has to be answered in terms of psychology and sociology, but it's simply a fact that actual cuts in nominal wages happen only rarely and under great pressure. So wage stickiness is an essential part of a demand-side story about what's going on with the economy; it's how you answer the question of why wages aren't falling.

(Paul Krugman, ^{CE} [Sticky Wages and the Macro Story](#), *New York Times*, Opinion Pages, July 22, 2012.)

564 {§} (01/07/17){§} (11/06/18)

In nations which presume the primacy of the community over the marketplace (or 'economy') the drive to export would be based in the need to access needed resources (or commodities) of the countries toward which exports are focused. Those exports would generate credit accounts with the importing country which could be employed within that country to access its resources.

So, the presumption of 'export led growth', which lies at the base of post-1960s neoliberal 'globalization', would be strongly focused on ensuring economic development *within* the exporting country (not so as to increase exports, but so as to increase internal communal and economic wellbeing).

Accumulating credit in countries which lack resources or commodities required by the exporting country would be anomalous⁷³⁶.

Of course, sometimes the desired 'resource' might well be the credit generated within an importing country which could be used in accessing resources in a third country. So, the reason for the exports is not simply to accumulate foreign credit but to ensure a ready access to desired real resources (or commodities) needed or wanted within the exporting country.

If there were no need for resources or commodities from outside the exporting country then export-driven economic activity would be anomalous.

{§} (16/06/18) Bill Mitchell has summed all this up well:

For an economy as a whole, imports represent a real benefit while exports are a real cost.

Exports mean that we have to give something real to foreigners that we could use ourselves – that is obviously an opportunity cost. Imports represent foreigners giving us something real that they could use themselves but which we benefit from having. The opportunity cost is all theirs!

Thus, net imports means that a nation gets to enjoy a higher material living standard by consuming more goods and services than it produces for foreign consumption.

(Bill Mitchell, ^{CE} [Trade and external finance mysteries](#), *Billy Blog*, 08 May, 2018)

Mitchell has focused on the undeniable fact that, for a sovereign nation which is focused on improving the wellbeing of its populace through accessing foreign real resources, '*exports are a cost and imports are a benefit*'.

However, in a neoliberally organized, deregulated nation, multinational corporations, focused on accumulating external credit *as a possession*, siphon export profits into tax havens. This results in 'tax-haven countries showing ridiculously high levels of profits relative to wages'.

This is, of course, driven by what [Keynes described](#) as 'The love of money as a possession - as distinguished from the love of money as a means to the enjoyments and realities of life'. There is no increase in real resources available to the exporting country as a result of their export activity. The export/import exercise is seen as *foreign credit* accumulation (a virtue in itself) and *sovereign credit* 'loss' to the country which supplies the exporting country with needed or wanted resources. So, *exports are perceived as a benefit and imports are perceived as a cost*.

{§} (07/07/17) In nations which presume the primacy of the marketplace (economic activity for its own sake), exports are driven, not by the need for resources but by the '*need*' to *accumulate 'credit' for its own sake*. As the world has witnessed over the past fifty years, international credit accumulation then results in [absurdly inflated credit accounts in places where the costs of accumulating those credits are lowest](#).

Jim Tankersley, relying on research by Thomas Tørsløv, Ludvig Wier and Gabriel Zucman⁷³⁷, has explained:

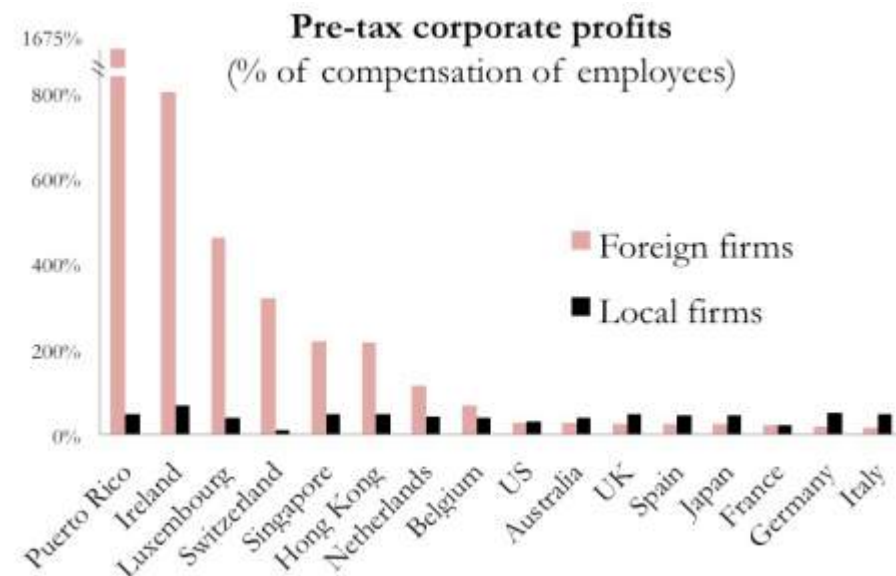
... [A] jarringly large amount of what appears, to policymakers, to be investment pushed abroad by high tax rates is instead an accounting trick — so-called paper profits — which tax cuts will not reverse.

“This idea that if you cut taxes, you’ll attract a lot of physical capital, a lot of investment to the United States, I don’t think is supported by the evidence,” said Gabriel Zucman..., “Paper profits — that doesn’t boost wages for workers. What boosts wages is actual factories.”

(Jim Tankersley, ^{CE} [Tax Havens Blunt Impact of Corporate Tax Cut, Economists Say](#), *New York Times*, 10 June, 2018)

Paul Krugman has illustrated the effects. As he explained,

...[T]ax-haven countries end up showing ridiculously high levels of profits relative to wages, basically because the profits aren’t being earned where they’re being reported.



(Figure 4: Profitability in Foreign vs. Local Firms, Tørsløv, Wier & Zucman)

(Paul Krugman, ^{CE} [Tax Cuts and Leprechauns](#), *New York Times*, June 15, 2018)

Katy Wright, of Oxfam Great Britain, has summed it up:

... [W]hat specific thing embodies inequality better in today’s world than the tax haven? These are secretive, cynical jurisdictions that contribute little to the economy or society than to ensure a greater return to capital.

One estimate is that \$7.6 trillion is stashed by rich individuals in tax havens worldwide. They happen to also come with imagery that speaks of luxury and remote secrecy. They are Davos with palm trees. And like many structures there to benefit the richest, tax havens are also incredibly damaging for the poorest.

(Katy Wright, ^{CE} [How Can We Rouse the Public Against an Abstract Noun?](#) (Tips for fighting inequality from a top Oxfam campaigner), *Inequality.Org*, Research & Commentary, July 05, 2017)

Keynes, in an optimistic 1930 essay, [described this mentality](#) well:

The love of money as a possession... will be recognised for what it is, a somewhat disgusting morbidity, one of those semicriminal, semi-pathological propensities which one hands over with a shudder to the specialists in mental disease.

In such circumstances, the original exporting country sees little or no community and internal economic advantage from the export activity.

As has been [explained elsewhere](#), those whose diseased mentalities presume the virtue of credit accumulation *for its own sake*, 'getting mega-rich', do not have the wellbeing of communities at heart, but the wellbeing of 'bank accounts' and inflation-hedging 'hard assets'. Sam Pizzigati has described the mentality of 2017's US political 'leaders':

We have as President a man of enormous wealth who suggests that individuals of enormous wealth should run the government.

"I just don't want a poor person" in the cabinet, President Trump recently told a rally in Cedar Rapids, Iowa.

The President wants rich people in the cabinet — and he has them. Mega millionaires and a few billionaires make up most of his key top appointments. And that rates as a good thing, the President assures us.

"Somebody said, 'Why'd you appoint rich person to be in charge of the economy,'" he explained in Iowa. "I said, 'Because that's the kind of thinking we want.'"

(Sam Pizzigati, ^{CE} [Overcoming the 'Politics of Deference'](#), *Inequality Org*, June 28, 2017)

The attitude which Pizzigati has described is not one confined to the US president. It is dominant among many of the elected members of both major political parties in the US Congress.

565 {§} (24/03/17) As Western nations have been reorganized and refocused to neoliberal understandings of reality through the past half-century, previously publicly owned and organized banks and other financial institutions [have been and are being privatized](#). In the face of this drive toward privatization, there have, for many years, been cogent arguments made for treating all banks as public utilities.

A report by *The New Economics Foundation* in 2012 summed it all up well:

We surveyed data from 65 countries to identify successful alternatives to commercial banks, which we define as banks that have the main objective of maximising shareholder value. Four distinct forms were identified: cooperative banks, credit unions, community development finance institutions (CDFIs), and public interest savings banks. Their common characteristic is the goal of creating value for stakeholders, not just shareholders. Several trends emerge across all four types of bank:

- Greater focus on the needs of customers, including more competitive products, better service, and longer term lending.
- Explicit aim to provide for customers who are underserved by commercial banks.

- Positive impact on local economic development through lending to small and medium businesses, preventing capital drain from regions, and maintaining branch networks.
- Positive impact on financial stability through less volatile returns, higher levels of capital, prudent balance sheets, and expansion of credit provision after the financial crisis.

Criticisms that stakeholder banks are inefficient and distort competition are found to be unconvincing. However, lack of access to capital is a constraint on growth, and there are lessons to be learned from those institutions that failed during the financial crisis.

We conclude that certain factors are critical to the success of stakeholder banks:

- Maintaining independence of locally focussed and controlled institutions, while collaborating in networks to gain economies of scale, expertise and pooled liquidity and risk through central institutions and infrastructure.
- Favourable regulation that recognises the distinct nature of stakeholder banks, and does not force them to become more like commercial banks.

We recommend that banking policy explicitly acknowledges the benefits of banking diversity - including to global financial stability - and seeks to nurture a vibrant stakeholder banking sector

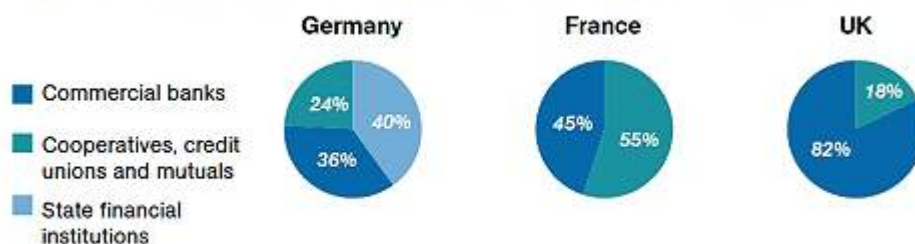
(Lydia Prieg and Tony Greenham, ^{CE} [Stakeholder Banks: Benefits of banking diversity](#), *The New Economics Foundation*, December, 2012)

As they explain:

...[W]e... found one unifying theme that set them apart from commercial banks. Instead of having a [single overarching objective of maximising shareholder value](#), they all seek to balance profit with social goals, or in other words to maximise stakeholder value. Hence we refer to them as stakeholder banks.

A summary of market shares of deposits in such banks within 3 major Eurozone countries is informative:

Figure 1 – Market shares of deposits in Germany, France and the UK



Source: World Bank (2011)²

Because of their experiences during the period of Western European colonial empires, many Second and Third World countries developed large state owned banking sectors.



(*The Economist*, 13 May, 2010)

This mix was, inevitably, balanced by a mixture of foreign banking enterprises, usually riding the coat-tails of empire. An article in *The Economist* explained the value of the public option in banking in the wake of the Great Financial Crisis (GFC):

After mid-2008 there was a big divergence, with the state banks (which come in three main flavours: the nationalised banks, State Bank of India and the regional rural banks) keeping credit growing fairly steadily. The private banks more or less ground to a halt. The foreign banks went from expansion to sharp decline, with their share of loans dropping from a peak of 7% to a paltry 5.3% last December.

Most bank executives now also concede that old-fashioned regulation was shown to have its merits. Indian banks are required to hold a big slug of their assets (typically just under a third) in government bonds and at the central bank. Now Western regulators too are considering pushing up liquidity levels. Indian bankers joke that all the fiddly rules they face have become the envy of regulators throughout the world.

(*The Economist*, ^{CE} [Mutually assured existence: Public and private banks have reached a modus vivendi](#), 13 May, 2010)

Ellen Brown (2011) has addressed the experiences of Western nations:

Publicly owned banks were instrumental in funding Germany's "economic miracle" after the devastation of World War II. Although the German public banks have been targeted in the last decade for takedown by their private competitors, the model remains a viable alternative to the private profiteering being protested on Wall Street today.

One of the demands voiced by protesters in the Occupy Wall Street movement is for a "public option" in banking. What that means was explained by Dr. Michael Hudson, professor of economics at the

University of Missouri in Kansas City, in an interview by Paul Jay of the Real News Network on October 6:

[T]he demand isn't simply to make a public bank, but is to treat the banks generally as a public utility, just as you treat electric companies as a public utility.... Just as there was pressure for a public option in health care, there should be a public option in banking. There should be a government bank that offers credit card rates without punitive 30% interest rates, without penalties, without raising the rate if you don't pay your electric bill. This is how America got strong in the 19th and early 20th century, by essentially having public infrastructure, just like you'd have roads and bridges.... The idea of public infrastructure was to lower the cost of living and to lower the cost of doing business.

We don't hear much about a public banking option in the United States, but a number of countries already have a resilient public banking sector. A May 2010 article in *The Economist* noted that the strong and stable publicly owned banks of India, China and Brazil helped those countries weather the banking crisis afflicting most of the world in the last few years.

...[T]here are other Western public banking models that are successful.... Europe has a strong public banking sector; and leading it is Germany, with 11 regional public banks and thousands of municipally owned savings banks. Germany emerged from World War II with a collapsed economy that had degenerated into barter. Today, it is the largest and most robust economy in the eurozone. Manufacturing in Germany contributes 25 percent of gross domestic product, more than twice that in the UK. Despite the recession, Germany's unemployment rate, at 6.8 percent, is the lowest in 20 years. Underlying the economy's strength is its *Mittelstand* - small to medium sized enterprises - supported by a strong regional banking system that is willing to lend to fund research and development.

In 1999, public banks dominated German domestic lending, with private banks accounting for less than 20 percent of the market, compared to more than 40 percent in France, Spain, the Nordic countries and Benelux. Since then, Germany's public banks have come under fire; but local observers say that is due to rivalry from private competitors rather than a sign of real weakness in the sector.

As precedent for a public option in banking, then, the German model deserves a closer look.

(Ellen Brown, ^{CE} [The Public Option in Banking: Another Look at the German Model](#), *Truthout*, News Analysis, October 14, 2011)

566 {§} (20/07/16){§} (01/03/17) Many post-1960s Western politicians who committed themselves and their constituents to *laissez faire* futures, appeared oblivious to the origin of credit in capitalist societies - it was 'just there', sprung from 'economic activity'. For them, '[money](#)' was presumed to be generated in some undefined way in the private marketplace. As [Richard Werner explained](#), both politicians and the economists who counselled them conspicuously "failed... to make any progress concerning knowledge of the monetary system".

The British prime minister, Margaret Thatcher, was a British conservative in the [tradition of the 'born again' Christian religious right](#), a disciple of [Milton Friedman](#), and contemporary of Ronald Reagan. She demonstrated that lack of understanding in a 1983 speech in which she spelt out the [neoliberal understanding](#) of the origin and nature of 'money' in a capitalist society:

One of the great debates of our time is about how much of your money should be spent by the State and how much you should keep to spend on your family. Let us never forget this fundamental truth: the State has no source of money other than money which people earn themselves. If the State wishes to spend more it can do so only by borrowing your savings or by taxing you more. It is no good thinking that someone else will pay - that "someone else" is you. There is no such thing as public money; there is only taxpayers' money.

Prosperity will not come by inventing more and more lavish public expenditure programmes. You do not grow richer by ordering another cheque-book from the Bank. No nation ever grew more prosperous by taxing its citizens beyond their capacity to pay. We have a duty to make sure that every penny piece we raise in taxation is spent wisely and well. For it is our party which is dedicated to good housekeeping - indeed, I would not mind betting that if Mr. Gladstone were alive today he would apply to join the Conservative Party.

Protecting the taxpayer's purse, protecting the public services - these are our two great tasks, and their demands have to be reconciled. How very pleasant it would be, how very popular it would be, to say "spend more on this, expand more on that." We all have our favourite causes - I know I do. But someone has to add up the figures. Every business has to do it, every housewife has to do it, every Government should do it, and this one will.

(*Margaret Thatcher Foundation*, ^{CE} [Speech to Conservative Party Conference](#), Oct 14 1983)

⁵⁶⁷ Stephen Morris, in a comment on a less-than-convincing article by George Soros (2016) entitled 'Open Society Needs Defending', contends that, even assuming the validity of [homo economicus](#), given a free choice in their system of government, Western individuals almost invariably vote for genuine Democracy not the plutocratic alternative of elitist "elective" government. As he says:

What this article highlights is the essential flaw in Popper's philosophy of Platonic Paternalism, the belief system embraced by Elites throughout the developed world. We are NOT witnessing a failure of Democracy. We are witnessing the consequences of failing to implement Democracy in the first place.

Democracy is NOT about "electing leaders". That is elitist "elective" government. And as [Nobel laureate](#) James Buchanan explains, it is a system all but guaranteed to create the disaster we now see:

[S]uppose that a monopoly right is to be auctioned; whom will we predict to be the highest bidder? Surely we can presume that the person who intends to exploit the monopoly power most

fully, the one for whom the expected profit is highest, will be among the highest bidders for the franchise.

In the same way, positions of political power will tend to attract those persons who place higher values on the possession of such power. These persons will tend to be the highest bidders in the allocation of political offices. . . .

Is there any presumption that political rent seeking will ultimately allocate offices to the 'best' persons? Is there not the overwhelming presumption that offices will be secured by those who value power most highly and who seek to use such power of discretion in the furtherance of their personal projects, be these moral or otherwise?

Genuine public-interest motivations may exist and may even be widespread, but are these motivations sufficiently passionate to stimulate people to fight for political office, to compete with those whose passions include the desire to wield power over others?

(James Buchanan and Geoffrey Brennan, [Ⓔ] *The Reason of Rules*, Cambridge University Press, 1985, p64)

Under such conditions (and in the absence of true Democracy) it is perfectly reasonable to expect that:

- a) the system will adversely select aggressively narcissistic, machiavellian (and quite possibly psychopathic) political agents who act in their own interests, with minimal regard for the subjects they rule;
- b) such politicians will deliberately misrepresents the state of affairs to the public in their desperate attempts to secure votes;
- c) such politicians will engage in obscene competitions to hand out bread and circuses, each side seeking to outdo the other to secure power; and
- d) such politicians will engage in grubby auctions, buying off special interest groups and powerful lobbies piecemeal with gifts from the public purse . . . and look to receive favours in return, either in the form of support in government or employment in later life.

Real Democracy allows the citizens themselves to choose the system of government THEY prefer for THEIR country or state.

And we know with some confidence what system of government citizens prefer.

To begin with, we know from Game Theory that citizens' consent for non-democratic elective government can not be inferred from their strategy of sullen acquiescence. That would require demonstrating that citizens are not acting under conditions of Prisoners' Dilemma in the face of entrenched political parties and other powerful elite interests opposed to genuine Democracy.

We know from work such as that of Bowler *et al* ([Ⓔ] [Enraged or Engaged? Preferences for Direct Citizen Participation in Affluent](#)

Democracies", 2007) that:

- a) in almost all countries a clear majority of respondents agree or strongly agree with the statement "Thinking about politics in [COUNTRY] . . . Referendums are a good way to decide important political questions";
- b) in countries where there is no outright majority support, a strong plurality of respondents agree or strongly agree (with some having no view); and
- c) support is STRONGEST in that country (Switzerland) where people have the MOST experience of such decision-making.

We know from the historical record that in the few cases where citizens HAVE been given a free choice in their system of government (half of US states, German lander, a handful of other jurisdictions) they almost invariably vote for genuine Democracy with the right of recall, veto, initiative and referendum.

(Admittedly in the United States, the democratic States must still operate under the anti-democratic provisions of the Federal constitution and its Supreme Court which - in the name of the "Rule of Law" - insists that Money is Speech and overturns attempts to regulate the role of money in the democratic process. But that's hardly a shortcoming of Democracy.)

Finally, and most importantly, we know that where citizens DO enjoy truly democratic rights they NEVER vote to repeal them, even though it's a straightforward process to initiate a referendum for that purpose. (And indeed in some jurisdictions the attempt has been made . . . and defeated at the ballot box!)

Unlike the elitist system of elective government, genuine Democracy demonstrates the ongoing consent of the citizens being governed.

The last great wave of Populism (that's big-P Populism, not the pejorative small-p populism) in the early 20th century had the legacy of introducing Democracy to almost half the US States.

So If you want to address the shortcomings [of] modern government, do not talk about the supposed failure of a "Democracy" which never in fact existed.

Instead, join the campaign to replace the corrupt system of elective government and give genuine Democracy a chance to thrive

(Stephen Morris, Comment on: George Soros, ^{CE} [Open Society Needs Defending](#), *Project Syndicate*, December 28, 2016)

568 {§} (26/01/16) Franklin Roosevelt (1938) clearly spelt out the threat of plutocracy for democratically organized capitalist nations. His explanation and warnings are even more urgently relevant today than they were in the 1930s:

Unhappy events abroad have retaught us two simple truths about the liberty of a democratic people.

The first truth is that the liberty of a democracy is not safe if the people tolerate the growth of private power to a point where it

becomes stronger than their democratic state itself. That, in its essence, is Fascism - ownership of Government by an individual, by a group, or by any other controlling private power.

The second truth is that the liberty of a democracy is not safe if its business system does not provide employment and produce and distribute goods in such a way as to sustain an acceptable standard of living.

Both lessons hit home.

Among us today a concentration of private power without equal in history is growing.

This concentration is seriously impairing the economic effectiveness of private enterprise as a way of providing employment for labor and capital and as a way of assuring a more equitable distribution of income and earnings among the people of the nation as a whole.

(F. D. Roosevelt, ^{CE} [Message to Congress on Curbing Monopolies](#), April 29, 1938 (Online by Gerhard Peters and John T. Woolley, The American Presidency Project))

Let's not be beguiled by crocodile smiles and misinterpreted tears. Philanthropy is the stalking horse of predation.

Tim Scott has summed up the real aims and ambitions of Western plutocratic philanthropy over the past two hundred and more years:

In the late 19th century many U.S. industrialists – Andrew Carnegie, John Pierpont Morgan, John D. Rockefeller and others – who amassed immense wealth through the exploitation and degradation of workers (including children), began to establish philanthropic trusts and foundations. Oil monopolist John D. Rockefeller (senior) described this social mission as a divinely inspired “business of benevolence.” Accordingly, historian Benjamin J. Soskis reports that Rockefeller declared in 1906:

I believe that the power of making money is a gift from God... I believe it is my duty to go on making money and still more money, and to use the money I make for the good of my fellow man according to the dictates of my conscience.

As such, philanthropists of this time channeled charitable gifts to civil society and aid-based organizations charged with facilitating the cultural reproduction of American values derived from the Protestant ethics that sustain U.S. capitalism: individualism, self-reliance, hard work, meritocracy, discipline and obedience. In terms of the benevolent role of philanthropists during this period, Soskis frames it this way:

This conflation of the obligations of business and businessman was encouraged by the concept of stewardship, the dominant means by which Americans understood the responsibilities of wealth in the nineteenth century. By the dictates of stewardship, men could not claim ultimate ownership over their possessions, but held them only as trustees for some higher authority—in the concept's Protestant manifestation...

By bridging the realms of accumulation and redistribution, stewardship linked provisional property rights with the responsibilities that attended those rights. Stewardship provided

a bridge between the imperatives of service and self-interest, a causeway over which proponents of corporate philanthropy would make their unsteady way in the decades to come.

Through this doctrine of divine providence, these charitable "Captains of Industry" advanced everything from universal public education, immigrant assimilation and poverty mitigation to the arts, public health and science and medical research.

Naturally, this giving came with a social engineering agenda. For example, as documented in my article ^{CE} [The Despotism of Public Secondary Education](#)," their financial and political support for universal public education was intended to bolster U.S. hegemony, by furthering U.S. industrial capitalism's imperialist pursuits as tied to the nation's foundational structures of heteropatriarchy, white supremacy and settler colonialism.

(Tim Scott, ^{CE} [Impact Investing and Venture Philanthropy's Role in Sowing the Seeds of Financial Opportunity](#), *Dissident Voice*, February 17th, 2017)

When Western communities and nations cede 'social' and 'cultural' funding to their plutocracies they surrender to those 'philanthropists' their futures. As [Thomas Jefferson](#) urged:

Preach, my dear Sir, a crusade against ignorance; establish and improve the law for educating the common people. Let our countrymen know that the people alone can protect us against these evils, and that the tax which will be paid for this purpose is not more than the thousandth part of what will be paid to kings, priests and nobles who will rise up among us if we leave the people in ignorance...

Lewis Carroll's cautionary poem, *The Crocodile*, should be required kindergarten learning:

How cheerfully he seems to grin
How neatly spreads his claws,
And welcomes little fishes in,
With gently smiling jaws!

Fred Guerin put it in a nutshell:

A society that genuinely cares for its citizens' well-being has little need for manufactured, top-down charity because such a society builds institutions that democratically enable all citizens to participate in a [shared commons](#), where no one need suffer the indignity of gross injustice, burdensome debt or soul-destroying poverty.

One of the most potent, propagandistic memes advanced by the corporate well-to-do in the United States today has been the projection of themselves as lovers of philanthropy and charity...

The super-wealthy of the world can undoubtedly feel good about their big-heartedness. Some might even see the private accumulation of massive wealth as morally justified, even in the face of profound inequality - that is, justified so long as they can somehow claim that their great individual wealth will inevitably "trickle down" to the have-nots. Of course, very few economists today would have the temerity to defend trickle-down economics.

This is why the latter idea has to be reconfigured in more positive terms. Instead of trickle-down economics, we now have the rich speaking openly about "corporate social responsibility" and broadcasting their beneficence through charitable foundations.

In reality, corporations see charity as the perfect means through which they can get their foot in the door of public institutions, universities and other public agencies. In other words, their largesse has a price tag attached to it. Corporate charity typically cashes out for the rich and powerful in the form of decision-making power...

(^{CE} [The Charitable Society or "How to Avoid the Poor and Perpetuate the Wealth Gap"](#), Fred Guerin, *Truthout*, Sunday, 21 September 2014)

Michael Massing has painted a clear picture of the growth in US plutocratic philanthropy over the past three decades:

As the concentration of wealth in America has grown, so has the scale of philanthropy. Today, that activity is one of the principal ways in which the superrich not only "give back" but also exert influence, yet it has not received the attention it deserves. As I have previously tried to show, digital technology offers journalists new ways to cover the world of money and power in America,¹ and that's especially true when it comes to philanthropy.

Over the last fifteen years, the number of foundations with a billion dollars or more in assets has doubled, to more than eighty. A significant portion of that money goes to such traditional causes as universities, museums, hospitals, and local charities. Needless to say, such munificence does much good. The philanthropic sector in the United States is far more dynamic than it is in, say, Europe, due in part to the tax deductions allowed under US law for charitable giving. Unlike in Europe, where cultural institutions depend largely on state support, here they rely mainly on private donors.

The tax write-offs for such contributions, however, mean that this giving is subsidized by US taxpayers. Every year, an estimated \$40 billion is diverted from the public treasury through charitable donations. That makes accountability for them all the more pressing. So does the fact that many of today's philanthropists are more activist than those in the past. A number are current or former hedge fund managers, private equity executives, and tech entrepreneurs who, having made their fortunes on Wall Street or in Silicon Valley, are now seeking to apply their know-how to social problems. Rather than simply write checks for existing institutions, these "philanthrocapitalists," as they are often called, aggressively seek to shape their operations.

(Michael Massing, ^{CE} [How to Cover the One Percent](#), *The New York Review of Books*, January 14, 2016)

⁵⁶⁹ Minions and their benefactors come with a wide variety of aptitudes and abilities which are harnessed to the ideological and self-promotional ends they share. Minions are by nature followers, attracted to benefactors from whom they draw strength and self-confidence.

It would be wrong to assume that all plutocratic minions are morally bankrupt sycophants selling their souls for a mess of pottage. Plutocrats

come in many ideological shadings and attract minions who share the understandings and enthusiasms of their masters.

True believers seldom experience moral dissonance in promoting the enthusiasms and interests of their chosen benefactors and mentors. So, there is little to be gained from appeals to their 'better natures'; they are already being true to themselves.

570 {§} (28/01/16) Lincoln's insight into the lurking danger of an ascendant plutocracy for the future of US democracy should be burned into the consciousness of all who truly believe in 'government of the people, by the people, for the people':

We may congratulate ourselves that this cruel war is nearing its end. It has cost a vast amount of treasure and blood... It has indeed been a trying hour for the Republic; but I see in the near future a crisis approaching that unnerves me and causes me to tremble for the safety of my country.

As a result of the war, corporations have been enthroned and an era of corruption in high places will follow, and the money power of the country will endeavor to prolong its reign by working upon the prejudices of the people until all wealth is aggregated in a few hands and the Republic is destroyed.

I feel at this moment more anxiety for the safety of my country than ever before, even in the midst of war. God grant that my suspicions may prove groundless.

(^{CE} [Rick Crawford](#) provides his sourcing of this quotation: The passage appears in a letter from Lincoln to (Col.) William F. Elkins, Nov. 21, 1864. For a reliable pedigree, cite p. 40 of *The Lincoln Encyclopedia: The Spoken and Written Words of A. Lincoln Arranged for Ready Reference*, by Archer H. Shaw (NY, NY: Macmillan, 1950). That traces the quote's lineage to p. 954 of *Abraham Lincoln: A New Portrait*, (Vol. 2) by Emanuel Hertz (New York: Horace Liveright Inc, 1931).)

571 The New Deal did not usher in a Utopia - social equity, while much improved, was far from perfect! It needs to be remembered that the free market fundamentalists who had run the 1920s did not go away, they were merely, temporarily, in a political minority ⁷³⁸, with Roosevelt and his supporters, rather shakily, in control.

[Orsola Costantini](#) provided a description of some of the problems faced by the Roosevelt Administration:

Save for a moment at the start of Roosevelt's first term, most American businessmen perceived the New Deal as a political program bent on transforming the US into a socialist state, reminiscent of the Soviet Union. As a result, most renewed their traditional commitment to the opposing Republican Party while the major general purpose business organizations - the United States Chamber of Commerce and the National Association of Manufacturers (NAM) turned sharply against the New Deal. Especially after the late Spring of 1935, when Roosevelt turned decisively to the left with his so-called "Second New Deal" that included Social Security and the Wagner National Labor Relations Act giving legal protection to labor organizing, much of American

business embarked on something resembling a crusade against him. NAM in particular saw its budget and total membership spiral rapidly upwards as major business groups opposed to the New Deal took control and proselytized for wider support...
(Orsola Costantini, 2015, p. 8)

Within a decade, the US financial establishment - that group to which [Geithner proudly referred](#) in his memoir *Stress Test* when he claimed that "I basically restored the New York Fed board to its historic roots as an elite roster of the local financial establishment" - were regathering the reins of the US Federal Reserve. The New Deal architects were being replaced.

What is remarkable is not that social and economic inequity remained, but that, despite persistent, well-organized, [Supreme Court-backed opposition](#), the Roosevelt reforms produced significant long-term change.

Criticisms of what was achieved need to be tempered by awareness of the political realities. As one commenter put it:

Everyone seems to talk about those days as the halcyon days of "wide spread prosperity" - they of course were not and billions suffered. OK, OK you want to limit it to the US maybe 2-300 people had 65% of wealth and 180 million shared the rest among themselves.

(Krugman Blog, [Ⓔ] [The Unwisdom of Crowding Out \(Wonkish\)](#), *New York Times*, The Opinion Pages, Commenter: *me, earth*, November 15, 2014)

572 {§} (14/02/16){§} (05/06/16){§} (24/01/17) I know that for some who recognize the importance of the principle that sovereign governments create credit, this is a contentious issue. As one commenter on a blog posting by Randy Wray explained:

The Treasury "owes" the money it creates to it's (the government's) creditors... the people who supply the goods and services the government purchases. It's not a future debt. The money wouldn't be issued if the debt were not already incurred (or mandated to be incurred by Congress in some spending bill). No money is created (issued) unless and until there is a debt of the government that needs to be paid. What other use has the government for money? Why issue it at all?

(Commenter, Jamie, December 20 2015, on [Ⓔ] [Randy Wray: Debt-Free Money and Banana Republics](#), Posted on December 20, 2015 by Lambert Strether, *Naked Capitalism* Blog Site)

The suggestion seems to be that all sovereign credit creation is based on meeting 'debts' incurred by government for services provided by its creditors. This understanding is, of course, one of the prime reasons why many who accept that sovereign governments *create* credit, still assume that Sovereign bonds are '[public debt instruments](#)'.

However, this unnecessarily limits the creation of credit to debt servicing. As the 'quantitative easing' of the post-2008 period demonstrates, there are reasons for credit creation which do not imply debt servicing. So, it seems inappropriate to insist that sovereign credit creation, for that reason, is 'government debt'.

Let's just agree that credit creation is, as Wray suggests, "an electronic entry on the liability side of the bank's balance sheet" and avoid the possibly obfuscatory term 'debt' which leads to so many shrill demands that governments need to "pay down their deficits".

(Those committed to the use of the term 'debt money' seem to be unnecessarily adding to that confusion by such a restrictive explanation of the purpose of credit creation.)

Wray's explanation, insisting that 'money' is 'debt', too easily constricts understanding by conflating credit creation with 'money' creation (easily confused with official currency creation) and, at the same time, because of this conflation, credit creation becomes limited to debt servicing:

But, folks, it is all "debt money".

"Bank Money" is an electronic entry on the liability side of the bank's balance sheet, and an electronic entry on the asset side of the depositor's balance sheet. (Called double entry book-keeping, the "keystroking" of deposits when a bank makes a loan means there will be four entries - the "note" of the borrower is the bank's asset, and the bank's "deposit" is its liability; the deposit is the borrower's asset, and the note is the borrower's liability.) Depositors can write checks on these deposits to pay down their own debts, including debts to banks.

(L. Randall Wray, ^{CE} [Debt-free Money: A Non-sequitur In Search Of A Policy](#), *New Economic Perspectives*, July 1, 2014)

We need constantly to remind ourselves that the creation of unsecured credit by private financial institutions is *not the same as credit creation by sovereign central banks*. One is based on an assumption of 'credit-worthiness' backed by presumed access to sovereign credit; the other is the *issuer* of unencumbered sovereign credit.

As observed elsewhere, the *use of profit and loss book-keeping terminologies* for sovereign reserve bank credit creation and dispersal is most unfortunate. What is labelled 'the liability side of the bank's balance sheet' is, in fact, a record of '*Reserve Bank credit [which] does not consist of funds that the Reserve authorities "get" somewhere in order to lend, but constitutes funds that they are empowered to create*'.

A commenter on a blog posting by Randy Wray put it all both succinctly and diplomatically:

Dr Wray makes an excellent and logical case that taxes are not used to run government operations. I only wish people and politicians would listen and learn. Next he defines money issued by the government as debt but he does it in terms of a method of counting and keeping records of money. His explanation is as clear and understandable as any I have ever read.

However, I do not accept that the way you count something changes its nature and using an accounting method that requires calling issued money debt does not make it debt in the conventional sense of the word. The "debt free" money people talk about would be money spent into the economy in excess of the sum of taxes plus borrowing, money that does not have to be paid back to commercial banks. The government is prevented from doing that by the accounting process that requires spending to equal taxes plus

borrowing.

(Charles3000, Commenter, L. Randall Wray, [☞ The Value of Redemption: Debt-free Money Part 3](#), *New Economic Perspectives*, Posted on February 14, 2016)

The old adage 'Give a dog a bad name and you might as well hang him' applies. Once the term 'liability' is applied to the debit side of the balance sheet it becomes [a simple matter to either ideologically or naively](#) argue that the naming of one side of the ledger as 'Liabilities' indicates that it refers to 'debt' owed by the Reserve Bank. I must rename my dog "Savage" before someone uses his name as an excuse to hang him! Perhaps "Cuddles" will protect him!

⁵⁷³ Macaulay's (1849) description of Britain's road to debt financed greatness:

Such was the origin of that debt which has since become the greatest prodigy that ever perplexed the sagacity and confounded the pride of statesmen and philosophers. At every stage in the growth of that debt the nation has set up the same cry of anguish and despair. At every stage in the growth of that debt it has been seriously asserted by wise men that bankruptcy and ruin were at hand. Yet still the debt went on growing; and still bankruptcy and ruin were as remote as ever.

When the great contest with Lewis the Fourteenth was finally terminated by the Peace of Utrecht, the nation owed about fifty millions; and that debt was considered, not merely by the rude multitude, not merely by foxhunting squires and coffeehouse orators, but by acute and profound thinkers, as an incumbrance which would permanently cripple the body politic; Nevertheless trade flourished; wealth increased; the nation became richer and richer.

Then came the war of the Austrian Succession; and the debt rose to eighty millions. Pamphleteers, historians and orators pronounced that now, at all events, our case was desperate. Yet the signs of increasing prosperity, signs which could neither be counterfeited nor concealed, ought to have satisfied observant and reflecting men that a debt of eighty millions was less to the England which was governed by Pelham than a debt of fifty millions had been to the England which was governed by Oxford.

Soon war again broke forth; and, under the energetic and prodigal administration of the first William Pitt, the debt rapidly swelled to a hundred and forty millions. As soon as the first intoxication of victory was over, men of theory and men of business almost unanimously pronounced that the fatal day had now really arrived. The only statesman, indeed, active or speculative, who did not share in the general delusion was Edmund Burke.

David Hume, undoubtedly one of the most profound political economists of his time, declared that our madness had exceeded the madness of the Crusaders. Richard Coeur de Lion and Saint Lewis had not gone in the face of arithmetical demonstration. It was impossible to prove by figures that the road to Paradise did not lie through the Holy Land; but it was possible to prove by figures that the road to national ruin was through the national debt.

It was idle, however, now to talk about the road; we had done with the road; we had reached the goal; all was over; all the revenues of the island north of Trent and west of Reading were mortgaged. Better for us to have been conquered by Prussia or Austria than to be saddled with the interest of a hundred and forty millions.

And yet this great philosopher—for such he was—had only to open his eyes, and to see improvement all around him, cities increasing, cultivation extending, marts too small for the crowd of buyers and sellers, harbours insufficient to contain the shipping, artificial rivers joining the chief inland seats of industry to the chief seaports, streets better lighted, houses better furnished, richer wares exposed to sale in statelier shops, swifter carriages rolling along smoother roads. He had, indeed, only to compare the Edinburgh of his boyhood with the Edinburgh of his old age. His prediction remains to posterity, a memorable instance of the weakness from which the strongest minds are not exempt.

Adam Smith saw a little and but a little further. He admitted that, immense as the burden was, the nation did actually sustain it and thrive under it in a way which nobody could have foreseen. But he warned his countrymen not to repeat so hazardous an experiment. The limit had been reached. Even a small increase might be fatal.

Not less gloomy was the view which George Grenville, a minister eminently diligent and practical, took of our financial situation. The nation must, he conceived, sink under a debt of a hundred and forty millions, unless a portion of the load were borne by the American colonies.

The attempt to lay a portion of the load on the American colonies produced another war. That war left us with an additional hundred millions of debt, and without the colonies whose help had been represented as indispensable.

Again England was given over; and again the strange patient persisted in becoming stronger and more blooming in spite of all the diagnostics and prognostics of State physicians. As she had been visibly more prosperous with a debt of a hundred and forty millions than with a debt of fifty millions, so she, as visibly more prosperous with a debt of two hundred and forty millions than with a debt of a hundred and forty millions.

Soon however the wars which sprang from the French Revolution, and which far exceeded in cost any that the world had ever seen, tasked the powers of public credit to the utmost. When the world was again at rest the funded debt of England amounted to eight hundred millions.

If the most enlightened man had been told, in 1792, that, in 1815, the interest on eight hundred millions would be duly paid to the day at the Bank, he would have been as hard of belief as if he had been told that the government would be in possession of the lamp of Aladdin or of the purse of Fortunatus. It was in truth a gigantic, a fabulous debt; and we can hardly wonder that the cry of despair should have been louder than ever. But again that cry was found to have been as unreasonable as ever...

(Thomas Babington Macaulay, ^{CE} *The History of England from the*

574 US Presidential candidate, Bernie Sanders, in a clearly explained Op-Ed contribution to the *New York Times*, spelt out the problems involved in a US Federal Reserve which Simon Johnson, below, says has a governance structure from another age - antiquated, increasingly problematic, and urgently in need of sensible reform. As Sanders has explained:

WALL STREET is still out of control. Seven years ago, the Federal Reserve and the Treasury Department bailed out the largest financial institutions in this country because they were considered too big to fail. But almost every one is bigger today than it was before the bailout. If any were to fail again, taxpayers could be on the hook for another bailout, perhaps a larger one this time.

To rein in Wall Street, we should begin by reforming the Federal Reserve, which oversees financial institutions and which uses monetary policy to maintain price stability and full employment. Unfortunately, an institution that was created to serve all Americans has been hijacked by the very bankers it regulates...

The recent decision by the Fed to raise interest rates is the latest example of the rigged economic system. Big bankers and their supporters in Congress have been telling us for years that runaway inflation is just around the corner. They have been dead wrong each time. Raising interest rates now is a disaster for small business owners who need loans to hire more workers and Americans who need more jobs and higher wages. As a rule, the Fed should not raise interest rates until unemployment is lower than 4 percent. Raising rates must be done only as a last resort - not to fight phantom inflation.

What went wrong at the Fed? The chief executives of some of the largest banks in America are allowed to serve on its boards. During the Wall Street crisis of 2007, Jamie Dimon, the chief executive and chairman of JPMorgan Chase, served on the New York Fed's board of directors while his bank received more than \$390 billion in financial assistance from the Fed. Next year, four of the 12 presidents at the regional Federal Reserve Banks will be former executives from one firm: Goldman Sachs.

(Bernie Sanders, ^{CE} [To Rein In Wall Street, Fix the Fed](#), *New York Times*, December 23, 2015)

Simon Johnson has given a clear explanation of the quasi-private nature of the Federal Reserve Banks and consequent influence within them of the major private banks. As he explains:

The US Federal Reserve System is the world's most important central bank. Its decisions about interest rates and financial regulation reverberate through global markets and affect millions of lives. Yet its governance structure is of another age - antiquated, increasingly problematic, and urgently in need of sensible reform...

This regional structure is the result of legislative compromise in 1913, when the Fed was created, and again in the mid-1930s, when its governance was last overhauled. Whereas members of the Fed's Washington-based Board of Governors are nominated by the US

president, subject to Senate confirmation, the presidents of the regional Federal Reserve banks are appointed by local boards.

In reality, the New York Fed has always had disproportionate sway; not all regional Fed presidents are created equal. The president of the New York Fed is a permanent voting member and vice chairman of the Federal Open Market Committee, which sets interest rates, whereas other regional Fed presidents are voting members only on a rotating basis.

The New York Fed also has a particularly important role in bank supervision - most of America's "too-big-to-fail" banks are located in its jurisdiction (and most global banks have a presence there). And the New York Fed has long been the Fed System's eyes and ears on Wall Street.

Or perhaps it has become the other way around. At least over the past decade, senior New York Fed officials have consistently sided with the interests of very large banks. (To be clear, I also know many Fed officials who are outstanding public servants). Though Wall Street interests have long been well represented on the board of the New York Fed, under Timothy Geithner, its president from 2003 to 2009, the big players became even more powerful - with some rather unfortunate consequences for the rest of us.

In his recent memoir, *Stress Test*, Geithner says, "I basically restored the New York Fed board to its historic roots as an elite roster of the local financial establishment." His choices included Dick Fuld, CEO of Lehman Brothers, which failed spectacularly in September 2008, and Stephen Friedman, a Goldman Sachs board member, who resigned as chair of the New York Fed's board after being accused of inappropriately trading Goldman stock during the financial crisis. Geithner also established a tangled web of connections between the New York Fed and JPMorgan Chase, some of which linger to this day.

Some senior Fed officials become angry when pressed about this reality. But the Fed's legitimacy - and its ability to make sensible policy - is not boosted by having major banks represented, directly or indirectly, on a board that chooses and oversees a key policymaker...

(Simon Johnson, ^{CE} [The Federal Reserve's Escape from New York](#), *Project Syndicate*, Nov. 24, 2014)

⁵⁷⁵ As Yves Smith has put it:

[Central Bank Independence] is code for "the management of a country's finances must be in the hands of those who will keep governments from spending too much." The pretext is governments if not constrained by sober conservative bankers adults, will go and spend to buy votes and will create oodles of inflation, leading to a collapse in investment and all sorts of other horrors...

... [T]he independence pretense for central banks is a ruse for keeping them from being democratically accountable. Given their poor performance, both in helping to create the crisis by encouraging financialization (which we also now know leads to lower economic growth) and then by responding to it by favoring banks over the real economy, there should have been widespread

demands for a change in their role, or alternatively, much greater transparency (admittedly, Audit the Fed was a step in that direction). But central banks have managed to do such a good job of preserving their secrecy and aura of mystery that they've gotten away without being called to account.

(Yves Smith, ^{CE} [Richard Murphy: The Debate on the Proper Role of the Bank of England, Continued, Naked Capitalism](#), 28 June, 2018)

576 {§} (07/02/16){§} (05/09/16)

{§} (05/12/17) This seems to be a consequence of similar reasoning to that displayed in a [1999 publication by the IMF](#) in which it refers to "credits, advances, or overdrafts to the government by the central bank". Nowhere in the publication is the presumed relationship between a "central bank" and its associated "sovereign government" explained.

It is simply presumed that [central banks are entirely independent entities](#) which "lend" money to governments in ways which are analogous with the lending activities of private banks within the private sphere. We are not told where or how they presume those central banks obtain their funds in order to lend them but there is a distinct permeating impression that the authors subscribe to the "[intermediation of loanable funds \(ILF\)](#)" model of banking fallacy.

Of course, [institutions like the IMF and World Bank have been repurposed](#) over the past half century and more to subvert the sovereignty of client states. A principal weapon in this subversion is the process of financially 'bailing out' sovereign nations and imposing strict 'structural adjustment' regulations on their ability to manage their monetary systems - as [Marjorie Mbilinyi claimed](#), this amounts to little more than disguised colonialism.

Richard Werner, in a paper examining three different theories of banking which have been held over the past century (and more), has given a clear explanation of the nature of each. As he summarizes,

During the past century, three different theories of banking were dominant at different times:

- (1) The currently prevalent financial intermediation theory of banking says that banks collect deposits and then lend these out, just like other non-bank financial intermediaries.
- (2) The older fractional reserve theory of banking says that each individual bank is a financial intermediary without the power to create money, but the banking system collectively is able to create money through the process of 'multiple deposit expansion' (the 'money multiplier').
- (3) The credit creation theory of banking, predominant a century ago, does not consider banks as financial intermediaries that gather deposits to lend out, but instead argues that each individual bank creates credit and money newly when granting a bank loan.

The theories differ in their accounting treatment of bank lending as well as in their policy implications. Since according to the dominant financial intermediation theory banks are virtually identical with other non-bank financial intermediaries, they are not usually included in the economic models used in economics or by central

bankers. Moreover, the theory of banks as intermediaries provides the rationale for capital adequacy-based bank regulation. Should this theory not be correct, currently prevailing economics modelling and policy-making would be without empirical foundation.

Despite the importance of this question, so far only one empirical test of the three theories has been reported in learned journals. This paper presents a second empirical test, using an alternative methodology, which allows control for all other factors. The financial intermediation and the fractional reserve theories of banking are rejected by the evidence. This finding throws doubt on the rationale for regulating bank capital adequacy to avoid banking crises, as the case study of Barclays Bank during the crisis illustrates. The finding indicates that advice to encourage developing countries to borrow from abroad is misguided.

The question is considered why the economics profession has failed over most of the past century to make any progress concerning knowledge of the monetary system, and why it instead moved ever further away from the truth as already recognised by the credit creation theory well over a century ago.

(Richard A. Werner, (2015) [A lost century in economics: three theories of banking and the conclusive evidence](#). *International Review of Financial Analysis*, 1-19.
(doi:10.1016/j.irfa.2015.08.014).)

(See, also, R. A. Werner, [Can banks individually create money out of nothing? - The theories and the empirical evidence](#), *International Review of Financial Analysis*, 36 (2014), pp. 1-19)

While I agree with Werner that 'the theory of banks as intermediaries provides the rationale for capital adequacy-based bank regulation' and that the theory is incorrect, I would suggest that there is a very real need for sovereign governments to [monitor and regulate the private creation of unsecured credit](#). Whether this is based in ensuring that banks '[have enough loss-absorbing capital](#) ' or in other forms of regulatory supervision, the need for public supervision and management of private credit creation remains.

Yves Smith, in a comment on a forgettable article by a number of neoliberal stalwarts, has summed up some of the problems of 'the loanable funds theory':

I know we have to run this sort of thing occasionally to keep an eye on orthodox thinking, but this piece is based on the loanable funds theory, which was challenged by Keynes and debunked definitively by Kaldor in the 1950s. The key assumption here is that if you make the cost of money cheap enough, people will borrow and invest (or spend). But any competent businessman will tell you they don't expand their business for the hell of it, they do so if they see an opportunity. So the cost of money can constrain investment, but making it cheap won't create new markets or more demand. The exception is businesses where the cost of money is one of the biggest business expenses....such as financial speculation and other leveraged investing.

(Yves Smith, [What Else Can Central Banks Do?](#), posted by Lambert Strether, *Naked Capitalism*, September 4, 2016)

577 In recent years, central banks around the world have broadened their ability to create and issue credit through credit swap arrangements with other central banks. As the *Council on Foreign Relations* has explained:

Since the financial crisis of 2007, central banks around the world have entered into a multitude of bilateral currency swap agreements with one another. These agreements allow a central bank in one country to exchange currency, usually its domestic currency, for a certain amount of foreign currency. The recipient central bank can then lend this foreign currency on to its domestic banks, on its own terms and at its own risk.

(^{CE} [The Spread of Central Bank Currency Swaps Since the Financial Crisis](#), *Council on Foreign Relations*, Central Banks Currency Swaps, 2015)

The US Federal Reserve has explained the rationale for establishing central bank liquidity swap lines with foreign central banks:

Because bank funding markets are global and have at times broken down, disrupting the provision of credit to households and businesses in the United States and other countries, the Federal Reserve has entered into agreements to establish central bank liquidity swap lines with a number of foreign central banks. Two types of swap lines were established: dollar liquidity lines and foreign-currency liquidity lines.

The swap lines are designed to improve liquidity conditions in dollar funding markets in the United States and abroad by providing foreign central banks with the capacity to deliver U.S. dollar funding to institutions in their jurisdictions during times of market stress. Likewise, the swap lines provide the Federal Reserve with the capacity to offer liquidity in foreign currencies to U.S. financial institutions should the Federal Reserve judge that such actions are appropriate. These arrangements have helped to ease strains in financial markets and mitigate their effects on economic conditions. The swap lines support financial stability and serve as a prudent liquidity backstop...

In general, these swaps involve two transactions. When a foreign central bank draws on its swap line with the Federal Reserve, the foreign central bank sells a specified amount of its currency to the Federal Reserve in exchange for dollars at the prevailing market exchange rate...

(^{CE} [Credit and Liquidity Programs and the Balance Sheet](#), *Board of Governors of the Federal Reserve System*, Last update: August 14, 2015)

Of course, in democratically organized capitalist nations, recipient central banks can both lend the received foreign currencies on to their domestic banks and/or also utilize the received funds in financing public works and services. That is, through currency swaps based on credit creation, central banks can, with appropriate regulation and caution, fund both internal and external public expenditures through credit creation. As Beardsley Ruml put it, governments have final freedom from money markets in meeting their financial requirements.

{§} (01/03/16) The development of such inter-central bank credit swaps obviates the need for public borrowing in international money markets.

These arrangements are far more appropriately controlled through bilateral central bank swaps than through the intermediation of a 'world central bank' which would, almost inevitably, presume central bank borrowing in the international financial marketplace.

{§} (02/03/16) Arguments in favor of a 'World Central Bank' are usually based in a *laissez faire* presumption that central banks should be independent entities, responsible and responsive to private money markets and that governments should, in economic matters, be subservient to the marketplace. International economic stability is best ensured through the intermediation of a 'world central bank' as "the world's lender of last resort"⁷³⁹.

Andrés Velasco has argued that, since "the dollar remains the currency of choice for borrowing and lending around the world", the US Federal Reserve should accept that it has a *de facto* responsibility to act as "the world's lender of last resort in dollars":

The Fed's reluctance to serve as the world's lender of last resort, or to acknowledge that exchange-rate movements cannot undo its actions abroad, would seem to condemn it to being a parochial and inward-looking institution.

The Fed's domestic mandate requires it to recognize, in Fischer's words, that "the US economy and the economies of the rest of the world have important feedback effects on each other." And those effects are getting larger....

Recent financial history suggests that the next liquidity crisis is just around the corner, and that such crises can impose enormous economic and social costs. And in a largely dollarized world economy, the only certain tool for avoiding such crises is a lender of last resort in dollars.

The IMF could have been that lender, but it is not. The Fed is. The sooner the US and the rest of the world fully recognize this, the safer the world economy will be.

(Andrés Velasco, ^{CE} [The World's Reluctant Central Banker](#), *Project Syndicate*, 29 February, 2016)

It is this already powerful default status of the US Federal Reserve as central bank to the world which is being challenged through the emergence of alternative centers of international financing which have the potential to bypass the US Federal Reserve as the "world's lender of last resort".

⁵⁷⁸ The use of open-ended code words is common sophist practice. Everyone 'knows' that 'expenditures' must be 'funded' and must come from 'somewhere'. So, if governments 'spend' then their 'money' must come from somewhere - if not from private money markets then, presumably, from 'the public' or 'future generations'. The code words, either deliberately or naively, steer reasoning toward desired conclusions.

Any who oppose the reasoning find themselves having to challenge the code words, caught up in an apparently endless definitional exercise which leads nowhere and can be dismissed as deliberately diversionary. Attempting to expose the hidden presumptions of ideologically driven reasoning can be frustrating!

Wynne Godley (1992) provided an excellent illustration of what happens when ideologues gain the power to shape the world to their [inadequate understandings of reality](#). The consequences, for the rest of us can, as the population of Greece has found, be dire.

It is the nature of ideologies that those whose realities are framed by them will develop rationalizations to validate their core presumptions. The apparently logical justificatory explanations developed through time exist to demonstrate, not challenge, the validity of the presumptions.

Since their rationalizations, as Claude Levi-Strauss (1963, pp. 282) explained, "are not intended to explain the phenomena but to perpetuate them", over time, they become increasingly complex, convoluted and opaque as they are adapted to their purpose. Their purpose, after all, is not to question or clarify but to justify and buttress the presumptions. This process necessarily results in increasing commitment of both credibility and self-images to the defense of the buttressed ideologies.⁷⁴⁰

Of course, those involved in such activity do not recognize the ideological nature of their involvement. Those who live comfortably within ideologically defined realities seldom need to address, or even be aware of, the core presumptions which subliminally frame their lives. The presumptions exist as less than conscious limitations to thought and action. When others are encountered whose lives are not similarly framed, they appear less than rational, frustrating evidence that there are people who do not think 'rationally'.

Keynes summed up the nature of ideologically defined realities well in his critique of Ricardo's understanding of the world in which he lived, framed by 'adopting a hypothetical world remote from experience as though it were the world of experience':

...[I]f the quantity of employment and the psychological propensities of the community are taken as given, there is in fact only one possible rate of accumulation of capital and, consequently, only one possible value for the marginal efficiency of capital. Ricardo offers us the supreme intellectual achievement, unattainable by weaker spirits, of adopting a hypothetical world remote from experience as though it were the world of experience and then living in it consistently. With most of his successors common sense cannot help breaking in - with injury to their logical consistency.

(J. M. Keynes, 1936, *The General Theory of Employment, Interest and Money*, Chapter 14: [Appendix On The Rate Of Interest In Marshall's Principles Of Economics, Ricardo's Principles Of Political Economy, And Elsewhere](#), Section II)

Awareness of the ideological nature of an ideologue's own understandings and activity often leads to self-doubt and questioning of the accuracy of those justificatory explanations. This, inevitably, leads to self-preservatory reactions from others who have committed their lives to the ideologies buttressed by the explanations - heretics and apostates are far more dangerous than unbelievers and punishment almost invariably fits the crime!

Leo Tolstoy (1898) described the ideologue well at the start of Chapter 14 of *What Is Art? and Essays on Art* :

I know that most men - not only those considered clever, but even those who are very clever and capable of understanding most difficult scientific, mathematical, or philosophic, problems - can seldom discern even the simplest and most obvious truth if it be such as obliges them to admit the falsity of conclusions they have formed, perhaps with much difficulty - conclusions of which they are proud, which they have taught to others, and on which they have built their lives.

(Oxford University Press, 1930, trans. Aylmer Maude).

579 It needs to be remembered that, for sovereign governments, Central Bank 'deficits' are entries on the 'debit' side of the ledger. Unfortunately, this is a consequence of applying profit-and-loss bookkeeping procedures (based on presumptions of 'incomes' and 'expenditures') to Central Bank credit creation. However, the created credit is not 'income'; nor is it a 'deficit', or a 'liability'. It has been conjured out of thin air and is unencumbered credit.

580 Kenneth Garbade (2014) provided a succinct explanation of the nature of direct purchases of 'government securities' or 'Government bonds' (the terms are used interchangeably in Section 14 of the 1935 Federal Reserve Act - *there is no mention of the term 'debt'* in the passage) by the US Federal Reserve:

The original version of the Federal Reserve Act provided a robust safety net because the act implicitly authorized the new Reserve Banks to buy securities directly from the Treasury. The Banks made active use of their "direct purchase authority" during, and for a decade and a half after, World War I. Congress acted to prohibit direct purchases in 1935, but reversed course and provided a limited wartime exemption in 1942. The exemption was renewed from time to time following the conclusion of the war but ultimately allowed to expire in 1981...

A memorandum prepared in response to an inquiry from the House Banking Committee about the source of the Fed's authority to purchase securities directly from the Treasury stated that,

No question was ever raised as to the authority of the Federal Reserve banks, under the provisions of subsection (b) ..., to buy United States bonds directly from the Treasury. The contrasting provisions of [the first sentence of] section 14 and subsection (b) would seem to supply ample legal justification for this fact. Under section 14 Federal Reserve banks could purchase and sell eligible paper only "in the open market"; but their power under subsection (b) to deal in Government bonds was not so limited. Accordingly, the Board at all times assumed that the Federal Reserve Banks had the legal authority to purchase Government bonds directly from the Treasury ...

(Kenneth D. Garbade, ^{CE} [Direct Purchases of U.S. Treasury Securities by Federal Reserve Banks](#), *Federal Reserve Bank of New York*, Staff Report No. 684, August 2014, pages 1,2)

The direct purchase of securities from the Treasury was, effectively, the [generation of unencumbered sovereign credit by the Federal Reserve at the request of the US Treasury](#). This 'request' was **not** a transfer of 'debt' from the treasury to the Federal Reserve. It should, rather, be seen as *an*

authorization of the Federal Reserve, by the Treasury, to engage in credit creation on behalf of the Treasury.

In the light of the post-1935 interpolation of the irrelevant directive that all such authorizations must be purchased from the private sector bond markets by the Federal Reserve, it is most unfortunate that the term 'buy United States bonds directly from the Treasury' is used in this section of the bill rather than the less loaded term '*request authorizations directly from the Treasury*'⁷⁴¹.

⁵⁸¹ Robert Brulle has explained the extent and costings of United States' lobbying activities between 2000 and 2016 with special reference to lobbyist activity in opposing climate change legislation. The quotations come from a summary of his research by the Journal editors of his study:

Climate lobbying is big business. A new analysis shows that between 2000 and 2016, lobbyists spent more than two billion dollars on influencing relevant legislation in the US Congress. Unsurprisingly, sectors that could be negatively affected by bills limiting carbon emissions, such as the electrical utilities sector, fossil fuel companies and transportation corporations had the deepest pockets. Their lobbying efforts dwarfed those of environmental organizations, the renewable energy industry and volunteer groups...

Brulle analyzed data from mandatory lobbying reports made available on the website Open Secrets. In his study, he calculated that the two billion dollars spent between 2000 and 2016 on climate-related issues actually only amounted to 3.9 per cent of the 53,5 billion dollars spent over the same period on lobbying on other issues in the US.

..."The vast majority of climate lobbying expenditure came from sectors that would be highly impacted by climate legislation," Brulle explains. "The spending of environmental groups and the renewable energy sector was eclipsed by the spending of the electrical utilities, fossil fuel, and transportation sectors."

Brulle says that this has important implications for the fate, outcome and nature of future climate legislation, which is largely determined by intra-sector and inter-industry competition. He says that the activities of environmental organizations and non-profit organizations often constitute one-time, short-term mobilization efforts. This is a shortcoming, given the vast expenditures and continuous presence of professional lobbyists.

"Lobbying is conducted away from the public eye. There is no open debate or refutation of viewpoints offered by professional lobbyists meeting in private with government officials," explains Brulle. "Control over the nature and flow of information to government decision-makers can be significantly altered by the lobbying process and creates a situation of systematically distorted communication. This process may limit the communication of accurate scientific information in the decision-making process.

(Brulle, R. J. (2018). ^{CE} [The Climate Lobby: A Sectoral Analysis of Lobbying Spending on Climate Change in the United States - 2000](#)

to 2016, *Climatic Change*, Online: 19 July 2018, DOI: 10.1007/s10584-018-2241-z)

582 Bill Mitchell has summed it all up:

We talk a lot about 'fake news' these days. Well mainstream macroeconomics as taught in universities and practiced in international organisations such as the OECD and the IMF and within treasury and central bank departments - is fake knowledge. (Bill Mitchell, ^{CE} [That "old fashioned" MMT predicts well - Groupthink in action, Billy Blog](#), February 6 2017)

583 {§} (13/02/17) Forgive this statement of the obvious but sometimes it can clarify issues. The reason why many neoliberal devotees presume that bonds issued by sovereign governments 'support government spending' is that they make no distinction between bonds issued by a sovereign government and those issued by lower levels of government.

Since it is 'obvious' that state/ provincial governments, regional/ city councils and local bodies issue bonds because they 'need' the credit raised through bond sales, it is simplistically assumed that this logic applies equally to bonds issued by currency and credit creating/ issuing sovereign governments.

Of course, bonds issued by sovereign governments are the means by which central banks offer risk-free 'savings accounts' to private entities. And, as [Zoltan Jakab and Michael Kumhof \(2015\)](#) explained of similar accounts in private banks, the funds deposited in those savings accounts are **not** then lent to borrowers or used to pay creditors.

On the other hand, bonds issued by *non-sovereign branches of government* or private entities are 'debt certificates' or 'debt issues'. *Investopedia* has explained, and, in the process, demonstrated that confusion in the minds of 'knowledgeable' neoliberally oriented commentators:

A debt issue is a financial obligation that allows the issuer to raise funds by promising to repay the lender at a certain point in the future and in accordance with the terms of the contract. Debt issues include notes, bonds, certificates, mortgages, leases or other agreements between the issuer (the borrower) and lender. Debt issues, such as bonds, are issued by corporations to raise money for certain projects or to expand into new markets; **municipalities, states and U.S. and foreign governments issue debt to finance a variety of projects such as social programs or infrastructure plans.**

(*Investopedia*^{CE}, [Debt Issue](#), [accessed February 20, 2017. (My emphasis)])

It really is important to understand the difference between bonds issued by sovereign governments and bonds issued by lower levels of government which are not able to create unencumbered sovereign credit as required. Clearly, the contributor of the above *Investopedia* entry has not understood this fundamentally important difference.

So-called 'sovereign' states included within the Eurozone are, of course, *not truly sovereign* at all. They have accepted fiscal and monetary subordination to the European Central Bank (ECB). And, [as we have already seen](#), the European Commission has not accepted responsibility

for addressing the consequences of ongoing and vastly different economic circumstances, events and long-term prospects in those member states.

Indeed, many of their publications have betrayed similar confusion to that displayed in the above *Investopedia* explanation. This has been clearly illustrated in a remarkably naive European Central Bank working paper entitled [Ⓔ] [Foreign-law bonds: can they reduce sovereign borrowing costs?](#) (Marcos Chamon, Julian Schumacher, Christoph Trebesch, European Central Bank Working Paper 2162, June, 2018). See Bill Mitchell: [Ⓔ] [Governments should not issue debt under foreign law](#) (*Billy Blog*, July 3, 2018) for further discussion of issues presented in this paper.

A case could be made for the funding of all lower level government credit requirements through central banks ([freeing them from exorbitant fees and interest charges](#)) but this would have to be accompanied by clear protection of the decision-making autonomy of lower levels of government.⁷⁴²

584 {§} (14/10/16){§} (21/10/16){§} (05/11/16)

{§} (19/11/17) Nancy LeTourneau of the *Washington Monthly* explained how Donald Trump, the 2016 US Republican presidential candidate, would fund infrastructure development:

Donald J. Trump took a step to Hillary Clinton's left on Tuesday, saying that he would like to spend at least twice as much as his Democratic opponent has proposed to invest in new infrastructure as part of his plan to stimulate the United States' economy...

Asked how he would pay for \$800 billion to \$1 trillion in infrastructure spending, Mr. Trump described a strategy that has been favored by liberal economists over the years. He said he would create an infrastructure fund that would be supported by government bonds that investors and citizens could purchase...

Conservative critics of Mr. Trump expressed concern that the idea would put the country deeper in debt and that it sounded alarmingly similar to Mr. Obama's 2009 stimulus program.

(Nancy LeTourneau, [Ⓔ] [Quick Takes: Trump Will Accept the Outcome of the Election...If He Wins](#), Political Animal Blog, *Washington Monthly*, October 20, 2016)

{§} (04/11/16) {§} (12/11/16) This is, of course, conventional neoliberal thinking, but it highlights one of the many strange redundancies which litter neoliberal dogma.

Apparently, the US government, under President Trump, will [create public 'debt' through selling 'bonds' to US investors and citizens](#) and then use the proceeds of those sales to fund infrastructural development.⁷⁴³

{§} (13/11/16) Daniel Thornton, vice president of the US Federal Reserve Bank of St Louis, explained the convoluted means by which the US (and other governments), in this neoliberal age, can 'finance deficit spending':

Governments can finance deficit spending by issuing debt or printing money. In most countries, a government-created central bank controls the money supply - in the United States, this task belongs to the Federal Reserve System. This means that the U.S.

Treasury has only one option for financing deficit spending - issuing debt. (The Fed is forbidden by law to purchase government securities directly from the government. The government first sells securities to the private sector and the Fed then purchases securities from the private sector, specifically, government securities dealers.)

Of course, the government could still finance deficit spending if the central bank created money by purchasing government debt. For example, assume the Fed purchased government securities. The Treasury would pay interest on the government securities to the Fed and the Fed could then return the interest income (net of its operational expenses) to the Treasury. The Fed would effectively be financing deficit spending by "printing" money. It would simply be a two-step process: The government would sell debt to the public and the Fed would exchange the public's holdings of government debt for money. Many analysts call this twostep process "monetizing the debt."

(Daniel L. Thornton, [Ⓔ] [Monetizing the Debt](#), *Federal Reserve Bank of St Louis, Economic Synopses*, No. 14, May 19, 2010)

{§} (20/12/16) But, why go through this [elaborate charade](#)?⁷⁴⁴

{§} (22/10/17) The sleight-of-hand process of relabeling government agencies' unencumbered sovereign credit requirements as 'government debt' seems deliberately designed to enable private financial institutions to impose a private sector 'tax' (disguised as 'interest rates on the country's debt') on government credit channeled into the real economy⁷⁴⁵. As [Bryce Covert](#), echoing Paul Krugman and countless other 'knowledgeable' economists, put it:

[I]nterest rates on the country's debt are incredibly low, hovering around 2 percent. That means we could borrow more money at a very low cost.

{§} (17/03/18) While 'the Fed is forbidden by law to purchase government securities directly from the government'⁷⁴⁶, those laws are determined by governments. If the laws introduce unnecessary convolutions and redundancies and/or advantage special interests they can be changed.

There is no 'natural law' of financing which requires the interpolation of such redundancies into government financing of their expenditures. Neither is there any 'natural law' which requires the central bank to create money by purchasing 'government debt'.

{§} (29/11/16) Rather than relabeling the unencumbered credit requirements of government departments and agencies as 'government debt' which can be bundled and sold to the central bank as 'government securities', the central bank could straightforwardly issue unencumbered sovereign credit as required to fund government expenditures (and, to ensure that private sector credit supply is not unduly inflated, issue sovereign bonds to [siphon excess credit from the sector](#)). If they did this, the 'purchase of government debt' or 'government securities' by the central bank would be rendered redundant.

{§} (13/12/16) As we have [already seen](#), the creation of unsecured credit by private financial institutions is not the same as credit creation by sovereign central banks.

Private credit creation is *encumbered*, that is, it is 'debt'. It is based on an assumption of 'credit-worthiness' backed by presumed access to sovereign credit.

Sovereign credit is *unencumbered*, that is, it is debt-free.⁷⁴⁷

It is all a matter of *private sector* created credit being 'encumbered' (being burdened with legal claims on the *presumed sovereign credit holdings* of the creator and so being 'debt') and *sovereign government* created credit being 'unencumbered' (it is free and clear of any encumbrances, such as creditor claims or liens), that is, it is *not* 'debt'.

Neoliberal ideologues, presuming that *all* credit is created in the private realm (the *government is merely a user of privately created credit*⁷⁴⁸), assume that all created credit is 'debt'. But, their ideologically induced confusion does not alter reality, it merely obscures it. In the process, this creates fertile ground for those who consider it important that *governments 'pay down the national debt'*.

The financial sector, *steeped in neoliberal marinade*, will, inevitably, argue that the creation of 'debt securities', *sold by sovereign governments to 'secure their debts'*, is essential and provides the government with credit to fund its activities. *Investopedia* has explained:

A government bond is a debt security issued by a government to support government spending. Federal government bonds in the United States include savings bonds, Treasury bonds and Treasury inflation-protected securities (TIPS). Before investing in government bonds, investors need to assess several risks associated with the country, such as country risk, political risk, inflation risk and interest rate risk, although the government usually has low credit risk.

(*Investopedia*, ^{CE} *Government Bond* (accessed October 3, 2016))

{§} (15/10/16) This is an obfuscatory redundancy (*an unnecessary inclusion* intended to obscure reality through distraction or confusion (or a consequence of reasoning rooted in a superficial misunderstanding of the nature of sovereign credit)). There is no sound logical reason why 'government bonds' or 'debt securities' must be interpolated into sovereign government credit creation and expenditure 'to support government spending'. Not even belief in the *Intermediation of Loanable funds (ILF) fallacy* could make it a necessary 'support' for government spending.

{§} (30/10/16){§} (15/12/16) One needs to ask why anyone might consider the conversion of *unencumbered* sovereign credit into *encumbered* privately created credit (through the sale of government bonds) necessary for government spending. Why is it any better than the far simpler and more logically coherent direct funding of government expenditures through sovereign credit creation?⁷⁴⁹ The obfuscatory consequences of such redundancy *obscures the nature of sovereign credit creation and expenditure*. It superficially supports the illusion that Government borrowing in the private marketplace is necessary to funding its activities.

Providing government securities to investors might be desirable as a means of minimizing risk for those investors, or as means of *regulating sovereign credit supply* within the private sector, but there is no logical benefit to government derived from such activity. It might better be seen

as a welfare service, providing government guaranteed credit security to investors. However, it serves no logical purpose in enabling (or legitimizing) Government spending.

Investopedia has explained the 'risk-free' nature of such bonds for investors in the US:

Because most government bonds are backed by the credit of the U.S. government, default is unlikely and government bonds are considered essentially risk-free. Thus, government bonds create a benchmark against which riskier securities may be compared.

Alan Longbon has explained the sovereign-bond-holding plutocratic rationale for:

1. Purchasing and holding government bonds;
2. Insisting that government bonds are interest bearing 'debt securities';
3. Supporting government austerity programs and;
4. 'Rating agency' policing of government performance:

One thing I keep in mind when reading the mainstream press and seeing politics play out, is that from the perspective of sovereign bond holders the neocon philosophy makes sense.

Imagine that you have immense wealth, your aim is to preserve what you have, take no financial risk, live well and stress free. To do this you need a risk free investment such as a government bond from a monopoly currency supplier, so the myth of governments financing themselves with bond debt is created.

While holding the bond you want it to rise or hold its value until maturity, this is guarded by a rating agency and the mainstream press, whom you own or control.

That a nation's growth and well being is stunted in order to provide immensely wealthy people with a risk free investment and income does not factor into the equation. From this warped perspective it all makes sense and is logical.

(Alan Longbon, Comment on Bill Mitchell's *Billy Blog*, ^{CE} [Austerity is the enemy of our grandchildren as public infrastructure degrades](#), December 14, 2016)

⁵⁸⁵ Unfortunately, officials like Greenspan are all-too-often appointed because they endorse the ideological predilections of their political and/or plutocratic patrons, rather than for their clear understanding of the nature of the tasks for which they will be responsible. Their reputations often reflect the diligence with which they pursue their patrons' predilections, not the tasks of their offices.

⁵⁸⁶ We are, of course, describing the logical consequences of the [New Deal understanding of public creation/control of credit](#). The real situation in the US and most other Western capitalist nations is, however, that, at least since the mid-1970s, those most influential in setting and prosecuting Central Reserve policy and practice have usually employed neoliberal understandings.

The result is that New-Deal-inspired Central Reserve measures have either been displaced or warped to reflect neoliberal dogmas. We are, in the second decade of the 21st century, well on the way to plutocracy!

587 {§} (30/06/16) We need to clearly differentiate between credit creation and official currency creation (printing money). Inflationary forces might be unleashed if sufficient additional money (i.e. *tokenized* credit) is released into the marketplace. However, crediting financial institutions with additional government-guaranteed-credit only leads to such pressures if those institutions decide to increase lending and spending in the marketplace as a consequence of the receipt of such funds.

We need to remember that banks do not have to rely on Federal Bank bank reserves in order to create credit if they wish to increase such lending and spending (i.e. a variation on the *loanable funds* fallacy) . They can create credit 'out of thin air' . Increasing the Central Bank 'bank reserves' of financial institutions:

- reinforces marketplace confidence in the ability of those institutions to access sovereign credit (*affirming their solvency*);
- it also places the discretion for official currency release in the hands of those who control those reserves;
- so, financial institutions have increased leverage in the marketplace;
- but *there is no necessary increase in the availability of tokenized credit* in the marketplace.

As is explained elsewhere, in the economic climate of the second decade of the 21st century bank reserves, at unprecedented levels, are [Ⓔ] *not being employed to fund development in the mundane economy* of material production and consumption. Instead, they provide interest-bearing, government-guaranteed collateral security for vortex economic activity. The casino style behavior of players in the emergent realm of internationalized electronic wealth manipulation, relocation, redistribution and accumulation is now backed by interest-bearing 'bank reserves at the Fed'.

Seth Carpenter and Selva Demiralp (2010) examined the link between increases in Federal Bank bank reserves and bank lending as a consequence of "The Federal Reserve's implementation of a range of nontraditional monetary policy measures to combat a severe financial crisis and a deep economic recession [which] resulted in a very large increase in the level of reserve balances in the U.S. banking system":

Introduction

A second issue involves the effect of the large volume of reserves created as we buy assets. [. . .] The huge quantity of bank reserves that were created has been seen largely as a byproduct of the purchases that would be unlikely to have a significant independent effect on financial markets and the economy...

The recent rise in reserve balances suggests a need to reassess the link from reserves to money and to bank lending. We argue that the institutional structure in the United States and empirical evidence based on data since 1990 both strongly suggest that the

transmission mechanism does not work through the [standard money multiplier model from reserves to money and bank loans](#). In the absence of a multiplier, open market operations, which simply change reserve balances, do not directly affect lending behavior at the aggregate level. Put differently, if the quantity of reserves is relevant for the transmission of monetary policy, a different mechanism must be found.

(^{CE} [Money, Reserves, and the Transmission of Monetary Policy: Does the Money Multiplier Exist?](#), Finance and Economics Discussion Series No 41, 2010, Divisions of Research & Statistics and Monetary Affairs, Federal Reserve Board, Washington, D.C.)

Paul Krugman has given a somewhat different explanation as to why "banks would just sit on all those reserves":

...under current conditions - in a liquidity trap - [the quantity of money is] not even under the indirect control of the Fed. The same impotence of conventional monetary policy that makes open-market purchases of Treasuries useless at boosting GDP also mean that broad monetary aggregates that include deposits are largely immune to Fed influence. The Fed can stuff the banks full of reserves, but at zero rates those reserves have no incentive to go anywhere, and even if they do they can sit in safes and mattresses.

(^{CE} [The Fed Does Not Control the Money Supply](#) (*New York Times* Opinion Pages, May 6 2015).)

(See Paul R. Krugman, ^{CE} [It's Baaack: Japan's Slump and the Return of the Liquidity Trap](#) (*Brookings Papers on Economic Activity*, 2:1998, pp. 137-205) for more on why "banks would just sit on all those reserves".)

Alexander Douglas argues that Krugman's explanation relies on "the cursed '[loanable funds](#)' model, explaining how government deficits 'crowd out' private investment by taking up some of the supply of funds available to private investors":

...Krugman's answer is that the loanable funds model breaks down in a 'liquidity trap'. I am profoundly disturbed by the number of people who claim to reject neoclassical economics as ideological claptrap and then lavish praise on Krugman and other 'left-wing' neoclassicals who propound the 'liquidity trap' analysis. The analysis is based on the very same loanable funds model. All that is thrown in is a stipulation that the demand for loanable funds, in times of extreme recession, falls so low that the market-clearing interest rate is below zero...

(Alexander Douglas, ^{CE} [Macroeconomic Theory and Operational Reality, Origin of Specious: Philosophy and economics, mostly](#), August 3, 2015)

My solution to the 'problem' of private sector debt bequeathed to future generations would be - for heaven's sake, accept that creating such debt was silly, create credit (that is, create a debit entry in the government's accounts and a compensating credit entry in the appropriate private bank accounts - which minimizes the inflationary consequences of such an action) to pay the debt (and accept the short term consequences of the solution) and then vow never to be so stupid again!

588 {§} (04/04/16) {§} (21/05/16) While, what I've written in this footnote remains valid, I am now less sure that there is any advantage in attempting to accommodate ideologically driven neoliberal terminologies and explanations. The use of the term 'government liability' by Galbraith and co-authors seems either to be such an attempt at accommodation - an attempt to bridge the divide between their understanding of reality and that held by the vast majority of contemporary 'mainstream' economists - or the result of using neoliberal jargon as a shortcut to understanding. In either case, it seems far better to simply describe the world obscured by neoliberal dogmas without resorting to neoliberal terminologies.

Yes, this can be difficult and at times lead to verbosity, but the alternative is that one subconsciously lapses into neoliberal explanation without realizing it. The result can all-too-easily be that, as [Bill Mitchell has described](#), one becomes 'lost in a neo-liberal haze'.

So, I'll leave the footnote unaltered but caution that the pitfalls involved in accommodating neoliberal jargon may be more costly than circumventing it.

In order to avoid terminological confusion and clarify discussion there is a very real need to develop terminologies which clearly distinguish the bookkeeping activities associated with central bank credit creation and distribution from profit-and-loss bookkeeping. The current terminologies are there because they serve dominant ideological interests; where they do not, they are altered over time to do so. Use of the terminologies, legitimizes and reinforces dominant ideological understandings.

However, new nomenclatures which deviate from those which are current and are only meaningful to initiates are what sects and cults are all about. And, as with sects and cults, those who adopt the terminologies become branded by their language and so are easily excluded from 'serious' discourse.

So (if we decide we need to interact 'on a level playing field' and retain some credibility among mainstream economists - who predominantly subscribe to neoliberal dogmas) we need to be aware of the pitfalls in current language, prepared to point them out, but wary of 'branding' which becomes a shorthand means to dismissal of those who use the alternative terminologies.

Bill Mitchell has explained this well:

Before I start, let me just note that recent statements by commentators about language (for example, using the term 'deficit' to denote the difference between the funds the government puts in the economy and the funds it takes out) are not lost on me. After all, I have written academic articles on the importance of language and have delivered many presentations on the topic.

Regular readers will note I use the term fiscal balance rather than 'budget' balance to avoid conflating the currency-issuing spending and receipts with those that a household, which uses the currency, has to deal with.

How far we go in changing the language that we use is a delicate balance. The ideas I write about in this blog are counter the mainstream and already a 'step too far' for those who are not

dedicated to breaking out of the neo-liberal mindset. For those that are they will persist irrespective of the language used.

So it comes down to a balance of keeping people learning new ideas and at the same time developing a completely new nomenclature. The danger is that by doing both at the same time, the language will overwhelm the already difficult to embrace ideas and we get nowhere.

I am constantly assessing that balance in my own work and do not apologise for using the terms 'deficit' or 'receipts' or 'revenue' or 'spending' when dealing with currency-issuing government matters. (Bill Mitchell, ^{CE} [The CEDA Report - one of the worst ever](#), *Billy Blog*, March 30, 2016)

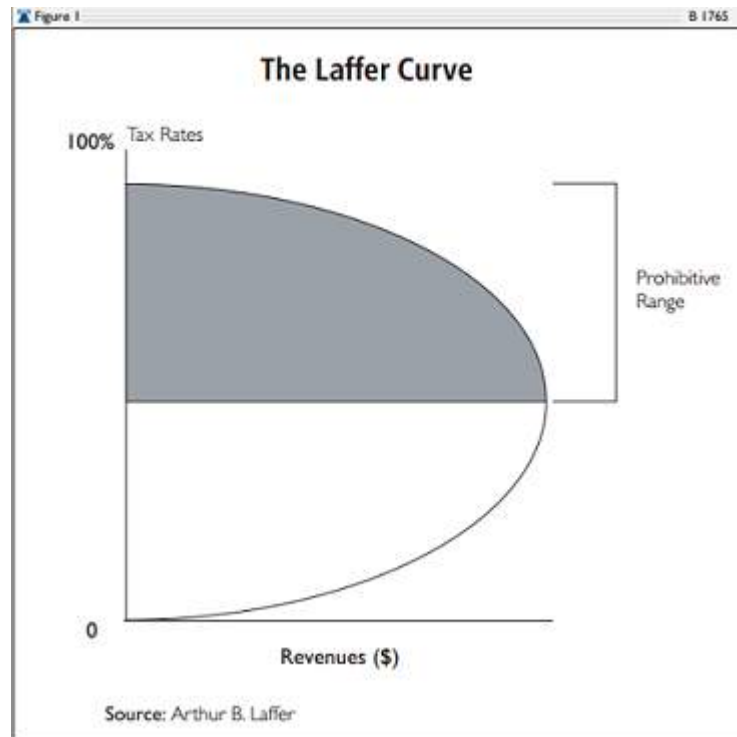
So,

First: the revolution!

Then: new nomenclatures!

(But, remain alert to the confusion in understanding which is implied in the use of current terminologies. There is a fine line between using familiar terms in order to facilitate communication, and being seduced by the language used into accepting neoliberal explanations. There is a reason why neoliberal discourse employs the language it does: it legitimizes and reinforces neoliberal understandings.)

⁵⁸⁹ The ideas implicit in 'scientific taxation' were popularized in 1974 when Arthur Laffer presented his 'curve' as an illustration of 'the trade-off between tax rates and tax revenues'.



(Arthur B. Laffer, ^{CE} [The Laffer Curve: Past, Present, and Future](#), *Heritage Foundation Backgrounder*, No. 1765, June 1, 2004)

An article on the *Laffer Center* website recounts it:

The Story Behind the Laffer Curve

The Laffer Curve earned its name from a 1978 article by the late Jude Wanniski (then-associate editor of the Wall Street Journal) appearing in *The Public Interest* entitled, "Taxes, Revenues, and the 'Laffer Curve.'" Wanniski recounted a 1974 dinner he attended with Arthur Laffer (the professor at The University of Chicago), Donald Rumsfeld (chief of staff to President Gerald Ford), and Dick Cheney (Rumsfeld's deputy and a former classmate of Laffer's). When the foursome's dinner discussion turned to President Ford's "WIN" (Whip Inflation Now) proposal for tax increases, Dr. Laffer is said to have grabbed his napkin to sketch the curve as an illustration of the tradeoff between tax rates and tax revenues. Wanniski dubbed the tradeoff described as the "Laffer Curve."

As to Wanniski's recollection of the story, Dr. Laffer has said that he cannot remember the details, but he does recall that the restaurant where they ate used cloth napkins and his mother had taught him not to desecrate nice things. He notes, however, that it could well be true because he used the so-called Laffer Curve all the time in classroom lectures and to anyone else who would listen.

Although the Laffer Curve bears his name, the ideas behind it were not new or his alone. In fact, Dr. Laffer likes to point out that the ideas are so straightforward that people knew about it hundreds of years before.

(*The Laffer Center*, ^{CE} [The Laffer Curve](#) [accessed 27 April, 2017])

Robert Vanderbei summed up the problem with the 'curve':

The original Laffer curve assumes that everyone is selfish. And, even in this case, the curve does not begin to go back down until the tax rate is greater than 50%.

The bottom line is this: cutting taxes when the current effective tax is way below 50% can only decrease revenue.

(Robert Vanderbei, ^{CE} [The Laughable Laffer Curve](#), Princeton University, Operations Research and Financial Engineering)

Peter Baker, writing for *The New York Times*, has explained the 2017 version of all this:

A white cloth napkin, now displayed in the National Museum of American History, helped change the course of modern economics. On it, the economist Arthur Laffer in 1974 sketched a curve meant to illustrate his theory that cutting taxes would spur enough economic growth to generate new tax revenue.

More than 40 years after those scribbles, President Trump is reviving the so-called Laffer curve as he announces the broad outlines of a tax overhaul on Wednesday. What the first President George Bush once called "voodoo economics" is back, as Mr. Trump's advisers argue that deep cuts in corporate taxes will ultimately pay for themselves with an explosion of new business and job creation.

The exact contours of the plan remained murky and Mr. Trump will not produce a fully realized proposal on Wednesday. But what the president has called a tax reform plan is looking more like a tax cut plan, showering taxpayers with rate reductions without offsetting the full cost by closing loopholes or raising taxes elsewhere. In the

short run, such a plan would add many billions of dollars to the national deficit. Mr. Trump contends that it will be worth it in the long run.

"The tax plan will pay for itself with economic growth," Steven Mnuchin, the Treasury secretary and main architect of the plan, told reporters this week.

(Peter Baker, ^{CE} [Arthur Laffer's Theory on Tax Cuts Comes to Life Once More](#), *New York Times*, April 25, 2017)

See also, ^{CE} [President Trump's Laughable Plan to Cut His Own Taxes](#), *New York Times*, The Opinion Pages | Editorial, April 26, 2017)

Veronique de Rugy (2003), writing for the ^{CE} [Cato Institute](#), an American libertarian think tank, provided a clear explanation of the neoliberal rationale for 'scientific taxation' as practiced through the 1920s and reintroduced in the post 1970s United States. One needs to remember that the regulatory state under Coolidge (in the 1920s) was, as one biographer described it, "[thin to the point of invisibility](#) ":

Changes in marginal income tax rates cause individuals and businesses to change their behavior. As tax rates rise, taxpayers reduce taxable income by working less, retiring earlier, scaling back plans to start or expand businesses, moving activities to the underground economy, restructuring companies, and spending more time and money on accountants to minimize taxes. Tax rate cuts reduce such distortions and cause the tax base to expand as tax avoidance falls and the economy grows. A review of tax data for high-income earners in the 1920s shows that as top tax rates were cut, tax revenues and the share of taxes paid by high-income taxpayers soared

The Mellon Tax Cuts

When the federal income tax was enacted in 1913, the top rate was just 7 percent. By the end of World War I, rates had been greatly increased at all income levels, with the top rate jacked up to 77 percent (for income over \$1 million). After five years of very high tax rates, rates were cut sharply under the Revenue Acts of 1921, 1924, and 1926. The combined top marginal normal and surtax rate fell from 73 percent to 58 percent in 1922, and then to 50 percent in 1923 (income over \$200,000). In 1924, the top tax rate fell to 46 percent (income over \$500,000). The top rate was just 25 percent (income over \$100,000) from 1925 to 1928, and then fell to 24 percent in 1929.

Secretary Mellon knew that high tax rates caused the tax base to contract and that lower rates would boost economic growth. In 1924, Mellon noted: "The history of taxation shows that taxes which are inherently excessive are not paid. The high rates inevitably put pressure upon the taxpayer to withdraw his capital from productive business." He received strong support from President Coolidge, who argued that "the wise and correct course to follow in taxation and all other economic legislation is not to destroy those who have already secured success but to create conditions under which every one will have a better chance to be successful."

(Veronique de Rugy, ^{CE} [1920s Income Tax Cuts Sparked Economic](#)

590 {§} (10/06/17) The combination of reliance on the fairy dust of expansionary austerity with the magical effects of tax cuts for the wealthy has reached its truly absurd apogee in US president Donald Trump's first budget⁷⁵⁰. Robert Greenstein has explained:

President Trump's new budget should lay to rest any belief that he's looking out for the millions of people the economy has left behind. He proposes steep cuts in basic health, nutrition, and other important assistance for tens of millions of struggling, low- and modest-income Americans, even as he calls for extremely large tax cuts for the nation's wealthiest people and profitable corporations.

This disturbing budget would turn the United States into a coarser nation, making life harder for most of those struggling to get by but more luxurious for those at the very top. Most Americans do not seek a new Gilded Age. And the budget is sharply at odds with what the President told voters he would do during his campaign. With this budget, the President betrays many voters who placed their trust in him.

In fact, this stands as the most radical, Robin-Hood-in-reverse budget that any modern President has ever proposed...

Perhaps most stunning, these proposals to impose cuts of unprecedented depth and severity on struggling families and individuals — and to starve various needed public services — are coupled with tax cuts that cost even more than the program cuts save. If the budget had honestly accounted for the tax cut proposals the President released a few weeks ago, the cost of these provisions would be seen to wipe out the savings from all of its deep cuts to NDD [non-defense discretionary] programs, basic assistance for Americans of limited means, and Social Security.

(Robert Greenstein, [Ⓔ] [Trump Budget Proposes Path to a New Gilded Age](#), *Center on Budget and Policy Priorities* Statement: May 22, 2017)

591 All this suggests that neoliberal ideologues are suffering from acute, [arrested cognitive development](#). Steve Keen has given a delightful, though probably unrealistically optimistic picture of it all:

PRESS RELEASE FROM THE WHO

The WHO today warned of a virulent new virus affecting vulnerable groups in the Mid-West and Eastern USA. The outbreak, which began in the Mid-West's extensive Great Lakes '[Freshwater](#)' river system, has recently jumped the 'Saltwater' barrier, meaning that the entire population of its target species - 'Mainstream' economists - is now at risk.

Speaking on behalf of the WHO, Dr Cahuc explained that the virus works by turning off the one genetic marker that distinguishes this species from the rest of its genus, the Human Race. This is the so-called 'Milton' gene (Friedman 1953), which goes dormant in other Humans as they pass through puberty. Its inactivity reduces their imaginative capacity, making it impossible for them to continue believing in such endearing infantile fantasies as the Tooth Fairy and

Santa Claus. While regrettable, this drop in imagination is necessary to prepare Humans for the adult phase of their existence.

'Professor Milton Friedman found a way to re-activate this gene during PhD training, using his "as if" gene splicing technique', Dr Zylberberg elaborated. 'This enabled a wonderful outpouring of imaginative beliefs by Mainstream Economists, which gave birth to concepts like NAIRU, Money Neutrality, Rational Expectations, and eventually even DSGE models. This wealth of imagination was regarded by Mainstream Economists as a more than sufficient compensation for returning to the child-like phase of the Human species.'

The Milton gene conferred other advantages on Mainstream Economists, which have been highly important to their success in competition against their rival species, the Heterodox Economists. 'Being endowed with a child-like nature, the arguments of Mainstream Economists were treated with the low level of critical evaluation that adult humans normally reserve for conversations with their infant stage', said Dr Cahuc. 'This made their policy recommendations much more likely to be adopted, instead of the more complicated proposals put forward by their niche rivals', he said.

The new virus - named 'Reality' - de-activates the Milton gene once more. 'Consequently', Dr Cahuc warned, 'the very beliefs that define this unique species are at risk. Unless we are very careful, it may become extinct!'. Unfortunately, there is as yet no known cure to this virus. 'The WHO therefore recommends complete avoidance of "Reality" as the only effective strategy for those wishing to remain as Mainstream Economists', Dr Cahuc concluded.

(Steve Keen, ^{CE} [The WHO warns of outbreak of virulent new 'Economic Reality' virus](#), *Review of Keynesian Economics*, Volume: 5 Issue 1, 01 Jan 2017, Pp:107-111)

592 {§} (02/07/16) Straitjacketing sovereign governments in these and other ways leads, inevitably, to escalating deficits (reflecting *private sector borrowing*) and increasingly shrill clamourings for 'deficit reduction' with all its [tail-chasing consequences](#): crumbling infrastructures and services, unsustainable safety nets, and [disenfranchised populations](#). Bill Mitchell has described the scene. His summation:

The neo-liberal Groupthink has led governments to starve public infrastructure development, squeeze public education including research in higher education, force public research bodies (such as CSIRO in Australia, which invented the Wi-Fi protocol) and the like to only pursue 'commercial' rather than pure research, and maintain elevated levels of unemployment so that generations are now missing out of work skill development and essential training.

Imagine what Greece and Spain will be like in 20 years when their youth - 50 odd percent of them unemployed and have been for years now - become the adults that the nations will rely on for productivity growth.

In relation to adjusting to the Brexit decision, British Labour should immediately announce an intention to implement a large-scale public investment program as well as a Job Guarantee.

They will be howled down by the neo-liberals which includes the class traitors masquerading as Labour MPs (The Blairites!).

But time will tell and before long it will become obvious that as public infrastructure collapses (and according to the ALGA report many bridges that link communities in Australia are becoming unusable given their condition) that this neo-liberal obsession that starves the forces of innovation are to blame.

(Bill Mitchell, ^{CE} [We starve the state and public infrastructure development at our peril](#), *Billy Blog*, June 30, 2016)

It would be good to be able to endorse his optimistic conclusion but neoliberal politicians, economists and fellow travelers have, over the past fifty years, displayed ingenuity in shifting blame for the consequences of their policies.

As several pamphlets in my mail box this morning (on the eve of the 2016 Australian Federal election) have explained [leaving me with the problem of how to dispose of such toxic waste], the fault for all the increasingly obvious employment; infrastructural; service; welfare; environmental and other problems lies, not at the door of rabid neoliberal policy and practice, but at the door of those who have 'successfully' opposed neoliberal attempts at ensuring Australia's prosperity!

Their arguments and accusations, over the years, have been so successful that many who originally opposed neoliberal drives to deregulation, globalization and weakening of worker organizations and social safety nets now justify their behaviors and plans in neoliberal terms. As Bill Mitchell says of Australian political parties,

...the conservatives (who call themselves liberal but oppose many freedoms) and the Labor Party (who are conservatives in drag these days) - have gone to pains to convince the voters that they will get the fiscal balance back into surplus ...

They preach about how they are committed to 'Jobs and Growth' but oversee labour market developments which yield pathetic employment growth, increased casualisation and precarious work, and low wages growth (even real wage cuts).

593 {§} (16/04/16) Any unified currency area will, unavoidably, need to address the consequences of ongoing and vastly different economic circumstances, events and long-term prospects in its various regions. It will, also, need to *institutionalize* required 'internal rebalancing' policies and procedures.⁷⁵¹ Robert Skidelsky has summarized the requirements well in an examination of the problems confronting the Eurozone:

To be sure, the 2008 crisis started with the banking collapse in the US. But most of the rest of the world has recovered, whereas most of Europe has not. To assess why, a recent symposium on the subject at Nuffield College, Oxford, focused on the lack of a sovereign authority able to protect the European economy as a whole from contagious crises starting elsewhere. The missing bits of sovereignty include a fiscal transfer system to respond to asymmetric shocks; a risk-free asset (eurobonds) in which to park redundant money; a single system for supervising banks and capital

markets; a central bank able to act as lender of last resort; and the ability to organize an EU-wide stabilization/recovery program.

The eurozone has weakened the nation-states comprising it, without creating a supranational state to replace the powers its members have lost. Legitimacy thus still resides at a level of political authority that has lost those attributes of sovereignty (such as the ability to alter exchange rates) from which legitimacy derives.

(Robert Skidelsky, ^{CE} [A British Bridge for a Divided Europe](#), *Project Syndicate*, April 15, 2016)

As Anatole Kaletsky has explained, a major flaw in the original establishment of Europe's unified currency area was:

...what could be described as the "original sin" of the single-currency project: the Maastricht Treaty's prohibition of "monetary financing" of government deficits by the ECB and the related ban on mutual support by national governments of one another's debt burdens.

(Anatole Kaletsky, ^{CE} [Why the Greek Deal Will Work](#), *Project Syndicate*, July 22 2015)

Austan Goolsbee, in a discussion with Jim Tankersley on the woes of Greece, spelt out the European Union's 'internal rebalancing' options in its regional, state and local governments⁷⁵² :

...Greece and its fellow Eurozone nations are trapped in a cycle of differential shocks - which is to say, they're seeing what happens when different parts of a unified currency area experience vastly different economic events....

As I look at it, I think there's only four things that you can ever do when you get differential shocks. You can have labor mobility. You can have permanent subsidies. Those are the two things that we have in the U.S., and that's why nobody ever asked after Hurricane Katrina, is Louisiana or Mississippi going to drop out of the dollar? And that's because, there's mobility and there's a fiscal union where they get a big subsidy.

So you could have one of those two, or you could have Germany willing to do four or five percent inflation for a couple of years, to do the equivalent of an exchange rate channel. Or else you could have Greece try to grind down its wages and find some way to get its productivity growth rate faster than Germany's. That's it! Those are the only four things you can do.

The East German unification with West Germany had a similar feature. East Germany came in (to a unified Germany) at an overvalued exchange rate. They made that decision on political grounds, not economic. So overnight they went to having basically West German level wages with Polish productivity.

There was a trillion euros of subsidy, there was a massive amount of labor mobility, there was a national commitment to make it all work. And that said, it's still the case that unemployment rates are higher in East German locations than the former West German ones. Which I think tells you that you should never make light of the difficulties of what they call internal rebalancing.

(Jim Tankersley, ^{CE} [The four ways to end the Greek crisis](#), from

Obama's former top economist, *The Washington Post*, Wonkblog, June 29, 2015)

As Paul Krugman has observed,

Europe never had the preconditions for a successful single currency - above all, the kind of fiscal and banking union that, for example, ensures that when a housing bubble in Florida bursts, Washington automatically protects seniors against any threat to their medical care or their bank deposits...

(Paul Krugman, [Ⓔ] [Greece Over the Brink](#), *New York Times*, Opinion Pages, June 29, 2015)

Of course, more than currency, fiscal and banking union is required for long-term success in such a venture. There also has to be a strong commitment to political and social union - a strong understanding of, and commitment to, [the whole as more than a sum of its parts](#).

This form of commitment presupposes an existing unity or 'nationalism' amongst the populace. Government is aimed at balancing the competing interests of citizens and regions, fulfilling their aspirations at that integrated, sovereign, *Commonwealth* level. However one might label such a union, the most obvious parallels are those of 'nation-states' as [defined by List \(1885\)](#) and others in the 19th century

⁵⁹⁴ And, yes, despite what 'sound' economic commentators of the 1920s and of the neoliberal present have argued, it will positively impact private enterprise activity within the 'real' economy. Bill Mitchell, lamenting the absurdity of the consequences of neoliberal claims that they need to 'run tight fiscal policy biased towards surpluses to avoid forcing the future generations to carry an unfair burden':

The latest – [Ⓔ] [EIB Investment Report 2017/2018](#) – published last week by the European Investment Bank tells anyone who cares to take those Europhile Rose Coloured Glasses off for just a second how deep the failure of the European policy making structures are and how long the negative impacts of those failures will resonate. This is the true 'burden for our (their) grand kids' sort of stuff. In claiming they had to run tight fiscal policy biased towards surpluses to avoid forcing the future generations to carry an unfair burden, these European policy makers and leaders have done exactly the opposite, as predicted – they have created an appalling future for their youth and their children to follow.

(Bill Mitchell, [Ⓔ] [Massive Eurozone infrastructure deficit requires urgent redress](#), Billy Blog, November 27, 2017)

As he has commented in a blog posting entitled 'We are being led by imbeciles':

I was reading John Maynard Keynes recently - circa 1928 [[Ⓔ] [How to Organize a Wave of Prosperity](#)] - that is, 8 years before the publication of the General Theory with his Treatise on Money intervening. He was railing against the principles and practice of 'sound finance', which he noted had deliberately caused billions of pounds in lost income for the British economy. He urged the Treasury and the Bank of England to abandon their conservative (austerity) approach to the economy and, instead, embark on wide-scale fiscal stimulus to create jobs and prosperity. He concluded that

with thousands of workers idling away in mass unemployment that it was "utterly imbecile to say that we cannot afford" to stimulate employment via large-scale public works - building infrastructure etc. He considered the policy makers who opposed such options were caught up in "the delirium of mental confusion". The stark reality is that 88 years later, he could have written exactly the same article and would have been 'right on the money'. We are being led (euphemism) by imbeciles.

(Bill Mitchell, ^{CE} [We are being led by imbeciles](#), *Billy Blog*, March 1, 2016)

595 {§} (01/04/18) The unfortunate and logically absurd presumption that all 'real' investment must come from the 'private sector'; that government is always and only parasitic on private wealth; has led to infrastructural crises in the Western world.

The infrastructures of capitalism require long-term investment and maintenance. They are prerequisites of capitalism but are seldom, in themselves, private wealth producing investments. They are the responsibility of governments and should be *publicly* funded.

They are, indeed, [capitalism's 'commons'](#), which provide the environment within which capitalism is able to develop and mature. They are, and should be *public investments*, publicly funded and publicly owned. They constitute the necessary environment within which the varied responsibilities and interests of communities and the varied entrepreneurial endeavors and economic enterprises of those communities are all supported.

[They are not, and should never be considered as, opportunities for private profit](#). Since the infrastructures of capitalism are *the commons* of capitalist societies [they should be freely available to all](#), not controlled or owned by private financial interests and developed as 'for profit' private assets but controlled and owned by 'the public'; by government.

It follows, therefore, that public-private partnerships focused on development/ maintenance of societal infrastructures are both unnecessary and problematic since they introduce the profit motive into what should always be considered [necessary environmental features of the commonweal](#).

The 2017 abortive infrastructure 'plans' of the US Trump Administration should be stark warning to all who are truly committed to long-term capitalist development and stability. As Gerald Epstein has explained,

...On the campaign trail, then-candidate Trump jumped on the bandwagon, decrying America's "Third World" infrastructure and touting his ability to fix it in short order—as "demonstrated" by his "building prowess" in New York City and "around the world." Trump promised to quickly fix the country's decaying infrastructure and generate millions of good paying jobs with a \$1 trillion program that will "Make America Great Again."

That Trump had hit a political "sweet spot" was made clear early on by the number of prominent Democrats and labor leaders who announced not only an interest but real enthusiasm for cooperating with Trump on making a \$1 trillion building-spree a reality. How could they resist?

A true, well designed, well-implemented \$1 Trillion government investment in infrastructure is a plan many Democrats, progressive economists and labor leaders had been promoting for years. As Richard Trumka, President of the AFL-CIO explained:

During my January meeting with President Trump, we identified a few important areas where compromise seemed possible. On manufacturing, infrastructure and especially trade, we were generally in agreement. Mr. Trump spoke of \$1 trillion to rebuild our schools, roads and bridges. He challenged companies to keep jobs in the United States. He promoted 'Buy America.' He promised to renegotiate the North American Free Trade Agreement.

Of course, many Democrats and some economists understood that Trump's infrastructure "sketch" (he has never come out with a true plan) was quite different from a genuine government-financed \$1 trillion plan.

From the beginning, Trump's team had made it clear that this was going to be a private-public partnership in which the government would put in significantly less than a trillion dollars—perhaps \$200 or \$400 billion of corporate tax subsidies over 10 years—as a way to help facilitate a privatization of public assets. Think: turning public roads into privately owned toll roads and public tunnels into privately owned toll tunnels.

This type of privatization, critics argued, would end up as a typical crony capitalist gold mine, giving away public assets to well-connected and politically pliant capitalists and maybe, just maybe, getting some improved but very expensive infrastructure and a few jobs in the process. But some Democrats and labor leaders were, perhaps understandably, desperate to engage in wishful thinking and tentative support—given the apparent political pressure from their constituencies.

Still, some observers warned that the dangers of this infrastructure sweet spot were even greater than might at first appear. In an article in Challenge Magazine, "Trumponomics: Should We Just Say No?" I argued that not only is the so-called "infrastructure" program mostly a thinly disguised privatization scam; it was also a sinister gambit to broaden the political support and therefore the power of Trump and Trumpism, a proto-fascist regime and movement, whose goal is to undermine democracy, enrich those wealthy capitalists willing to play along, and divide and conquer the domestic population by sowing racial, gender, religious and national hatred and intolerance.

(Gerald Epstein, [Ⓔ] [Trump and the Infrastructure of Fascism](#), *TripleCrisis*, August 18, 2017)

As many commentators have explained over the past 30 years, after decades of neoliberal cost-cutting, public utilities, thoroughfares and services, in many Western nations, are in increasingly desperate need of maintenance and upgrading. The infrastructures of the United States are evidence of the inevitable consequences of that neoliberal belief that 'That government is best which governs least'. They are in disrepair⁷⁵³. The American Society of Civil Engineers (ASCE), has explained:

Our nation is at a crossroads. Deteriorating infrastructure is impeding our ability to compete in the thriving global economy, and improvements are necessary to ensure our country is built for the future. While we have made some progress, reversing the trajectory after decades of underinvestment in our infrastructure requires transformative action from Congress, states, infrastructure owners, and the American people.

(ASCE, ^{CE} [2017 Infrastructure Report Card: Making the Grade](#), *The American Society of Civil Engineers*, 2017)

Thomas Hanna has addressed the 'public option' in funding the desperately needed infrastructure spending:

On the campaign trail, and in his February address to Congress, President Donald Trump promised a \$1 trillion infrastructure plan that would create jobs and "rebuild" the country. In January, labor leaders from several building and construction unions met with Trump at the White House and affirmed their support for such a program. On the surface, this may seem like a bright spot in the Trump policy agenda - but the plan appears seriously flawed.

As Sean McGarvey, president of North America's Building Trades Unions, confirmed after the meeting, the administration's approach to infrastructure involves substantial private sector investment and so-called "public-private partnerships" (PPPs). Once considered an innovative and novel way to finance infrastructure, PPPs have lost their appeal to many experts and policymakers amidst high-profile bankruptcies, extortionary contracts, and spiraling fees, tolls, and rate increases for users....

The traditional alternative of financing infrastructure involves state or local governments issuing bonds to be bought by investors and paid off over time. However, this isn't ideal either - paying off interest on the bonds can sometimes as much as double the cost of a project. According to Brown, there's a much better way: The federal government can finance infrastructure by simply issuing new money.

There are at least two ways to go about this. In one, the Federal Reserve would create money just as it did through its post-financial crisis "quantitative easing" (QE) program, when trillions in new money was pumped into the financial system through the purchase of securities from banks. These funds could then capitalize a national infrastructure bank or a network of state-level infrastructure banks. She calls this "qualitative easing," because the money would be injected into the real economy rather than into the balance sheets of the major Wall Street banks.

The other approach would be for the Treasury, Federal Reserve or Congress to create the money and just directly invest it in infrastructure projects. Whether funneled through a public bank or banks, or invested directly, the funds could be provided at no or very low interest, allowing states and localities to pursue a host of pressing infrastructure projects without levying or raising taxes, tolls and user fees. This isn't so radical as it sounds: As president, Abraham Lincoln printed \$450 million (almost \$11 billion in today's dollars) in "Greenbacks" to help pay for the Civil War, and even Milton Friedman proposed "helicopter money" - a metaphor for

"dropping" newly printed money directly into communities - as a way to combat deflation.

Critics will, of course, scream "hyperinflation" and conjure up images of wheelbarrows full of money in Weimar Germany or last decade's worthless Zimbabwean bank notes. But Brown has a different take. Neither QE (despite the dire predictions of many in the economics profession) nor Lincoln's Civil War money-printing caused hyperinflation. Given the persistence of relatively low inflation (as well as other factors) there is good reason to believe that in the current economic climate, investing new money into the real economy through infrastructure projects would merely provide a much-needed boost.

While Brown's proposal may seem outside the mainstream of contemporary U.S. political discourse, it is exactly what is being proposed by major economic figures and politicians in Europe, ranging from Yanis Varoufakis, the leftist former finance minister of Greece, to Rick Rieder, the Global Chief Investment Officer of BlackRock, the world's largest investment management corporation.

A large-scale commitment to rebuilding America's decaying infrastructure is long overdue. A smart infrastructure policy could directly and indirectly create between 10 and 15 million jobs over the next decade, including good-paying union jobs in some states. It would benefit the economy: Alleviating traffic jams and improving public transit could work wonders for productivity. It would also save people's lives and keep them healthy, and keep the country competitive with others that already are actively and energetically upgrading their infrastructure.

(Thomas Hanna, ^{CE} [A Better Way To Fund Infrastructure: Trump's investor-friendly plan and other conventional approaches are likely to fail - it's time to try something new](#), *In These Times*, April 5, 2017)

But, of course, the United States has opted for President Trump, the 'president' who has promised to run the nation '[like a business](#)'!

⁵⁹⁶ Michael Hudson has neatly described the nature of the financial parasitism which has emerged within Western capitalism over the past fifty years:

Economists for the last 50 years have used the term "host economy" for a country that lets in foreign investment. This term appears in most mainstream textbooks. A host implies a parasite. The term parasitism has been applied to finance by Martin Luther and others, but usually in the sense that you just talked about: simply taking something from the host.

But that's not how biological parasites work in nature. Biological parasitism is more complex, and precisely for that reason it's a better and more sophisticated metaphor for economics. The key is how a parasite takes over a host. It has enzymes that numb the host's nervous system and brain. So if it stings or gets its claws into it, there's a soporific anesthetic to block the host from realizing that it's being taken over. Then the parasite sends enzymes into the brain. A parasite cannot take anything from the host unless it takes over the brain.

The brain in modern economies is the government, the educational system, and the way that governments and societies make their economic policy models of how to behave. In nature, the parasite makes the host think that the free rider, the parasite, is its baby, part of its body, to convince the host actually to protect the parasite over itself.

That's how the financial sector has taken over the economy. Its lobbyists and academic advocates have persuaded governments and voters that they need to protect banks, and even need to bail them out when they become overly predatory and face collapse.

Governments and politicians are persuaded to save banks instead of saving the economy, as if the economy can't function without banks being left in private hands to do whatever they want, free of serious regulation and even from prosecution when they commit fraud. This means saving creditors - the One Percent - not the indebted 99 Percent.

(Transcript of *CounterPunch Radio* - Episode 19 (originally aired September 21, 2015). ^{CE} [Eric Draitser interviews Michael Hudson](#))

⁵⁹⁷ A report titled: *No Small Fees: LA Spends More on Wall Street than Our Streets*, spelt out the problem for Los Angeles, replicated in states and local authorities across the US:

Key Findings

- More to Wall Street than our streets: The City of Los Angeles last year spent more on Wall Street fees than it did on our streets. It paid Wall Street \$204 million in fees, spending only \$163 million on the Bureau of Street Services. The city also controls \$106 billion in financial and economic power that flows through its financial institutions that can be leveraged to demand better deals from Wall Street.



- Millions in cuts to services: The Wall Street crash reduced revenues and forced a 19% cut in City spending on governmental operations and activities when measured on a per capita basis in 2014 dollars. Basic neighborhood services

have been halted or severely curtailed. The city has all but stopped repairing sidewalks, clearing alleys and installing speed bumps.

- Corporations shifting the property tax burden: As revenues have declined over time, debt has increased, while structural revenue problems are not being addressed. Property taxes are the largest source of LA city revenue and there's been a big shift in who pays them. In 1977, commercial property owners paid 46% of property taxes and residential owners paid 53%. Now, commercial property owners pay only 30% of property taxes, while residential property owners pay 70%. Existing tax loopholes are a big part of the problem. If the loopholes were closed and commercial property was reassessed at market value, Los Angeles would get an additional \$200 million in property tax revenue each year, enough to restore many of the services that were cut.

(^{CE} [No Small Fees: LA Spends More on Wall Street than Our Streets](#), A Report by the Fix LA Coalition, March 25, 2014)

598{§} (11/05/17) Bill Mitchell, in a blog posting entitled '^{CE} [British labour lost in a neo-liberal haze](#)', has provided two tables which give an excellent run-down of 'neo-liberal mumbo jumbo' and alternatives to the [delusional presumptions](#) underpinning neoliberal 'household budget' reasoning (the posting, including the comments, is both informative and depressing reading!):

First, the neo-liberal mumbo jumbo:

Table 8.1 Examples of neoclassical macroeconomic metaphors

Focus of Attack	Metaphorical claim	Implied meaning
Government spending	The nation is living beyond its means	Excess spending requires sacrifice Cuts needed immediately
	Nation has maxed out its credit card	Run out of money due to irresponsible spending
	Spending like a drunken sailor	Wanton irresponsibility and delinquent behaviour
Fiscal balance	Budget black hole	Budget beyond human control like the collapse of massive star
	Deteriorating state of the budget	Budget is like a body and is in state of ill health requiring emergency surgery, TINA
	Mushrooming budget deficit	Budget is an organic entity and is out of control
	The nation has run out of money, it is broke	Government budget is like a household budget; the economy is like us
Public Debt	The nation is bankrupt	Nation is a badly managed insolvent firm
	The public debt mountain	Debt is dangerous and insurmountable
	Burdening our grandchildren	Debt threatens fundamental unit of society and undermines future prosperity
	Mortgaging the future	Current government debt compromises future spending
Income support	Welfare dependency	Welfare net is like a drug for the populace, encouraging ill health and addiction
	Dole Bludgers, Skivers	Unemployed are lazy and undeserving

Next, explanations based in the reality obscured by neoliberal dogmas:

Table 8.2 Examples of MMT macroeconomic metaphors

Focus of Attention	Metaphorical claim	Implied meaning
Government spending	Government spending puts money in our pockets.	Government spending increases non government's income.
	Government invests in the productive capacity of our nation.	Government spending increases our capacity to provide for the needs of our population.
	Government cannot run out of money; the true constraint is our nations' resources.	There is no financial constraint although there could be a resource constraint.
Fiscal balance	Government deficits allow us to save.	Government deficits equal non government surpluses.
	Government surpluses equal non government deficits.	Government surpluses reduces non government financial saving
	The fiscal balance is largely determined by the economy's performance.	Fiscal balance outcome is not discretionary.
	The nation cannot run out of its own money.	Government 'budget' is NOT like a household budget.
Public Debt	The governments' debt is our asset.	Government debt provides a risk free financial asset to strengthen non government portfolios. Government debt helps to stabilise the financial system.
Income support	We take care of our own.	As our government faces no financial constraints, it uses its fiscal capacity to ensure resources are mobilised to care for its population.
	A good nation supports its people.	Unemployment is always evidence of a policy failure, a failure to put resources to work.
	A good nation helps to support those in other nations who need help.	Rich nations help to mobilise resources needed by poorer nations.

(Bill Mitchell, ^{CE} [British labour lost in a neo-liberal haze](#), *Billy Blog*, May 3, 2017)

Steve Keen, commenting on an earlier British election, put all this rather well:

The British election campaign has begun, and Prime Minister David Cameron is running with the slogan that his Conservative Party will deliver "A Britain living within its means" by running a surplus on day-to-day government spending by 2017/18. It is, as the UK Telegraph noted, hardly an inspiring slogan. But it is one that resonates with voters, because it sounds like the way they would like to manage their own households. And a household budget - whether you balance yours or not - is something we can all understand. If a household spends less than it earns, it can save money, or pay down its debt, or both. So it has to be good if a country does the same thing, right?

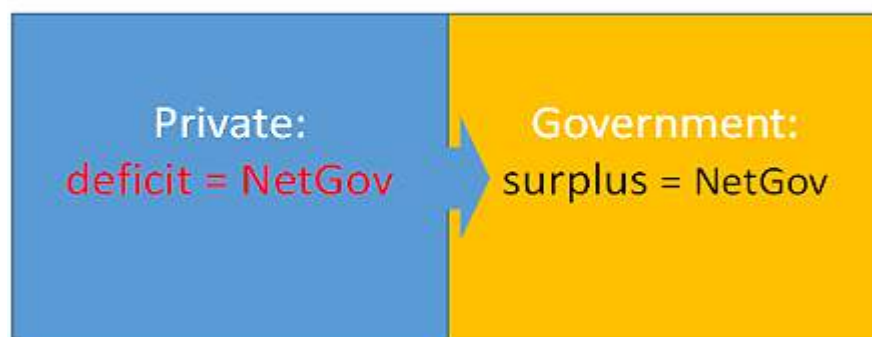
If only it worked that way. In fact, a government surplus has the opposite effect on Joe Public: a government surplus means that the public has to either run down its savings, or increase its debt. And if

the government runs a sustained surplus, then - unless the country in question has a huge export surplus, like Japan or Germany - a financial crisis is inevitable.

That's the opposite of what both politicians and most of the public think that running a government surplus will achieve - and yet it's easy to prove that that is the outcome a sustained surplus will lead to.

Firstly, a government surplus means that, in a given year, the taxes the government imposes on the public exceed the money it spends (and gives) to the public. There is therefore a net flow of money from the public to the government. As a once-off, that doesn't have to be a problem. But if it's sustained for many years, then the public has to provide a continuous flow of money to the government. Let's call this flow NetGov: a sustained surplus requires the situation shown in Figure 1 (where a deficit is shown in red and a surplus in black).

Figure 1: A sustained government surplus requires the private sector to supply the government with a continuous flow of money



One way that the public can do this is to run down its own money stock - to reduce its savings. But that's the opposite of what the policy is intended to achieve: the expectation of enthusiasts for government surpluses is that it will enable the public to save more, not less. But as a simple matter of accounting, increased public savings - increased balances in the public's bank accounts - are only compatible with a government surplus if the public can produce more money than it pays to the government to maintain its surplus. This raises the question "how does the public produce money?". Anyone in the private sector can produce goods and services for sale, but the production of money is a very different thing to production of goods. The public in general can't "produce money" - but the banks can. As the Bank of England recently explained, banks create money by making loans:

Whenever a bank makes a loan, it simultaneously creates a matching deposit in the borrower's bank account, thereby creating new money (Bank of England, "[Money Creation in the modern economy](#)")

So if the private sector is to finance the government sector's surplus, and if the economy is growing at the same time, then there has to be a net flow of new money created by the banking sector - part of which expands the non-banking public's money stock, and part of which finances the government sector's surplus. Therefore

the banking sector has to "run a deficit": new loans have to exceed loan repayments (plus interest payments on outstanding debt).
(Steve Keen, [Ⓔ] [Beware Of Politicians Bearing Household Analogies](#), *Forbes/Investing*, Jan 14, 2015)

599 {§} (08/01/16) This has largely been a result of the resurfacing of the [Intermediation of Loanable funds \(ILF\) fallacy](#) with the triumph of neoliberalism over the past forty years. Neoliberal economics, [in its various guises](#), has not only denied the legitimacy of public credit creation, proponents have, all-too-often failed to understand the nature of [private credit creation](#), leading to an unfortunate presumption that:

Lending starts with banks collecting deposits of real resources from savers and ends with the lending of those resources to borrowers.

As Paul Krugman put it, appearing to endorse the intermediation of loanable funds (ILF) model of banking:

Banks are just another kind of financial intermediary, and the size of the banking sector - and hence the quantity of outside money - is determined by the same kinds of considerations that determine the size of, say, the mutual fund industry.

(Paul Krugman, [Commercial Banks As Creators of "Money"](#), *New York Times*, Opinion Pages, August 24, 2013).

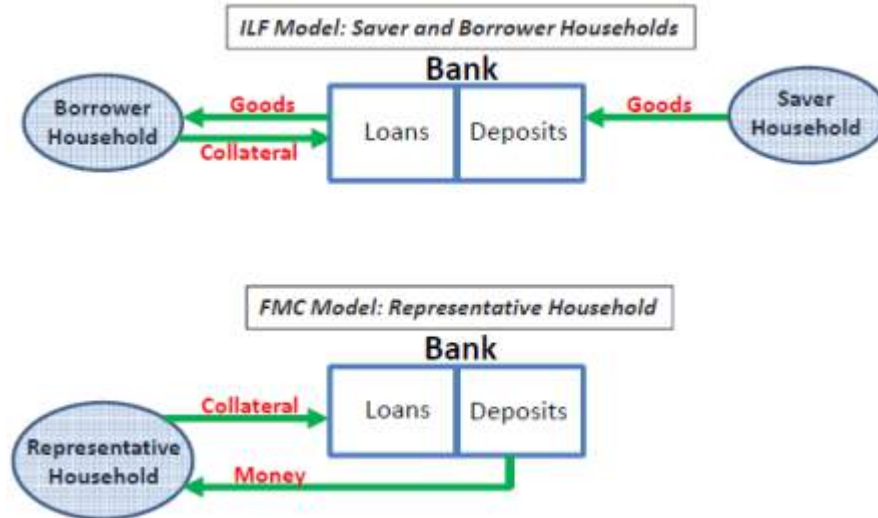
(Those who presume the validity of the ILF model, inevitably presume also that government 'debt' must come from 'somewhere'. So, it becomes inevitable that they will also presume that sovereign governments must 'borrow' from elsewhere if they wish to increase 'spending'. Krugman commonly [presumes government borrowing](#) either from the US Central Reserve as [an autonomous entity which 'lends' to government](#) or, possibly, in the private financial marketplace. One is reminded of [Leo Tolstoy's observation](#). A number of the comments appended to the above blog entry are informative.)

As Zoltan Jakab and Michael Kumhof (2015) have explained, the ILF

...models are based on the highly misleading 'intermediation of loanable funds' theory of banking.... We argue instead that the correct framework is 'money creation' theory.

In a summary paper, published on [CEPR's Policy Portal](#), [VOX](#) (18 June 2015), they provide a clear, simple graphic illustrating the major difference between the two models:

Figure 1



{§} (08/02/16){§} (23/10/16){§} (11/04/17)

{§} (13/07/18) There is another common fallacy which Western commentators on political issues all-too-often perpetuate: Any suggestion that individuals are preferred candidates for public office because they have been successful in business demonstrates a failure to understand the difference between:

- business activity: the pursuit of 'profit';
- and
- government activity: the pursuit of the *Commonweal*.

Despite [neoclassical and neoliberal claims for the primacy of the independent individual](#), the two are not the same! Appointment of individuals to public office based on expertise in profit making/taking is a short-cut to plutocracy.

In a democracy, government has a *fiduciary duty* to its constituency. It takes responsibility for the commonweal. It is not a 'profit making' enterprise. To paraphrase a ^{CE} [Wikipedia definition of fiduciary responsibility](#):

In such a fiduciary relationship, people, in positions of vulnerability, justifiably vest confidence, good faith, reliance, and trust in their elected representatives; and governments provide aid, advice and protection as needed. In such a relation good conscience requires the fiduciary to act at all times for the sole benefit and interest of all those under its care and protection.

Wade Riddick, in a comment posted on the Blog Site ^{CE} [Naked Capitalism](#), put the problem in a nutshell:

When private actors provide government services at a profit - especially monopoly services like water and power - the natural tendency is to confiscate the budget for public goods and extort the captive population. These "consumers" are, in fact, captives because they have no other place to turn for affordable service. Are you going to build your own water distribution network with cars?

This problem with privatizing essential government functions has been a major issue since the days of the Magna Carta and tax

farming (i.e., privatized, for-profit tax collection on "commission").
(Wade Riddick, Comment, [Ⓔ] [Jim Hightower: What Really Poisoned the Water in Flint, Michigan](#), Posted on February 7, 2016 by Lambert Strether)

{§} (10/02/16) The reasoning Riddick employs is equally appropriate to running government as though it were a business. Once profit and loss reasoning is employed in the provision/delivery of government services, "the natural tendency is to confiscate the budget for public goods and extort the captive population".

Jim Hightower spelt out the problem:

The mantra of every Koch-headed, right-wing politico is that government should be run like a business, always focused on cutting costs.

Welcome to Flint, Michigan. This impoverished, mostly African-American city has indeed been run like a private corporation since Republican Gov. Rick Snyder appointed his "emergency manager" to seize control of Flint's heavily indebted local government. Snyder's coup d'etat usurped the people's democratic voice and effectively imposed a corporate-style autocracy over them, run by his unelected CEO-like manager who answers only to Snyder.

Flint's emergency manager holds authoritarian budgetary power and is focused not on serving the people but on the bottom line. His mandate from the governor was to slash costs ruthlessly, so bankers and other holders of the city's debt could be paid off. Snyder was delighted that his appointed czar proved to be an enthusiastic slasher, including a cleaver move in 2014 to cut a couple million dollars from the budget by shifting the source of the city's drinking water from Lake Huron to the Flint River...

But - oops - the bottom line of thinking you can simply apply corporate methods and ethics to public responsibilities is that very bad things can happen. In this case, Flint's water supply is contaminated with lead, its entire infrastructure of water pipes needs to be replaced, thousands of the city's children may be permanently impaired by lead poisoning ... and Snyder's name is mud.

(Jim Hightower: [Ⓔ] [What Really Poisoned the Water in Flint, Michigan](#): Flint reveals that there is a much deeper contamination poisoning our country's political morals, *AlterNet*, February 3, 2016)

Karen Garcia, in a comment on a *New York Times* article by Paul Krugman, summed up the consequences of the [slipshod government for 'profit'](#) playing out in the United States and around the Western capitalist world in the second decade of the 21st century:

Trump is the personification of capitalism run amok.

He fires at whim. He's immune to public shaming.. His pursuit of wealth and power is relentless. He cares for nobody but his immediate gene pool, just as the capitalistic system itself has no regard for anyone other than owners and the investor class.

He's a very stable crook and a master gaslighter. Taunting his prey one minute and fawning over them the next is how he keeps them off-balance before either lunging for the kill or leaving it for later.

This is exactly how bosses, from CEOs all the way down to middle managers, instill fear into workers every day of their precarious lives.

Thanks to both our major parties moving further right in the past 50 years, there are now few legal restraints against either public and private tyrannical behavior or graft.

It's no surprise that Trump confuses "the country" with "my company." It's no surprise that the longstanding, pre-existing world order of profits over people has produced such a glut of reactionary global leaders like him.

It's no use griping that Trump is destroying "norms," or pretending that everything was cool before he came along. More than a dozen wars, with millions killed and trillions of dollars wasted since World War II, coupled with the constant assaults on our social programs, have created a virtual Petri dish for all kinds of Trumps to grow and thrive like Blobs.

We need some social democracy, and we need it right now.

A new New Deal or bust.

(Karen Garcia, Comment, on Paul Krugman, ^{CE} [For Trump, Failure Is the Only Option](#), *New York Times*, July 12, 2018)

Michael Hudson summed it all up in an interview on *The Real News Network*:

KIM BROWN: So, Michael, in an interview that Jared Kushner gave the Washington Post over the weekend from his West Wing office, ...Jared Kushner says that the American government needs to be run like a business - I'm paraphrasing here. This seems to be a feeling, an ethos, if you will, shared by this Trump administration.

So, is it a good idea to try to run government the way that corporations are being run?

MICHAEL HUDSON: Not only is it a bad idea, but yesterday, the Financial Times of London, the premier financial paper, had a wonderful editorial, saying ^{CE} [Why business cannot make government great](#) [subtitle: Making law is not making money, and governing is not managing (March 29, 2017) - behind a pay wall]. In other words, why it can't be run like a government.

The main reason is that [businesses are run to make a profit](#)....

Imagine somebody working for an employer... [T]he last thing you want is for the employer to run his business the way he wants, without any safety conditions, without paying you overtime, without paying you a pension, without paying you medical care.

The idea of running it like a business is... to pay labor as little as possible, and to get as much money for themselves - the businessmen - as possible. **So, when Kushner says, Let's run government like a business, what he really means is, let's run government for business....**

...[R]unning the government as a business says,

► let's get rid of the environmental concerns, because that's a cost to business.

- Let's not tax business, because that's a cost.
- Let's get rid of any pro-labor legislation. We have our consumer protection.
- Let's get rid of the Consumer Financial Protection Agency that blocks banks from cheating their customers, because business is all about gouging as much as you can get.

So, do you really want a government that is going to be run like a business and gouge people? And then the final kicker that really makes the analogy between business - and a private balance sheet - and government different is that businesses can't run a deficit....

But governments are supposed to run a deficit, because they're supposed to lose money in balance sheet terms. They're supposed to spend money into the economy; that's how the economy gets enough money to grow.

(^{CE} [Trump's Idea of Running Government Like a Business is Bad for Citizens](#), Posted on *Naked Capitalism*, April 10, 2017 by Yves Smith)

⁶⁰⁰ Paul Samuelson: (^{CE} [interview with Mark Blaug](#) on the superstition that the budget must be balanced at all times.

Robert Skidelsky has given "a glimpse into the mindset of a bygone era" through a discussion of "the [mix of neoclassical and Keynesian economics](#) that defined the mainstream of the field [of economics] for 50 years" through the New Deal and post-New Deal period. As he says,

...it is extraordinary to realize just how confident economists of [Samuelson's] generation were that the New Economics (as the Keynesian approach was called in America) had solved the problem of depression and mass unemployment. As Samuelson put it in his 1973 introduction, "the specter of a repetition of the depression of the 1930s has been reduced to a negligible probability."

Yes, there would still be small fluctuations; but, as he wrote in 1966, "Great Depressions - cumulative slumps that feed on themselves - are indeed extinct." The reason was that governments now had the tools, especially discretionary fiscal policy, to check any incipient downturn. "What is important about the budget," he said in 1970, "is whether it is inflationary or deflationary, not whether [it is] balanced or unbalanced." In other words, "A deficit in a good cause is good business." How many economists or politicians believe this today?

(Robert Skidelsky, "^{CE} [The Fall of the House of Samuelson](#) ", *Project Syndicate*, Jan 22, 2015)

⁶⁰¹ That politicians and economists should strip economic support from those most in need in their communities in the interests of 'balancing the budget' is inexcusable. It is one thing to display one's naivety (dare one say 'stupidity'?) in believing the fairy tales earlier economists have spun to ensure 'economic discipline' in the community; it is quite another to callously condemn the most vulnerable to penury in doing so. Such policies are not only morally reprehensible, they are also economically absurd.

⁶⁰² For an explanation of US Federal Reserve System Capital Adequacy requirements and guidelines, see: (^{CE} [USFRB Capital Guidelines and](#)

Adequacy.

Simon Johnson provided a (2013) picture of British attempts at ensuring that banks ^{CE} 'have enough loss-absorbing capital'. As he claimed, 'British officials - and those elsewhere - should come back to work and do their job properly, by phasing in much higher capital requirements in a responsible manner':

The devil is always in the details. And the greatest devils of our economic age lurk in the details of how officials regard the capital - the equity funding - of our largest banks. Government officials have identified far too closely with the distorted, self-interested worldview of global banking executives. The result is great peril for the rest of us.

In this surreal world, the United Kingdom takes on disproportionate influence, because London is still a top financial center - and because the biggest banks in the United States and Europe have proved very effective at playing off American and British regulators against one another. Opinion leaders around the world look to the British for a clever and nuanced approach to financial-sector policy. Unfortunately, they currently look in vain.

To understand the precise problem, you must dip into the latest details of the Prudential Regulatory Authority's "^{CE} capital shortfall exercise " with eight major UK banks. I won't pretend that the PRA's work is easy reading for a layperson; but anyone who spends a little time with the documents will first laugh and then cry.

With great fanfare (and generally favorable press coverage), the PRA announced that some banks do not have enough loss-absorbing capital - relative to target levels of equity that are ludicrously low. The Bank of England's Financial Policy Committee (FPC) said that ^{CE} the target should be 7% of risk-weighted assets under Basel III definitions. And, ^{CE} in the PRA's presentation, this amounts to a leverage ratio of around 3% for most of these banks (again using Basel III definitions), though a couple of banks will need an additional adjustment to reach that level.

In plain English, a supposedly well-capitalized bank in the UK can have 97 cents of debt per one dollar of assets (and just three cents of equity)....

So much for the laughs. The tragedy in the PRA's exercise is British officials' apparent belief that they are carrying out real reform, rather than setting the stage for serious trouble...

But the potential for more tears for taxpayers - still reeling from the cost of rescuing the Royal Bank of Scotland (RBS) - looms large. The invitation to banks to game the risk-weighting system further is stated plainly: "In line with the FPC recommendation, the PRA has accepted restructuring actions which, by reducing risk-weighted assets, will credibly deliver improvements in capital adequacy." In other words, the banks can change how they calculate risk - for example, by tweaking their own models - in ways that will make them look better as far as regulators are concerned.

(Simon Johnson, *Project Syndicate*, Jun. 26, 2013, ^{CE} British Banks' Comedy of Terrors)

Anat Admati and colleagues, in 2013, addressed 'the pervasive view that "equity is expensive," which leads to claims that high capital requirements are costly for society and would affect credit markets adversely.' As they explained,

A pervasive view that underlies most discussions of capital regulation is that "equity is expensive," and that equity requirements, while offering substantial benefits in preventing crises, also impose costs on the financial system and possibly on the economy. Bankers have mounted a campaign against increasing equity requirements. Policymakers and regulators are particularly concerned by assertions that increased equity requirements would restrict bank lending and impede economic growth.

Possibly as a result of such pressure, the proposed Basel III requirements, while moving in the direction of increasing capital requirements, still allow banks to remain very highly leveraged. We consider this very troubling, because, as we show below, the view that equity is expensive is flawed in the context of capital regulation.

From society's perspective, in fact, having a fragile financial system in which banks and other financial institutions are funded with too little equity is inefficient and indeed "expensive."

(Anat R. Admati, Peter M. DeMarzo, Martin Hellwig and Paul Pfleiderer, ^{CE} [Fallacies, Irrelevant Facts, and Myths in the Discussion of Capital Regulation: Why Bank Equity is Not Expensive](#), *Stanford Business*, October 22, 2013, Working Paper No. 2065)

⁶⁰³ Dean Baker has summed it up well:

The third key group that has been promoting the SGD [Second Great Depression] myth is the economists and policy-types (including reporters) who deal with macroeconomic and financial issues. Their reason for promoting the SGD story is that they need cover for having failed to recognize the housing bubble and the severe downturn that would be an inevitable outcome of its collapse. The SGD myth goes along with the idea that the collapse and continuing weakness of the economy is all very mysterious.

They want the public to believe that the issues involved are complicated and beyond the understanding of normal people. This is why their focus is always the financial crisis. After all credit default swaps and collateralized debt obligations can be complicated.

On the other hand, the basic story of the housing bubble was pretty damn simple. When the country saw an unprecedented run-up in house prices it should have caught some economists' attention. After all, the US housing market was the largest market in the world and it was not previously subject to erratic fluctuations of this sort.

The huge construction boom driven by the bubble was also not a secret. Nor was the flood of dubious loans, which even at the time were the subject of jokes about their poor quality by people in the industry.

In short, the story of the housing bubble and the devastation wreaked on the economy by its collapse is a simple one that the great minds of the economics profession should have all seen

coming. Rather than acknowledge that they made a colossal blunder, it's much better to build up the myth that it's all so complicated. And, if we didn't give Wall Street everything it wanted, we would be subject to the curse of the SGD.

(Dean Baker, [Ⓔ] [Lehman Day: Making Fun of the Second Great Depression Crowd](#), *Truthout*, Monday, 14 September 2015)

⁶⁰⁴ A comment on the article by John Grannis sums it all up:

Several financial journalists have written books about the causes of and response to the Great Recession. I hope one of them takes the time to rewrite this piece of revisionist fluff, replacing the self serving lies with the obvious truth. I'll mention a couple of easy targets. Start with "the seeds of financial panic were sown..." No mention of conspiracy between the major banks and the credit rating authorities to create massive fraud. No word about the bogus investment instruments sold to investors around the world. Not a peep about predatory lenders or robo foreclosures. These were not flaws in the system, they were crimes.

Let's move on to the response. Bernanke, Geithner and Paulson, prime suspects all, present themselves as brave firefighters, saving the world from ruin. What did they do? After Goldman Sachs' Paulson allowed Lehman Brothers to fall, the Fed and Treasury moved to bail out banks dollar for dollar, while letting millions of people lose their homes. Did it ever occur to them that all those trillions of dollars could have been injected at the bottom of the system, rather than the top, thus saving the housing market and millions of jobs? Apparently the welfare (and immunity) of a few rich bankers was more important than that of ordinary American citizens.

The writers state that "the enemy is forgetting." I agree. Our financial lords would have us forget who is truly responsible [for] the Great Recession and all of its ongoing consequences. We refuse to comply.

(John Grannis, Comment on: [Ⓔ] [What We Need to Fight the Next Financial Crisis: Congress has taken away some of the tools that were crucial to us during the 2008 panic. It's time to bring them back](#), *New York Times*, September 7, 2018)

⁶⁰⁵ That repayment was in part funded by the billions of dollars of TARP (Troubled Asset Relief Program) funds *given away* by Paulson, much of which found its way into the coffers of the troubled banks: a feat of prestidigitation. The US Fed was, in part, repaid for loans made to the too-big-to-fail banks with its own distributed TARP funds (now returned to the Fed as bank reserves (withdrawing access to that credit from the mundane economy)) - leaving those banks with the foreclosed properties they had gained from their previously toxic mortgage assets to be transferred into 'a rental market controlled by Wall Street '. As Orwell put it, "all animals are equal but some animals are more equal than others".

(For further information on the TARP program see: [Ⓔ] [About TARP: 5 Year Update 2008-2013](#), U.S. Department of Treasury, for more detail; also this article by Erik Klingenberg: The Troubled Asset Relief Program: Summary and analysis of the troubled asset relief program (*Consumer Finance Law Quarterly Report*, Volume 62, Numbers 1-2, Spring-Summer 2008, pp. 26-35) for a critical examination of its origins and implementation.)

For a critical examination of the role the Fed played as "lender of last resort" in the aftermath of the financial crisis of 2007 see Wray (2013). As Wray summarized:

If anything, the crisis response largely restored the financial system that existed in 2007 on the eve of the crisis.

...[B]ecause the response... simply propped up a deeply flawed financial structure and because financial system reform will do little to prevent financial institutions from continuing risky practices, another crisis is inevitable - and indeed will likely occur far sooner than most analysts expect.

(L. Randall Wray, ^{CE} [The Lender of Last Resort: A Critical Analysis of the Federal Reserve's Unprecedented Intervention After 2007](#), Levy Economics Institute, April 2013)

For a description and explanation of SEC prosecution practices over the period (and another example of prestidigitation) see Matthew Yglesias (2014):

The Securities and Exchange Commission is one of the main agencies that's supposed to be regulating Wall Street. But they've been essentially caught red handed working together with Goldman Sachs to make it look like Goldman was paying a huge fine when really they're paying a small one. Sadly, though, the story probably won't get much attention from the general public because the CDO prosecution issue is a little obscure and it hasn't really been in the news for years.

...What is now looking clearer and clearer is that the settlements were not as advertised. The banks paid money - in Goldman Sachs' case \$550 million - not to settle one CDO suit, but to settle all the CDO suits. So rather than Goldman paying \$550 million for wrongdoing around the Abacus CDO and then facing 10 more charges related to 10 other suspicious CDOs, it was paying a price of \$55 million per CDO to settle all 11 cases. Except the SEC didn't want to look like it was letting the banks get away with a slap on the wrist, so it worked out an arrangement whereby both sides would publicly act as if only one case had been settled while agreeing under the table that all claims were now resolved.

(Matthew Yglesias, ^{CE} [The SEC's just been caught colluding with the banks it's supposed to regulate](#), Vox 13 April 2014.

Yglesias, incidentally, provides a clear explanation of the nature of collateralized debt obligation (CDO) packages.)

{§} (11/04/16) Sleight-of-hand discounting of financial settlements for wrongdoing in the US was not limited to the immediate post-2008 Global Financial Crisis fallout. Nathaniel Popper has described very similar practices in a 2016 Goldman Sachs settlement reached with the US Justice Department. As Popper explains:

Goldman is the last of the major banks to settle with the government. Past deals with other banks also contained some of these concessions, but Goldman appears to have negotiated an even sweeter deal. For all the banks, the credits suggest that the amounts that the banks will have to actually spend on consumer relief will be much lower than the numbers announced in the news releases.

"They appear to have grossly inflated the settlement amount for P.R. purposes to mislead the public, while in the fine print, enabling Goldman Sachs to pay 50 to 75 percent less," said Dennis Kelleher, the founder of the advocacy organization Better Markets, referring to the government announcement. "The problem all along, with all of these settlements - and this one highlights it even more - is that they are carefully crafted more to conceal than reveal to the American public what really happened here - and what the so-called penalty is."

A Justice Department official with direct knowledge of the negotiations, who spoke on the condition that his name not be disclosed, said that the banks were given extra credit for activities that the government wanted to encourage, like funding development of low-income housing or providing relief to areas hit by natural disasters. But he also said that the final terms were a result of a back and forth between the banks and government officials.

Goldman is the last of the big American banks to reach a settlement with the national working group that was set up in 2012 to investigate how Wall Street exacerbated the mortgage bubble and ensuing financial crisis. The group included several federal regulators and state attorneys general.

(Nathaniel Popper, ^{CE} [Goldman Mortgage Settlement Is Much Less Than Meets the Eye](#), *New York Times*, DealBook, April 11, 2016

⁶⁰⁶ Both Treasury securities and agency mortgage-backed securities have been purchased. As the Federal Reserve Bank of New York explains: "Only fixed-rate agency MBS securities guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae are eligible assets for purchase." See ^{CE} [Statement Regarding Purchases of Treasury Securities and Agency Mortgage-Backed Securities](#) for detail.

⁶⁰⁷ Michael Hudson, in an interview conducted by Finnish journalist Antti J. Ronkainen, gave his explanation of the rationale for the US Federal Reserve's response to the 2008 crisis:

AJR: So let's go back to beginning. When the Great Financial Crisis escalated in 2008 the Fed's response was to lower its main interest rate to nearly zero. Why?

MH: The aim of lowering interest rates was to provide banks with cheap credit. The pretense was that banks might lend to help the economy get going again. But the Fed's idea was simply to re-inflate the Bubble Economy. It aimed at restoring the value of the mortgages that banks had in their loan portfolios. The hope was that easy credit would spur new mortgage lending to bid housing prices back up - as if this would help the economy rather than simply raising the price of home ownership.

But banks weren't going to make mortgage loans to a housing market that already was over-lent. Instead, homeowners had to start paying down the mortgages they had taken out. Banks also reduced their credit-card exposure by a few hundred billion dollars. So instead of receiving new credit, the economy was saddled with having to repay debts.

Banks did make money, but not by lending into the "real" production and consumption economy. They mainly engaged in arbitrage and speculation, and lending to hedge funds and companies to buy their own stocks yielding higher dividend returns than the low interest rates that were available.

AJR: In addition to the near zero interest rates, the Fed bought US Treasury bonds and mortgage backed securities (MBS) with almost \$4 trillion during three rounds of Quantitative Easing stimulus. How have these measures affected the real economy and financial markets?

MH: In 2008 the Federal Reserve had a choice: It could save the economy, or it could save the banks. It might have used a fraction of what became the vast QE credit - for example \$1 trillion - to pay off the bad mortgages and write them down. That would have helped save the economy from debt deflation. Instead, the Fed simply wanted to re-inflate the bubble, to save banks from having to suffer losses on their junk mortgages and other bad loans.

Keeping these debts on the books, in full, let banks foreclose on defaulting homeowners. This intensified the debt-deflation, pushing the economy into its present post-2008 depression. The debt overhead is keeping it depressed.

One therefore can speak of a financial war waged by Wall Street against the economy. The Fed is a major weapon in this war. Its constituency is Wall Street. Like the Justice and Treasury Departments, it has been captured and taken hostage.

(Michael Hudson and Antti J. Ronkainen, ^{CE} [The Federal Reserve and the Global Fracture](#), *Counter Punch*, February 17, 2016)

⁶⁰⁸ Stiglitz summed up the post-Global Financial Crisis problems and necessities well:

What was needed was more than a massive bank bailout. The US needed a fundamental reform of its financial system. The 2010 Dodd-Frank legislation went some way, though not far enough, in preventing banks from doing harm to the rest of us; but it did little to ensure that the banks actually do what they are supposed to do, focusing more, for example, on lending to small and medium-size enterprises.

More government spending was necessary, but so, too, were more active redistribution and pre-distribution programs – addressing the weakening of workers' bargaining power, the agglomeration of market power by large corporations, and corporate and financial abuses. Likewise, active labor-market and industrial policies might have helped those areas suffering from the consequences of deindustrialization.

Instead, policymakers failed to do enough even to prevent poor households from losing their homes. The political consequences of these economic failures were predictable and predicted: it was clear that there was a risk that those who were so badly treated would turn to a demagogue. No one could have predicted that the US would get one as bad as Donald Trump: a racist misogynist bent on destroying the rule of law, both at home and abroad, and

discrediting America's truth-telling and assessing institutions, including the media....

There are many lessons to be learned as we reflect on the 2008 crisis, but the most important is that the challenge was – and remains – political, not economic: there is nothing that inherently prevents our economy from being run in a way that ensures full employment and shared prosperity. Secular stagnation was just an excuse for flawed economic policies. Unless and until the selfishness and myopia that define our politics – especially in the US under Trump and his Republican enablers – is overcome, an economy that serves the many, rather than the few, will remain an impossible dream. Even if GDP increases, the incomes of the majority of citizens will stagnate.

(Joseph E. Stiglitz, ^{CE} [The Myth of Secular Stagnation](#), *Project Syndicate*, 28 August, 2018)

⁶⁰⁹ Bill Mitchell, in a blog entry entitled: ^{CE} [The government has all the tools it needs, anytime, to resist recession](#), (*Billy Blog*, April 20, 2016), has commented on the fact that "central banks have had little effect on economic growth despite the rather massive buildup of their 'balance sheets' via various types of quantitative easing programs". His observations complement Mike Lofgren's [discussion of the fachidiot](#) :

Several new articles have appeared in the last few weeks in the major media outlets expressing surprise that central banks have had little effect on economic growth despite the rather massive buildup of their 'balance sheets' via various types of quantitative easing programs. I have indicated before that I am coming to the view that most of the media, politicians, central bankers and other likely types (IMF and European Commission officials etc) seem to be in a constant state of 'surprise' as each day of reality fails to confirm what they said yesterday or last week (allowing for lags :-)). What a group of surprised people we have to effectively run our nations on behalf of capital. Poor souls, constantly be shocked out of their certainties. That is what Groupthink does - creates mobs that deny reality until it smacks them so hard in the face that they can only utter "that was surprising!" And in that context, the latest media trend appears to be something along the lines of 'well let's get the turbines moving' or 'those helicopters are about to launch' and when we read that and what follows we learn that the media input into our lives only reinforces the smokescreen of ignorance that we conduct our daily lives within.

⁶¹⁰ ^{§} (06/06/16) While, since the 1970s, those who explain the seemingly obvious fact that banks *create* credit and 'money', appear to see this as a newly discovered truth, it is, of course, [merely a rediscovery](#) of the New Deal understanding of the nature of credit and 'money'. The [US Federal Reserve, in 1939, spelt it out](#):

Federal Reserve Bank credit... does not consist of funds that the Reserve authorities "get" somewhere in order to lend, but constitutes funds that they are empowered to create.

*The creation of unsecured credit by private financial institutions **is not the same** as credit creation by sovereign central banks.* One is based on an assumption of 'credit-worthiness' backed by presumed access to

sovereign credit; the other is the issuer of unencumbered sovereign credit. As Beardsley Ruml explained, the Roosevelt Administration based its fiscal policies and practices, which resulted in what [Gorton has called the "Quiet Period"](#) in U.S. banking, on this understanding.

Frances Coppola has explained the means by which private banks create credit and money well:

...when a bank creates a new loan, it also creates a new balancing deposit. It creates this "from thin air", not from existing money: banks do not "lend out" existing deposits, as is commonly thought.

...The volume of excess reserves in the system is what it is, and banks cannot reduce it by lending. They could reduce excess reserves by converting them to physical cash, but that would simply exchange one safe asset (reserves) for another (cash). It would make no difference whatsoever to their ability to lend.

(Frances Coppola, [Ⓔ] [Banks Don't Lend Out Reserves](#), *Forbes*, Investing, 1/21/2014)

Dan Kervick provides additional clarity to Coppola's explanation:

...I wholeheartedly agree with the bottom line moral Coppola draws from the operational mechanics of bank lending, but I do think some additional clarity can be had on the question of whether or not commercial banks lend their reserves. And I also have some reservations about the justification Coppola cites for the policy of paying interest on reserves in the first place....

Do banks lend their reserves? A complete answer requires being clear about which question we are asking. If the question is, "Does an individual commercial bank lend its reserves?" then the most accurate answer is "Sometimes." If the question is "Does the commercial banking system in the aggregate lend its reserves?" then the most accurate answer is "No."

([Ⓔ] [Bank Lending and Bank Reserves](#), *New Economic Perspectives*, January 22, 2014. (See also the comments appended to the explanation.))

{§} (04/01/16) Paul Sheard (2013), Standard & Poor's chief global economist, provided a detailed explanation of all this. As he explained:

Banks lend by simultaneously creating a loan asset and a deposit liability on their balance sheet. That is why it is called credit "creation" - credit is created literally out of thin air (or with the stroke of a keyboard). The loan is not created out of reserves. And the loan is not created out of deposits: Loans create deposits, not the other way around. Then the deposits need a certain amount of reserves to be held against them, and the central bank supplies them...

So how do reserves enter into the credit creation picture? Borrowers borrow in order to spend the money (or buy an asset), so the borrower will likely do just that. The money "circulates" in the economy, so to speak. In aggregate terms, that means one of two things: the deposit money either moves into cash in circulation (banknotes) or stays on deposit somewhere in the banking system (typically it is some combination of both). To the extent that the

deposit ends up being converted into cash, reserves go down because that is where banknotes come from...

Here is the link between reserves and bank lending. Reserves go down when banknotes increase. Banknotes increase when borrowers take the money they borrowed out of the bank and part or all of the money remains in cash, rather than being re-deposited in the banking system. For an individual bank, the link between reserves and loans is an indirect and largely uncontrollable one. Individual banks can try to "get rid of" their excess reserves by making new loans, and, to the extent that the deposits so created leave their bank and, importantly, do not return as new deposits (the bigger the bank the less likely this condition is to hold), this will work for them. But for banks as a whole, new lending leads to a reduction in reserves only to the extent that the deposits created move into cash in circulation.

(Paul Sheard, ^{CE} [Repeat After Me: Banks Cannot And Do Not "Lend Out" Reserves](#), *Standard & Poor's Rating Services*, Economic Research, August 13, 2013, p. 7)

Zoltan Jakab and Michael Kumhof (2015) have compared the common misperception amongst both economists and others in the community:

- that "banks accept deposits of pre-existing real resources from savers and then lend them to borrowers"

with the reality:

- that "banks provide financing through money creation".
(See here [for a simple graphic illustrating their point.](#))

As they explain:

Since the Great Recession, banks have increasingly been incorporated into macroeconomic models. However, this literature confronts many unresolved issues. This paper shows that many of them are attributable to the use of the intermediation of loanable funds (ILF) model of banking. In the ILF model, bank loans represent the intermediation of real savings, or loanable funds, between non-bank savers and non-bank borrowers. But in the real world, the key function of banks is the provision of financing, or the creation of new monetary purchasing power through loans, for a single agent that is both borrower and depositor. The bank therefore creates its own funding, deposits, in the act of lending, in a transaction that involves no intermediation whatsoever. Third parties are only involved in that the borrower/depositor needs to be sure that others will accept his new deposit in payment for goods, services or assets. This is never in question, because bank deposits are any modern economy's dominant medium of exchange.

(Zoltan Jakab and Michael Kumhof, ^{CE} [Banks are not intermediaries of loanable funds - and why this matters](#), *Bank of England, Working Paper No. 529*, May 2015, p.ii)

For further clarity see: Michael McLeay, Amar Radia and Ryland Thomas:

^{CE} [Money creation in the modern economy](#) *Bank of England Quarterly Bulletin* (Q1, 2014, pp. 14-27). Unfortunately the use of the term

'money' rather than 'credit' in the title of this article has caused some confusion. Of course, private banks do not create 'money' in the form of official currency, they create 'credit'.

{§} (01/09/16) The interchange of credit and currency should be viewed independently of the creation of private credit - and it is best to avoid treating the term 'money' as synonymous with the term 'credit'. The vast bulk of private credit creation does not involve the conversion of that credit into official currency⁷⁵⁴ - where it does, banks draw on their official Reserve Bank bank or currency reserves. See Ann Pettifor, [Out of thin air - Why banks must be allowed to create money](#) (Prime : Policy Research in Macroeconomics, 25th June 2014) for a discussion of the resulting confusion and the demand that banks not be allowed to 'create their own money'.

US Federal Reserve spokespeople, for reasons addressed by both Dan Kervick and Paul Sheard ([Banks cannot "lend out" reserves](#), *Nomura Global Weekly Economic Monitor*, Global Letter, 4 March 2011), appear sanguine about the [dangers of releasing a flood of new currency](#) into the economy in the present economic climate. As John Williams (FRBSF) put it:

...once the economy improves sufficiently, won't banks start lending more actively, causing the historical money multiplier to reassert itself? And can't the resulting huge increase in the money supply overheat the economy, leading to higher inflation? The answer to these questions is no, and the reason is a profound, but largely unappreciated change in the inner workings of monetary policy.

The change is that the Fed now pays interest on reserves. The opportunity cost of holding reserves is now the difference between the federal funds rate and the interest rate on reserves...

(John C. Williams, [Monetary Policy, Money, and Inflation](#), FRBSF Economic Letter, July 9, 2012)

However, the reserves held are truly unprecedented and the Federal Reserve seems to have no clear plan for significantly reducing them⁷⁵⁵. One can but wonder about the long-term consequences of handing major banks such potentially powerful means of manipulating US Federal Reserve policy and practice into the future. One might speculate that such a straightjacketing of the power of the Fed has the potential to shift monetary base control from the Federal Reserve Board into the hands of a fast-emerging US plutocracy.

611 {§} (17/02/16) Bill Mitchell has suggested a likely contributor to the 2008 Global Financial Crisis (GFC) debacle - a groupthink augmented, amoral narcissism:

...[A]part from the corrupt and plainly unethical conduct exhibited by Wall Street, the rating agencies and the bank[s] that fed on all the ridiculous products that were created to make complex what, in fact, was a simple strategy - make money of real estate, there was also plain dumbness at the centre of the collapse and the crisis. Dumbness created by a dangerous Groupthink where patterned behaviour was inculcated into the financial system and, ultimately, came back to bite most of us.

While the representations of cocky, sharp, bright financial market traders with PhDs in physics or mathematics in a sequence of movies about the GFC and its aftermath lead to the conclusion that these conspirators knew what they were doing and were happy to profit for themselves at the expense of those they considered to be dumber, a recent academic research study has revealed that the traders themselves were oblivious to what they were doing and became entranced themselves by their own image.

That is what Groupthink does - it builds an impervious layer for those trapped inside the group - they are insulated from reality, consistent logic, criticism and behave in self-reinforcing ways that may involve enlarged deviations from anything reasonable, smart or evidence based. Groupthink makes people dumb and compliant.

The GFC was in no small measure the product of that sort of dumb compliance, which is not to reduce the enormity of the corruption involved. It, however, does reinforce my view that we should ban all these speculative products that provide no beneficial input to the real economy, if only because the sociopaths that are attracted to creating and selling them are too dumb to know what they are doing.

(Bill Mitchell, ^{CE} [It is fuelled by stupidity ... That's not stupidity that's fraud](#), Bill Mitchell - *Billy Blog*, February 15, 2016)

Ing-Haw Cheng, Sahil Raina, and Wei Xiong spelled it all out:

Did Wall Street foresee the recent crash of the US housing bubble? Given the role played by Wall Street in facilitating the credit expansion that precipitated the housing market boom, understanding this question is important for systematically understanding the causes of the worst financial crisis since the Great Depression.

With the benefit of hindsight, many find it hard to imagine that Wall Street missed seeing large-scale problems in housing markets before others. For example, the Financial Crisis Inquiry Commission wrote in its report that, in the years preceding the collapse, "Alarm bells were clanging inside financial institutions" (Financial Crisis Inquiry Commission 2011).

If Wall Street was aware that the process of securitization was generating a national housing bubble that would lead to a deep financial crisis yet proceeded to securitize mortgage loans of dubious quality, this would reveal far more severe incentive problems on Wall Street than many have recognized - and confirm many of the worst fears underlying outrage from the public and policymakers.

On the other hand, if Wall Street employees involved in securitization systematically missed seeing the housing bubble, despite having better information than others, this raises fundamental questions regarding how Wall Street employees process information and form their beliefs.

(Ing-Haw Cheng, Sahil Raina, and Wei Xiong, ^{CE} [Wall Street and the Housing Bubble](#), *American Economic Review*, 2014, 104(9): 2797-2829, (<http://dx.doi.org/10.1257/aer.104.9.2797>))

⁶¹² Of course, we could always completely rethink the nature of 'work' and means of 'granting the right to consume'; We could revisit that [1964 report to Lyndon Johnson](#) which suggested that:

The continuance of the income-through-jobs link as the only major mechanism for distributing effective demand - for granting the right to consume - now acts as the main brake on the almost unlimited capacity of a cybernated productive system.

Sadly, however, I guess that is even more unlikely now than it was in 1964!

⁶¹³ Deena Zaidi has spelt out some of the looming problems resulting from the failure to regulate US shadow banking:

Investment banks, structured investment vehicles, hedge funds, non-bank financial institutions, money market funds, mutual funds and exchange-traded funds are all a part of the shadow banking system and are not required to maintain any reserves or emergency capital. "No regulations" in a "regulated environment" could be the biggest worry of the shadow banking system. Often beyond the control of regulators and monetary policy, shadow-banking activities can resort to risky lending. According to the ^{CE} [New York Fed](#), shadow banks have "increased the fragility of the entire financial system." While the total of non-bank financial intermediaries decreased immediately after the 2008 financial crisis, the number of shadow banks have picked up in recent years.

The vulnerabilities of the traditional banking system to the unregulated risks undertaken by the shadow banking system continue to threaten the financial system in 2016. According to the Financial Stability Board's ^{CE} [Global Shadow Banking Monitoring Report 2015](#), the United States accounted for the largest shadow-banking sector, with \$14.2 trillion in 2014. The figure is more than one-third of global shadow banking assets, and represents 82 percent of the nation's GDP.

With more than 80 percent of shadow banking activities residing in the advanced economies of North America, Asia and northern Europe, shadow banking could be one of the biggest threats to the current financial system. The report identifies the difficulty in assessing the amount of risk involved due to the lack of detailed data. The Financial Stability Board, an international board that monitors the global financial system, said the shadow-banking sector posed a huge risk of \$36 trillion across 26 jurisdictions across the world in 2014.

(Deena Zaidi, ^{CE} [The Rise of Shadow Banks and the Repeal of the Glass-Steagall Act](#), Truthout | News Analysis, Wednesday, 13 January 2016)

Jeremy Kahn and Liam Vaughan (September 13, 2013), explained how, by 2009, major players were already devising means for circumventing emerging regulatory capital adequacy requirements:

Chenavari is one of a handful of firms that invest in capital relief trades, or CRTs. A bank pays a third party, such as a hedge fund or pension fund, to take on some of the risk associated with its loans.

That makes it easier for the bank to meet regulators' capital-to-risk requirements.

Private Deals

CRTs often involve complex structures in which special-purpose companies are set up to provide protection to the bank through a credit-default swap, a derivatives contract that pays the buyer if a designated bond or loan portfolio defaults, and are in turn funded through the sale of notes to investors.

Launched in May 2011 with an initial investment of \$75 million, Fery's Toro II strategy, part of the firm's Chenavari Credit Fund, is built on CRTs. Since then, Chenavari, with \$4 billion under management across two funds, has invested about \$1 billion in about 20 CRT deals, Fery says. The Toro II strategy earned 43 percent from its inception through the end of July.

While it's impossible to know how many CRTs exist in total because most of the deals are private, regulatory filings indicate that European banks have engaged in at least \$30 billion of these trades since 2009. CRTs use the same instruments, such as collateralized loan obligations and CDSs, that precipitated the 2008 financial crisis.

(Jeremy Kahn and Liam Vaughan, [Ⓔ] [Banks Allying With Hedge Funds as Capital Rules Bite](#), *BloombergBusiness*, September 13, 2013)

⁶¹⁴ Keynes, describing the US in the 1920s-1930s, put it all rather well. It seems that little has been learned since then:

It is rare, one is told, for an American to invest, as many Englishmen still do, 'for income'; and he will not readily purchase an investment except in the hope of capital appreciation. This is only another way of saying that, when he purchases an investment, the American is attaching his hopes, not so much to its prospective yield, as to a favourable change in the conventional basis of valuation, i.e. that he is, in the above sense, a speculator.

Speculators may do no harm as bubbles on a steady stream of enterprise. But the position is serious when enterprise becomes the bubble on a whirlpool of speculation. When the capital development of a country becomes a by-product of the activities of a casino, the job is likely to be ill-done.

The measure of success attained by Wall Street, regarded as an institution of which the proper social purpose is to direct new investment into the most profitable channels in terms of future yield, cannot be claimed as one of the outstanding triumphs of *laissez faire* capitalism - which is not surprising, if I am right in thinking that the best brains of Wall Street have been in fact directed towards a different object.

These tendencies are a scarcely avoidable outcome of our having successfully organised 'liquid' investment markets. It is usually agreed that casinos should, in the public interest, be inaccessible and expensive. And perhaps the same is true of stock exchanges.

(John Maynard Keynes, [Ⓔ] [The General Theory of Employment](#),

⁶¹⁵ Francis Bacon, in 1625, explained the state's responsibility to its citizenry:

Above all things, good policy is to be used, that the treasure and moneys, in a state, be not gathered into few hands. For otherwise a state may have a great stock, and yet starve.

'Unsustainable borrowing', in the 21st century, is the *raison d'être* of bubble economies. However, as John Siman, in a review of Michael Hudson's book, *And Forgive Them Their Debts: Lending, Foreclosure, and Redemption from Bronze Age Finance to the Jubilee Year*, has explained, 'in any society in which interest on loans is calculated, [borrowers are] inevitably subject to being impoverished, then stripped of their property, and finally reduced to servitude'. As he elaborates:

...Hudson demonstrates that we, twenty-first century globalists, have been morally blinded by a dark legacy of some twenty-eight centuries of decontextualized history. This has left us, for all practical purposes, utterly ignorant of the corrective civilizational model that is needed to save ourselves from tottering into bleak neo-feudal barbarism.

This corrective model actually existed and flourished in the economic functioning of Mesopotamian societies during the third and second millennia B.C. It can be termed Clean Slate amnesty, a term Hudson uses to embrace the essential function of what was called *amargi andnig-si-sain* Sumerian, *andurarumand misarumin* Akkadian (the language of Babylonia), *šudutu andkirenzi* in Hurrian, *para tarnumarin* Hittite, and *deror*... in Hebrew: It is the necessary and periodic erasure of the debts of small farmers — necessary because such farmers are, in any society in which interest on loans is calculated, inevitably subject to being impoverished, then stripped of their property, and finally reduced to servitude (including the sexual servitude of daughters and wives) by their creditors, creditors. The latter inevitably seek to effect the terminal polarization of society into an oligarchy of predatory creditors cannibalizing a sinking underclass mired in irreversible debt peonage. Hudson writes: "That is what creditors really wanted: Not merely the interest as such, but the collateral — whatever economic assets debtors possessed, from their labor to their property, ending up with their lives" (p. 50).

And such polarization is, by Hudson's definition, barbarism. For what is the most basic condition of civilization, Hudson asks, other than societal organization that effects lasting "balance" by keeping "everybody above the break-even level"?

(John Siman, *Everything You Thought You Knew About Western Civilization Is Wrong: A Review of Michael Hudson's New Book, And Forgive Them Their Debts*, Posted in ^{CE} *Naked Capitalism* on November 16, 2018 by Yves Smith)

⁶¹⁶ Perhaps that is what current US shale gas development is all about (see: Igor Alexeev, ^{CE} *Has the Shale Bubble Already Burst?* OilPrice.com, 26 August 2013; Art Berman and Ray Leonard, ^{CE} *Years Not Decades*:

Proven Reserves and the Shale Revolution: The Apparent End of The Beautiful Story, Houston Geological Society, Houston, Texas, February 23, 2015)

Justin Mikulka has described some of the consequences of the ready funding of fracking by Wall Street through the second decade of the 21st century:

The U.S. shale oil industry hailed as a “revolution” has burned through a quarter trillion dollars more than it has brought in over the last decade. It has been a money-losing endeavor of epic proportions.

In September 2016, the financial ratings service Moody’s released a report on U.S. oil companies, many of which were hurting from the massive drop in oil prices. Moody’s found that “the financial toll from the oil bust can only be described as catastrophic,” particularly for small companies that took on huge debt to finance fracking shale formations when oil prices were high.

And even though shale companies still aren’t turning a profit, Wall Street continues to lend the industry more money while touting these companies as good investments. Why would investors do that?

David Einhorn, star hedge fund investor and the founder of Greenlight Capital, has referred to the shale industry as “a joke.”

“A business that burns cash and doesn’t grow isn’t worth anything,” said Einhorn, who often goes against the grain in the financial world.

Aren’t investors supposed to be focused on putting money toward profitable companies? While, in theory, yes, the reality is quite different for industries like shale oil and housing.

If the U.S. financial crisis of 2008 has revealed anything, it is that Wall Street isn’t concerned with making a “shitty deal” when it means profits and bonuses for its traders and executives, despite their roles in the crash.

Wall Street makes money by facilitating deals much like a Vegas bookie makes money by taking bets. As the saying about Las Vegas goes: “The house always wins.” What’s true about casinos and gambling also holds true for Wall Street.

Wall Street caused the 2008 financial crisis, with some of its architects personally benefiting. However, while a few executives profited, the result was a drop in employment of 8.8 million people, and according to Bloomberg News in 2010, “at one point last year [2009] the U.S. had lent, spent, or guaranteed as much as \$12.8 trillion to rescue the economy.”

JP Morgan (along with much of Wall Street) required large sums of money in the form of bailouts to survive the fallout from all of the bad loans made, which brought about the housing crisis. Is JP Morgan steering clear of making loans to the shale industry? No. Quite the opposite.

(Justin Mikulka, ^{CE} [How Wall Street Enabled the Fracking 'Revolution' That's Losing Billions](#), *DeSmog*, May 4, 2018)

(Keynes provided a vivid, damning assessment of such activity: "a somewhat disgusting morbidity, one of those semicriminal, semi-pathological propensities which one hands over with a shudder to the specialists in mental disease".)

- ⁶¹⁷ Ozlem Akin, José M Marín, and José-Luis Peydró, in a study of bank insiders' awareness and anticipation of the impending 2008 financial crisis, have described their awareness and anticipation of impending crisis and their consequent share trading activities:

Banking crises are recurrent phenomena that often trigger deep and long-lasting recessions with enormous economic and political costs. Yet the empirical evidence is now overwhelming that banking crises do not come as bolts from the blue - they come after periods of strong bank credit growth and risk-taking, often associated with real-estate bubbles. The crisis of 2008 was no different: it is clear that banks took on more and more risk as bubbles swelled in many countries.

A key research question is why banks take such excessive risks. Many defenders of finance in the recent crisis suggest that the giant institutions were really taken by surprise when the bubble popped. Otherwise, runs the argument, why wouldn't they have sold off all the junk? The implication of this "behavioral" view is that banks take on high risks because, for example, they neglect unlikely tail risks and have over-optimistic beliefs about the economy.

But there is another, less innocent answer: explicit and implicit bank guarantees by states, such as deposit insurance, provision of central bank liquidity, and bail-outs make it rational for banks to take on excessive risk. Sometimes this "moral hazard" point of view is combined with an "agency failure" account, which stresses how bank managements can escape from control of their shareowners and holders of bank debt.

These views of why banks take on excessive risk are testable. In a ^{CE} recent paper we tackle this question by providing sector-wide evidence from US. We examine what bank insiders were doing before the crisis and use executives' trading with their own bank shares as a proxy for their understanding of risk before the crisis hit in 2007-08. Specifically, we investigate the relationship between bank's performance in the crisis and bank executives' sale of their own bank shares in the period prior to the crisis.

The paper finds that the top executives' ex-ante sale of their own bank shares predicts worse bank returns during the crisis; interestingly, effects are insignificant for independent directors' and other officers' sales of shares. That is, effects are substantially stronger for the insiders with the highest and best level of information, the top five executives. Moreover, the top five executives' impact is stronger for banks with higher ex-ante exposure to the real estate bubble, where an increase of one standard deviation of insider sales is associated with a 13.33 percentage point drop in stock returns during the crisis period. Our results suggest that insiders understood the heavy risk-taking in their banks; they were not simply over-optimistic, and hence they sold more of their own shares before the crisis.

(Ozlem Akin, José M Marín, and José-Luis Peydró, [Ⓔ] [Was the Financial Crisis Anticipated?](#), *Institute for New Economic Thinking*, Jul 21, 2016)

As a commenter on all this, [Ⓔ] [posted by Yves Smith](#) on the *naked capitalism* blog site, put it:

One can wonder if the bank executives will tout the study because it shows they DO really know what is going on and are not unaware of their business risk.

After all, they can pitch that as evidence they deserve their high pay as they are on top of the action.

Maybe Alan Greenspan can be trotted out to do the PR work.

That's the ticket, spin the study for executive pay justification.
(John Wright, July 23, 2016)

⁶¹⁸ The *US Financial CHOICE Act of 2016* has provided a clear indication of the future trajectory of US financial regulation. The following is a summary of the Act's intentions by the *US Congressional Research Service*:

This bill amends the Dodd-Frank Wall Street Reform and Consumer Protection Act, among other Acts, to:

- repeal the "Volcker Rule" (which restricts banks from making certain speculative investments);
- with respect to winding down failing banks, eliminate the Federal Deposit Insurance Corporation's orderly liquidation authority and establish new provisions regarding financial institution bankruptcy; and
- repeal the "Durbin Amendment" (which limits the fees that may be charged to retailers for debit card processing).

Certain banks may exempt themselves from specified regulatory standards if they maintain a certain ratio of capital to total assets and meet other specified requirements.

The bill removes the Financial Stability Oversight Council's authority to designate non-bank financial institutions and financial market utilities as "systemically important" (also known as "too big to fail"). Under current law, entities so designated are subject to additional regulatory restrictions. Designations made previously are retroactively repealed.

The bill also amends the Consumer Financial Protection Act of 2010 to:

- restructure the Consumer Financial Protection Bureau by replacing its director with a bipartisan commission;
- subject the commission to the congressional appropriations process, expanded judicial review, and additional congressional oversight; and
- limit the commission's authority to take action against entities for "abusive" practices.

In addition, the bill:

- modifies provisions related to the Securities and Exchange Commission's managerial structure and enforcement authority;
- eliminates the Office of Financial Research within the Department of the Treasury; and
- revises provisions related to capital formation, insurance regulation, civil penalties for securities laws violations, and community financial institutions.

(^{CE} [Summary: H.R.5983 — 114th Congress \(2015-2016\)](#), *Congressional Research Service*)

Josh Bivens and Heidi Shierholz have provided a succinct explanation of key features of the Act. As they conclude:

These provisions of the CHOICE Act would have devastating effects on the ability of regulators to protect investors from exploitation. They would also further solidify both the policy preferences and the policy influence of the financial sector over monetary policymaking. As a whole, the CHOICE Act would expose consumers and investors to heightened risk of abuse in their normal dealings with the financial sector, and would expose the broader economy to increased risk of another financial crisis.

(Josh Bivens and Heidi Shierholz, ^{CE} [A couple lesser-known bits of mayhem in the Financial CHOICE Act](#), Working Economics Blog, *Economic Policy Institute*, June 7, 2017).

⁶¹⁹ Michael Hudson has described the consequences in the US (and of course, elsewhere):

The financial overhead has grown so large that paying interest, amortization and fees shrinks the economy. So we are in for years of debt deflation. That means that people have to pay so much debt service for mortgages, credit cards, student loans, bank loans and other obligations that they have less to spend on goods and services. So markets shrink. New investment and employment fall off, and the economy falls into a downward spiral.

...The result is a slow crash. The economy just gets poorer and poorer. More debtors default, and their property is transferred to creditors. This happens not only with homeowners who fall into arrears, but also corporations and even governments. Ireland and Greece are examples of the kind of future in store for us.

(^{CE} [Michael Hudson on Debt Deflation, the Rentier Economy, and the Coming Financial Cold War, Naked Capitalism](#), Posted on March 22, 2016 by Yves Smith)

⁶²⁰ 'Unsustainable borrowing', as Greece and many other nations have found over the past fifty years, is not simply a problem for private individuals and businesses. In a *laissez faire*, free-market-fundamentalist world, [nations, also, can be encouraged to borrow beyond their capacity to repay](#).

In the drive to accumulate 'hard' assets, lenders, intent on gaining access to 'desirable' assets, have been all-too-ready to ensnare unwary

politicians in schemes designed to drive their governments into 'bankruptcy' - though, of course, true bankruptcy with its borrower protections is not the aim of such lending practices. As Madeleine Wedesweiler, in real estate promotions, explained:

Bargain hunters have their eyes locked on the Mediterranean as the Greek debt crisis unfolds.

On Thursday the Greek parliament approved a bailout agreement which, according to ^{CE} [Time Magazine](#), means the country will consider selling off its islands to help compensate \$96 billion of debt.

In its latest "Island Report" British Property agent Knight Frank has predicted more "fire-sales" of Greek Islands as the long-term ramifications of the financial bail-out play out.

Greece has as many as 6000 islands - 227 of which are inhabited- and if you buy now it's likely to be the best deal you'll ever get. With crystal clear waters, almost constant blue skies, tranquil beaches and olive groves they really are paradise and we've found a selection of the best that are currently for sale.

(Madeleine Wedesweiler, ^{CE} [Greek debt crisis: Islands going cheap, Domain](#), July 17, 2015)

Simon Shuster described the 'asset sale' conditions demanded in order to "save Greece from going bankrupt":

To regain the trust of its creditors, Greece will have to scrape together about \$50 billion in state assets, which will effectively be used as collateral on the latest package of emergency loans to Greek banks and the Greek government. None of Greece's previous bailouts have included such draconian terms.

In explaining this part of the deal, Dijsselbloem, the head of the so-called Eurogroup of finance ministers, said Greece would have to transfer this pile of assets into a specially created fund. "The fund will monetize these assets either by privatizing or running the assets and trying to make money from those," he added. "That money will be used to deal with debt and to reduce debt."

The idea of creating such a fund came from Germany, whose Finance Ministry proposed it over the weekend as a way of guaranteeing Greek debts. The German proposal even suggested that Greece would have to transfer these state assets abroad before they could count as collateral on any further loans. But on this point, at least, Prime Minister Tsipras seemed to win a concession from his most unforgiving creditors. "It will be based in Greece," Dijsselbloem said of the so-called guarantee fund.

On practically all other points in the negotiations, however, Greece capitulated to the demands of German officials and other hardliners, who faced criticism over the weekend of trying to humiliate Greece and even to force the ruling Greek government from power. Asked on Monday about the claims that European leaders were effectively staging a "coup" in Greece, the European Commission President countered that other parties to the talks had also been forced to accept unpleasant conditions.

(Simon Shuster, [Ⓔ] [Greece Agrees to Its Third European Bailout After Marathon Talks](#), *Time*, July 13, 2015)

Elizabeth Lewis (2015) has described how private equity companies in the US (and, of course, elsewhere) have played this game; how they gain control of companies, take them private, asset strip them, and wind them up in bankruptcy. As she summarizes:

Modern corporate bankruptcy law has been shaped, and some of it written, by special interests. Even so, the law is rooted in American ideals of renewal, and of viewing failure in the marketplace as a sign of effort and gumption, not moral collapse. It's a powerful idea - shedding the past to begin anew. But for decades, Chapter 11 of the U.S. Bankruptcy Code has also been used strategically - to destroy union contracts, edge out competitors, and limit product liability lawsuits.

More recently, some private equity firms have honed Chapter 11 as an efficient financial engineering tool for insider sales - and for dumping pensions. Based on partial data from the Pension Benefit Guaranty Corp., at least 51 companies have abandoned pension plans in bankruptcy at the behest of private equity firms since 2001. They've dumped \$1.592 billion in pension bills onto a government-backed agency that insures private defined benefit plans. Because pension insurance doesn't cover all benefits, their actions have left some of the nearly 102,000 workers or retirees with lost benefits amounting to at least \$128 million. And they've contributed to the chronic deficits at the Pension Benefit Guaranty Corporation.

Other types of businesses, including publicly held companies, have also abandoned pension plans in bankruptcy. But the business model and practices of some private equity firms can make pension-dumping in bankruptcy especially attractive.

The legal and regulatory environments in the U.S. combine with those practices to add up to a form of institutional corruption. In this working paper, I explain how Oliver Wendell Holmes' hypothetical "bad man" can use bankruptcy as a strategy to profit. So, here is a bad man's guide to ditching pensions in bankruptcy - legally.

(Elizabeth Lewis, [Ⓔ] [A Bad Man's Guide to Private Equity and Pensions](#), Edmond J. Safra Research Lab Working Papers, No. 68, Harvard University, June 19, 2015)

⁶²¹ The numbers which show up in government ledgers, giving 'accumulated debt' 'owed by government' to itself, are numbers - nothing more! If a government clerk could, without drawing attention to the act, rub out the numbers (or press the 'delete' key) so that everything was reset to zero, it *would not matter*. It only matters when it either results in inflation in the money supply - leading to over-supply of credit; or it results in a crisis of confidence in the 'value of money'. We, in capitalist societies, too easily reify big numbers - and the bigger the number the scarier its consequences.

J. D. Alt has provided a clear, simple perspective on the nature of sovereign credit creation which provides a salutary reminder of the danger of simplistic reasoning when dealing with sovereign credit creation:

... A U.S. Dollar is an I.O.U. issued by the sovereign U.S. government which says, "I owe you one Dollar's worth of credit on the Federal Taxes you owe me." Because the FG [Federal Government] doesn't have to "earn" Dollars (or anything else) in order to fulfill this promise as many times as necessary, by logic it can never have a "deficit" of its own I.O.U.s. In contrast, all of us who use those I.O.U.s for "money" (all U.S. citizens, businesses, state and local governments, for example) must earn them, or borrow them, before we can spend them. This is true for the simple reason that we are "users" of the money, rather than the "issuer" of it.

(These articles provide a simple, graphic explanation of the nature of sovereign credit creation: J. D. Alt, [Ⓔ] [DIAGRAMS & DOLLARS: modern money illustrated \(Part 1\)](#), January 7, 2014; and [Ⓔ] [DIAGRAMS & DOLLARS: modern money illustrated \(Part 2\)](#), *New Economic Perspectives*, January 8, 2014) ⁷⁵⁶

Unfortunately, the (entirely legitimate) insistence that central banks should be 'independent' of the rest of government has muddied the waters ⁷⁵⁷. The pseudo-independence of many central banks allows credit creation and distribution to be perceived (by those ideologically predisposed to do so) as government-incurred liabilities which must be 'repaid'. However, as Randall Wray succinctly explained for the US Federal Reserve Board:

...the Fed is not a private institution but rather is a creature of Congress and no more independent of government than is the Treasury, the DOD, the DOT, or the IRS.... all of these other branches of government also have some independence from party politics.

(L. Randall Wray, [Ⓔ] [To Consolidate or Not To Consolidate, that is the Question \(or maybe it isn't\)](#), *New Economic Perspectives*, June 26, 2014)

We need to remember that in capitalist societies economics and 'the economy' are the playground of secondary ideologies and magic formulae; where simplistic reasoning and impenetrable logic enhance mystique. One *should* assume ideological motives in simplistic arguments for 'deficit reduction'. From whom is the wealth being withdrawn in order to 'pay down the deficit'? As Lewis Carroll once wrote:

Beware the Jabberwock, my son! The jaws that bite, the claws that catch! Beware the Jubjub bird, and shun The frumious Bandersnatch.

(1871, *Through the Looking-Glass*)

⁶²² Robert Reich has described the way in which dynastic wealth produces a 'self-perpetuating aristocracy that is antithetical to democracy' in Western capitalist societies. In the United States, as in many Western capitalist 'democracies' of the early 21st century, failure to ensure effective processes of redistribution is producing its inevitable consequence. As [Jefferson urged George Wythe](#):

Let our countrymen know that the people alone can protect us against these evils, and that the tax which will be paid for this purpose is not more than the thousandth part of what will be paid to

kings, priests and nobles who will rise up among us if we leave the people in ignorance.

Reich has spelt out the consequences:

America is now on the cusp of the largest inter-generational transfer of wealth in history. As wealthy boomers expire, an estimated \$30 trillion will go to their children over the next three decades.

Those children will be able to live off of the income these assets generate, and then leave the bulk of them – which in the intervening years will have grown far more valuable – to their own heirs, tax-free.

After a few generations of this, almost all of the nation's wealth will be in the hands of a few thousand families.

Dynastic wealth runs counter to the ideal of America as a meritocracy. It makes a mockery of the notions that people earn what they're worth in the market, and that economic gains should go to those who deserve them.

It puts economic power into the hands of a relative small number of people who have never worked, but whose investment decisions will have a significant effect on the nation's future.

And it creates a self-perpetuating aristocracy that is antithetical to democracy.

(Robert Reich, [Ⓔ] [The Growing Danger of Dynastic Wealth](#), [robertreich.org](#), 16 September, 2017)

623 {§} (01/06/16){§} (24/06/16){§} (16/09/16) There has, for some time, been a growing enthusiasm for promotion of policies which include a 'universal basic income', funded by public credit creation. ⁷⁵⁸

This has much in common with such policies as the socialist [Ⓔ] [social dividend](#) and the Georgist 'citizen's dividend'. The primary difference between advocacy of a universal basic income and advocacy of a citizen's dividend seems to be the source of the income or dividend.

{§} (22/09/16) Most proposals for a *Universal Basic Income* seem to assume public generation of credit 'out of thin air'; proposals for a *Citizen's Dividend*, on the other hand, seem to presume the public generation of credit 'from revenue raised by leasing or taxing the monopoly of valuable land and other natural resources'.

A Wikipedia discussion of the Georgist 'citizen's dividend' sums it up well:

Citizen's dividend is a proposed policy based upon the principle that the natural world is the common property of all persons (see Georgism). It is proposed that all citizens receive regular payments (dividends) from revenue raised by leasing or taxing the monopoly of valuable land and other natural resources.

(*Wikipedia*, [Ⓔ] [Citizen's Dividend](#), [accessed 16 September, 2016])

It seems, however, that, whatever terminology is employed, in order to counter the [concentration of all available wealth](#) in too few hands, any such universally distributed income should be funded through broadly based [progressively scaled revenue collection](#)

{§} (07/04/17) As legislators of the New Deal and post-New Deal periods realized, simply distributing money to those in need, without,

simultaneously, implementing a range of supporting legislation to ensure their long-term welfare is a superficial, temporary solution to [the problem of ensuring social welfare and equity](#).

{§} (19/04/16) Unless such policies are accompanied by rigorous processes of progressively scaled revenue collection, over time they will feed, and exacerbate, growing inequality as the [inevitable consequences of unregulated capitalism](#) lead to what Iglesias and de Almeida have [described](#) as "*condensation*, i.e. concentration of all available wealth in just one or a few agents". This is why redistribution is key to community welfare.

{§} (06/01/17) The problem, in Western capitalist communities of the 21st century, is not that credit is scarce but that it has accumulated in too few hands. The most important need of the time is not increased credit creation but effective processes of credit redistribution. A guaranteed basic income for all (or, alternatively, a universal job guarantee)⁷⁵⁹ and/or [public funding of grass-roots](#), communal support and development programs and projects are great ideas, but they need, primarily, to be funded through the recirculation of existing credit, rather than the generation of new credit.

To ensure the primacy of the community over the marketplace in capitalist societies, [communities must be resourced](#) to enable that. Keri Leigh Merritt has explained the need for both a universal basic income and a universal jobs guarantee. Focusing on the US, she explains:

In addition to standard social safety nets such as single-payer universal health care, America is in desperate need of both a universal basic income (UBI) and a federal jobs guarantee (FJG)....

The UBI would be for those who truly needed it — those who could not endure traditional full-time employment, either because of age, illness, disability, caretaking or student status. As baby boomers grow old and need care, as students struggle to earn an education without becoming hideously indebted, and as parents yearn to stay home with infants and very young children, a UBI would truly revolutionize society....

UBI would work best if paired with a federal jobs guarantee. The vast majority of Americans want to work; they derive a sense of pride and fulfilment and identity from their jobs.

A FJG undoubtedly would transform the United States. Taking the best aspects of the New Deal (and learning lessons from the era about what not to do), a FJG would have the power to completely rebuild our nation's infrastructure, modernizing the country and making it accessible to most non-car owners....

(Keri Leigh Merritt, ^{CE} [Why We Need a Universal Basic Income: America is in desperate need of both a universal basic income and a federal jobs guarantee](#), *Moyers & Company*, September 15, 2017)

Not only should any universal basic income primarily be funded through the recirculation of existing credit, it should also be accompanied by [reinforced wage rate negotiation and regulation](#). If it is not, then wage rates would almost certainly be adjusted downward in a 21st century reworking of the [Speenhamland solution](#)

A commenter on a blog posting by Dean Baker, in which he takes a *Washington Post* columnist to task for "his confused rationale [which] ties together many common misunderstandings", flagged the need to address a number of other issues in implementing such a scheme:

The problem that I have with the UBI is not that it moves the finish line, but the starting point. If a landlord finds out that all his tenants suddenly have an extra \$100 per month, then he can simply raise every rent by \$100. Although some suppliers that cater to low-income will continue to compete on price, most will exploit the UBI as a subsidy of suppliers and providers.

People who are middle-income might be better off with additional money, and people who are rich will be better off because of the subsidy, but (unless you changes the laws of supply and demand) people who are poor might be in exactly the same spot.

(Comment by Low_Budget_Dave, on blog entry by Dean Baker, [Universal Basic Income, Job Killing Robots, and the Washington Post](#), *Beat The Press*, 23 June 2016)

Eduardo Porter, a *New York Times* columnist, in a superficial, offhanded look at the issues involved, has suggested that:

A universal basic income has many undesirable features, starting with its non-negligible disincentive to work. Almost a quarter of American households make less than \$25,000. It would be hardly surprising if a \$10,000 check each for mom and dad sapped their desire to work.

(^{CE} [A Universal Basic Income Is a Poor Tool to Fight Poverty](#), *New York Times*, May 31, 2016)

As a number of commenters on his article have responded, it seems clear that Porter, though all-too-willing to voice his opinions, has a poor grasp on the realities of those living on minimal incomes. Apparently, [abject poverty, if it leads to greater commitment to work, is a good thing!](#). Sir William Petty, in 1665, used similar logic: "They seem content to live in a condition little above that of animals". Edmond Fitzmaurice (1895) summed up the attitude:

[Petty's] observations of the habits of the cloth-workers in England and of the Irish peasantry compelled him, however reluctantly, to the opinion that the general standard of living was as yet too low to make high daily wages of any advantage to the laborer, because of their tendency at once to reduce their hours and be content with wages just sufficient to support existence at a very low level of material civilization.

While Petty might have been justified in assuming that Western European peasants, still [determining relative status in pre-capitalist ways](#) which did not require the competitive accumulation and consumption of material goods and services, would [reduce their work related activities](#), there is little likelihood that people on low incomes in Western communities today live by such understandings.

Sir Henry Pollexfen, another of those concerned 17th century citizens, made very similar observations in 1697:

The advances of wages hath proved an inducement to idleness; for many are for being idle the oftener because they can get so much in

a little time.

How easy it has always been for those in privileged circumstances to discount the hardships of poverty in promoting the virtues of 'work'.

624 {§} (08/06/16) It is easy, when dealing with economic issues, to fall into the neoclassical (and, of course, neoliberal) trap of treating the economy as a self-existent, autonomous entity with its own *raison d'être*, independent of 'social' and 'political' concerns. Even if it could be shown that redistribution had negative 'economic' effects⁷⁶⁰, the importance of redistribution as a means of [ensuring both social equity and a democratically organized capitalist society](#) is surely paramount (of course, I'm assuming that both objectives are preferable to the disenfranchising consequences of allowing a drift into plutocracy)⁷⁶¹.

If one focuses on 'the economy' as an isolable entity, one might conclude that any lower-per-capita-GDP consequences of redistributive policies are negatives. If, however, these reflect improvement in individual life outcomes - e.g. lower age of retirement, higher wages leading to shorter working hours and increased leisure etc. - then economic negatives might well be found to be social positives.

The process of credit withdrawal has, all-too-often, been characterized as 'rent-seeking among bureaucrats'. I would suggest, however, that such terminology obfuscates rather than clarifies the *necessary* role of government in credit redistribution. Far too often, economic terminology reflects and reinforces particular ideological positions. To quote Hausmann (2013):

... a research question that goes to the heart of the debate on the proper role and actual motivations of the state in regulating markets: Does regulation exist to achieve some laudable social goal or mainly to extract rents? This question has long divided economists along a right-left axis, at least since University of Chicago economists George Stigler and Milton Friedman argued that many, if not most, regulations were motivated by rent-seeking among bureaucrats and business incumbents.

(Ricardo Hausmann, ^{CE} [What to do with Doing Business?](#), *Project Syndicate*, May 27, 2013)

625 {§} (27/06/16) With neoliberalism showing little sign of weakening as a guiding ideology for those who dominate political and economic life in most Western democracies, the possibility of change in the immediate to mid-term future seems highly unlikely. Neoliberalism, itself, [despite its pre-New Deal dominance](#), required [some thirty years of consistent and determined promotion](#) before New Deal understandings were successfully displaced in the late 1960s. It took a further decade before the emergent neoliberal promoters could successfully take control of Western democratic processes.

As we have seen throughout history, real change takes time. It requires people with a clear vision of a future in which they can believe and a determination to ensure it. Josh Hoxie has spelt out the requirements for the US (applicable to most 21st century Western nations) well:

...If you're in the business of social change, you have to think in terms of decades.

It's with this lesson in mind that we should consider taking on one of the most pressing problems of our time: wealth inequality. The problem with wealth inequality, after all, isn't simply that it's been growing steadily over the past 30 years. The problem is that it's showing no signs of stopping in the near *or* distant future.

And things are going to get worse.

The Long View

Short of an all-out, torches-and-pitchforks revolt, reducing structural inequality means going through the legislative process - most particularly, reforming the tax code. But with an intransigent Republican Congress, a campaign-finance system dominated by wealthy donors, and a dispirited and deeply divided public, it's clear that legislative change isn't going to come soon.

That places us in what Alperovitz calls "pre-history." We have to lay the foundation for change without knowing when it will come.

His heroes, Alperovitz says, are the civil rights workers of the 1930s and '40s. They took on insurmountable odds - as well as serious personal risk - to lay the groundwork for what would become the very successful civil rights movement of the 1960s. They knew they might never see the fruits of their labor - Jim Crow and its supporters in Washington seemed impossibly entrenched - but their efforts made it possible for success in the unknowable future.

With the benefit of this long view, we can look past election cycles to see what solutions would actually solve our serious problems. On wealth inequality, that means a direct tax on concentrated wealth.

We shouldn't just tax billionaires' paychecks, in other words. We need to tax the wealth they've already amassed. That idea isn't going to clear Congress anytime soon. But it's just as serious, reasonable, and likely to become law as any other genuine solution.

(Josh Hoxie, ^{CE} [How to Redistribute Wealth - Without the Guillotine](#), *The American Prospect*, April 28, 2016)

626 {§} (26/05/16){§} (15/01/17) The levying of wealth taxes in the United States, matched, to varying degree, in most other Western countries, has, over the past hundred years, been strongly justified not in terms of credit redistribution, but as means of government funding in times of crisis. This has provided a superficially justifiable argument for repeal of such taxes as conditions return to 'normal'⁷⁶².

Michael Graetz provided a description of this while examining the history of estate taxation in the US over the past two centuries in a keynote address to a Boston College Law School and American College of Trust and Estate Counsel Symposium (October 2, 2015):

...The modern estate tax dates from 1916, when it was enacted to fund the first World War.... During the 1940s, to finance the second World War, Congress increased the top rate to 77% and set the exemption at \$60,000 - where those numbers stood for nearly thirty-five years...

The editorial abstract to a published version of his address summarizes it:

Michael Graetz describes the fight over the repeal of the estate tax and its current diminished state. Graetz argues that the political battle over the repeal of the estate tax reflects a fundamental challenge to our nation's progressive tax system. This Address concludes that a revitalized estate tax is important for managing the national debt and reducing massive inequalities in wealth.

(Graetz, Michael J., ^{CE} ['Death Tax' Politics](#) (May 5, 2016). *Boston College Law Review*, Vol. 57, No. 3, 2016)

{§} (07/03/16) Douglas Hopkins (below), in an article subtitled:

Giving preferential tax treatment to a privileged class of citizens violates the principles of both democracy and capitalism. An annual levy on wealth over \$250,000 could begin returning us to core principles,

addressed why the [Picketty/Saez proposals](#) have largely been ignored. He claims that "arguing in favor of redistributive taxes on wealth may be factually, logically, and even morally supportable - but such arguments are counter-productive".

While he provides a sound case for "an even-handed, moderate annual wealth tax", I'm less than convinced that such an approach to the problem of credit accumulation would be any more effective than a direct argument in favor of credit redistribution through various forms of progressive taxation. Modern plutocracies are sustained by armies of lawyers and lobbyists whose *raison d'être* is to identify and oppose any attempts at credit redistribution, however benignly presented.

{§} (21/03/16) {§} (02/05/16){§} (11/07/16) The New Deal and post-New Deal success in tackling the [inevitable long-term entropic consequences of credit dissipation](#) was based on overwhelming electoral support. This was bolstered through later appeal, by the New Deal's architects, to 'patriotic' sacrifice in support of the 'war effort' and 'post-war reconstruction', not on convincing arguments or even-handed moderation⁷⁶³.

{§} (06/10/16) Once such a mindset dominates public understanding and has justified a constantly expanding range of policies and expenditures, it can be extremely difficult to change. Jeff Faux has explained, and illustrated, the 'national security' sales pitch which is commonly used in the US to justify and bolster support for programs which might otherwise be rejected:

...Whenever the economic case crumbles, "national security" becomes the fallback rationale.

After a quarter century of off-shored jobs and depressed wages in the wake of corporate-driven trade de-regulation, the claim that the Trans-Pacific Partnership will make life better for American workers is so discredited that both Hillary Clinton and Donald Trump are opposed....

But the Republican leadership and Barack Obama still want it, and they will try to get Congressional approval in the post-election "lame duck" session before the new president takes office.

True to form, their sales pitch has shifted from the claim that the TPP will make Americans prosperous to the claim that it will make America safer.

Defense Secretary Ashton Carter says "passing TPP is as important to me as another aircraft carrier." Likewise, eight former Defense secretaries assure Congressional leaders that approving the TPP will "contribute to a safer world for us, our children and our grandchildren."

Obama's former chief economist Alan Krueger now tells us that "trade agreements are primarily about foreign relations."

(Jeff Faux, ^{CE} [TPP: The "National Security" Sales Pitch](#): Like other trade deals since NAFTA, is the TPP also just a device for capitalists to drive down the wages of American workers? *The Globalist*, September 29, 2016)

The New Deal required catastrophic economic failure. One can only hope that breaking out of a mindset which presumes life in a nation under threat from 'external enemies' and/or from 'freeloaders' on 'free enterprise' will be less traumatic. However, as Mark and Paul Engler suggest,

Social change is seldom either as incremental or predictable as many insiders suggest. Every once in a while, an outburst of resistance seems to break open a world of possibility, creating unforeseen opportunities for transformation.

(Mark and Paul Engler, ^{CE} [Breaking the World Open: In Praise of "Impractical" Movements](#), *Truthout*, 7 March 2016)

Political *incrementalism* has a bad habit of producing cosmetic change (the metaphor 'lipstick on a pig' springs to mind); not revolutionary redirection.

Hopkins spells out his vision of effective incremental change:

The most interesting examination of economics over the last three decades has been Thomas Piketty's *Capital in the 21st Century*. But hardly anyone has taken Piketty's policy proposals seriously, mainly because Piketty himself framed them as overtly redistributive and described them as utopian.

In America today, arguing in favor of redistributive taxes on wealth may be factually, logically, and even morally supportable - but such arguments are counter-productive. Confiscatory tax policies pose a lethal threat to the rich and powerful, demanding their aggressive resistance.

Redistributive policies also hold little appeal to the American voting public. Who among us really wants to go to war against a class we all aspire to join? Even progressives, who often embrace and utilize redistributive rhetoric as part of the inequality debate, have largely dismissed Piketty's proposed wealth tax.

But Piketty nearly got it right. A properly structured annual wealth tax could equalize effective tax rates between labor and capital, while simultaneously stimulating more productive capital allocations - and, in the process, job creation.

Shielding wealth from direct taxation distorts investment incentives. If the productive deployment of capital serves as a key driver of economic growth and prosperity, then our policies should carefully aim at encouraging productive domestic investment. But

by taxing investment profits, while shielding wealth itself from any direct assessment, we are *subsidizing unproductive capital*.

By taxing productive capital more heavily than unproductive capital, we encourage income sheltering and suppression and overburden the kind of job-creating productive domestic investments that create a growing and healthy economy.

Structural preferences aimed at wealth have, in effect, made tax avoidance and valuation manipulation more profitable than productive enterprise. Repealing the inefficient, highly variable, often contradictory, and much-abused taxes currently imposed on investment income and replacing them with an assessment directly upon accumulated net wealth would remove the distorted incentives that are undermining our productive economy.

An even-handed, moderate annual wealth tax would stimulate an aggressive redeployment of capital in search of more productive opportunities - and trigger a massive stimulus investment program financed entirely with private capital...

(Douglas Hopkins, ^{CE} [A Business Case for a Wealth Tax](#), *Inequality.Org*, March 2, 2016)

627 {§} (07/05/16) Perhaps we can strike a medal or two that we can give them as we relieve them of the burden of having to cope with such accumulations of cash. We could have national competitions leading to an international 'Accumulator Olympics' complete with medal ceremonies, national (or perhaps Corporate) anthems and crowds of admiring supporters - and, of course, as in 'drugs in sport', ceremonial defrocking of those found to be cheating (or abusing the spirit of the rules - often described as 'tax avoidance')⁷⁶⁴. Possible candidates for defrocking:

Over the last two years, the 71 technology companies in the Standard & Poor's 500-stock index - including Apple, Google, Yahoo and Dell - reported paying worldwide cash taxes at a rate that, on average, was a third less than other S. & P. companies'. (Cash taxes may include payments for multiple years.)

Even among tech companies, Apple's rates are low. And while the company has remade industries, ignited economic growth and delighted customers, it has also devised corporate strategies that take advantage of gaps in the tax code, according to former executives who helped create those strategies.

Apple, for instance, was among the first tech companies to designate overseas salespeople in high-tax countries in a manner that allowed them to sell on behalf of low-tax subsidiaries on other continents, sidestepping income taxes, according to former executives. Apple was a pioneer of an accounting technique known as the "Double Irish With a Dutch Sandwich," which reduces taxes by routing profits through Irish subsidiaries and the Netherlands and then to the Caribbean. Today, that tactic is used by hundreds of other corporations - some of which directly imitated Apple's methods, say accountants at those companies.

(Charles Duhigg and David Kocieniewski, ^{CE} [How Apple Sidesteps Billions in Taxes](#), *New York Times*, April 28, 2012)

Gabriel Zucman, in a book on the subject, has explored the extent of the problem of tax evasion and tax 'avoidance' (a euphemism for tax evasion through clever accounting and legal maneuvering). As he says, "Tax havens are at the heart of financial, budgetary, and democratic crises." In an excerpt from his book he sketches the problem:

...[D]espite some progress in curtailing it in recent years, tax evasion is doing just fine. There has, in fact, never been as much wealth in tax havens as today. On a global scale, 8% of the financial wealth of households is held in tax havens. According to the latest available information, in the spring of 2015 foreign wealth held in Switzerland reached \$2.3 trillion. Since April 2009, when countries of the G20 held a summit in London and decreed the "end of banking secrecy," the amount of money in Switzerland has increased by 18%. For all the world's tax havens combined, the increase is even higher, close to 25%. And we are only talking about individuals here. Corporations also use tax havens.

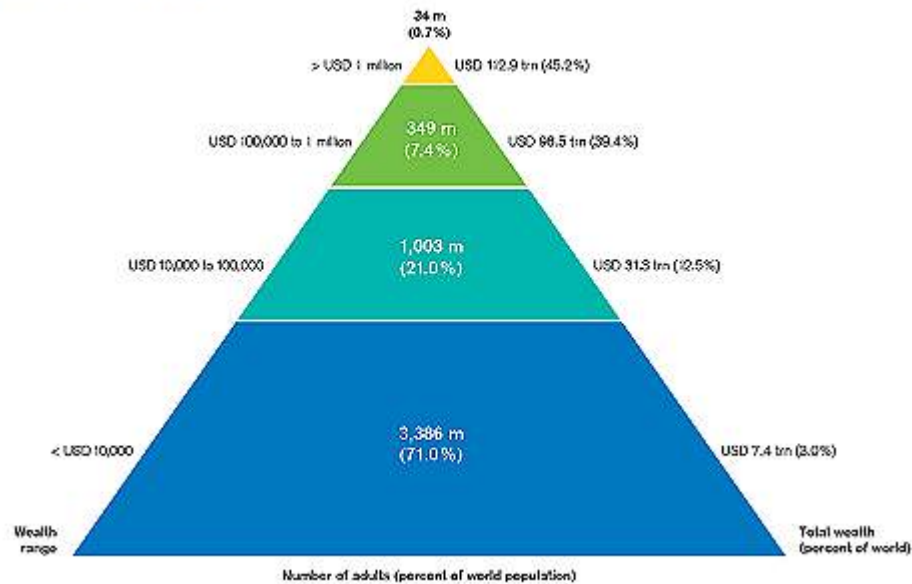
Corporate filings show that US companies are shifting profits to Bermuda, Luxembourg, and similar countries on a massive and growing scale. Fifty-five percent of all the foreign profits of US firms are now kept in such havens. Since multinationals usually try to operate within the letter - if not the spirit - of the law, this profit shifting is better described as "tax avoidance" rather than outright fraud. But its cost is enormous - \$130 billion a year for US firms alone - and since equity ownership is very concentrated, it essentially benefits only the wealthiest among us.

(Gabriel Zucman, [Ⓔ] [How Much Money Does the 1% Have Hidden in Tax Havens? An economist finds out, and the data is staggering](#), *Alternet*, October 8, 2015)

For an in-depth examination of [the problem of wealth inequality](#) around the world, see this *Credit Suisse Research Institute* study, [Ⓔ] [The Global Wealth Report 2015](#) and other publications on the site. As the site advertisement says,

In its sixth edition, the Credit Suisse Global Wealth Report offers a comprehensive portrait of global wealth, covering all regions and countries, and all parts of the wealth spectrum, from the very base of the wealth pyramid to ultra-high net worth individuals.

Figure 1
The global wealth pyramid



Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2015

(Markus Stierli (*et al*), *The Global Wealth Report 2015*, Credit Suisse AG Research Institute, October 2015, p. 24)

Matias Vernengo has summed up the main features of the 2015 'Global Wealth Pyramid':

Not much difference with previous one, but a bit worse. Now 71% of the population holds 3% of the wealth (before it was the 67% at the bottom held 3.3% approximately). And the top 0.7% of the population holds slightly more than 45% of total wealth.

By the way, the US has added more people at the top, while Japan and Europe have lost a few. If you are interested on how many really wealthy people there are (not the 34 million people at the top of the figure above, which are the ones worth more than 1 million), here is what the report says:

We estimate that there are 123,800 UHNW individuals worldwide, defined as those whose net worth exceeds USD 50 million. Of these, 44,900 are worth at least USD 100 million and 4,500 have assets above USD 500 million.

UHNW means Ultra-High Net Worth (or what a decade ago Citigroup analysts called the plutonomy). So about 4,500 with a net worth above 500 million dollars.

(Matias Vernengo, ^{CE} *The plutonomy is doing fine, Naked Keynesianism*, October 15, 2015)

How strange (and patently absurd) that some of those claiming to be 'expert commentators' should suggest that the answer to such tax evasion (exploiting loopholes which have been created through mindless processes of deregulation over the past 30 years) is to stop taxing the evaders, thus giving them 'no incentive' to exploit the loopholes!! As one of those self-proclaimed experts put it when addressing the problem:

A wide consensus of economists and tax experts finds it to be bad policy. Nobody, so far as I could find, thought that corporate taxes were a smart or efficient way for governments to raise revenue. Economic theory provides no strong argument for special taxation of corporate income, at whatever rate.

(Evan Soltas, ^{CE} [Apple Shows It's Time to Abolish Corporate Taxes, The Ticker, Bloomberg](#), May 24, 2013)

⁶²⁸ With the advent of neoliberalism and the [corporatization of public institutions](#) in the US (and elsewhere in the Western World) those committed to its ideological understandings have quite deliberately focused their [attacks on public education](#). They see such education as [harboring forces opposed to neoliberal reorganization](#). The attack on public education, at all levels, has, of course, been part of a larger [coordinated attack on the institutions of democracy](#).

Lynn Parramore has outlined what has happened in the United States through the first decades of the 21st century:

...It's the latest battle in a contest between two countervailing forces: one bent on reengineering America for the benefit of the wealthy, the other struggling to preserve dignity and security for ordinary people.

If the story turns out the way the Jim Justices desire, the children of a first-world country will henceforth be groomed for a third-world life.

Gordon Lafer, Associate Professor at the Labor Education and Research Center at the University of Oregon, and Peter Temin, Professor Emeritus of Economics at MIT, help illuminate why this is happening, who is behind it, and what's at stake as the educational system that once united Americans and prepared them for a life of social and economic mobility is wiped out of existence....

After five years of research and the publication of ^{CE} [The One Percent Solution](#), Lafer concluded that by lobbying to make changes like increasing class sizes, pushing for online instruction, lowering accreditation requirements for teachers, replacing public schools with privately-run charters, getting rid of publicly elected school boards and a host of other tactics, Big Business was aiming to dismantle public education.

The grand plan was even more ambitious. These titans of business wished to completely change the way Americans and their children viewed their life potential. Transforming education was the key.

The lobbyists and associations perfected cover stories to keep the public from knowing their real objectives. Step one was to raise fears about an American educational crisis that did not, in fact, exist. Lafer notes, for example, that the reading and math scores of American students have remained largely unchanged for forty years. Nonetheless, the corporate-backed alarmists worked to convince the public that the school system was in dire condition.

Step two was to claim that unproven reforms to fix the fictional crisis, like online learning, were sure to improve outcomes, despite the fact that such schemes go directly against hard evidence for what works in education and deny students the socialization that is crucial to a child's progress. Sometimes the reformers said the changes were needed because of budget deficits; other times, they claimed altruistic aims to improve the quality schools.

In Lafer's view, their strategy had little to do with either....

(Lynn Parramore, ^{CE} [The Corporate Plan to Groom U.S. Kids for Servitude by Wiping Out Public Schools](#), *Institute for New Economic Thinking*, April 6, 2018)

⁶²⁹ While we will speak of 'the commons' in this section, Sheila Kennedy has cogently argued that it is time to rethink the definition of *social safety nets*. As she has explained:

It's easy to see the persistent attacks on income-supports for disadvantaged folks as both dishonest and mean-spirited, and most efforts to rebut them tend to revolve around the realities of social supports: the percentages of recipients who are children, elderly, and disabled, the overwhelming numbers of impoverished Americans who work forty or more hours a week.

I want to suggest that we may be missing the forest for the trees.

A "social safety net," properly conceived, is the web of institutions and services that benefit all members of a given society while building bonds of community and cross-cultural connection. In this broader understanding, the safety net includes public education, public parks, public transportation and other services and amenities available to and used by citizens of all backgrounds and income categories.

Public education is a prime example. Even granting the challenges - the disproportionate resources available to schools serving richer and poorer neighborhoods, the barriers to learning created by poverty - public schools at their best integrate children from different backgrounds and give poor children tools to escape poverty. Public schools, as Benjamin Barber has written, are *constitutive* of a public.

Common schools create common cultures, and it is hard to escape the suspicion that attacks on public education have been at least partially motivated by that reality. While supporters of charter schools and voucher programs have promoted them as ways of allowing poor children to escape failing schools, the data suggests that most children - including poor children - are better served by schools that remain part of America's real social safety net.

(Sheila Kennedy, ^{CE} [Rethinking America's Social Safety Net: It may be time to re-conceptualize our social safety net](#), *Inequality news*, A project of the *Institute for Policy Studies*, March 6, 2017)

⁶³⁰ {§} (06/07/17) When private ambitions and fortunes overtake participatory democracies, the shell of democratic government can remain, hollowed out and empty. Outwardly ornamental, a 'grand democracy': but, look closer, and you'll find a hollowed out, lifeless shell, hijacked by some alien life form, predatory on the original builders and inhabitants.

Such things do not happen overnight (except in superficially entertaining Hollywood fantasies). They happen incrementally. Step by step a democratic nation loses its way⁷⁶⁵. If we focus on the past forty years of US political history we can see how the process evolves. From Richard Nixon, to Reagan, with an [accommodating liberal presidency](#) between, the United States was primed for democratic degeneration.

The time for retrospection and introspection in Western 'democracies' is fast closing. As Andrew Bacevich tells his readers:

Like it or not, the president of the United States embodies America itself. The individual inhabiting the White House has become the preeminent symbol of who we are and what we represent as a nation and a people. In a fundamental sense, he is us.

By the start of the 21st century and the advent of the second George Bush, US citizens had been inured to the hijacking of their democratic rights and responsibilities. President Trump is merely an inevitable consequence of a process which has been fifty years in the making.⁷⁶⁶

To paraphrase a 2500 year old observation:

Of making many lists there is no end...(Ecclesiastes 12:12)

It is time for concerned citizens, everywhere, to do more than compose new lists! So, Andrew Bacevich, what now?

Charles Blow:

Every now and then we are going to have to do this: Step back from the daily onslaughts of insanity emanating from Donald Trump's parasitic presidency and remind ourselves of the obscenity of it all, registering its magnitude in its full, devastating truth.

There is something insidious and corrosive about trying to evaluate the severity of every offense, trying to give each an individual grade on the scale of absurdity. Trump himself is the offense. Everything that springs from him, every person who supports him, every staffer who shields him, every legislator who defends him, is an offense. Every partisan who uses him — against all he or she has ever claimed to champion — to advance a political agenda and, in so doing, places party over country, is an offense.

We must remind ourselves that Trump's very presence in the White House defiles it and the institution of the presidency. Rather than rising to the honor of the office, Trump has lowered the office with his whiny, fragile, vindictive pettiness.

The presidency has been hijacked.

(Charles M. Blow, ^{CE} [The Hijacked American Presidency](#), *New York Times*, July 3, 2017)

But, it is important to remember that this did not happen overnight. It is not the result of some opportunistic hijacking. It is the almost inevitable end-product of a corrosive process of stripping democratic rights and responsibilities from citizens and investing them in an amoral sociopathic plutocracy.

US citizens cannot escape responsibility for being complicit in this process. It is they who have surrendered their responsibilities to private ambition and 'big money'. Deposing Donald Trump won't fix the problem, nor will outlasting his presidency. US democratic institutions are now hostage to the [semi-criminal, semi-pathological propensities](#) of those whose driving motivation is [the pursuit of profit](#).

This is equally true, if less glaringly obvious, elsewhere in the Western world.

In the 21st century, the United States of America provides an object lesson for participatory democracies everywhere. Timothy Egan has described it well - but, do not assume that this is all the fault of one side of politics. Both major US political parties are complicit in this hijacking of participatory democracy - the Republican Party is not the only party which has been hollowed out by private ambition and 'big money':

...For the United States, the biggest institutional lie of the moment is that we have a government of the people, responding to majority will.

On almost every single concern, Congress — whether it's the misnamed People's House, or the Senate, laughably mischaracterized as the world's greatest deliberative body — is going against what most of the country wants. And Congress is doing this because there will be no consequences.

We have a fake democracy, growing less responsive and less representative by the day.

The biggest example of this is the monstrosity of a health care bill, which a cartel of Republicans finally allowed us to peek at on Thursday. The lobbyists have seen it; of course. But for the rest us, our first look at a radical overhaul of one-sixth of the economy, something that touches every American, comes too late to make our voices heard...

Our fake democracy reveals itself daily. Less than a third of Americans support President Trump's decision to withdraw from the Paris Climate Agreement. In a truly representative government, you would see the other two-thirds, the common-sense majority, howling from the halls of Congress.

Most Americans are also against building a wall along the Mexican border. They would prefer putting taxpayers' billions into roads, bridges, schools and airports. But the wall remains a key part of President Trump's agenda.

Trump is president, of course, despite losing the popular vote by nearly 3 million people. Almost 60 percent of the public is against him now. In a parliamentary system, he'd be thrown out in a no-confidence vote. In our system, he's primed to change life for every citizen, against the wishes of a majority of Americans. Try calling that a democracy while keeping a straight face.

(Timothy Egan, ^{CE} [Our Fake Democracy](#), *New York Times*, June 23, 2017)

Bill Mitchell, in a review of a book by Elizabeth Anderson (below), has explained the 'rise of "private government"', a form of government which is 'natural' to those plutocracies which are overtaking and subverting Western participatory democracies everywhere.

Peter Malcolm has described the experiences of a once proudly 'equal' New Zealand in an article entitled 'The Sad Slide of a Once Equal Nation'. As he has explained:

Some 30 years ago, by a variety of measures, New Zealand ranked one of the world's more equal nations. We have now become one of the more unequal.

Our current tax system both reflects our growing inequality and contributes to it. Thirty years ago, we had a much more comprehensive, more steeply progressive tax structure, with a top marginal tax rate of 63 percent. The top marginal tax rate today stands at half that, 33 percent.

Our current tax system, note analysts like Robert Salmond, rates as much tougher on the poor and more generous to high-income earners than tax systems elsewhere in the developed world

We also had inheritance taxes and a capital gains tax three decades ago. Today, apart from some small exceptions, we have neither. Instead of these levies, taxes that primarily impact the wealthy, we now have a goods and services tax of 15 percent, a flat-tax levy that burdens the poor much more than high-income earners.

In New Zealand today, life overall rates as much tougher for the poor. Some 28 percent of New Zealand's children now live in families experiencing income poverty. Back in 1982, only 14 percent of children lived in that poverty.

New Zealand's affluent, in the meantime, have done quite well. The incomes of our nation's most affluent 10 percent averaged about five times the incomes of New Zealand's poorest 10 percent three decades ago. That gap has nearly doubled.

The bottom line: In the early 1980s, New Zealand had a level of inequality about as low as Denmark, one of the world's most equal nations. Today, New Zealand and Denmark sit at opposite ends of the inequality spectrum.

(Peter Malcolm, '☞ [The Sad Slide of a Once Equal Nation](#)', *Inequality.Org*, Research & Commentary, July 04, 2017)

Franklin Roosevelt (1938) warned of this:

...A democracy is not safe if the people tolerate the growth of private power to a point where it becomes stronger than their democratic state itself. That, in its essence, is Fascism - ownership of Government by an individual, by a group, or by any other controlling private power.

Bill Mitchell explained the rise of private government:

We ignore the benefits of collective goods and laws that protect us, but turn a blind eye to the on-going, minute-by-minute, repression in the workplace. I was reminded of this again as I was reading a new book that came out in May 2017 – *Private Government: How Employers Rule Our Lives (and Why We Don't Talk About It)* – by American philosopher Elizabeth Anderson.

She studies that way in which corporate America serves in effect as a "private government" minutely and vicariously controlling our daily working lives yet many of us still accept the construction that this is the 'free market' operating. It is when the word 'free' loses all meaning. I especially like her use of the term "private government" to reinforce the hypocrisy of the elites and the inconsistency of those (workers included) who call for small 'government' as if that is the exemplar of freedom....

The concept of "private government" arises because workers "are subject ... to authorities that can order them around and impose

sanctions for noncompliance”.

This workplace despotism leads her to conclude that “Libertarians and free market economists and politicians wrongly equate ‘freedom’ with private enterprise, ignoring the reality that for most workers, employment in large firms brings with it subjection to arbitrary power that extends beyond their work lives”.

It is clear that “the security of private property depends on a strong state” but then “so too do many forms of freedom”.

In an interview relating to her book – *Where Despots Rule* (June 29, 2017), Elizabeth Anderson noted that:

The history of democracy is the history of movements to make government a public thing; that is, to make it the business of the governed — transparent to them, attentive to their interests, accountable to the public.

Private government is rule by authorities who tell the governed that the rules to which they are subject are none of their business, that they aren’t entitled to know about how their government operates, that they have no standing to insist that their interests be taken into account in how they are governed, that their rulers are not accountable to them.

By US law, the default constitution of the workplace is a private government, rather than a public one. Managers run a government that is kept private from the workers they govern.

...The Anglo-world, in particular, has been at the forefront of dismantling worker protections and allowing these “private governments” to increase in power.

(Bill Mitchell, ^{CE} [The rise of the “private government”](#), *Billy Blog*, 05 July, 2017)

⁶³¹ Bellamy's very popular 1888 book, ^{CE} [Looking Backward: From 2000 to 1887](#) spells out a 'socialist' solution to the burgeoning inequality of late 19th century US. It fueled an [almost pathological opposition](#) to 'socialist' or any other 'solution' to the inequalities of the period. That [opposition grew stronger](#) and more [coherently focused](#) through the 20th century.

⁶³² Bill Gorton has summed up Popper's 'theory of democracy':

...Popper's theory of democracy also arguably contained conservative elements insofar as it required only a limited role for the average citizen in governing. As we saw above, the primary role of the public in Popper's democracy is to render a verdict on the success or failure of a government's policies.

For Popper public policy is not to be created through the kind of inclusive public deliberation envisioned by advocates of radical or participatory democracy. Much less is it to be implemented by ordinary citizens. Popper summed up his view by quoting Pericles, the celebrated statesman of Athenian democracy in 5th-century B.C.E.:

Even if only a few of us are capable of devising a policy or putting it into practice, all of us are capable of judging it.

Popper added, "Please note that [this view] discounts the notion of rule by the people, and even of popular initiative. Both are replaced with the very different idea of *judgement by the people*" (*Lessons of This Century*, 72, Popper's emphasis).

This view in some ways mirrors traditional conservatives' support for rule by "natural aristocrats," as Burke called them, in a democratic society. Ideally, elected officials would be drawn from the class of educated gentlemen, who would be best fit to hold positions of leadership owing to their superior character, judgment and experience.

However, in Popper's system, good public policy in a democracy would result not so much from the superior wisdom or character of its leadership but rather from their commitment to the scientific method.

(William Gorton, ^{CE} [Karl Popper: Political Philosophy](#), *Internet Encyclopedia of Philosophy* (accessed February 17, 2017))

We all know where this elitist vision of 'democracy' has taken the Western World in the second decade of the 21st century!

⁶³³ Though Gabler's suggestion that [before Trump](#) the US was a country of soaring ideas and idealism, a beacon to the world, an example of freedom at home and a protector of freedom abroad, an anchor of sanity in a world often bouncing on the waves of madness suggests a chauvinist blindness to [US' contribution to the international mayhem of the post WW2 period](#).

⁶³⁴ A commenter on the same *Naked Capitalism* blog posting as *justanotherprogressive* expanded on this:

AJ Nock's [Albert J. Nock, 1935, *Our Enemy, The State*] main idea is that coercive govt drives out what he called 'social power'. That latter is identical to what deToqueville observed and called 'civic associations'.

Americans use associations to give fêtes, to found seminaries, to build inns, to raise churches, to distribute books, to send missionaries to the antipodes; in this manner they create hospitals, prisons, schools...

In America I encountered sorts of associations of which, I confess, I had no idea, and I often admired the infinite art with which the inhabitants of the United States managed to fix a common goal to the efforts of many men and to get them to advance to it freely.

(Alexis de Tocqueville, ^{CE} [Democracy in America](#), Vol. 2, Chapter V: Of The Use Which The Americans Make Of Public Associations In Civil Life)

It's hard to dispute Nock's point. When Nock wrote his book, there were 130,000 school governance authorities in the US - with each requiring a dozen or more part-time volunteers from the community to manage it. A huge portion of adults had SOME experience in actually being on a school board. Today there are 12,000 'school districts' - all run by full-time 'professionals' and the only allowed wider responsibility is to vote periodically and pay taxes. Not only

are those professionals inclined more coercively; those who vote and 'keep them accountable' are now ignorant. And no matter what the social arena, the problem is the same.

(^{CE} Jfree, April 29, 2017)

635 {§} (16/03/17) The need for citizens of democratic states to understand their responsibilities has never been clearer than it is in the early 21st century ⁷⁶⁷. Neil Gabler has clearly explained the nature of the dilemma in which citizens of the United States of America find themselves. As he says,

The system wasn't supposed to work this way. The Founding Fathers deliberately devised a structure in which someone like Donald Trump - a vain, self-centered, mendacious demagogue - could never become chief executive, and in which the legislature could never be captured by a reckless, ideologically obsessed minority bent on overriding the majority interests of Americans.

Those Founders labored to create an independent judiciary that was not captive to any single ideology or party. They carefully crafted a set of checks and balances in which no single branch of government could overpower another, and in which each held its own prerogatives dearly.

In doing so, they thought they had provided posterity with a wise, cautious and magnanimous governmental operation that would serve the larger public weal rather than advantage any particular group or party, and that could withstand the gusts of any given historical moment.

It actually worked surprisingly well for 250 years, which is not to say that it didn't have plenty of hiccups or that special interests weren't often privileged. But it doesn't work anymore, and though I am optimistic enough to believe that we will have a new president and Congress someday who will change policies and perhaps set us back on the road to rationality and common decency ("Make America Good Again"), the Trump presidency and the Republican Congress have nevertheless exposed the flaws in the system itself.

The prognosis isn't good: These flaws are embedded in the Constitution and cannot be repaired without wholesale change, which isn't coming. These defects are now openly visible for the next demagogue and the next gaggle of political hypocrites and power mongers to exploit. You can forget all the alleged fail-safes. The Constitution was supposed to protect us from this. It was expressly designed to do so. It didn't.

The system failed because the Founding Fathers did not anticipate anything like the modern Republican Party. On the contrary, they believed that extremism and overweening self-interest of the sort Republicans routinely display could always be quarantined.

Were they wrong!

Instead of the Constitution circumscribing reactionary populism, reactionary populism has circumscribed the Constitution. That is where we are now. And there is no way out.

The Founding Fathers weren't naive idealists. They understood the deficiencies of human nature, which is why they felt the need to

devise structural defenses against them. "If men were angels," wrote James Madison in Federalist No. 51, "no government would be necessary." But men weren't, so it was. Still, our forebears were comforted by four assumptions that would underpin American democracy - four assumptions that let them believe their Constitution would sustain the new nation.

(Neil Gabler, ^{CE} [How the System Got Broken, and Why It Can't Be Fixed: Whatever happened to the separation of powers?](#), *Bill Moyers & Company*, March 13, 2017)

He then proceeds to a clear analysis of the consequences of those assumptions for the US.

The US Founding Fathers' Assumptions:

1. They envisioned a government of sagacious men of good will who set aside their own interests for the country's: the "best and brightest."
2. They separated the three branches of government and assumed that each would check and balance the others as a form of protection against any one branch encroaching on the power of the others.
3. They assumed that extremism could never take root in the government - not because there weren't any extremists, but because the system had safeguards against their assuming power.
4. The fourth and most important assumption: They assumed that those who aspired to power did so to govern; they didn't aspire to govern to gain power.

{§} (18/03/17) Unquestionably, the problems faced by US citizens in the early 21st century are a result of a failure among those citizens to take their responsibilities seriously. A failure which signals a clear lack of understanding of the nature of those responsibilities.

As Jefferson argued,

I know no safe depository of the ultimate powers of the society but the people themselves; and if we think them not enlightened enough to exercise their control with a wholesome discretion, the remedy is not to take it from them but to inform their discretion by education. This is the true corrective of abuses of Constitutional power.

{§} (12/05/17) US citizens may or may not be able to do anything to alter the current trajectory of the nation, though, it is in times like these that, in the past, US citizens have finally found their voices and exercised that 'principle of association' which de Tocqueville found so inspiring in the early 19th century. Once again, Abraham Lincoln's Gettysburg Address should invoke that determination which US citizens have displayed in previous times when it was desperately needed:

It is for us the living, rather, to be dedicated here to the unfinished work which they who fought here have thus far so nobly advanced. It is rather for us to be here dedicated to the great task remaining before us - that from these honored dead we take increased

devotion to that cause for which they here gave the last full measure of devotion - that we here highly resolve that these dead shall not have died in vain - that this nation, under God, shall have a new birth of freedom, and that government of the people, by the people, for the people, shall not perish from the earth.

{{ (18/11/17) All who take government 'of the people, by the people, for the people' seriously now know that an uninformed, complacent electorate, content to carelessly 'elect leaders' without understanding the consequences, is a threat to true democracy. It is now time for US citizens to *organize*. As [Al Giordano has argued](#): Organizing is based on attainable and quantifiable goals (be they small, as in, "put a stop sign in the neighborhood," or be they large) and now is the time for US citizens, finally, to act.

[The forces of top-down, elitist 'elective' government](#) in the US have not rested on their laurels. As Joseph OShaughnessy has summarized:

Big Money has been paying bodies to enact treachery--anti-humane, anti-populist, anti-American Middle Class legislation--at the state level all across the country. It is a simple agenda.

- 1.Reduce the political power of working people to fight against Big Money. Virtually outlaw unions.
- 2.Widen the gap between rich and poor. Make it harder for the working class to find enough disposable income, or time, to combat Big Money.
- 3.Divide the people. College educated (whatever that means these days) against those without a degree. Then divide the college grads. Those with technical skills, immediately useful. Those with broader knowledge, less Spartan, whom we merely acknowledge with a certificate and a frown. We basically divide our college grads into two groups as well.

Divide Blacks from Whites. Whether you like it or not, the fact is Blacks left the south, to survive, found more racism everywhere, never received adequate education or social integration or capitalization. Yeah. Capitalization. You know...what daddy and mommy did for you.

Muslims...direct hit targets for phobic Fascists. That's an easy one to skim off. Muslims should smile more and tell satiric jokes. End that problem.

Finally, blame the undocumented, most Hispanic, for everything else.

Fascism, (Republicanism) 101

(Joseph OShaughnessy, ^{CE} [Comment on: Paul Krugman, Days of Greed and Desperation](#), Krugman Blogs, *New York Times*, November 17, 2017)

Alex Kotch has described their 2017 determination to ensure victory 'state-by-state' throughout the United States of America:

The Bradley Foundation, which has historically supported taxpayer-funded "school choice" initiatives and work requirements for welfare recipients, is named after Lynde and Harry Bradley, two brothers

who founded the profitable factory automation manufacturer Allen Bradley Co. After Lynde's death in 1942, the Allen-Bradley Foundation was established. When Allen Bradley was sold to Rockwell International in 1985 for \$1.7 billion, the foundation's assets ballooned and it became the Lynde and Harry Bradley Foundation as it added a focus on promoting the brothers' conservative ideology on a national scale.

Thirty gigabytes of Bradley Foundation internal documents hacked by a group named Anonymous Poland reveal that after a \$200 million influx of cash in late 2012 from the trust of Caroline Bradley, Lynde's wife, the Bradley Foundation geared up to fund networks of conservative think tanks, legal centers, candidate recruitment organizations, media outlets and advocacy groups in 13 states, based on the foundation's successful efforts in Wisconsin. The foundation had already laid the groundwork for a welfare-to-work program and a private school voucher system and defended GOP Gov. Scott Walker in a campaign finance probe, helping him survive a recall election prompted by his dismantling of public-sector unions.

Now the foundation is focusing on five states it views as having a strong conservative infrastructure, thus making them ripe for rightward change. The foundation is working to expand conservative power in Colorado, North Carolina, Oregon, Washington and Wisconsin by funding established networks of right-wing organizations that promote conservatism and help far-right candidates win elections. It's a long-term strategy that "can take decades," according to the longtime CEO of the foundation, Rick Graber, who recently stepped down from his post.

The trove of hacked documents shows that Bradley Foundation has recently given large grants to groups in these states...

(Alex Kotch, [Documents Reveal a Powerful, Secretive Foundation's Blueprint for Spreading Right-Wing Ideology, State by State](#): Meet the Bradley Foundation, giving the Koch brothers a run for their money, *AlterNet*, May 9, 2017; See also: [Tax Forms Reveal Koch Brothers Spent Millions to Shape State Politics in 2017](#), *TruthOut*, February 25, 2018)

A Commenter on Paul Krugman's optimistic *New York Times* article titled "Conservative Fantasies, Colliding With Reality" has summed up the 2017 US situation well:

"Voters will quickly get a lesson in what slashing spending really means - and they won't be happy."

How much nearly all Democrats, and even some moderate Republicans, would like to believe that Paul Krugman's words quoted above will turn out to be an accurate prediction!

We got into this mess because of laziness.

No, not the kind of mythical laziness Republicans use to indict all people who are recipients of welfare or other programs in a social safety net.

This laziness is real, and it is the laziness of many citizens and, incredibly, many politicians to learn how government, the economy

and the real world works.

It takes hard work to be a good citizen. You have to be willing to inform yourself, to listen to several sources about how things work and to read, read and read about history and politics.

A good citizen reads what is written by people with whom he or she initially disagrees.

Donald Trump's core group of supporters were lazy citizens, which made them easy to manipulate.

Donald Trump, himself, is a lazy politician because he never bothered to find out how the world works outside the hermetically sealed Trump Tower and "the shows."

Paul Ryan and most diehard conservatives are lazy, because they never bothered to learn the difference between dogma and truth. They take shortcuts out of laziness and rely on crony capitalism.

Democratic politicians were lazy because they did not engage the Trump supporters on their home ground in Middle America.

(SDW, Commenter on: Paul Krugman, [Conservative Fantasies, Colliding With Reality](#), *New York Times*, Opinion Pages, March 17, 2017)

That laziness, born of complacency, and nurtured by a lack of understanding of the nature and responsibilities of citizenship in a democratic society, has infected both citizens and the politicians they have elected, creating fertile ground for reactionary populism to flourish. As Neil Gabler has suggested, "Instead of the Constitution circumscribing reactionary populism, reactionary populism has circumscribed the Constitution."

⁶³⁶ Sayu Bhojwani has written an illuminating piece on the ways in which US citizens, whatever their origin, are already exercising their democratic responsibilities. De Tocqueville, in the early 19th century, would have found her story unsurprising. It is, indeed, one of the many ways in which the civic responsibilities of citizenship have, over two centuries, been exercised. As she has explained:

I still often feel like an outsider, but unlike my parents, who accept that as the price of their minority status, I fight it. Not just on my own behalf, but also on behalf of other immigrants like me, for whom America is their chosen home.

Those early years of my life created the foundation for the work I do now — helping to prepare first- and second-generation Americans to run for public office. This work is rooted in my personal journey of negotiating identity and navigating power. This parallel path is the heart of the immigrant narrative, isn't it? Understanding, loving, being who we are while learning, challenging, exploring how that makes us both powerless and powerful.

In my work at The New American Leaders Project, I search for these answers while attempting to help others find them. I am on the same journey as those we train — leaning into our stories, our power, while recognizing that our fellow citizens are not all ready for these stories, this power. Our signature training targets community

leaders who are rooted in movement building, self-aware and ready to be champions for an inclusive democracy.

Over a weekend, we teach three things, rooted in the values of authenticity, inclusivity and accountability. First and foremost, we help them explore their leadership journey, and how it has been informed by their own or their family's immigration story. With that as a foundation, they are able to craft an authentic stump speech based on the core values that motivate them to run for office.

Second, our training encourages participants to think about how our current political system favors those who always vote instead of opening democracy up to new or low-efficacy voters. Often, these are immigrants or people of color who have not been invited to participate, and by reaching out to them, candidates can be far more inclusive.

Finally, we push back against the message that immigrants are takers, not makers. We suggest that our communities can and should be stakeholders in democracy by contributing to campaigns. This helps ensure that elected officials are accountable to the community, as voters and donors. At its core, our training is about creating a democracy that is stronger because everyone participates.

We know this model works because even in 2016, one of the most hate-filled election cycles in recent memory, 67 percent of our 39 alumni won their races for local and state office in Arizona, California, New York and Michigan. Now, these leaders from the newcomer communities most under attack in our society today — American Muslims, the formerly undocumented, children of refugees — are serving on school boards, city councils and state legislatures. (Sayu Bhojwani, ^{CE} [Former NYC Commissioner Is Helping Immigrants Run for Office](#): The New American Leaders Project targets community leaders who are rooted in movement building and ready to champion an inclusive democracy, *Moyers & Company*, May 31, 2017)

As Al Giordano explained in 2009, it is time for US citizens to get involved in ensuring that grass-roots, participatory democracy reflects and reinforces their rights and responsibilities. As someone once said, there are better ways of ensuring the future of participatory democracy, whether in the US or anywhere else, than sitting on an acorn! Unless those who believe in government of the people, by the people, for the people actively work to ensure it, participatory democracy will wither and die.

⁶³⁷ Al Giordano, in 2009, explained why, for him, the term *activism* was inappropriate. What Alexis de Tocqueville meant by the term *principle of association* could better be understood as political/communal *organizing*.

As Giordano explained:

I don't believe in activism.

I think activism, as it is generally practiced in the United States, is more often than not a cop out and an excuse by some to avoid doing the heavy lifting of organizing.

What is the difference, you might ask, between activism and organizing?

To me, it's this:

Activism is the practice of preaching to the choir, rallying the already converted, and trying to convince other "activists" to do your work for you (say, call your Congressman, or write your Senator for or against a piece of legislation). Activists like to make declaratory "statements," hold "meetings," invite other activists (usually fairly hegemonic of the same socio-economic demographics as them), engage in group "process," make "decisions," veto (or attempt to do so) others from taking initiative outside of the groupthink that too often happens in activist projects, declare "party lines," enforce them, and claim that one is part of a "movement" even when there is no evidence that one really is.

Activism seeks media attention through protests and other means, errantly thinking it will draw others to its cause by doing so. This dominant tendency in "activism" becomes a circular, self-reinforcing, self-marginalizing, chest-thumping, bureaucratic and anally-retentive activity and a big waste of time with little impact on the issues or policies it seeks to change or defend.

Organizing is something completely different: It is based on attainable and quantifiable goals (be they small, as in, "put a stop sign in the neighborhood," or be they large, as occurred last year: elect an underdog as president of the United States). Here's a simple yardstick by which to measure: If it doesn't involve knocking on doors, making phone calls or otherwise proactively communicating with people demographically different than you, it's not organizing. If it doesn't involve face-to-face building of relationships, teams, chains of command, and, day-by-day, clear goals to measure its progress and effectiveness, it's not organizing. If it happens only on the Internet, that's not organizing either.

Clearly, both tendencies involve some similar activities. An organizer may call everybody in the neighborhood (or go door to door) to get something done, whereas an activist will call those he knows already agree to recruit them to make some kind of statement that he believes - usually futilely - is *toward* getting something done. And once an organizer or group of organizers has built an effective organization or base, some of the tools of activists (i.e. "call your Congressman") can then be deployed effectively. But that shouldn't cause activists to think that if they do that absent a locally based organizing campaign that it somehow rises to the level of organizing or is the same thing - or even on the same side of the barricades....

(Al Giordano, ^{CE} [The End of Activism and the Renaissance of Organizing](#), February 5, 2009)

Nancy leTourneau, in a *Washington Monthly* blog posting titled, ^{CE} [Advice For the Resistance: Don't Just Mobilize... Organize](#) (February 24, 2017), has elaborated on Giordano's theme. As she explained of the US in 2017, "It is critical to move from mobilization to organizing."

Sarah Lazare, in an *Alternet* article titled: ^{CE} [Activism: Why Popular Assemblies Sweeping the Country Are Building Blocks of the Resistance](#): From Raleigh to Los Angeles, communities on the frontlines are building

the movement infrastructure for a coordinated fightback (March 01, 2017), has outlined the growth in 'popular assemblies' across the US in recent years As she says,

While some popular assemblies are connected to regional organizations like the Atlanta-based Project South, others are springing up independently. "People are building new mechanisms of community power," David Abud, regional organizer from the National Day Laborer Organizing Network, told AlterNet. "This is coming from an understanding that there will continue to be state violence against our communities. The state isn't going to be the one to stop that violence coming to us; we are the ones that will be able to stop it."

⁶³⁸ Ira Chernus has described it like this:

Diagnosing Our Deep Sickness

The Sixties spawned many analyses of the ills of the American system. The ones that marked that era as revolutionary concluded that the heart of the problem was a distinctive mode of consciousness - a way of seeing, experiencing, interpreting, and being in the world. Political and cultural radicals converged, as ^{CE} [historian Todd Gitlin](#) concluded, in their demand for a transformation of "national if not global (or cosmic) consciousness."

Nor was such a system uniquely American, they discovered. It was nothing less than the hallmark of Western modernity.

In exploring the nature of that "far deeper malady," Martin Luther King, for instance, turned to the European philosopher Martin Buber, who found the root of that consciousness in modernity's "I-It" attitude. From early childhood, he suggested, we learn to see other people as mere objects ("its") with no inherent relation to us. In the process, we easily lose sight of their full humanity. That, in turn, allows us free rein to manipulate others (or as in Vietnam simply destroy them) for our own imagined benefit.

King particularly ^{CE} [decried](#) such dehumanization as it played itself out in American racism: "Segregation substitutes an 'I-it' relationship for the 'I-thou' relationship and ends up relegating persons to the status of things." But he ^{CE} [condemned it](#) no less strongly in the economic sphere, where it affected people of all races. "The profit motive, when it is the sole basis of an economic system," he said, "encourages a cutthroat competition and selfish ambition that inspire men to be more I-centered than thou-centered... Capitalism fails to realize that life is social."

(Ira Chernus, ^{CE} [Trump, A Symptom Of What? A radical message from a half-century ago](#), *Moyers & Company*, April 18, 2017)

⁶³⁹ This has been [demonstrated elsewhere](#) but bears repeating. The *Economic Policy Institute* has highlighted this for the US in a posting entitled 'Top Charts of 2018':

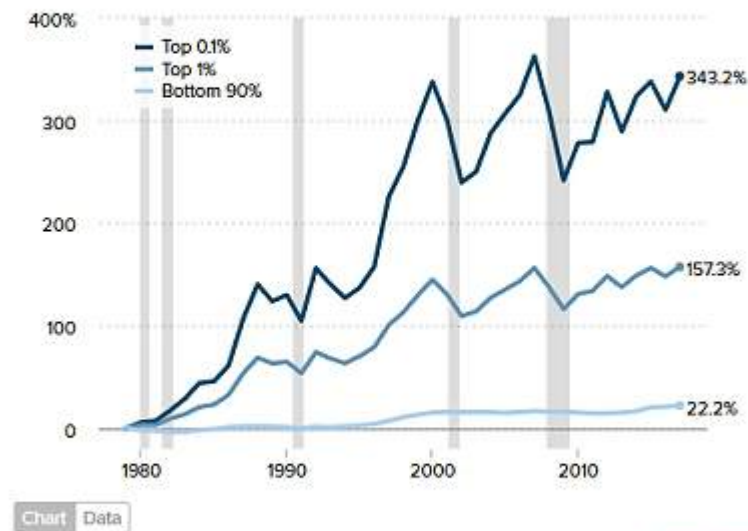
As the economy normalizes following a long, slow recovery from the Great Recession, we are quickly resuming our prerecession course of rising inequality. The fruits of economic growth are bypassing typical families and going straight into the hands of the already-rich.

Our current policy trajectory is doing nothing to reverse the trend of inequality. But it's doing plenty to widen it. This year's edition of Top Charts highlights how policy choices continue to exacerbate inequality and how we can achieve more broadly shared prosperity through better policy choices.

Their first chart:

The upward march of inequality is firmly reestablishing itself

Cumulative percent change in real annual earnings, by earnings group, 1979–2017



Source: Adapted from Figure A in Lawrence Mishel and Julia Wolfe, "Top 1 Percent Reaches Highest Wages Ever—Up 157 Percent Since 1979," *Working Economics* (Economic Policy Institute blog), October 18, 2018. Shaded areas denote recessions.

While top 1 percent earnings took a dive following the Great Recession, by 2017 those earnings had risen to their highest level ever, and the annual earnings of the top 1 percent had risen 157 percent cumulatively since 1979. For the top 0.1 percent, earnings have grown a whopping 343.2 percent since 1979. In contrast, earnings of the bottom 90 percent of workers rose just 22.2 percent over the same period.

The dynamic of large but temporary earnings declines for the highest earners during the Great Recession reflects the composition of their pay packages. For CEOs and other executives in the top 1 and 0.1 percent, earnings include stock options and other compensation measures linked strongly to firms' stock market performance. As the stock market fell rapidly during the recession, this led to a sharp decline in earnings. But as stock prices went back up, so did the earnings of the top 1 and 0.1 percent—and so did inequality.

(^{CE} Top charts of 2018: Twelve charts that show how policy could reduce inequality—but is making it worse instead *Economic Policy Institute*, December 20, 2018)

⁶⁴⁰ The 'cooperatives' movement in Western capitalist communities is a step in this direction, though, for widespread adoption and success, it needs

to be publicly supported through legislative empowerment and by a deep, abiding commitment to communal interdependence - to what de Tocqueville (1835) called the "principle of association". [In the absence of both protective legislation](#) and community commitment to that 'principle of association', successful cooperative movements can find themselves in a no-holds-barred war with the private sector.

Jay Walljasper has painted an optimistic picture of cooperative activity in Quebec. The most important achievements of the movement he describes are in raising the profile of existing cooperative organizations and in providing a sheltered and supportive environment within which new ventures can grow and mature. As he says,

Quebec's social economy (also translated as "solidarity economy") extends far beyond the province's two major cities and includes manufacturing, agricultural cooperatives, daycare centers, homecare services, affordable housing, social service initiatives, food coops, ecotourism, arts programs, public markets, media and funeral homes. The capital that fuels all this economic activity comes from union pension funds, non-profit loan funds, credit unions, government investment and philanthropy.

"We always say the social economy is simply the formalization of the commons. It's social ownership, the goal of which is a sustainable, democratic economy with a market - instead of a market economy," explains Nancy Neamtan, co-founder of Chantier de l'Economie Sociale, a network of social economy organizations whose anniversary banquet is described above. "Our mission is building a broader vision of what the economy actually is."

"When Chantier started out, a lot of people said it wouldn't work. We had unions, women's organizations, green groups, and many thought it was too diverse," Neamtan says. "But it does work." Evidence for her assertion is visible all around - Chantier's office is tucked into a six story building that takes up most of a city block, all of which is filled with social economy organizations.

Not all of these social businesses are new - some of the credit unions, cooperatives and union pension funds go back a hundred years. "But they were largely invisible to many people until the name social economy became popular," Neamtan adds...

(Jay Walljasper, ^{CE} [A More Equitable Economy Exists Right Next Door](#): In Quebec, co-ops and non-profit businesses account for 8-10 percent of GDP, *Alternet*, Local Peace Economy , March 22, 2017)

641 {§} (24/07/17) Over the past half century, Western nations have been gripped not only in a fever of privatization but also in a fever of corporatization.

{§} (09/10/17) Public services have been reorganized to mimic private corporations and their administrations have been charged with reorganizing their responsibilities [as though they were private corporations delivering dividends to their shareholders](#) (in this case their governments). Their *raison d'être* has shifted from the efficient delivery of public services to citizens to the 'profitable' management of 'resources' in order to ensure a dividend to government.

This was, of course, an inevitable consequence of the neoliberal presumption that sovereign [governments must 'borrow' in private money](#)

[markets](#) to cover the costs of government. Through corporatization of government services those services could, at last, begin to 'cover their costs'.

Damian Paletta, in an article describing the 'Federal deficit' inconsistencies of the US Republican Party, succinctly summarized the prevailing neoliberal understanding of the nature and importance of 'the deficit':

With the House passing a critical budget resolution this past week, GOP lawmakers are charging forward next week with plans to cut taxes in a way that could add more than \$1.5 trillion to the government's debt over 10 years, with the goal of legislation by early next month. That is on top of an effort to significantly increase military spending. White House officials say their focus is on growing the economy now and dealing with the debt later.

The moves come as the federal deficit, the *difference between what the government earns in revenue and spends on programs*, is growing more quickly. It will be \$600 billion this year and is projected to reach \$1.46 trillion in a decade, even without additional policy actions.

(Damian Paletta, ^{CE} [In a switch, GOP deserts its budget-cutting mantra](#), *Washington Post*, October 7, 2017) (My emphasis)

After all, as [Margaret Thatcher explained](#) to the faithful,

If the State wishes to spend more it can do so only by borrowing your savings or by taxing you more. It is no good thinking that someone else will pay - that "someone else" is you. There is no such thing as public money; there is only taxpayers' money.

Citizens become transformed into 'customers' who should accept responsibility for the costs of the services they choose to use. Administrations become central and the resources they 'manage' include not only the services they traditionally provided but also the personnel they employ.

In what ways can available 'resources', such as employees and infrastructures, be [reorganized to maximize profits](#)?

Citizens become merely one of the means by which profits are realized and employees become a resource to be mined for profit. In many cases, the delivery of the services which originally justified the existence of those 'corporate entities' becomes a less-profitable distraction from more 'rewarding' pursuits.

Investopedia has succinctly defined and spelled out the aim of corporatization:

The act of reorganizing the structure of a government owned entity into a legal entity with the corporate structure found in publicly traded companies. These companies tend to have a board of directors (B of D), management and shareholders. However, unlike publicly traded companies, the government is typically the company's only shareholder and... the shares in the company are not traded publicly...

The main goal of corporatization is allowing the government to retain ownership of the company but still enable it to run as efficiently as its private counterparts because government

departments sometimes are inefficient with the level of bureaucracy involved.

Furthermore, the government may one day feel that the private sector could do a better job of running the company, possibly conducting an offering on the stock market in order to divest it.

(*Investopedia*, ^{CE} [Definition of Corporatization](#), [accessed 24 July 2017])

Wikipedia has defined the resulting managerialism well:

Managerialism is a belief in the value of professional managers and of the concepts and methods they use. Contemporary management writers such as Thomas Diefenbach associate managerialism with hierarchy. But managerialism is also linked to control, accountability and measurement, and an ideologically determined belief in the importance of tightly managed organizations, as opposed to individuals, or to groups that do not resemble an organization.

Following Enteman's classic on Managerialism: *The Emergence of a New Ideology* (1993), American management experts Robert Locke and J C Spender see managerialism as an expression of a special group – management – that entrenches itself ruthlessly and systemically in an organization. It deprives owners of decision-making power and workers of their ability to resist managerialism. In fact the rise of managerialism may in itself be a response to people's resistance in society and more specific workers' opposition against managerial regimes

Building on Enteman (1993) and Locke/Spender (2011) the most up-to-date definition of Managerialism has been delivered by Thomas Klikauer in "Managerialism – Critique of an Ideology" (2013) defining Managerialism as

[....] Managerialism combines management knowledge and ideology to establish itself systemically in organisations and society while depriving owners, employees (organisational-economical) and civil society (social-political) of all decision-making powers. Managerialism justifies the application of managerial techniques to all areas of society on the grounds of superior ideology, expert training, and the exclusive possession of managerial knowledge necessary to efficiently run corporations and societies.

(Wikipedia, ^{CE} [Managerialism](#), [accessed 23 July, 2017])

⁶⁴² It is time for all who understand the importance of 'the commons' in a democratically organized state to think outside the box; to imagine solutions which might not depend upon the activities and imaginations of capitalist 'wealth-makers'. Here is an example of such thinking; a vision of a world where real people provide real solutions to that soul-destroying poverty which results from loss of employment and income in an unregulated capitalist world:

...It is time to begin imagining specific, concrete solutions to what is becoming a fundamental dilemma of our time.

Imagine, for example, that every American citizen over the age of 16 can choose to earn a living-wage in exchange for providing a useful service to their local or regional community. Imagine that

every local community has a free health and pharmacy clinic (in conjunction with a free methadone and counseling center)—where some of the employees are the living-wage earners. Imagine further that every local community has a housing co-op system (built in part by some of the living-wage earners) that makes available—to every family that needs it—a basic dwelling unit that is warm, dry, well-ventilated, and which provides for cooking, bathing, sleeping, and family gathering. Imagine that every local community has at least one community garden and rookery (managed by some of the living-wage earners) which grows, harvests, and processes vegetables, fruits, eggs, cheese—and perhaps fish—for local consumption. Imagine that every local community has at least one pre-school day-care (manned at least in part by some of the living-wage earners) which provides, free of charge, a safe, early childhood learning environment between the hours of 6 A.M. and 6 P.M. Imagine that every local community has a system of retirement co-housing villages (built and staffed, in part, by the living-wage earners).

Imagine, in other words, replacing what we now define as “poverty” with another kind of living condition—we might call it “community subsistence.”...

(J. D. Alt, [Ⓔ] [The New Poverty](#), *New Economic Perspectives*, December 28, 2017)

- ⁶⁴³ Alt has asked why 'we - whether intentionally or by happenstance - have put in place and operate a money system that seamlessly creates dollars, as necessary, for profit-making enterprise, but specifically does NOT create dollars for not-for-profit ventures'.

Why does our monetary system only benefit and facilitate activity within the for-profit economy, while, at the same time, making activity focused on the commonweal unsustainable? As he explains:

In aggregate, then, the money system we've established and operate so efficiently only creates money, as it's needed, to cover the profits of profit-seeking ventures. No money is created for ventures which do not make profits. This dynamic is doubled down on by the fact that we also operate with the institutional insistence that the sovereign government, if it decides to undertake something for the collective good, must pay for for that collective good with "tax dollars" - which are dollars previously created in the profit-earning system.

There are two things peculiar about this. First is the implied premise that profit-seeking ventures are inherently good, while not-for-profit ventures are merely optional "niceties" that we can pay for on the side, so to speak. The second is our insistent belief that the money system we have cannot rationally be managed in any other way.

(J. D. Alt, [Ⓔ] [Two Loaves](#), *New Economic Perspectives*, October 7, 2016)

- ⁶⁴⁴ This enthusiasm for supporting [the international sale of Western armaments](#) is scarcely new to President Trump. As William Hartung explained:

To be fair, Donald Trump is hardly the first American president to make it his business to aggressively promote weapons exports.

Though seldom a highlighted part of his presidency, Barack Obama proved to be a weapons salesman par excellence. He made [Ⓔ] [more arms offers](#) in his two terms in office than any U.S. president since World War II, including an astounding [Ⓔ] [\\$115 billion in weapons deals](#) with Saudi Arabia...

(William D. Hartung, [Ⓔ] [Weapons for Anyone: Donald Trump and the Art of the Arms Deal](#), *TomDispatch*, April 1, 2018)

⁶⁴⁵ As Burns and Lardner have explained, in 2018 the US military budget remains on growth steroids:

It's the biggest budget the Pentagon has ever seen: \$700 billion...

And next year it would rise to \$716 billion. Together, the two-year deal provides what Defense Secretary Jim Mattis says is needed to pull the military out of a slump in combat readiness at a time of renewed focus on the stalemated conflict in Afghanistan and the threat of war on the Korean peninsula.

The budget bill that President Donald Trump signed Friday includes huge spending increases for the military: The Pentagon will get \$94 billion more this budget year than last -- a 15.5 percent jump. It's the biggest year-over-year windfall since the budget soared by 26.6 percent, from \$345 billion in 2002 to \$437 billion the year after, when the nation was fighting in Afghanistan, invading Iraq and expanding national defense after the 9/11 attacks.

The extra money is not targeted at countering a new enemy or a singular threat like al-Qaida extremists or the former Soviet Union. Instead the infusion is being sold as a fix for a broader set of problems, including a deficit of training, a need for more hi-tech missile defenses, and the start of a complete recapitalization of the nuclear weapons arsenal.

(Robert Burns and Richard Lardner, Associated Press, [Ⓔ] [Congress, Trump give Pentagon a budget the likes of which it has never seen](#), *Chicago Tribune*, February 9, 2018)

Kimberly Amadeo, in a well-researched article entitled 'U.S. Military Budget: Components, Challenges, Growth: Why Military Spending Is Bigger Than You Think', has given a breakdown of the focuses of US military spending for the period October 1, 2018 through September 30, 2019 (Financial Year 2019 (FY2019)):

Estimated U.S. military spending is \$886 billion. That's from [Ⓔ] [President Trump's budget](#) for Fiscal Year 2019 submitted to Congress. It covers the period October 1, 2018 through September 30, 2019. Military spending is the second largest item in the federal budget after Social Security. The United States spends more on defense than the next nine countries combined.

There are four components.

- First is the \$597.1 billion base budget for the Department of Defense.
- Second is the overseas contingency operations for DoD to fight the Islamic State group (\$88.9 billion).

- Third is the total of other agencies that protect our nation. These expenses are \$181.3 billion. They include the Department of Veterans Affairs (\$83.1 billion), the State Department (\$28.3 billion), Homeland Security (\$46 billion), FBI and Cybersecurity in the Department of Justice (\$8.8 billion) and the National Nuclear Security Administration in the Department of Energy (\$15.1 billion).
- The last component is \$18.7 billion in OCO funds for the State Department and Homeland Security to fight ISIS.

On February 9, 2018, Congress passed a spending bill that appropriates \$700 billion for the defense base budget and overseas contingency operations. Congress will delineate spending for each of the other departments by March 2018.

(Kimberly Amadeo, ^{CE} [U.S. Military Budget: Components, Challenges, Growth: Why Military Spending Is Bigger Than You Think](#), *the balance*, February 15, 2018)

⁶⁴⁶ As the Plan summary has explained:

This annual plan provides a single, integrated picture of current and future nuclear security enterprise activities funded by the Weapons Activities account in support of the Nation's nuclear deterrent and is developed to be consistent with the Nuclear Weapons Council's Strategic Plan for FY 2017–2042.

To achieve mission success, highlights of near-term and out-year objectives include:

- Advance the innovative experimental platforms, diagnostic equipment, and computational capabilities necessary to ensure stockpile safety, security, reliability, and responsiveness.
- Complete production of the W76-1 warheads by FY 2019.
- Deliver the first production unit of the B61-12 by FY 2020.
- Deliver the first production unit of the W88 Alteration (Alt) 370 (with refresh of the conventional high explosive) by FY 2020.
- Achieve a first production unit of the W80-4 by FY 2025.
- Produce not less than 10 War Reserve pits in 2024, not less than 20 War Reserve pits in 2025, and not less than 30 War Reserve pits in 2026.
- Create a modern, responsive nuclear infrastructure that includes the capability and capacity to produce 50 to 80 pits per year by 2030.
- Cease enriched uranium programmatic operations in Building 9212 at the Y-12 National Security Complex and deliver the Uranium Processing Facility for no more than \$6.5 billion by 2025.
- Implement the "3+2 Strategy" for a smaller stockpile with upgraded safety and security and interoperable nuclear explosive packages for the missile warheads.

- Achieve exascale computing and deliver an exascale machine by the early 2020s.
 - Ensure a trusted supply of strategic radiation-hardened microsystems by 2025.
 - Develop an operational enhanced capability for subcritical experiments by the mid 2020s.
- (Executive Summary, *Fiscal Year 2018 Stockpile Stewardship and Management Plan*, US Department of Energy/National Nuclear Security Administration, November 2017, Page vii)

⁶⁴⁷ The timing of Eisenhower's warning, at the end of his presidency, should be recognized. Andrew Bacevich has provided some context:

As for Eisenhower, although there is much in his presidency to admire, his errors of omission and commission were legion. During his two terms, from Guatemala to Iran, the CIA overthrew governments, plotted assassinations and embraced unsavory right-wing dictators - in effect, planting a series of IEDs [improvised explosive devices] destined eventually to blow up in the face of Ike's various successors. Meanwhile, binging on nuclear weapons, the Pentagon accumulated an arsenal far beyond what even Eisenhower as commander-in-chief considered prudent or necessary.

In addition, during his tenure in office, the military-industrial complex became a rapacious juggernaut, an entity unto itself as Ike himself belatedly acknowledged. By no means least of all, Eisenhower fecklessly committed the United States to an ill-fated project of nation building in a country that just about no American had heard of at the time: South Vietnam. Ike did give the nation eight years of relative peace and prosperity, but at a high price - most of the bills coming due long after he left office.

(Andrew Bacevich, [Ⓔ] [Tomgram: Andrew Bacevich, Pseudo-Election 2016](#), *TomDispatch*, August 4, 2016)

⁶⁴⁸ 'An independent audit of the Department of Defense' was suspended in November 2018 after auditors announced that they were unable to complete the job. A report on their findings has been summarized by Dave Lindorff of *The Nation* (amongst others) under the title 'Exclusive: The Pentagon's Massive Accounting Fraud Exposed: How US military spending keeps rising even as the Pentagon flunks its audit'. His conclusion:

...So here's the situation: We have a Pentagon budget that a former DOD internal-audit supervisor, Jack Armstrong, bluntly labels "garbage." We have a Congress unable to evaluate each new fiscal year's proposed Pentagon budget because it cannot know how much money was actually spent during prior years. And we have a Department of Defense that gives only lip service to fixing any of this. Why should it? The status quo has been generating ever-higher DoD budgets for decades, not to mention bigger profits for Boeing, Lockheed, and other military contractors.

The losers in this situation are everyone else. The Pentagon's accounting fraud diverts many billions of dollars that could be devoted to other national needs: health care, education, job

creation, climate action, infrastructure modernization, and more. Indeed, the Pentagon's accounting fraud amounts to theft on a grand scale—theft not only from America's taxpayers, but also from the nation's well-being and its future.

As President Dwight D. Eisenhower, who retired from the military as a five-star general after leading Allied forces to victory in World War II, said in a 1953 speech, "Every gun that is made, every warship launched, every rocket fired signifies, in the final sense, a theft from those who hunger and are not fed, those who are cold and are not clothed." What would Eisenhower say today about a Pentagon that deliberately misleads the people's representatives in Congress in order to grab more money for itself while hunger, want, climate breakdown, and other ills increasingly afflict the nation?

(Dave Lindorff, [Ⓔ] [Exclusive: The Pentagon's Massive Accounting Fraud Exposed: How US military spending keeps rising even as the Pentagon flunks its audit](#), *The Nation*, November 27, 2018)

⁶⁴⁹ Hillary [Ⓔ] [Clinton on Gaddafi](#):

We Came, We Saw, He Died.

The BBC, in a 25 May 2017 News item titled '[Ⓔ] [Why is Libya so lawless?](#)', provided a synopsis of Libya's post-Gaddafi experiences:

How bad is the situation in Libya?

Only Libya's myriad armed militias really wield power - and it is felt they often hold the politicians they supposedly back to ransom. During the uprising, anyone with a gun could command respect, and lots of armed groups emerged - up to 1,700, according to some estimates.

There are two rival parliaments and three governments - the latest government was formed in UN-brokered talks with the aim of replacing the other two. But this initiative is still on the rocks, partly because of concerns that the new government is being imposed by Western powers.

The oil-rich country once had one of the highest standards of living in Africa, with free healthcare and free education, but six years on from the uprising, it is facing a financial crisis.

This turmoil has allowed IS to gain a foothold in the country....

Some security analysts describe Libya as an arms bazaar. It is awash with weapons looted from Gaddafi's arsenal - making an ideal playground for jihadists fleeing air strikes in Syria and Iraq.

IS has been attacking Libyan oil facilities, has kidnapped several foreign oil workers and in 2015 was behind two high-profile attacks on Tunisia's tourism industry - carried out by gunmen trained in Libya.

Tunisia has built a partial security barrier and trench along its border with Libya aimed at preventing further atrocities....

Former US President Barack Obama, in an [Ⓔ] [interview published in April 2016](#), said that the "worst mistake" of his presidency was the failure to prepare for the aftermath of Col Gaddafi's overthrow.

He partly blamed then-UK Prime Minister David Cameron for "the mess", saying he had not done enough to support the North African nation whose instability was threatening its neighbours and was a factor in Europe's migrant crisis.

William Rivers Pitt said it well, though, of course, presumptuous bombing raids aimed at 'regime change' have not been confined to US Republican presidents:

The administrations and legacies of Richard Nixon, Ronald Reagan and George W. Bush combine to tell a long, sorry tale of corruption, greed, brazen lies, abused power and religious fundamentalism gone wild that, in whole and in part, put us where we are today. Remove any one of those men from... history, and Donald Trump would likely be just another late-night punchline you slept through, again. Nixon, Reagan and W. Bush made Donald Trump possible. (William Rivers Pitt, [Ⓔ] [The Terrible Trump Portrait That Explains Everything](#), *Truthout*, October 18, 2018)

650 {§} (01/10/18) Over the past fifty and more years, US soldiers have been eulogized as 'war heroes', nobly defending US 'freedom' and 'democracy'. As an [editorial in *The Economist*](#) put it, the majority of Americans

...see the world in terms of good and evil. They think America should be willing to use military power to defeat the forces of chaos.

To question this is to attack those who are 'defending America'. They are shielded from scrutiny of the reasons for their presence in diverse regions of the world and, equally, of the ways in which US wars and 'peace keeping' activities have been pursued, by claims that [those who do so are 'un-American'](#).

And, in the 21st century, [Ⓔ] [the Patriot Act](#) has given the government extensive new powers to spy, interrogate and detain. Attorney General John Ashcroft (2003) explained why patriotic Americans should neither question nor challenge its provisions:

To those who scare peace-loving people with phantoms of lost liberty, my message is this: Your tactics only aid terrorists.

As [William Astore explained](#), US troops have morphed into 'a post-democratic force that prides itself on its warrior ethos', to be praised, not scrutinized. 'War crimes' are committed by others. US troops, defend 'honor and duty' and lay down their lives for noble causes.

So, in a strangely twisted logic, those who die, sanctify all as 'heroes'. Both the purposes of war and the actions of the 'heroes', sanitized and sanctified by the loss of life.

Morality becomes defined as that which 'had to be done' to ensure victory. And [victory, itself, is defined as "attacking our enemies"](#). The U.S. military now loses only if it stops fighting. And those war heroes 'on the front line' only lose if and when they become demobilized 'veterans': the 'Once Were' forgotten ones of unending wars.

A statement on the charitable [Ⓔ] [headstrong](#) website, dedicated to providing US 'post-9/11 military veterans with free mental health care that works' summed it up:

For every soldier we have lost in combat, 25-30 take their own lives.

US Veteran Joe Quinn:

"Thank you for your service" comes from a good place, but it's meaningless if it's not followed up by serious interest in a veteran's life and story and, more important, followed up with actions for veterans' care.

I carry a deep-seated sense of shame and guilt that so many veterans have been killed or injured following 9/11. Many are dealing with trauma and the invisible wounds of war.

(Joe Quinn, [Ⓔ] [What Is the Point of War?](#), *New York Times*, October 1, 2018)

A [Ⓔ] [Wikipedia entry](#) has defined the concept of the Nietzschean Übermensch well:

Philosopher Friedrich Nietzsche's concept of an Übermensch ("Overman") was that of a New Man who would be a leader by example to humanity through an existentialist will to power that was vitalist and irrationalist in nature.... The Übermensch emerges as the new meaning of the Earth, a norm-repudiating individual who overcomes himself and is the master in control of his impulses and passions.

It's all about sociopathic hubris, self-belief and a presumption that morality and history are what Übermenschen decide to make them: that morality is whatever is expedient and, when employed by Übermenschen, 'might is right'.

⁶⁵¹ A recent [Ⓔ] [comment by Elizabeth Pula](#) on a *Project Syndicate* contribution entitled 'The Powerlessness of the Most Powerful', compared the regular use of teleprompter training-wheels by prominent US politicians, with President Vladimir Putin's ability to easily and competently deal with wide ranging issues in response to public questioning, as in his performance at [Ⓔ] [the Valdai Club](#): an example of 'reasonable, civil, global political leadership'. As she says,

There is no representative from the US that could present any on-task, focused and immediately responsive direct verbal messages for approximately 2 hours, without a... teleprompter and totally pre-scripted comments...

⁶⁵² Western democracies, often imperfectly, have always [assumed the principle of political control](#) of both administrative and military policy. While military leaders have 'on the ground' responsibility for strategy and troop movements (with political oversight), politicians have always assumed, as a sign on US President Harry Truman's desk read, that 'the buck stops here'. They make the policy decisions and they take responsibility for the decisions they make.

Jonathan Stevenson has explained the US division of responsibility between political and military authorities over the past century and the gradual erosion of lines of demarcation and responsibility over the past fifty years (what Arthur Nwankwo might have described as 'cimilicy'; the [Nigerianization of US civil/military responsibilities](#)):

...Generals aren't supposed to make policy, let alone get involved in politics.

In the mid-1950s, the political scientist Samuel P. Huntington observed that American military officers had evolved into a disciplined and largely apolitical group of professionals. He outlined a separation of roles: military obedience to civilian leaders in areas of strategic or political discretion, and civilian deference to the military on operational matters.

This was the norm until after Vietnam, when numerous scholars conducting post-mortems on the war — including, coincidentally, General McMaster in his book "Dereliction of Duty" — concluded that military commanders should have challenged civilian leaders more aggressively.

And over time, that's what happened. As the Pentagon gained a broader post-Sept. 11 mandate, branching into what were once considered law enforcement and diplomatic arenas, the line between the civilian and military division blurred. Combatant commanders' assertiveness peaked when a beleaguered President George W. Bush looked to Gen. David Petraeus to extricate the United States from the Iraq quagmire by way of the "surge" in 2007.

President Barack Obama reasserted civilian control when he fired Gen. Stanley McChrystal in 2010 and pulled the military out of Iraq in 2012.

Civilian control remains more or less intact, but the civilian leadership has changed. Unlike Mr. Obama, who took responsibility for his administration's military actions, Mr. Trump has publicly scapegoated the military for politically damaging episodes....

The generals have failed because for all their acumen, they're not suited to the job of the nation's strategic stewards. They're military men, not statesmen. ...[A]s Eliot Cohen noted in his book "Supreme Command." They lack the sound civilian leader's worldly acumen, and the good ones know it. (Obviously Mr. Cohen — one of Mr. Trump's most vehement Republican critics — did not have the current president in mind in positing the ideal civilian leader.)

(Jonathan Stevenson, ^{CE} [The Generals Can't Save Us From Trump](#), *New York Times*, SundayReview, Opinion July 28, 2017)

In 2017, that understanding of the separation of political and military powers has been seriously eroded. As Mark Landler and Michael Gordon have explained :

...[F]ormer commanders and military scholars said that in sending troops before having a strategy, Mr. Trump has put the cart before the horse, eroded the tradition of civilian control over the military, and abdicated the president's duty to announce and defend troop deployments.

"A commander in chief keeps control of limited wars by defining missions, selecting commanders and setting troop levels," said Karl W. Eikenberry, a retired lieutenant general who served as a top commander and the American ambassador in Afghanistan. "To delegate any of these is dangerous."

(Mark Landler and Michael R. Gordon, [Ⓔ] [As U.S. Adds Troops in Afghanistan, Trump's Strategy Remains Undefined](#), *New York Times*, June 18, 2017)

Rebecca Gordon has summed it all up:

During the second half of the 20th century, Congress repeatedly ceded its constitutional power to declare war to successive executive administrations. At the moment, however, we have in Donald Trump a president who appears to be bored with those purloined powers (and with the very idea of civilian control over the military). In fact, our feckless commander-in-chief seems to be handing over directly to that military all power to decide when and where this country sends its troops or launches its missiles from drones.

Now that our democratic connection to the wars fought in our name has receded yet one more step from our real lives and any civilian role in war (except praising and thanking "the warriors") is fading into the history books, isn't it about time to ask some questions about the very nature of reality and of those wars?

(Rebecca Gordon, [Ⓔ] [America at War Since 9/11](#): For many Americans, the meaning of war is closer to reality TV than it is to reality, *Moyers & Company*, 28 June, 2017)

⁶⁵³ John Mecklin, editor-in-chief of the *Bulletin of the Atomic Scientists*, commented on the final version of the *US Nuclear Posture Review* (2018):

The Trump administration has officially rolled out its new Nuclear Posture Review after weeks of commentary and analysis of a leaked version of the review. Much of this pre-release comment focused on the NPR's call for increased spending on the nuclear arsenal, including on programs that would create new kinds of small nuclear weapons, and on its suggestion that nuclear weapons might be used in response to attacks of a non-nuclear nature, including, specifically, cyber attacks against critical US infrastructure. Administration officials have portrayed the NPR as a required response to changed world security conditions, particularly Russia's supposed increased reliance on nuclear options in its military doctrine. Many experts outside government have criticized the new NPR as a return to Cold War thinking and budgeting that makes the United States less rather than more secure.

Over the next several weeks, the *Bulletin* will be publishing a package of expert commentary on the NPR. The commentaries will include analysis of the NPR document itself and informed speculation on how it might or might not be implemented, frustrated, or altered through congressional and executive branch processes in coming years. It is my hope that these commentaries will become a reference point for the policy makers and citizens who will deal with the real-world consequences of a document that proposes major changes in how the United States deals with its nuclear arsenal.

(John Mecklin, [Ⓔ] [The experts on the new Nuclear Posture Review](#), *Bulletin of the Atomic Scientists*, February 2, 2018)

654 Inevitably, the rhetoric of Russian threats to their 'wellbeing', 'stability', democratic values, infrastructure... will escalate in Western societies as the Cold War mentality matures.

There seems little point in documenting the escalating hysteria. The latest (26 March 2018) example of it all is succinctly summarized for us by the BBC:

It is said to be the largest collective expulsion of Russian intelligence officers in history.

More than 20 countries have aligned with the UK, expelling more than 100 diplomats.

Russia vowed to retaliate to the "provocative gesture".

Russia denies any role in the attack on Sergei Skripal and his daughter, Yulia, in Salisbury, southern England. The pair remain in a critical but stable condition in hospital.

(^{CE} [Spy poisoning: Russian diplomats expelled across US and Europe](#), BBC News, 26 March, 2018)

The entire fiasco eerily echoes the 2002 rhetoric used to justify the Iraq invasion and all that has followed. So, who is orchestrating it all? The 'spontaneous' expulsion of Russian diplomats would be comedic but for the possible consequences of such orchestrated hysteria. Are Western populations really so easily led?

One can only hope that Western peoples will have learned from their past and treat the claims of those promoting Cold War hysteria with the caution and skepticism they deserve.

655 {§} (21/05/17){§} (07/06/18) One of the most disturbing 21st century developments is the emergence of government sanctioned international extra-legal assassination of so-called 'terrorists' and their sympathizers, all-too-often through use of long-range armed drones in targeted killing around the world. President Obama might well become remembered in history as the first U.S. president to maintain an on-going 'kill-list' of suspected terrorists: state sanctioned murder of suspected 'enemies of the state' around the world.

A 2016 report on 'policies involving long-range armed drones' spelled out current practice by United States 'special forces' engaged in this extra-legal murder of 'enemy targets' around the world. The report, troublingly, does not question the morality or potentially disastrous long-term consequences of such activity, it merely argues for increasing clarity in strike policies. It concludes:

What is striking in the debates over questions related to international law and U.S. targeted killing policies is how U.S. government officials have left

1. ambiguities in their interpretations of international law covering drone strikes,
2. inconsistencies in their policy statements,
3. generality in U.S. export control policy with respect to the requirements and expectations for use by recipients, and
4. a willingness to allow international norms to arise from the practices of countries, including those of the United States.

(Lynn E. Davis, Michael J. McNerney, Michael D. Greenberg, ^{CE}
[Clarifying the Rules for Targeted Killing](#): An Analytical Framework for
Policies Involving Long-Range Armed Drones, RR-1610-OSF, 2016,
The RAND Corporation)

{§} (08/10/16){§} (30/12/16) Not only have [national borders and 'parochial' legislatures become seen as impediments](#) which can and should be overcome to ensure genuinely deregulated, internationalized free markets; they are now to be ignored in favor of 'targeted killing policies' by the 'special forces' of Western states and that military industrial complex which is increasingly setting policy for Western 'special forces' operations.

Be afraid, be very afraid. We are entering an amoral, sociopathic era (characterized by pervasive and persistent antisocial behavior, often criminal, and lacking a sense of moral responsibility or social conscience). Sooner or later, history tells us, what is seen as 'legitimate' beyond the perpetrators' own borders, becomes accepted as legitimate within those borders too⁷⁶⁸.

The world we Western peoples and nations are creating in the 21st century is a world of despair. Yes, there are bold and imaginative plans afoot for a new kind of globalization, a 'Globalization Mark II'; what President Xi Jinping of China dubbed, at Davos in January (2017), "inclusive globalization", but that is not a Western initiative. Pepe Escobar has summed it up well:

Let's cut to the chase. China's new 'Silk Road' initiative is the only large-scale, multilateral development project that the 21st century has seen so far.

There is no counter-offer from the West.

Which is why the two-day Belt and Road Forum for International Cooperation, starting this Sunday in Beijing, is being set up as a game-changer for the global economy. Here the initiative looks likely to switch to Mark II mode, accelerating into what President Xi Jinping dubbed, at Davos in January, "inclusive globalization."

The big ideas behind this grand Chinese plan, however, are still getting lost in translation. At first this trans-Asian trade expressway was billed as One Belt, One Road (OBOR), a literal translation from the Chinese yi dai yi lu. Now it's the Belt and Road Initiative (BRI), but that still does not really fly in the West, even when China has tried adding a piece of soft power spin, as in its attempts to sell the Belt and Road to English-speaking children...

(Pepe Escobar, ^{CE} [China widens its Silk Road to the world](#), *Asia Times*, May 13, 2017)

{§} (07/11/17) The globalization the West is now offering the world is that globalization described by Tom Engelhardt:

...[J]ust imagine the situation four or potentially even eight years from now after Donald Trump's generals, already in the saddle, do their damndest in the Greater Middle East and Africa. There's no reason to believe that, under their direction, the smashing of key regions of the planet won't continue. There's no reason to doubt that, in an expanding world of Mosuls - the Syrian "capital" of the Islamic State, Raqqa, is undoubtedly the next city in line for such

treatment - "victories" won't produce a planet of greater ethnic savagery, religious extremism, military destruction, and chaos.

This, in turn, ensures a further spread of terror groups and an even more staggering uprooting of peoples. (It's worth noting, for instance, that since the death of Osama bin Laden at the hands of U.S. Special Operations forces, al-Qaeda has grown, not shrunk, gaining yet more traction across the Greater Middle East.)

So far, America's permanent "war on terror" has helped produce a planet of fear, refugees on an almost unimaginable scale, and ever more terror. What else would you imagine could arise from the rubble of so many Mosuls?

If you don't think that this is an ever-more connected planet still being "flattened" (even if in quite a different way than expected), and that sooner or later the destruction of Mosul will reverberate in our world, too, then you don't get our world. It's obvious, for instance, that future Mosuls will only produce more refugees, and you already know where that's led, from Brexit to Donald Trump. Destroy enough Mosuls and, even in the heartland of the planet's sole superpower, the fears of those who already feel they've been left in a ditch will only rise (and be fed further by demagogues ready to use that global flow of refugees for their own purposes).

Given the transformations of recent years, just think what it will mean to uproot ever vaster populations, to set the homeless, the desperate, the angry, the hurt, and the vengeful - millions of adults and children whose lives have been devastated or destroyed - in motion. Imagine, for instance, what those pressures will mean when it comes to Europe and its future politics.

Think about what's to come on this small planet of ours - and that's without even mentioning the force that has yet to fully reveal itself in all its fragmenting and globalizing and leveling power. We now call it, mildly enough, "climate change" or "global warming."

Just wait until, in the decades to come, rising sea levels and extreme weather events put human beings in motion in startling ways (particularly given that the planet's sole superpower is now run by men in violent denial of the very existence of such a force or the human sources of its power).

You want a shrinking planet? You want terror? You want globalization? Think about that. And do you wonder why, these days, I have Mosul on my mind?

(Tom Engelhardt, ^{CE} [The Globalization of Misery](#), *TomDispatch.com*, May 14, 2017.)

Tom Engelhardt was right: it happened, Raqqa is in ruins and a coalition led by the United States is responsible for the devastation. *Amnesty International* has outlined what happened:

From amid the rubble of Raqqa, civilians are asking why US-led Coalition forces destroyed the city, killing hundreds of civilians in the process of "liberating" them from the armed group calling itself "Islamic State" (IS), Amnesty International said in a new report ahead of the offensive's anniversary.

Amnesty International researchers visited 42 Coalition air strike sites across the ruined city and interviewed 112 civilian residents who had survived the carnage and lost loved ones.

The accounts detailed in the report, [Ⓔ] *'War of annihilation': Devastating Toll on Civilians, Raqqa – Syria*, leave gaping holes in the Coalition's insistence that their forces did enough to minimize civilian harm. The report details four emblematic cases of civilian families who were brutally impacted by the relentless aerial bombardment. Between them, they lost 90 relatives and neighbours – 39 from a single family – almost all of them killed by Coalition air strikes.

They are part of a wider pattern and provide a strong prima facie case that many Coalition attacks that killed and injured civilians and destroyed homes and infrastructure violated international humanitarian law.

"When so many civilians are killed in attack after attack, something is clearly wrong, and to make this tragedy worse, so many months later the incidents have not been investigated. The victims deserve justice," said Donatella Rovera, Senior Crisis Response Adviser at Amnesty International.

(*Amnesty International*, [Ⓔ] *Syria: Raqqa in ruins and civilians devastated after US-led 'war of annihilation'*, 5 June 2018)

The chaos of the Middle East is, unarguably, a [Ⓔ] *legacy of US military intervention* in Iraq, Afghanistan, Libya, Yemen, Syria, Somalia, Sudan, and other regions. It is being perpetuated by an apparently uncensored flow of armaments from Western armaments factories to combatants in the region and it shows no sign of abating.

A CBS News report says it all: 'Trump signs \$110 billion arms deal with Saudi Arabia'.

It's not enough that Yemen is in ruins, that Iraqi, Libyan and Syrian cities have been demolished, that extremist groups throughout the region seem to have unhindered access to sophisticated US and other Western military systems, hardware and explosives.

Now, with [Ⓔ] *scant regard for any investigation of Saudi involvement* in it all, the armaments are set to flow even more freely into the Middle East. As the report explains, this is not a one-off deal, this is a commitment into the future to continue the supply of weaponry, a commitment to long-term Middle East chaos:

President Trump signed a multi-billion-dollar arms and economic deal with Saudi Arabia Saturday in a move intended to strengthen the U.S.-Saudi Arabian alliance against ISIS on the president's first foreign trip.

The agreement is worth \$110 billion effective immediately and \$350 billion over 10 years, in an effort to equip Saudi Arabia and Persian Gulf partners in the fight against ISIS. The agreement will provide fighter jets, tanks, combat ships and anti-missile defense systems and create defense-sector jobs in the U.S., according to the White House. The deal includes additional private-sector agreements and a joint vision statement with Saudi Arabia, one of the world's largest oil producers.

"That was a tremendous day," Mr. Trump told reporters.

"Tremendous investments in the United States."

(Kathryn Watson, [Ⓔ] [Trump signs \\$110 billion arms deal with Saudi Arabia](#), *CBS News*, May 20, 2017)

While all US presidents have taken responsibility for internationally representing US business interests, few have so blatantly advanced themselves as 'dealmakers' and munitions salesmen as Donald Trump. The Saudi Arabian weapons deal was merely the first of the 'tremendous investments in the United States' which the US President is intent on spruiking. Six months later, on a state visit to Japan,

President Trump said on Monday that Japan could protect itself from a nuclear-armed North Korea by buying billions of dollars of American military equipment, drawing an explicit link between trade and security as he began a complex, politically charged tour of Asia.

(Mark Landler and Julie Hirschfeld Davis, [Ⓔ] [Trump Tells Japan It Can Protect Itself by Buying U.S. Arms](#), *New York Times*, November. 6, 2017)

President Trump, elected US pitchman for Western armaments factories.

Undoubtedly, as the ensuing chaos comes home to the perpetrators of it all, powerful voices will insist on the need for a globalized authority to counter it. Henry Kissinger, displaying a sociopathic willingness to sacrifice others in pursuit of his goals, spelt out the process through which World Government might be achieved:

Today, America would be outraged if U.N. troops entered Los Angeles to restore order. Tomorrow they will be grateful! This is especially true if they were told that there were an outside threat from beyond, whether real or promulgated, that threatened our very existence. It is then that all peoples of the world will plead to deliver them from this evil. The one thing every man fears is the unknown. When presented with this scenario, individual rights will be willingly relinquished for the guarantee of their well-being granted to them by the World Government.

(Henry Kissinger, Bilderberger Conference, Evians, France, 1992)

Dominique Moisi (Dec. 27, 2016), in a *Project Syndicate* piece entitled [Ⓔ] [How Dr. Strangelove Learned to Love Trump](#), succinctly summed him up: "Kissinger is fascinated, if not obsessed, with power".

As Martin Niemöller warned long ago:

First they came for the Socialists, and I did not speak out - Because I was not a Socialist.

Then they came for the Trade Unionists, and I did not speak out - Because I was not a Trade Unionist.

Then they came for the Jews, and I did not speak out - Because I was not a Jew.

Then they came for me - and there was no one left to speak for me. (Pastor Martin Niemöller (1892-1984))

⁶⁵⁶ The 2016 US presidential contest between Hillary Clinton and Donald Trump has demonstrated the extent to which the importance of endorsement by 'military officials' has grown over the past fifty years. To ensure election to national office, US politicians, of both major party

persuasions, must demonstrate their unswerving support for a strong, well-financed military. Pamela Engel has summed it up well:

It might not be intentional, but there appears to be an arms race between the campaigns of Donald Trump and Hillary Clinton to see who can gather more endorsements from military officials.

This week, both campaigns have released several statements about endorsements from US generals and admirals.

The first, from Trump, the Republican presidential nominee, came on Tuesday. The title of the news release was, "88 RETIRED U.S. GENERALS AND ADMIRALS ENDORSE TRUMP." (The media was quick to point out that many names on the list weren't immediately recognisable.)

Trump's release was followed the next day by a release from the campaign of the Democratic nominee. The title of that release: "95 Retired Generals and Admirals Endorse Hillary Clinton."

"Clinton is getting the backing of more senior military service members and former officials with command and management experience than any non-incumbent Democrat," the release noted.

The Clinton campaign's statement also slammed Trump for not getting as many military endorsements as Mitt Romney, the Republican nominee for president in 2012.

"According to yesterday's media reports, Trump has received more than 400 fewer endorsements than Mitt Romney received - 88 to Romney's 500," the statement said.

Then, on Friday, the Clinton campaign rolled out more endorsements, with a news release titled, "Number of Generals and Admirals Backing Clinton Grows to 110 After Forum."

The statement, which tied the endorsements to a "commander-in-chief" forum with Trump and Clinton that aired on NBC on Wednesday, again noted Trump's lack of endorsements compared to Romney.

This was followed by a release from the Trump campaign hours later: "32 NEW MILITARY LEADERS ENDORSE DONALD J. TRUMP FOR PRESIDENT." This brought Trump's total number of military endorsements to 120.

"These names were added following Wednesday's Commander-In-Chief Forum, showing Mr. Trump has the respect and trust from a number of military leaders across all branches of service," the campaign said in its statement.

So for now, Trump is winning the arms race with 120 endorsements compared to Clinton's 110.

(Pamela Engel, ⁶⁵⁷ [Trump and Clinton are suddenly in an arms race for military endorsements](#), *Business Insider*, Sep 10, 2016)

⁶⁵⁷ As Priest and Arkin explain of The United States intelligence and surveillance organizations:

The top-secret world the government created in response to the terrorist attacks of Sept. 11, 2001, has become so large, so unwieldy and so secretive that no one knows how much money it

costs, how many people it employs, how many programs exist within it or exactly how many agencies do the same work.

These are some of the findings of a two-year investigation by The Washington Post that discovered what amounts to an alternative geography of the United States, a Top Secret America hidden from public view and lacking in thorough oversight. After nine years of unprecedented spending and growth, the result is that the system put in place to keep the United States safe is so massive that its effectiveness is impossible to determine.

The investigation's other findings include:

- ★ Some 1,271 government organizations and 1,931 private companies work on programs related to counterterrorism, homeland security and intelligence in about 10,000 locations across the United States.
- ★ An estimated 854,000 people, nearly 1.5 times as many people as live in Washington, D.C., hold top-secret security clearances.
- ★ In Washington and the surrounding area, 33 building complexes for top-secret intelligence work are under construction or have been built since September 2001. Together they occupy the equivalent of almost three Pentagons or 22 U.S. Capitol buildings - about 17 million square feet of space.
- ★ Many security and intelligence agencies do the same work, creating redundancy and waste. For example, 51 federal organizations and military commands, operating in 15 U.S. cities, track the flow of money to and from terrorist networks.
- ★ Analysts who make sense of documents and conversations obtained by foreign and domestic spying share their judgment by publishing 50,000 intelligence reports each year - a volume so large that many are routinely ignored.

(Dana Priest and William M. Arkin,^{CE} [A hidden world, growing beyond control, Top Secret America](#), *Washington Post*, July 19, 2010)

⁶⁵⁸ Tom Engelhardt, in an introduction to an essay titled 'How Not to Audit the Pentagon: Five Decades Later, the Military Waste Machine Is Running Full Speed Ahead' by William Hartung, has sketched some of the many problems with a US military-industrial complex which is out of control and unaudited:

Late last year, I spent some time digging into the Pentagon's "reconstruction" efforts in Iraq and Afghanistan, countries it invaded in 2001 and 2003 in tandem with a chosen crew of warrior corporations. As a story of fabled American can-do in distant lands, both proved genuinely dismal no-can-do tales, from roads built (that instantly started crumbling) to police academies constructed (that proved to be health hazards) to prisons begun (that were never finished) to schools constructed (that remained uncompleted) to small arms transfers (that were "lost" in transit) to armies built, trained, and equipped for stunning sums (that collapsed). It was as if nothing the Pentagon touched turned to anything but dross (including the never-ending wars it fought). All of it added up to

what I then labeled a massive "\$cam" with American taxpayer money lost in amounts that staggered the imagination.

All of that came rushing back as I read TomDispatch regular William Hartung's latest post on "waste" at the Pentagon. It didn't just happen in Kabul and Baghdad; it's been going on right here in the good old USA for, as Hartung recounts, the last five decades.

There's only one difference I can see: in Kabul, Baghdad, or any other capital in the Greater Middle East and Africa, if we saw far smaller versions of such "waste" indulged in by the elites of those countries, we would call it "corruption" without blinking. So here's my little suggestion, as you read Hartung: think about just how deeply what once would have been considered a Third World-style of corruption is buried in the very heart of our system and in the way of life of the military-industrial complex. By now, President Dwight Eisenhower must be tossing and turning in his grave.

(^{CE} Tomgram: William Hartung, *What a Waste, the U.S. Military*, *TomDispatch*, April 10, 2016)

⁶⁵⁹ See [The Economy as an independent environment](#) for more on this.

⁶⁶⁰ To some people, mention of Karl Marx condemns what is being said to the dustbin of ideas. We should, however, be careful not to throw baby out with the bath water! His insights into western European history and 19th century conditions were often very astute, even if his philosophical models were at times rather naive.

⁶⁶¹ Marx was, himself, both Jewish and a well enculturated Western European. He used the metaphor of circumcision to emphasize the inseparable bond and inter-changeability between money and commodities in Western European understanding.

The reference closely follows the apostle Paul's explanation to Christians in Rome in the 1st century AD:

a man is a Jew if he is one inwardly; and circumcision is circumcision of the heart, by the Spirit, not by the written code.
(*Letter to the Romans* Chapter 2 Verse 29)

⁶⁶² Smith spent some time in examining the complexities of another very important neo-classical economic concept which is coupled with utility, *scarcity*. His clearest statement of its effect on price was in considering its effect on the price of 'food, clothing and lodging'.

To understand his observations one needs to remember the tremendous drive toward land consolidation and privatization which occurred through the 18th century (see [A Deeply Religious Capitalist Revival](#) for more on this). Given the forces at work, it is not surprising that he considered the relationship between scarcity and price to be, at best, an ambiguous one:

Land in its original rude state can afford the materials of clothing and lodging to a much greater number of people than it can feed. In its improved state it can sometimes feed a greater number of people than it can supply with those materials; at least in the way in which they require them, and are willing to pay for them. In the one state, therefore, there is always a superabundance of those materials, which are frequently, upon that account, of little or no

value. In the other there is often a scarcity, which necessarily augments their value.

In the one state a great part of them is thrown away as useless, and the price of what is used is considered as equal only to the labor and expense of fitting it for use, and can, therefore, afford no rent to the landlord. In the other they are all made use of, and there is frequently a demand for more than can be had. Somebody is always willing to give more for every part of them than what is sufficient to pay the expense of bringing them to market.
(1776, Ch. 11 Pt 2)

⁶⁶³ John Locke, some eighty years earlier, had provided a preliminary explanation of the 'labor theory of value' which Smith would refine:

God gave the world to men in common; but since he gave it them for their benefit, and the greatest conveniencies of life they were capable to draw from it, it cannot be supposed he meant it should always remain common and uncultivated. He gave it to the use of the industrious and rational, (and labor was to be his title to it;) not to the fancy or covetousness of the quarrelsome and contentious.

He that had as good left for his improvement, as was already taken up, needed not complain, ought not to meddle with what was already improved by another's labor: if he did, it is plain he desired the benefit of another's pains, which he had no right to, and not the ground which God had given him in common with others to labor on, and whereof there was as good left, as that already possessed, and more than he knew what to do with, or his industry could reach to....

God commanded, and his wants forced him to labor. That was his property which could not be taken from him where-ever he had fixed it. And hence subduing or cultivating the earth, and having dominion, we see are joined together.

The one gave title to the other. So that God, by commanding to subdue, gave authority so far to appropriate: and the condition of human life, which requires labor and materials to work on, necessarily introduces private possessions.
(1690 Ch. 5 Sec. 34, 35)

⁶⁶⁴ See [Teaching Western Europeans to Work](#) for more on this.

⁶⁶⁵ For Smith, the key to prosperity was not consumption (as neo-classical economics would infer from the late 19th century through focus on 'consumer satisfaction') but the productive employment of labor.

So,

As soon as stock has accumulated in the hands of particular persons, some of them will naturally employ it in setting to work industrious people, whom they will supply with materials and subsistence, in order to make a profit by the sale of their work, or by what their labor adds to the value of the materials.

In exchanging the complete manufacture either for money, for labor, or for other goods, over and above what may be sufficient to pay the price of the materials, and the wages of the workmen,

something must be given for the profits of the undertaker of the work who hazards his stock in this adventure.

The value which the workmen add to the materials, therefore, resolves itself in this ease into two parts, of which the one pays their wages, the other the profits of their employer upon the whole stock of materials and wages which he advanced. He could have no interest to employ them, unless he expected from the sale of their work something more than what was sufficient to replace his stock to him; and he could have no interest to employ a great stock rather than a small one, unless his profits were to bear some proportion to the extent of his stock.

The profits of stock, it may perhaps be thought are only a different name for the wages of a particular sort of labor, the labor of inspection and direction. They are, however, altogether different, are regulated by quite different principles, and bear no proportion to the quantity, the hardship, or the ingenuity of this supposed labor of inspection and direction. They are regulated altogether by the value of the stock employed, and are greater or smaller in proportion to the extent of this stock.

(Smith 1776 Chapter 6)

While the productive use of labor drives 'profit', production, divorced from its purpose makes little sense:

It cannot be very difficult to determine who have been the contrivers of this whole mercantile system; not the consumers, we may believe, whose interest has been entirely neglected; but the producers, whose interest has been so carefully attended to; and among this latter class our merchants and manufacturers have been by far the principal architects. In the mercantile regulations, which have been taken notice of in this chapter, the interest of our manufacturers has been most peculiarly attended to; and the interest, not so much of the consumers, as that of some other sets of producers, has been sacrificed to it. (Smith 1776, Book 4, Chapter 8, Conclusion)

As Smith explained, in examining the weaknesses in mercantilism, production only makes sense when one sees it for what it is: the supply of consumables:

Consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to only so far as it may be necessary for promoting that of the consumer. The maxim is so perfectly self evident that it would be absurd to attempt to prove it. But in the mercantile system the interest of the consumer is almost constantly sacrificed to that of the producer; and it seems to consider production, and not consumption, as the ultimate end and object of all industry and commerce.

In the restraints upon the importation of all foreign commodities which can come into competition with those of our own growth or manufacture, the interest of the home consumer is evidently sacrificed to that of the producer. It is altogether for the benefit of the latter that the former is obliged to pay that enhancement of price which this monopoly almost always occasions.

It is altogether for the benefit of the producer that bounties are granted upon the exportation of some of his productions. The home consumer is obliged to pay, first, the tax which is necessary for paying the bounty, and secondly, the still greater tax which necessarily arises from the enhancement of the price of the commodity in the home market
(Smith 1776, Book 4, Chapter 8)

⁶⁶⁶ 'Higher standard of living', of course, being assumed to equate with greater ability to accumulate possessions and expand consumption. This same logic can be found in most capitalist political rhetoric in the 21st century.

⁶⁶⁷ The 'Labor Theory of Value', as Smith's definition of value came to be called, was successfully challenged and displaced by neo-classical economic theorists in the second half of the 19th century. However, presumptions which require a belief in the labor theory of value remain dominant in Western economic and political policy making and disputation in the 21st century.

Neo-classical economics, from the 2nd half of the 19th century, has addressed questions of the place and definition of value and commodity through focusing on the relative values of goods and services in the marketplace, assuming that price is determined by consumer demand rather than by labor input into production.

Following the neo-classical refinement of economics in the late 19th century, the concept of value became related to the *marginal utility* of an object to a user.

This term superficially appears to conflate use value and exchange value. All that utility is, for economics, is "consumer satisfaction". The basis for choice of one object over another is assumed to be what the consumer judges will give the greatest satisfaction at the time when it is obtained.

Since, for economics, value can be boiled down to this, it is possible to measure the relative price of any objects and give them relative numerical values. The cost of any acquisition is an *opportunity cost*. It is assumed that whenever an individual acquires an object something has to be foregone in order to acquire it, whether what is foregone is time, money, comfort or anything else.

This is often summed up in a common economists' saying, "there's no such thing as a free lunch". To obtain the "price" of any object, one measures the money value of what the individual has foregone in order to acquire it (which, of course, presumes a commoditized world). In order to understand this, one needs to clearly grasp the concept of 'marginal utility'.

The nature of 'marginal utility' 🐦

Since the concept of *marginal utility* is one which many people find difficult to grasp, some further explanation is probably necessary. To illustrate, we will give two items (those used by Smith in his example) imaginary use values for a consumer (see the table below).

Water			Diamonds		
Litres	Utility (\$ value)	Marginal Utility Value	Carats	Utility (\$ value)	Marginal Utility Value
1	1,000	1,000	1	100	100
2	1,100	100	2	190	90
3	1,110	10	3	270	80
4	1,111	1	4	340	70
5	1,112	1	5	400	60
6	1,113	1	6	460	60

Water, if one has none and needs it, is very important for its use value, so the first value will be high. The more water you acquire, the less important it becomes to get more of it, so the additional value of an extra unit (litre) of water will decline as the consumer obtains more water.

As you can see from the table above, I have assumed a rapid scaling down in the *marginal usefulness* of acquiring additional amounts of water once the consumer "has enough". In economics this is known as the *law of diminishing marginal utility*.

Although it is far more important to obtain water than diamonds if one has none, the marginal utility of diamonds does not fall (or diminish) as quickly as the marginal utility of water. Once the consumer has 3 litres of water, he or she will only pay a dollar for an additional litre. However, if he or she acquires 3 carats of diamonds, the consumer will still pay 70 dollars for an additional carat. That is, the marginal utility of diamonds is much greater than the marginal utility of water once the need for water has been satisfied.

Of course, I can already hear you saying that all this must be determined by *the reason why* diamonds have a greater appeal than water as items to be accumulated beyond their *immediate use value*. The reason, according to neo-classical economics, is to be found in the relative scarcity of the two commodities. Since water is plentiful, it is easy to obtain additional units of water, but far more difficult to obtain additional units of diamonds. So, according to neo-classical economics, the marginal utility of the two items reflects their *relative scarcity*.

To understand the marginal utility definition of value, one has to recognize that the consumer's decision to acquire more of an item is not an all-or-nothing one, it is a decision whether or not to buy an *additional unit* of an item.

So demand for an object in the market place is not determined by the *total utility* of the item (1,000 dollars for the first unit of water), but by the marginal utility, *given that one already has access to the items involved* (one does not pay 1,111 dollars for the 4th litre of water, one pays the difference between the utility of 3 litres and 4 litres (that is, 1 dollar)).

The value of the item is determined by what is gained or lost as a result of a purchase or sale. For instance, if I have 5 litres of water and sell 1 litre I have given away 1 dollar in value of the stock of water to me. If, on the other hand I had only one litre of water and had to part with that, my loss would be 1,000 dollars.

Economists call the part of utility that is gained or lost (in the decision to buy or sell one unit of an item) the *marginal utility* of the item to the consumer, or the value to the consumer given the amount of a product already held by him or her. So, marginal utility is defined as the 'increase in utility of consuming one more unit of a good or service' (the term "consuming" here covers both possession and consumption).

To understand how marginal utility determines "usual price" (Smith's "natural price" that he refers to in the quotation) in the marketplace one has to assume that the products being bought and sold have more or less reached their demand equilibrium (5 & 6 litres or carats in the table above). That is, they have been bought and sold over a period of time and the demand for them reflects their value to consumers in relation to all the other goods and services they want or need. Demand settles down and the item involved takes its long-term place in the value rankings of the consumer.

Although often not spelt out in economic explanations of marginal utility, the differences in the original or *total utility* of items and of their marginal utility to consumers are their relative use and exchange values. Water has great use value, but limited exchange value; diamonds have limited use value but great exchange value.

Water is given a far higher total utility value than diamonds because you die if you do not have water, on the other hand, the use value of diamonds is far lower. So, total utility reflects the importance of the use values of commodities.

However, once the need for the item has been satisfied, acquisition of additional amounts of an item depends not on the use value, but on the exchange value of the item (which neo-classical economics assumes is determined by relative scarcity).

Underpinning marginal utility explanations of value is, in fact, Smith's description of use values and exchange values. While focusing on the marginal utility of an item to a person *appears* to make considerations of use value and exchange value unimportant, this is an illusion.

Although the reasoning behind the concept of marginal utility is elegant, it is built on a number of usually unrecognized presumptions.

Human beings are assumed to be naturally *competitively acquisitive* and naturally *conservative* (that is, they try to acquire what other people have; and they try to hold on to what they have acquired). The concept can, therefore, only be applied to communities in which people behave in these ways.

It conflates a range of very different reasons why people might need or want goods and services and assumes that investigation of these non-exchange values is outside the scope or interest of economics. It assumes that people *rank* their disparate needs and wants, and acquire items in terms of that ranking. That is, people are *rational*, and their rationality conforms with economic presumptions of what drives human behavior.

While superficially it might seem an elegant resolution of a difficult problem, the issue of *scarcity* is not as clear-cut as marginal utility definitions might suggest. We all know that the scarcity of diamonds is contrived. World diamond markets deliberately release small quantities of diamonds so that the price will remain high. That is, scarcity is very often not a "natural" condition, it is a condition which is contrived and manipulated to ensure that the value of particular commodities remains high or low as determined by the community. Communities manipulate prices.

The price of objects in the market place is much more a consequence of the *perceived importance* and value of goods and services in the community than it is of their relative scarcity.

In other words, rather than price being determined by marginal utility, marginal utility is manipulated by the community to control the relative values of commodities (which are valued for both their intrinsic use values and for their usefulness in attaining, maintaining and assessing status and prestige). Relative "prices" are set and adjusted to the requirements of the community's social definitional system.

Rather than exchange values being determined by scarcity, they are much more likely to be determined by the perceived usefulness of accumulating and consuming particular goods and services in enhancing and maintaining status, prestige and self-image.

Since scarcity is *one of the means* by which value is determined in Western communities, it must be manipulated to ensure that the values of goods and services reflect their social definitional importance (we deal with this further in the section: [The nature of value](#)).

⁶⁶⁸ Although economics does not argue the case for the labor theory of value any longer, neo-classical economic argument still promotes both positions. If people in a community do not commit themselves to sustained hard work, the community will suffer; and, if those who create wealth (the 'owners' of productive enterprises) are not allowed to keep their wealth, the economy will grind to a halt.

Of course, as events in this 1st decade of the 21st century have shown, wealth, in a global capitalist economy, is most effectively created by financial manipulation not labor exploitation. It would be difficult to show any valid connection between wages and wealth creation in the financial activities of major capitalist wealth creators.

While these beliefs are not required by current theories of the nature of economic value, the understandings which sprang from them remain part of the ideological baggage of capitalism.

⁶⁶⁹ As has been described elsewhere (see [The Poor are Lazy](#)), this 'problem' has driven social policy through much of the 17th to 21st centuries in Western communities. It seemed imperative to those who had gained power that everybody be put to work.

This was not simply because it was believed that societies became wealthy through hard work. It was, far more importantly, because of an explicit or implied belief in the possibility of establishing a utopia on earth, of, as Oliver Cromwell (see Trevor-Roper 1972 pp.281ff) believed, reforming society and vanquishing the forces which were delaying the return of Christ and the establishment of his millenarian kingdom.

The millenarian kingdom would be a perfect society based on the understandings which middle class British people were convinced were expressed in the *laws of nature* established by God for the perfection of life on earth, which Western Europeans were in the process of uncovering (see [From the Subversion of Tradition to Plotting the Future](#)).

⁶⁷⁰ See [Reciprocity and Exchange](#) for more on this.

⁶⁷¹ A few years ago, an elderly lady who had been a neighbour of mine in a village on an island in Kiribati came to stay with me for a short while. She had been a close friend of my wife's. When she was leaving, she came to me and asked whether she could take a container she had found in a kitchen cupboard. It was a disused ice-cream container.

I, of course, said she could have it, but, went on to explain that I would rather take her to a large department store (she had never before encountered stores of the size which is common in Western towns) and obtain a set of containers she could take with her as she returned home.

Her response was that this was not what she wanted. As she explained: 'When I take this out I can say to people around me "This is Bill's container"'.

I had automatically focused on the exchange value of the container. She had, just as automatically, focused on the container as an expression of a relationship between her and myself.

⁶⁷² This is a major reason why production is open-ended in Western communities. Since I am competing with others who also wish to get the cash from your pocket, I devise 'newer', 'better' (it's all about perception!) products which I attempt to persuade you should displace any products you have already acquired. Over time this results, inevitably, in communities of people who 'throw-away' 'outdated' objects in favor of more recently promoted alternatives.

⁶⁷³ Why else would most people buy a new car? The act of driving it off the dealer's site substantially lowers its investment value. The genuine use value of a new car as against one which is a few years old is surely negligible.

⁶⁷⁴ For more on the nature of public and private credit, see [The Nature and Importance of Public and Private Credit: Only Believe....](#)

⁶⁷⁵ Keynes discussed *The Essential Properties of Interest and Money* in [Ⓔ] [Keynes \(1936\), *General Theory of Employment, Interest, and Money*, Chapter 17](#). Despite the strange charge often leveled at this discussion by those who should know better, this is *not* a 'socialist' explanation!

For a discussion of the nature of money from a Modern Money Theory (MMT) perspective, see:

L. Randall Wray, 2012, *Modern Money Theory: A Primer on Macroeconomics for Sovereign Monetary Systems* (Palgrave MacMillan, New York), Chapter 8 (pp. 261-81): [Ⓔ] [What is Money? Conclusions on the Nature of Money](#);

Joe Guinan, [Ⓔ] [Modern money and the escape from austerity](#) (*Renewal*, Vol 22 No 3/4 2014).

Bill Mitchell (2011) has expanded on the nature of money in modern monetary theory:

The most important misperception is that MMT is in some way outlining an ideal or a new regime that could be introduced. The reality is that MMT just describes the system that most countries in the world live under and have lived under since 1971, when the US president at the time, Richard Nixon, suspended the convertibility of the US dollar into gold. At that point, the system of fixed exchange rates-in which all countries agreed to fix their currencies against the US dollar, which was in turn benchmarked in price against gold-was abandoned. So since that day, most of us have been living in what we call a fiat currency system

In a fiat currency system, the currency has legitimacy because of legislative fiat: the government tells us that's the currency and then legislates it as such. The currency has no intrinsic value. What gives it value, what motivates us to use the currency that the government suggests, is the fact that all tax obligations are denominated in and have to be extinguished with that currency. We have no choice. If you live in America, for example, you have to pay American taxes to the IRS with American dollars. So demand for the currency, otherwise worthless bits of paper, is driven by the fact that all tax obligations have to be extinguished with that currency.

Once you consider that, then you immediately realize that the national government is the monopoly issuer of that currency. That means that the national government in such a system can never be short of that currency; it can never run out of money. It doesn't need you or I to lend it money or you and I to pay taxes to get more money. It can never run out of money. That's the first basic insight of MMT: governments are not constrained in their spending by a need to raise revenue.

If you extend that logic a little further, you might ask, "Well, don't we pay taxes and buy bonds so that the government can spend?" Well, you first have to ask yourself the question, "Where do you get the money to pay taxes and buy bonds?" And the answer is that we can't get our hands on the currency until the national government spends it. Spending is the prior act in a fiat monetary system; taxing and borrowing are following acts. In effect, the government is only taxing what it has already spent, and it's only borrowing back money that it has already spent. Once you start pursuing this logic, you realize that most of the propositions that are occupying the current debate around the world are based upon false premises.

Another basic premise of MMT is that we now live in a world of floating exchange rates, so all of the imbalances in the foreign exchange market are resolved by the price of the currency fluctuating. What that means is that domestic policy instruments-the central bank and fiscal policy-are free to target domestic policy goals knowing that the exchange rate will resolve the currency imbalances arising from trade deficits, trade surpluses, et cetera.

(Winston Gee, ^{CE} [Debt, Deficits, and Modern Monetary Theory](#), Harvard International Review, October 16, 2011)

⁶⁷⁶ See [The nature of 'Work'](#) for more on this.

⁶⁷⁷ For this reason it needs to be recognized that those who legitimately accumulate money in a society are not necessarily those directly involved

in 'economic' activity. After all, if one thinks about it, those most successful in accumulating money in Western communities are seldom those who are directly involved in productive activity. The 'financiers', who accumulate vast sums, might be considered facilitators but they are seldom truly creative individuals.

Similarly, while Western people often express strong disapproval of the accumulation of 'wealth' amongst 'politicians' in other communities, they also can be seen as 'facilitators', often very similar in their activity to the financiers of the West - the same book can have very different covers!

⁶⁷⁸ How status and prestige is assessed varies between communities. In Western communities it is primarily assessed through legitimately acquired material wealth, summed up in 'money worth'. If one sees a 'wealthy' person but has no idea where the wealth came from, it seems perfectly reasonable to ask, "How did he get his wealth?". We feel the need to know that it has been legitimately acquired.

One of the important reasons why inflation is often unsettling in Western communities is that it can appear to dilute the status and prestige distinctions, based on variations in 'wealth', which people recognize. It is also one of the reasons why so many people are strongly opposed to 'social welfare' which might 'elevate' the 'undeserving' and give them an illusion of status which they have not 'earned'.

In other communities very different forms of status and prestige assessment are employed. Michael Young (1971), in a book entitled *Fighting with Food: Leadership, Values and Social Control in a Massim Society*, gave a description of the kinds of ritual and other observances required of 'successful' individuals in a Massim community on Goodenough Island, Papua New Guinea. Status and prestige were directly linked to successful yam growing. But the value of their gardening activities depended not only on the result - large yams - but on the means by which the large yams were obtained.

Once, while living on a central Pacific island in the Kiribati group, I was socializing with a group of villagers around a fire in an evening. They were telling amusing stories of the past. One of the stories told, which was received with uproarious laughter by those present, was of a Chinese trader who had lived on the island some thirty to forty years earlier. In line with practices on the island, he had decided that he would demonstrate that he was worthy of respect by growing very large 'babai' (pit grown yams). He set about doing this by fertilising them with pig faeces.

The question was, how could he possibly have thought that babai grown using pig faeces would be acceptable? He not only gained no respect, he became a long-standing joke, someone who thought that the result was all that mattered. Everyone knew that the result required particular forms of activity and behavior.

⁶⁷⁹ see [Open-ended and Closed Utilization of the Material Environment](#) for more on this.

⁶⁸⁰ This is why Western people can so easily discard 'old', 'unfashionable' 'out-dated' items. They are no longer perceived as containing significant 'exchange value'. In fact, by retaining them, one is saying something about one's ability to accumulate 'valuable' possessions. It becomes

necessary to discard them or feel that one is losing both self-respect and the approval of others.

The rampant growth in investment banking and consequent generation of money wealth with little or no connection to the production of commodities has been possible because the accumulation of money is no longer tied to 'habits of industry'. Now, the [accumulation of money](#) is simply assumed to demonstrate one's social responsibility.

⁶⁸¹ While it has been postulated that the industrialized world can achieve significant dematerialization through improvements in technology, Christopher Magee and Tessaleno Devezas, in a study entitled [A simple extension of dematerialization theory: Incorporation of technical progress and the rebound effect](#), show that this is unlikely to occur. As a *EurekAlert* summary explains:

Are humans taking more resources from the Earth than the planet can safely produce? The answer lies partly in whether we can "dematerialize," or reduce the amount of materials needed to produce goods and services.

While some scientists believe that the world can achieve significant dematerialization through improvements in technology, a new MIT-led study finds that technological advances alone will not bring about dematerialization and, ultimately, a sustainable world.

The researchers found that no matter how much more efficient and compact a product is made, consumers will only demand more of that product and in the long run increase the total amount of materials used in making that product.

Take, for instance, one of the world's fastest-improving technologies: silicon-based semiconductors. Over the last few decades, technological improvements in the efficiency of semiconductors have greatly reduced the amount of material needed to make a single transistor. As a result, today's smartphones, tablets, and computers are far more powerful and compact than computers built in the 1970s.

Nonetheless, the researchers find that consumers' demand for silicon has outpaced the rate of its technological change, and that the world's consumption of silicon has grown by 345 percent over the last four decades. As others have found, by 2005, there were more transistors used than printed text characters.

"Despite how fast technology is racing, there's actually more silicon used today, because we now just put more stuff on, like movies, and photos, and things we couldn't even think of 20 years ago," says Christopher Magee, a professor of the practice of engineering systems in MIT's Institute for Data, Systems, and Society.

"So we're still using a little more material all the time."

The researchers found similar trends in 56 other materials, goods, and services, from basic resources such as aluminum and formaldehyde to hardware and energy technologies such as hard disk drives, transistors, wind energy, and photovoltaics. In all cases, they found no evidence of dematerialization, or an overall reduction in their use, despite technological improvements to their performance.

"There is a techno-optimist's position that says technological change will fix the environment," Magee observes. "This says, probably not."

(*EurekaAlert*, [Ⓔ] [Study: Technological progress alone won't stem resource use](#): Researchers find no evidence of an overall reduction in the world's consumption of materials, Massachusetts Institute of Technology, Public Release: 19-Jan-2017)

⁶⁸² see [Status and Possessions](#) for more on this.

⁶⁸³ In modern law, the practice of charging an illegal rate of interest for the loan of money. In Old English law, the taking of any compensation whatsoever was termed usury. With the expansion of trade in the 13th century, however, the demand for credit increased, necessitating a modification in the definition of the term. Usury then was applied to exorbitant or unconscionable interest rates.

In 1545 England fixed a legal maximum interest; any amount in excess of the maximum was usury. The practice of setting a legal maximum on interest rates later was followed by most states of the United States and most other Western nations.

In some Muslim countries the charging of interest is still forbidden, at least in theory.

The Qur·'an, the Muslim holy book, prohibits the charging of interest, although various methods have been devised in order to circumvent the prohibition. For instance, a higher price may be charged for goods when payment is deferred than is charged if payment is made in advance or upon delivery.

("usury." *Encyclopædia Britannica*. 2010. Encyclopædia Britannica Online. 03 Sep. 2010 [Ⓔ]
<http://www.britannica.com/EBchecked/topic/620474/usury>)

⁶⁸⁴ Gerald Epstein and Juan Montecino have explored the consequences of deregulation of financial services in the US since the 1970s. As they say,

A healthy financial system is one that channels finance to productive investment, helps families save for and finance big expenses such as higher education and retirement, provides products such as insurance to help reduce risk, creates sufficient amounts of useful liquidity, runs an efficient payments mechanism, and generates financial innovations to do all these useful things more cheaply and effectively. All of these functions are crucial to a stable and productive market economy. But after decades of deregulation, the current U.S. financial system has evolved into a highly speculative system that has failed rather spectacularly at performing these critical tasks.

What has this flawed financial system cost the U.S. economy? How much have American families, taxpayers, and businesses been "overcharged" as a result of these questionable financial activities? In this report, we estimate these costs by analyzing three components: (1) rents, or excess profits; (2) misallocation costs, or the price of diverting resources away from non-financial activities; and (3) crisis costs, meaning the cost of the 2008 financial crisis. Adding these together, we estimate that the financial system will impose an excess cost of as much as \$22 .7 trillion between 1990

and 2023, making finance in its current form a net drag on the American economy...

To better understand the mechanisms and financial practices that have led to these excess costs, we describe in detail some of the ways in which banks and other financial institutions have overcharged for their services. We show how the asset management industry charges excessive fees and delivers mediocre returns for households trying to save for retirement; how private equity firms grab excessive levels of payments from pension funds and other investors while often worsening wages and employment opportunities for workers in the companies they buy; how hedge funds underperform; and how predatory lenders exploit some of the most vulnerable people in our society. From this bottom-up perspective, we can see more clearly how the levels of overcharging we identified at the macro level actually come about in practice.

(Gerald Epstein, Juan Antonio Montecino, [Ⓔ] [Overcharged: The High Cost of High Finance](#), *Roosevelt Institute*, July 12, 2016)

⁶⁸⁵ Economics is, of course, all about involvement in commoditized activity. It is the 'instruction manual' for the accumulation/ expenditure of exchange value and consequent accrual of status/ prestige and enhanced self-image.

It provides the rationale and tools for the quantification of the social definitional value of individual accumulations of commodities and the similar quantification of the social definitional value which accrues from the consumption of commodities.

That is, economics is a fundamental feature of, and inextricably bound into, the Western system of status and prestige accrual and maintenance.

The intricacy of economics in Western communities is matched by the intricacy of explanations of and directions for involvement in such status and prestige systems as the Potlatch and the Kula Ring. Systems of status and prestige exist both to facilitate the achievement of status and prestige and to provide means for assessing attained status.

It is inaccurate to claim that in Western communities people *achieve* status, while in other communities status is *ascribed*. Status is both ascribed and achieved in *all* communities. What differs is not the achievement of status but *the means by which it is achieved*.

⁶⁸⁶ See [History of the Emergence of Capitalism](#) for more on this.

⁶⁸⁷ See [Primary and Secondary Ideology](#) for more on this.

⁶⁸⁸ Western people, in social interaction, tend to focus on the objects of an interaction rather than on the participants. The historical movement which produced the current Western understanding of social interaction has already been described:

Previously hierarchical obligations and responsibilities were transformed into 'terms of rent' and attached to the property rather than to the people involved. A social relation between individuals had assumed 'in their eyes, the fantastic form of a relation between things'.

The focus of Europeans was being fixed on the *legal obligations* and *quantifiable costs* of social interaction, attached to or incorporated into the *object* of any exchange, rather than the persons involved in the interaction.

(See [From personalized, cooperative hierarchical relationships to object-oriented, competitive oppositional relationships](#) for more on this.)

⁶⁸⁹ See [From Interdependence to Independence](#) for more on this.

⁶⁹⁰ Henry Giroux has provided a clear explanation of the impact of neoliberalism on the focusses and nature of higher education since the 1950s:

Conservatives have a long history of viewing higher education as a cradle of left-wing thought and radicalism. As early as the 1920s, conservatives were waging an ideological war against liberal education and the intellectuals who viewed higher education as a site of critical dialogue and a public sphere engaged in both the pursuit of truth and in developing a space where students learned to read both the word and world critically. Conservatives were horrified by the growing popularity of critical views of education and modes of pedagogy that connected what students were taught to both their own development as critical agents and to the need to address important social problems. During the McCarthy era, criticism of the university and its dissenting intellectuals cast a dark cloud over the exercise of academic freedom, and many academics were either fired or harassed out of their jobs because of their political activities outside the classroom or their alleged communist fervor or left-wing affiliations.

In 1953, the Intercollegiate Studies Institute (ISI) was founded by Frank Chodorov in order to assert right-wing influence and control over universities. ISI was but a precursor to the present era of politicized and paranoid academic assaults. In fact, William F. Buckley, who catapulted to fame among conservatives in the early 1950s with the publication of *God and Man at Yale*, in which he railed against secularism at Yale University and called for the firing of socialist professors, was named as the first president of ISI. The former president of ISI, T. Kenneth Cribb Jr., delivered the following speech to the Heritage Foundation in 1989, a speech that perfectly captures the elitist and ruling-class ideological spirit and project behind ISI's view of higher education:

We must ... provide resources and guidance to an elite which can take up anew the task of enculturation. Through its journals, lectures, seminars, books and fellowships, this is what ISI has done successfully for 36 years. The coming of age of such elites has provided the current leadership of the conservative revival. But we should add a major new component to our strategy: the conservative movement is now mature enough to sustain a counteroffensive on that last Leftist redoubt, the college campus.... We are now strong enough to establish a contemporary presence for conservatism on campus, and contest the Left on its own turf. We plan to do this greatly by expanding the ISI field effort, its network of campus-based programming.

[T. Kenneth Cribb, ^{CE} [Conservatism and the American Academy](#):

ISI was an early effort on the part of conservatives to "'take back' the universities from scholars and academic programs regarded either as too hostile to free markets or too critical of the values and history of Western civilization." (10) As part of an effort to influence future generations to adopt a conservative ideology and leadership roles in "battling the radicals and PC types on campus," the Institute was just one of many right-wing foundations and institutes to have emerged since the 1980s, in particular, to provide numerous scholarships, summer programs and fellowships.

(Henry A. Giroux, ^{CE} [Higher Education and the Promise of Insurgent Public Memory](#), *Truthout* | News Analysis, Tuesday, 03 March 2015)

- ⁶⁹¹ See Milan Zafirovski (1998) for a discussion of the nature of this connection.
- ⁶⁹² Marxism was extremely influential through most of the 20th century and still has a strong following. The Web site <http://www.marxists.org/> provides a comprehensive coverage of Marxist writings. For a clear summary of Marx's ideas see Fischer E. and Marek F. 1973, *Marx in His Own Words* (Translator: Anna Bostock) Penguin Books, Harmondsworth
- ⁶⁹³ The social philosophers of Western Europe, from the late 15th century onwards, had engaged in a search for Utopia, a real and yet an ideal future toward which the present should be molded. Marx had his own particular variant of a 'golden age' toward which humanity was evolving. See [Toward the Millennium](#) for more on this.
- ⁶⁹⁴ See [Redistributive System](#) for more on this.
- ⁶⁹⁵ For discussion of the notion of spheres of exchange, see Guyer Jane I. 1995, Wealth in People, Wealth in Things-Introduction, *The Journal of African History* January, Vol. 36 No. 1 p. 83;
Pannell Sandra 1993, 'Circulating Commodities': Reflections on the Movement and Meaning of Shells and Stories in North Australia and Eastern Indonesia, *Oceania*, September Vol. 64 No. 1 p. 57
- ⁶⁹⁶ See [The Nature of categorization](#) for more on this.
- ⁶⁹⁷ **formal system.** (2010). In *Encyclopædia Britannica*. Retrieved August 04, 2010, from Encyclopædia Britannica Online:
<http://www.britannica.com/EBchecked/topic/213751/formal-system>
- ⁶⁹⁸ This is, of course, not the only such set of relationship possibilities. Firstly, the illustration only deals with horizontal relationships, that is, relationships perceived as existing between individuals who see themselves as more or less socially 'equal'. Other possibilities might include continua of complementarity, displacement, containment, and accompaniment.
- Additionally, there are the sets of relationships which occur within other spheres of social life.
- The reductionist enterprise undertaken in social exchange theory strips away and treats as irrelevant all such multi-dimensional aspects of human relationships.

699 We need to remember Levi-Strauss' cautionary explanation of these sorts of models:

[C]onscious models... are by definition very poor ones since they are not intended to explain the phenomena but to perpetuate them. (Levi-Strauss 1963, p. 282).

When corporations and those who are beholden to them insist on the maintenance and strengthening of models which require the deregulation of communal safeguards, one should recall that important economists' warning: "There's no such thing as a free lunch"!

As Samuels and Shaffer put it:

Rather than creating costs, both regulation and deregulation shift them... Regulation and deregulation each consists of lower costs for one party and higher costs for the other. (Samuels & Shaffer 1982, p. 467)

The 'rules and regulations' in any community are expressions of their basic cognitive and structural interactional principles: to deny and attack them in the interests of 'greater freedom' for 'individuals' is to threaten the viability of the communities which require them.

700{§} (11/10/16) Bill Black has a perspective on the nature of this prize in economics. As Black observes:

... The prize in economics in honor of Alfred Nobel is unique. It is not part of the formal Nobel Prize system. It was created by a large Swedish bank and it is the only "science" prize frequently given to those who proved incorrect. The theme of my series is how poorly the work has stood the test of predictive accuracy. Worse, it has led to policies in the private and public sector that are criminogenic and explain our recurrent, intensifying financial crises.

I want to stress that the reason that the work has proven so faulty is not that the Nobel Laureates in economics are incompetent or evil. Indeed, that is part of my theme. Economics is not a hard science and its pretensions that it is have helped make even brilliant economists vulnerable to grievous error, particularly those who were most dogmatic about their hostility to even democratic governments. A recurrent defect that will emerge is the failure of economics to take ethics seriously.

(William K. Black, (Benzinga Contributor), ^{CE} [Roger Myerson's Paean to Plutocracy](#), June 05, 2013.)

Bill Black is too generous in accepting the good faith of those involved in both establishing the prize and in the later selection of its recipients.

Yves Smith has provided a little more context, and raised the issue of its ideological focus. As she says,

...[A]n influential Swedish economist, Assar Lindbeck, over time became more neoclassical in his policy stance, and in parallel, had major influence over the way the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel [was] awarded. In other words, this is yet another case example of how a strategically placed individual did considerable harm.

... [W]hen the facts are laid out, Lindbeck's conduct certainly seems to meet the "if it walks like a duck and quacks like a duck"

standard.

I would go further than this - Lindbeck provided the neoliberal lens which has focused this prize through succeeding decades.

The deliberately disguised nature of the prize, ensuring that most people would fail to distinguish it from Nobel prize awards in other fields, meant that its [neoliberally oriented recipients](#) (whether of Galbraith's Tweedledum or Tweedledee persuasion) would become accepted as the leading authorities in the field of economics.

...[T]he halo conferred by the prize can - and often has - lend credibility to policies that harm the public interest, for example by driving inequality and making financial crises more likely.

(Avner Offer, [Nobel Economics Versus Social Democracy](#), *Project Syndicate*, October 10, 2016)

As [Avner Offer](#) has explained:

Lindbeck's doctrines tallied with those of the IMF, the World Bank, and the U.S. Treasury, which motivated the Washington Consensus. Privatisation, deregulation, and free capital movement enriched business and finance, led to acute crises and reduced welfare in client economies. Economists did not anticipate that these policies would also instigate a 'corruption eruption'. Corruption then spilled over to the developed countries, and is now pervasive. This corruption is the unintended consequence of rational choice me-first premises, and has done a lot to harm the common good and to foster mistrust in governing elites. Swedish political scientist Bo Rothstein has petitioned the Swedish Academy (of which he is a member) to suspend the prize until the effect of economics on corruption is investigated.

([The Nobel Prize in Economics: How It Took a Hard Neoliberal Turn, Naked Capitalism](#), Posted on September 27, 2016 by Yves Smith)

⁷⁰¹ Such pressures have not lessened in the post-Cold War years. The following is a brief excerpt from a much longer and more detailed commitment by all the nations of the world to 'human rights' and 'social development' on the occasion of the 50th anniversary of the United Nations ([UN 1995](#)):

We heads of State and Government are committed to a political, economic, ethical and spiritual vision for social development that is based on human dignity, human rights, equality, respect, peace, democracy, mutual responsibility and co-operation, and full respect for the various religious and ethical values and cultural backgrounds of people. Accordingly, we will give the highest priority in national, regional and international policies and actions to the promotion of social progress, justice and the betterment of the human condition, based on full participation by all.

The resolutions of the World Summit for Social Development list, in detail, the concerns of First World governments during the 1990s, transferred onto the rest of the world as the concerns of all nations.

⁷⁰² It was the practice of indentured labor which created the large Indo-Fijian population of the present and has resulted in ongoing tension

between indigenous Fijian and Indian populations. See Lal (1983) for a discussion.

⁷⁰³ The Boer War (1899-1902) had just started and a great deal of British propaganda of the time was painting the Boers as barely civilized abusers of native populations.

⁷⁰⁴ One might be forgiven for comparing Rhodes' acquisition of the Maxim gun, deployed with devastating effect in establishing and consolidating power in Northern and Southern Rhodesia (backed by the British); and Israel's stockpiling of nuclear weapons and vociferous denunciation of other states in the region with (all-too-often imagined) 'nuclear ambitions', together with its active involvement in destabilizing Middle Eastern nations considered possible threats to its future security (backed by US 'Special Forces' operations through the region).

⁷⁰⁵ See ^{CE} [Clayton AntiTrust Act](#) for the text of the Act

⁷⁰⁶ Of course, the 1970s, even without the effects of the oil price explosion, would have been a decade of economic difficulty and 'stagflation'. This was the decade in which the West confronted its wine lake, butter and cheese mountains and various other over-supply problems associated with supply glut (which is a feature of unregulated or poorly regulated capitalist activity). Very often, analyses of the consequences of the OPEC increases fail adequately to distinguish between the OPEC and various non-OPEC distortions confronting the decade.

See ^{CE} [World Bank Concerns and Policies during the 1973-74 OPEC Oil Embargo](#) for a discussion of,

the causes and implications of the dramatic rise in prices that were occurring (from 88¢ per barrel in 1970 to \$3.11 per barrel at the beginning of October 1973).

(<http://go.worldbank.org/M0EECN0PV0>)

⁷⁰⁷ {§} (21/08/17) My comments apply also to those MMTers who seem to hold a subliminal presumption of the independent existence of 'economies' and so find it difficult to accept the [primacy of communities](#) over their 'economies'.

[Modern Money Theory](#) devotees and aficionados (who tend to refer to themselves as 'MMTers') are a motley crew. They come from a range of ideological and theoretical backgrounds but share a common realization that credit is created by both sovereign governments and private financial institutions 'out of thin air' rather than being a [semi-mystical consequence of private economic activity](#).

So, one finds those who come from various Marxist and related backgrounds, from 'traditional' neoclassical backgrounds and, even, some whose origins are in neoliberal understandings of reality.

In consequence, one finds echoes of those backgrounds in the explanations of the theory which they provide. This may account for the rather different emphases and explanations proffered to those who seek to understand (or criticize) the approach(es).

Bill Mitchell has neatly summed this up:

MMT clearly explains (as noted above) that you cannot do everything that you want.

MMT clearly states that while the government has no financial constraint on its spending capacity, it certainly has a real constraint on what it can spend its currency on.

It can only bring into productive use real resources that are available for sale.

It is also bound by the constraints posed by the natural environment.

A core notion of MMT is that attempting to go beyond those real constraints results in inflation.

...[P]olicy choices will reflect the value system preferences that the policymaker imposes on the choices available.

MMT is a lens not a value system.

(Bill Mitchell, [Ⓔ] [When neo-liberal masquerades as anti-establishment](#), *Billy Blog*, August 21, 2017)

So, while sharing a common realization that credit is *created*, policy decisions are determined by the ideological/ theoretical positions of those determining policy.

It is still possible to believe in, and be guided by, the existence and desirability of an 'independent economy', not shackled by 'social' and/ or 'political' constraints. It is, however, no longer possible to hide one's ideological predilections behind a smokescreen of 'the government can't afford it'.

Policy makers must accept/ admit responsibility for their predilections!

And, it is surely incumbent on those who belong to this 'motley crew' to ensure that fellow devotees who interpose ideological predilections into their explanations of modern monetary theory explain this to readers. Otherwise they will, inevitably, attract criticism for such interpolations as inconsistencies in explaining MMT.

The old Greek aphorism, 'Know Thyself' should apply to MMTers - don't allow non-MMT presumptions to cloud issues for those trying to understand them.

⁷⁰⁸ See [From personalized, cooperative hierarchical relationships to object-oriented, competitive oppositional relationships](#) for more on this

⁷⁰⁹ As has been explained elsewhere:

Social costs are of the same order as all other costs of extraction and processing borne by business. Once built into cost structures they become invisible and the economy continues as before.

I well remember the panic which ensued in Western countries with the first massive oil price increases of [the early 1970s](#). Many were the dire predictions of imminent economic collapse and long-term damage. Yet, within three years of the rise, the new, unavoidable costs of petroleum based products became built into the economies of the world through a period of rapid inflation. Once that settled, everything proceeded as before.

The major effect of an inclusion of social costs into the base price of production is that the circulation of money through the society becomes far more broadly based. The economy becomes less insulated from the rest of social organization and activity.

There are, of course, major differences between increases in oil prices and increases in social welfare costs:

- First, the oil increases are ubiquitous. Since they apply universally, no single nation is disadvantaged by them. The costs are, through inflation, built into all economic pricings. Social costs, on the other hand, are, by definition, internal to the nation and communities in which they are incurred. Means would have to be found to simulate similar effects to the universal inflation of oil costs so that no nation would be economically penalised for ensuring the well-being of its people.
- Second, the oil price increases were contained within 'economic' transactions; there was no palpable 'leakage' from 'the economy' to 'the social' areas of life. So, for those who 'know' instinctively that it is simply wrong to confuse the two areas, the necessary, required inflation resulting from the inclusion of social costs in economic costings is an affront on several levels.
- Third, there is an inbuilt belief in the moral virtue of 'work' and 'economic investment'. Income obtained other than through 'employment' or 'investment' is considered illegitimate.
- One could continue but these will suffice ...

Including social costs in the costs of productive and financial activity would inevitably result in a period of internal inflation to offset those costs. It would be difficult to thoroughly insulate populations from the effects of such cost of living adjustments.

I'm sure that opponents of reregulation and the inclusion of social costs as costs of production would present all the problems of the decade as problems associated with changes in the base costs of production. Any democratically elected government which attempted to build such costs into the internal economies of their nations would almost certainly lose the next election (unless, like [Roosevelt in the 1930s](#), the consequences of the alternatives are still vivid in the memories of their electorates) - and politicians seem averse to political suicide.

However, while enormous difficulties lie in the path of any attempt to readjust costs to include the social welfare requirements of communities and countries, this should not be used as an excuse for not addressing them. Surely, given the desperate straits in which millions of people find themselves at the start of this 21st century, this is not something we can afford to ignore - whatever our politics or ideologies. Are we not intelligent enough to devise solutions which will insulate human beings from the ravages of unregulated market activity?

For some of the consequences of applying crude accountancy measures to deal with Europe's public debt crisis see this *Reuters Report* (Thu May 31 2012): [Ⓔ] [Analysis: Greeks count mental health cost of a country in crisis](#):

Behind every suicide in crisis-stricken countries such as Greece there are up to 20 more people desperate enough to have tried to end their own lives.

And behind those attempted suicides, experts say there are thousands of hidden cases of mental illness, like depression, alcohol abuse and anxiety disorder, that never make the news, but have large and potentially long-lasting human costs.

The risk, according to some public health experts, is that if and when Greece's economic woes are over, a legacy of mental illness could remain in a generation of young people damaged by too many years of life without hope.

"Austerity can turn a crisis into an epidemic," said David Stuckler, a sociologist at Britain's Cambridge University who has been studying the health impacts of biting budget cuts in Europe as the euro crisis lurches on.

"Job loss can lead to an accumulation of risks that can tip people into depression and severe mental illness which can be difficult to reverse - especially if people are not getting appropriate care," Stuckler said.

"Untreated mental illness, just like other forms of illness, can escalate and develop into a problem that is much more difficult to treat later on." ...

An article by Teo Kermeliotis, for CNN April 6, 2012, entitled ^{CE} ['Austerity drives up suicide rate in debt-ridden Greece'](#) spells out the desperate consequences for human beings of doing nothing to address the problem other than 'balancing the books':

"The further we go into the crisis, the more things get ugly," says Aris Violatzis of Klimaka, a non-governmental organization that runs a suicide helpline in Greece.:

The group - Klimaka translates as "scale" - says it receives up to 100 calls a day, with three of four callers citing economic problems as their main concern. In 2007, just before Greece fell into recession, the helpline used to take 10 calls a day maximum, explains Violatzis, and only one in four callers mentioned economic issues.:

"The social framework in Greece has become pathogenic - we have a morbid social environment where one of its symptoms is suicide," he adds:

Under its second bailout program, approved last month, Greece has agreed to implement a series of austerity measures and undertake broader reforms to make its economy more competitive.:

New taxes, rising unemployment and cuts to pay, pensions and social welfare provisions have brought many ordinary Greeks to their knees.:

As Greece remains mired in financial woes - the country's economy is heading for its fifth year of recession - many now fear that Christoulas's public act of protest could find more imitators.:

"I believe there are going to be more suicides and that's what got the government worrying," says archaeologist Despoina Koutsoumpa, who was among the hundreds who rushed yesterday in Syntagma Square to pay tributes to Christoulas.:

"His act was a punch in the stomach for all of us. It made you realize that the overthrowing of these policies requires self-sacrifice, like in Tunisia and in Egypt where hundreds of people died," Koutsoumpa, a regular at the anti-austerity demonstrations in Athens, told CNN.:

"In Greece there are also hundreds of people dying because of the crisis, people we don't see - there are suicides over debts, there are people dying in the streets because they don't have anything to eat," she adds.:

"A lot of people here understand that there will have to be even sacrifices of people in order to get rid of the situation.":

Seven months after setting himself on fire, Polyzonis says more and more Greeks find themselves close to the desperate condition he was in last September.:

"The situation is becoming every day worse," he says. "Every day people lose their jobs, every day people are unable to pay rent for their house, the basics to find something to eat - the last step before doing what I did or what another human being yesterday did in Greece."

710{{ (08/09/17) [Progressive taxation](#) and similar *redistributive* regimes are important in checking the growth of inequality through any community. However, though important - and I would favor policies as aggressive as those pursued through the 1950s-1970s - their rationale is quite different from those focused on raising revenue.

[Democratically organized governments have a responsibility to establish **both**:](#)

- Central banking authorities which control the monetary base; and
- Publicly determined and administered regulations ensuring the economic wellbeing of their populations and both monetary and financial stability.

Where these are accepted responsibilities of government, taxes aimed at 'raising revenue' or curbing unacceptable economic practices become irrelevant.

As Beardsley Ruml (1946) explained, taxes are not 'needed' in order to fund revenue raising (see '[What Taxes are Really For](#) ' for more on this). New Deal style regulatory measures such as those established in the wake of the 1930s [Pecora Commission's findings](#) are far more efficient forms of private sector constraint and discipline than punitive or prescriptive taxation.

Bill Mitchell has neatly explained why financial transaction taxes - and other similarly focused forms of public 'revenue raising' - are problematic:

Stephany Griffith-Jones compares financial taxes to carbon taxes:

Like taxes on carbon emissions, taxes on financial transactions such as the UK stamp duty aim to curb socially dangerous behaviour

This is the problem: progressives have been lured into the 'market frame'. That we need to address these great problems using the

price system, which is a neo-liberal frame.

We don't!

We can simply use the legislative capacity of the national government to outlaw things we think are damaging to well-being and serve no other function.

(Bill Mitchell, [Ⓔ] [Progressives should move on from a reliance on 'Robin Hood' taxes](#), *Billy Blog*, September 4, 2017)

However, without a revolutionary New Deal style reorganization of existing neoliberally distorted *perceptions* of reality, we are left with attempting to minimize neoliberalism's destructive impact on a largely disenfranchised populace.

It is important to remember the redistributive consequences of neoliberalism over the past half century. Through most capitalist countries, access to income by the bulk of their populations has been severely limited by:

- the [draining of wealth](#) from the bulk of the population to the already wealthy;
- the [austerity doctrines](#) of neoliberalism, assuming that sovereign governments must rein in spending to limit deficits, strangling the availability of credit within their economies;
- belief that ['free markets' automatically 'self-correct' and self-regulate](#) and that those who 'use' services should meet the costs of that use; and
- belief that [every dollar spent by governments is a dollar lost](#) to private enterprise, which, of course, directly impacts governments' ability to fund welfare and infrastructural activity.

In the current world of neoliberal economics and politics any attempt to dampen the 'frothy high-volume trading' associated with illusory wealth creation seems worth pursuing, particularly if, in doing so, wealth can be diverted into real world economic activities generating both employment and social welfare.

I know there is a lot of angst in the US about Nader splitting the presidential vote in 2000, possibly allowing George Bush to win, but don't throw the baby out with the bathwater - this article is well worth reading. As one of the commenters on the article put it:

If Nader, who I once admired, hadn't thrown the election to George W then we wouldn't be in such dire financial straits. He's become nothing but a bitter old curmudgeon, Monday morning quarterbacking. That said - this is not a bad idea.

See Ralph Nader (*Washington Post* Saturday, December 1, 2012), [Ⓔ] [Ralph Nader on a simple way to avoid the fiscal cliff: Tax stock trades](#), for discussion of the possibilities of a financial transactions tax in the US. As he says:

A financial transaction tax would apply to purchases and sales of derivatives, options and stocks. The tax would be small, half a penny or less on each dollar of the transaction value, depending on the product. This idea is often called a "speculation tax," because it

would hit hardest at frothy high-volume trading as opposed to sober long-term investment.

... As if its deficit-reducing potential weren't enough, a financial transaction tax could reduce risky speculative trading that diverts resources from productive economic activity and can be very destabilizing, as the 2008-2009 crash demonstrated. In fact, this summer, more than 50 financial industry professionals, including past and present executives from Goldman Sachs, JPMorgan Chase and Morgan Stanley, signed a letter [See Sarah Anderson (*Institute for Policy Studies* June 21, 2012) ^{CE} [Letter From Financial Industry Professionals in Support of Financial Transaction Taxes](#)] to the Group of 20 and European leaders supporting a speculation tax.

They pointed out that financial market activity has skyrocketed in the past few decades: The value of transactions is now 70 times greater than the size of the real global economy. Trading volume has grown exponentially, skyrocketing from 188 billion shares of stock traded on the Nasdaq and the New York Stock Exchange in 1995 to nearly 1 trillion in 2011. Each year, the notional value of over-the-counter derivatives traded worldwide totals trillions more.

In their letter, these professionals cautioned that although the main purpose of financial markets is to raise investment capital, allocate resources efficiently and mitigate risk, today's markets, full of computer-driven, high-frequency trading, often undermine those goals. The Capital Institute's John Fullerton, a former managing director at JPMorgan, has estimated that nearly 70 percent of equity-trading volume is composed of these types of speculative strategies.

⁷¹¹ John Weeks has described the European Union's descent into neoliberalism well:

Most Americans and many U.S. progressives hold a favorable view [of] the European Union. This positive assessment persists despite the crushing of the Greek challenge to austerity conditionalities set by the European Commission and European Central Bank aided and abetted by the International Monetary Fund.

The primary basis for pro-EU sentiments may be that Americans consider the European Union a bastion of social democracy in contrast to the neoliberal ideology of the Republican and Democratic parties, which Bernie Sanders has so eloquently attacked. However, the institutions of the European Union, especially its executive the European Commission practice a neoliberal ideology and pro-business policies as aggressive as counterparts in the United States.

This is not a recent change, but a long-maturing trend going back at least to when Helmut Kohl of the right-wing Christian Democratic Union replaced the Social Democrat Helmut, Schmidt, as chancellor of Germany. The misplaced belief that Jacques Delors, EC president for ten years, was committed to social democracy perpetuated the illusion of a progressive EU. While no reactionary like Kohl, the French socialist politician supported market oriented "reform" of the European Union's economic policies.

By the 2000s neoliberals had taken firm control of the European Commission, manifested most obviously in the 1992 Maastricht

Treaty. The step-by-step legal codification of EU reactionary economic policies goes far beyond legislation enacted in the United States...

(John Weeks, [Ⓔ] [TSCG Fiscal Rules: EU Mandate for Bad Policies](#), *TripleCrisis*, April 18, 2016)

⁷¹² Yves Smith has [Ⓔ] [posted a link](#) to what she describes as:

...a thoughtful, far-reaching piece. To quote Antonio Gramsci:

The crisis consists precisely in the fact that the old is dying and the new cannot be born; in this interregnum a great variety of morbid symptoms appear.

Jayati Ghosh, in an essay entitled 'After neoliberalism, what next? There are economically-viable, socially-desirable alternatives to the failed neoliberal economic model', does, indeed, pose some interesting and challenging questions. As he says,

We may be living through one of those moments in history that future historians will look back on as a watershed, a period of flux that marked a transition to quite different economic and social arrangements. Unfortunately, in human history a 'moment' can be a very long time, so long that it could be decades before the final shape of the new arrangements are even evident; and in the interim, there could be many 'dead cat bounces' of the current system.

What is clear is that the established order – broadly defined as neoliberal globalised finance capitalism – is no longer capable of delivering on its promises of either growth or stability, even as it generates more inequality and insecurity across the world. In Marxist terms (as befitting the 150th anniversary of *Das Kapital*), the property relations under which production is organised have become fetters on the development of productive forces themselves, and generate more and more alienation. This may explain why, perhaps even more significantly, the system is also losing legitimacy in most countries, under attack from both right and left.

Whether we look at straws in the wind or green shoots in the ground, there is no doubt that there are incipient signs of change. But at this point there are many directions in which such change could go, and not all of them are progressive or even desirable. That is why it is important to get social and political traction for alternative trajectories that focus on more equitable, just, democratic and ecologically viable outcomes for most of humanity.

(Jayati Ghosh, [Ⓔ] [After neoliberalism, what next? There are economically-viable, socially-desirable alternatives to the failed neoliberal economic model](#), *Red Pepper*, August 6, 2017)

⁷¹³ Bill Mitchell has a poignant description of the tragic British film *I, Daniel Blake* which documents the soul-destroying experiences of an ageing skilled worker, sacrificed to the neoliberal bottom-line in 21st century Britain:

...Back to I, Daniel Blake.

The film was motivated by the passing of the Welfare Reform Act 2012 - which was designed to make it harder for people to receive and stay on income support systems relating to unemployment and sickness.

Former PM David Cameron spoke to the bill saying

Where we back those who work hard and do the right thing ... Building that society is simply not possible without radically reforming welfare ... Ending the nonsense of paying people more to stay at home than to get a job - and finally making sure that work really pays ... What these examples show is that we have, in some ways, created a welfare gap in this country between those living long-term in the welfare system and those outside it.

Those within it grow up with a series of expectations: you can have a home of your own, the state will support you whatever decisions you make, you will always be able to take out no matter what you put in.

This has sent out some incredibly damaging signals.

That it pays not to work.

That you are owed something for nothing.

It gave us millions of working-age people sitting at home on benefits even before the recession hit.

It created a culture of entitlement ...

There are few more entrenched problems than our out-of-control welfare system and few more daunting challenges than reforming it ...

It's about the kind of country we want to be - who we back, who we reward, what we expect of people, the kind of signals we send to the next generation."

That sets the scene for the movie.

The storyline is fairly simple and linear.

Ageing skilled worker has a heart attack and his medical staff say he cannot work. He tries to get the British sickness benefit as is his right as a citizen but is knocked back by the points system, which claims he can work.

(Bill Mitchell, ^{CE} [I, Daniel Blake - essential viewing](#), *Billy Blog*, December 5, 2016)

Mitchell has since summarized the absurdity of the neoliberal agenda which has underpinned and driven this sociopathic determination to 'balance the budget' at the expense of the vulnerable in Western societies:

Readers who have now seen the latest Ken Loach movie - *I, Daniel Blake* - will know the frustration that it depicts when a disadvantaged citizen is confronted with the reality of having to deal with a national welfare agency. Many readers, presumably, have first hand experience of the labyrinthine procedures, rude staff, endless waiting on telephone lines, threatening letters and the rest of the wall that neo-liberal governments have erected to discourage access and/or push people off welfare benefits.

While this access and receipt became a right of citizenship in the social democracies that emerged after the Second World War, the neo-liberal era has degraded those rights in favour of a bean-counter interpretation of the world - welfare payments are dollars that can always be saved to balance fiscal accounts and every opportunity should be taken to do so.

Australia is way ahead of the game in terms of using government policies and processes to punish and isolate our most disadvantaged citizens so the Government can reduce its welfare spending a few million. We now allow our Government to implement the work of sociopaths and threaten poor citizens with imprisonment on the basis of half-cocked 'automatic computer-matching' algorithms that are allegedly tracking welfare fraud.

The evidence suggests these processes are massively buggy and deliver wrong outcomes in almost all the cases of fraud they claim to detect. However, that hasn't stopped the government from sending out tens of thousands of letters to the most disadvantaged among us accusing these people of receiving thousands of dollars in illegitimate welfare payments and threatening criminal prosecution if these alleged overpayments (now debts) are not paid back.

Mostly, it seems, the debts are illusory - mistakes by the ingenious (not!) algorithm that was introduced to replace people sacked by the austerity push - sorry, by the Government's "efficiency dividend" policy. Some people should be prosecuted for breaching human rights in this latest scandal!

...The whole exercise reeks of the sort of cruel disdain for people that drives austerity.

These interactions with people are designed to discourage access to what is a right of citizenship. But also, as Peter Martin surmises (and I agree) the letters demonstrate that Centrelink just "didn't know what they were doing".

Even the Minister apparently didn't know about the "10 per cent recovery fee" that was demanded in the letters.

The final observation is that the Minister for Human Services, the Treasurer and the Finance Minister - all part of the phalanx driving austerity and preaching rectitude are all 'devout' Christians.

They front a corps of evangelical types in the Liberal and National parties, many of whom are driving the 'new conservatism' noted above. The 'holier than thou' crew!

The Treasurer, an evangelical Christian who is part of a Pentecostal church in Sydney and who is driving these cutbacks etc, told the Parliament of Australia in his maiden speech that:

So what values do I derive from my faith? My answer comes from Jeremiah, chapter 9:24: I am the Lord who exercises loving-kindness, justice and righteousness on earth; for I delight in these things, declares the Lord."

The Lord might have declared a love of "kindness, justice and righteousness on earth" but Morrison and his Ministerial mates certainly only demonstrate hypocrisy of the tallest order.

(Bill Mitchell, [Ⓔ] [The Centrelink letters - a clear breach of human rights](#), *Billy Bog*, January 5, 2017)

⁷¹⁴ Of course, pension assets and mutual funds do need to be protected - at present they are all-too-often poorly differentiated from other global fund management activities - but this is best done through similar guarantees to those provided to bank deposits under US FDIC regulations (see [Ⓔ] [Federal Deposit Insurance](#) for an example of this kind of insurance, also [Ⓔ] [A History of the FDIC 1933-1983](#) for a historical contextualization), not by providing a blanket stimulus package to the global fund management sector.

⁷¹⁵ For more on the nature of Investor-State dispute settlement (ISDS) mechanisms see this UNCTAD discussion: [Ⓔ] [Recent Trends in IIAS and ISDS](#), Prepared by UNCTAD's IIA Team in advance of the Expert Meeting on "The Transformation of the International Investment Agreement Regime" from 25-27 February 2015 in Geneva.

See also the final report of the above meeting: [Ⓔ] [Report of the Expert Meeting on the Transformation of the International Investment Agreement Regime: The Path Ahead](#) (UNCTAD, Geneva, 17 April 2015).

Don Quijones has given a clear explanation of the kinds of leverage available to corporate interests through Investor-State dispute settlement (ISDS) mechanisms:

...In 2009, Pacific Rim filed a private lawsuit - what is referred to in the impenetrable jargon of modern globalism as an Investor-State Dispute Settlement (ISDS) - against the government of El Salvador for \$301 million, equivalent to just over 2% of the country's \$24 billion GDP. As BBC World reports (in Spanish), the amount is equivalent to three years' combined public spending on health, education and security....

...According to Luis Parada, a coordinator of a team of lawyers defending El Salvador, "what is ultimately at stake is whether an overseas company can use the international arbitration system to force a sovereign state to change its laws. Or whether it's the overseas investor who must comply with the laws of the country in which he has decided to invest."

(Don Quijones, [Ⓔ] [Corporation vs. Nation: The Ultimate Showdown: No Trial, No Judge, No Jury](#), *Wolf Street*, October 3, 2015)

⁷¹⁶ Dani Rodrik has weighed in on the merits of the various models. As he says,

...The trouble is that the real world has not lined up so neatly with trade economists' assumptions. Critics of trade agreements have marshaled countless anecdotes about the adverse effects of imports on wages and employment in affected communities. [Recent empirical work by three academic economists](#) - David Autor (MIT), David Dorn (University of Zurich), and Gordon Hanson (UC-San Diego) - shows that the critics have a point (and then some).

Autor, Dorn, and Hanson document that the expansion of Chinese exports has produced "substantial adjustment costs and distributional consequences" in the US. In regions with industries hit hard by competition from Chinese imports, wages have remained

depressed and unemployment levels elevated for more than a decade. Falling employment in such industries was expected; the surprise was the absence of offsetting employment gains in other industries.

Advocates of trade agreements have long maintained that deindustrialization and the loss of low-skill jobs in advanced economies have little to do with international trade; they are the product of new technologies. In the current TPP debate, many prominent proponents still cling to this line. In light of the new empirical findings, such nonchalance toward trade has become untenable. (The Petri-Plummer model does indicate that the TPP will accelerate the movement of jobs from manufacturing to services, a result that the pact's advocates do not trumpet.)

Economists do not fully understand why expanded trade has produced the negative consequences for wages and employment that it has. We do not yet have a good alternative framework to the kind that trade advocates use. But we should not act as if reality has not severely tarnished our cherished standard model. It would be far better to consider the full range of possibilities highlighted by the models on offer, instead of putting all the weight on a single one...

The bottom line is that neither side's models generate numbers reliable enough on which a case for or against the TPP can be made. Just about the only thing we can say with some certainty is that there will be winners and losers. Perhaps the agreement will galvanize investment and knowledge flows across the Pacific, giving the world economy a much-needed boost. Perhaps not. But those who believe that this trade agreement, like previous ones, will provide lopsided benefits have ample reason to be concerned. (Dani Rodrik, ^{CE} [The Trade Numbers Game](#), *Project Syndicate*, February 10, 2016)

717 {§} (28/09/16) Those neoliberal ideologues are not resting on their laurels (or dare one say '[Nobel laurels](#)'). Every day, new apologies for, or bare-faced promotions of, neoliberally driven 'globalization' appear in the various media. Robert Shiller is merely their latest champion. The future for Robert is a world without 'barriers'; a world of weakened, and ultimately superseded, nation-states; displaced in a "transition to a more just global economy". As one of the commenters on Shiller's utopian (dystopian?) vision of an apparently looming and inevitable '[coming anti-national revolution](#)' has said,

This article is an excellent example of new Elite apologia. The New Elite Agenda is actually for a "refeudalisation" of society to restore their historical privileges. But - like Elites throughout history - they seek to weave a cloak of virtue to conceal the nakedness of this self-interest.

(Stephen Morris, commenter on: ^{CE} [The Coming Anti-National Revolution](#), *Project Syndicate*, September 19, 2016)

718 {§} (03/05/16) Bill Mitchell has given a clear description of the 1970s (and later) neoliberal agenda:

The reality was that what they wanted was for the state to use its powers to tilt the economy (its distributional processes) more

heavily towards the corporate sector and the financial market sector ('Wall Street'), in particular.

While the Left was conned into believing that the policy options were becoming limited in the face of an increasingly globalised world, the Right were much smarter and knew they had to compromise the state and advance its agenda through the capacities they knew were the monopoly of the state - currency-issuance, legislative fiat, and the power to set the regulatory environment.

How the Left was led down the path of ignorance is a testament to both the ingenuity of the Right and [the machinery it set up to regain control](#) of the policy agenda and the increasing splintering of the Left into peripheral 'post modern' deconstructions. Somehow, class struggle was no longer central to a lot of Leftist thinking and, in its place was a massive investment of time and energy into gender, race and sexuality type issues.

But in leaving the main game to the Right, the Left helped to reinforce the neo-liberal hegemony and the myths (dishonesty) that created it and upon which it still rests.

As part of this evolution, the US government became the international political conduit for 'Wall Street' influence and the growing influence of the 'City' in London, also allowed these neo-liberal ideas to permeate the policy making circles in Britain and, specifically, the upper echelons of the British Labour Party.

But it wasn't just a permeation that was going on. The US used institutions such as the IMF to conduct brute force attacks on the prosperity of nations to undermine the viability of their public sectors and to shift more of the national income and national assets into the hands of capital.

It was a brazen and very determined shift in world affairs.

(Bill Mitchell, ^{CE} [The metamorphosis of the IMF as a neo-liberal attack dog](#), *Billy Blog*, May 3, 2016)

Scott Jay has posed the question: 'why has the Left specifically failed to resist neoliberalism?' His answer:

...In the face of unrelenting neoliberalism, the international Left has embraced postmodernism, not in theory but in practice, putting style over substance and feel good moments and flashy leaders over the brute reality of resisting capitalist exploitation. The Postmodern Left does not reject metanarratives or objective reality in theory. In fact it embraces the metanarrative of its own centrality to altering the course of history, but when it finds itself at the center of historical development, then history is treated like an ethereal, formless blob that nobody can make any sense of. It simply happens, and no options are possibly available that can shape it. Once the Left is placed in the driver seat, there is no alternative other than to passively participate in the machinations of the system. Anything else is just too difficult.

The Postmodern Left avoids building actual power among the poor and the oppressed, instead focusing on self-promotional spectacles which feel like struggle and power but are entirely empty.

The Postmodern Left talks about "class struggle unionism" then carries out pension reform in the name of a balancing the budget and then insist that they never supported any such thing because words are meaningless and have no relationship to objective reality.

The Postmodern Left is detached from reality because it makes its own reality.

The Postmodern Left does not believe in postmodernism. The Postmodern Left is postmodernism...

The Postmodern Left is not the result of the declining relevance of objective reality. On the contrary, it has a solid material base from which it arises, and to which it is shackled, specifically in the Non-Governmental Organization (NGO) form. Under neoliberalism, the destruction of social welfare programs and other sources of stability for working class people have been replaced by services granted by NGOs, funded by foundations and governmental grants as well as directly from corporations. This organizational form has extended beyond the service sector and into the Left itself, where protest movement organizations can build up an infrastructure of full-time staff members through many of these same grants. The problem for NGOs, then, is to challenge the status quo without challenging the elite sources which fund the operation. This has proven to be an impossible problem to solve, and instead NGOs have served to reproduce neoliberalism rather than challenge it.

(Scott Jay, ^{CE} [The postmodern left and the success of neoliberalism](#), *Libcom.org*, Jan 5 2016)

Bill Mitchell has examined the issues in a blog entry entitled "The Left confuses globalisation with neo-liberalism and gets lost". As he concludes:

...[T]he problem is not the global trends in supply chains etc. Rather it is that their elected representatives have become co-opted by neo-liberal elites who fully understand that state power can be skewed to work in their favour and deprive a vast majority of citizens of the benefits of such global economic activity.

But until we abandon democracy (voting out governments), we have power if we choose to use it. We can force changes in the political system so that it works more for us and not the top-end-of-town.

Perhaps the anger now being unleashed is a start of that fightback.

The problem is that the Left is not leading the charge. It is leaving that to the crazy popularists while it crafts ever more ridiculous arguments to justify 'austerity lite' type policies to make them look responsible.

The reference group they seek to appeal to though is the neo-liberal elites - which means the Left is going nowhere.

(Bill Mitchell, ^{CE} [The Left confuses globalisation with neo-liberalism and gets lost](#), *Billy Blog*, April 27, 2016)

In an earlier post, he sketched the way in which 'the British Labour Party were infested with the Monetarist virus in the late 1960s'. As he explains:

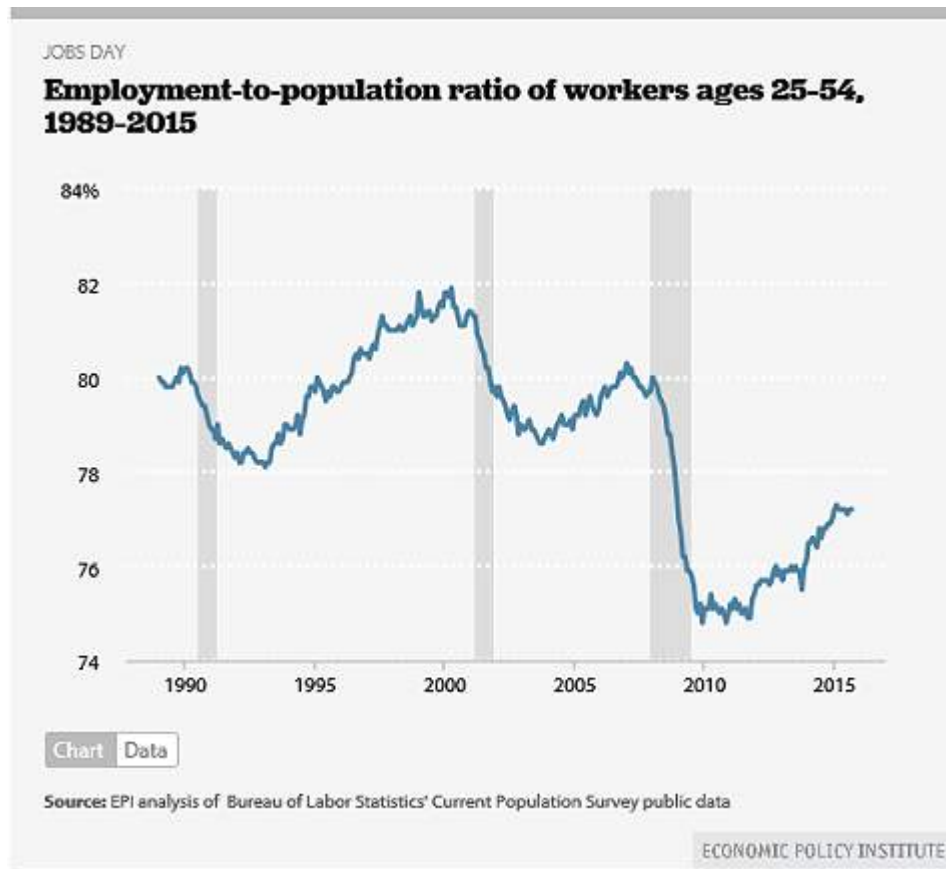
...[T]he British Labour Prime Minister James Callaghan's speech to [the] Labour Party Conference held at Blackpool on September 28, 1976 was laced with pro-Monetarist assertions that have been used by many on the Left as being defining points in the decline of the state to run independent domestic policy aimed at maintaining full employment....

Margaret Thatcher was, in fact, a 'johnny-come-lately' in this respect. The British Labour Party were infested with the Monetarist virus in the late 1960s and Callaghan's 1976 Speech just consolidated what had been happening over the decade prior. Further, it was not the oil crisis in the early 1970s that provided the open door for governments to reject Keynesian policy. In Britain, the Treasury and Bank of England were captivated by the ideas of Milton Friedman some years prior to the OPEC price push.

(Bill Mitchell, ^{CE} [The British Monetarist infestation](#), *Billy Blog*, February 25, 2016)

⁷¹⁹ Elise Gould, in a 2015 posting on the *Working Economics Blog* site, has illustrated this problem for the US. As she explained:

Another way to get at the same story is to look at the prime-age employment-to-population ratio (EPOP), one of the best indicators of labor market health... To put this year's prime-age EPOP of 77.2 percent in perspective, it is still below the lowest point of the previous two business cycles. In fact, in the last business cycle, the prime-age EPOP trough was 78.6 percent, 1.4 percentage points higher than we are now. The closest we got to today's rate was back in 1993, when prime-age EPOPs bottomed out at 78.1 percent, still 0.9 percentage points higher than today.



For the labor market to be truly expansionary, we need to see faster job growth - to employ the new labor market entrants, unemployed workers, and the 4 million missing workers who have left or never entered the labor market because of weak job opportunities.

(Elise Gould, ^{CE} [What to watch on Jobs Day: Job growth has only been fast enough to keep up with population growth](#), *Economic Policy Institute*, Working Economics Blog, Posted November 5, 2015)

720 Oren Cass has explained the problem well:

The often-cited alternative to an increased minimum wage, the earned-income tax credit, gets rave reviews from economists and politicians from both parties. The credit, paid to low-income households as a tax refund, increases as income initially grows, and then decreases as income goes above the poverty line.

On the blackboard, this approach appears ideal. Low-wage workers benefit from additional income, but employers do not face new costs that might drive them to reduce hiring or increase prices. To the contrary, the program functions as a subsidy from which employee and employer both benefit, expanding the labor force by producing an incentive to offer and accept low-wage work.

But life is messier than a crisply drawn supply-and-demand graph. A worker receives the tax credit as an after-the-fact lump sum, producing a boom-and-bust cycle for household finances. Twenty percent of eligible households fail to claim the credit, and even among claimants, most of them do not understand its calculation or what portion of their refund it contributes, diluting its incentive. Even worse, because the credit phases out as earnings increase, many households face a significant disincentive to work longer hours or have another member work.

(Oren Cass, ^{CE} [A Smarter Way to Raise Paychecks](#), *The New York Times*, Opinion Pages, September 10, 2015)

721 {§} (16/03/16){§} (11/01/17) A word of caution on Krugman's position:

Krugman believes (or at least used to believe - I am unsure of his current views though I suspect they have modified over time - but ^{CE} [not by much!](#)) in the virtues of free trade and globalization, however, he wants to mitigate the effects of the consequences. So, he writes as a person concerned for mitigating effects, while still supporting the fundamental causative policies. Rather like a Climate Change Denier who, while believing that climate change isn't happening, sees the consequences and wants to mitigate their impacts in people's lives.

Paul Krugman is, primarily, a populist writer who writes to a particular, 'liberal', audience which is looking for 'authoritative' support. In this neoliberal age, such commentators are hard to find. However, while he provides this support (his responsibility as a *New York Times* columnist seems to be to satisfy this segment of its readership - which he usually accomplishes well!), he is torn between expressing acceptable 'liberal' commentary and retaining some credibility amongst mainstream economists (considered his true peers).

When almost all the 'authoritative' economic voices are neoliberal, retaining credibility means periodic public reaffirmation of basic neoliberal understandings - even if that, from time to time, means

irritating his readership. One sometimes feels an urge to ask: "Would the real Paul Krugman please stand up"!

Bill Mitchell has given a clear critique of some of Krugman's ideas. His assessment:

It was always going to happen. Several prominent New Keynesians both in the US and the UK have been hiding behind a smokescreen they erected during the Global Financial Crisis to allow their readers to form the view that they were not part of the problem. That they were different from the more rabid anti-deficit economists and that they had a deep understanding of why the crisis occurred and what the solutions were.

For a while they masqueraded under the aegis of promoting the discretionary use of fiscal deficits (increasing them nonetheless) to stimulate growth in output and employment. They were seen by many who have a lesser understanding of economics as being progressive economists. The British Labour leader even had some of them on his inner advisory team. But the masks can only stay on so long. Yesterday, one of the most prominent of these characters, Paul Krugman came out! He is not progressive at all. He is a New Keynesian with all the IS-LM baggage that they cannot let go of.

(Bill Mitchell, ^{CE} [Paul Krugman's ideas are part of the problem](#), *Billy Blog*, January 10, 2017)

Much of the confusion which people often feel in trying to come to grips with economic solutions to social problems stems from similar mismatches between basic economic presumptions and massaged explanations/ mitigations of social outcomes. The consequence is that for many, economics seems to be just too difficult to get one's head around: "The confusion I feel must be because I am missing something!"

George DeMartino and Ilene Grabel have summed up the problem over the past three decades well:

The sad fact of the matter is that Detroit suffers today from international trade and international financial policies of the past two decades that Krugman himself, and indeed many other leading international economists embraced. It was not so long ago that leading international economists, Krugman included, advocated strongly for the North American Free Trade Agreement (NAFTA), the WTO, and just about every other neoliberal international agreement that came down the pike. At the time the champions of neoliberalism ridiculed anyone who raised virtually any concerns about the agreements. Labor and human rights advocates, environmentalists and child's rights advocates were branded as well meaning but ignorant, sanctimonious, or simply self-interested.

What seemed to escape the attention of the leading international economists at the time was that by opening up the world to free trade and free financial flows, without at the same time attending to basic labor and human rights and environmental protections, the extraordinary opportunities that the new policy regimes would create for massive corporate tax avoidance and evasion (and hence fiscal crises), and the failure of the US and no doubt other governments to make meaningful provision in advance for the extraordinary adjustment costs that these agreements would entail,

they essentially ensured that defaults on the scale of Detroit would be highly likely if not inevitable...

(George DeMartino and Ilene Grabel, [⌚ Fiscal Crises: Coming To A City Near You?](#), *Triple Crisis*, July 29, 2013)

I guess my main problem with Krugman is that when it really mattered, when a sane, intelligent voice was desperately needed, Krugman was missing in action. His often intelligently vitriolic denunciations of those who saw the looming dangers of both globalization and free trade did much to confuse and stifle opposition to the neoliberal deregulatory drive of the 1980s and early 1990s.

James Galbraith (2009), commenting on an essay by Paul Krugman ([⌚ How Did Economists Get It So Wrong?](#) *New York Times Magazine*, September 6, 2009), succinctly explained why apparently 'liberal' economic commentaries so frequently lead to neoliberal conclusions:

Krugman's entire essay is about two groups, both deeply entrenched at (what they believe to be) the top of academic economics. Both are deeply preoccupied with their status and with a struggle for influence and for academic power and prestige - against the other group. Krugman calls them "saltwater" and "freshwater" economists; they tend to call themselves "new classicals" and the "new Keynesians" - although one is not classical and the other is not Keynesian. One might speak of a "Chicago School" and an "MIT School" - after the graduate programs through which so many passed. In truth, there are no precise labels, because the differences between them are both secondary and obscure.

The two groups share a common perspective, a preference for thinking along similar lines. Krugman describes this well, as a "desire for an all-encompassing, intellectually elegant approach that also gave economists a chance to show off their mathematical prowess." Exactly so. It was in part about elegance - and in part about showing off. It was not about ... the economy. It was not a discussion of problems, risks, dangers, and policies. In consequence, the failure was shared by both groups. This is the extraordinary thing. Economics was not riven by a feud between Pangloss and Cassandra. It was all a chummy conversation between Tweedledum and Tweedledee. And if you didn't think either Tweedle was worth much - well then, you weren't really an economist, were you?

(James K. Galbraith, [⌚ Who Are These Economists, Anyway?](#), *Thought and Action*, Fall 2009, pp. 85-97)

Tom Palley's (2014) article on Milton Friedman's influence on the economics profession is useful in understanding why 'liberal' economic solutions all-too-often presume neoliberal dogmas. As he summarized:

Friedman's professional triumph is testament to the weak intellectual foundations of the economics profession which accepted ideas that are conceptually and empirically flawed. His success has taken economics back in a pre-Keynesian direction and squeezed Keynesianism out of the academy. Friedman's thinking also frames so-called new Keynesian economics which is simply new classical macroeconomics with the addition of imperfect competition and nominal rigidities. By enabling the claim that macroeconomics is

fully characterized by a divide between new Keynesian and new classical macroeconomics, new Keynesianism closes the pincer that excludes old Keynesianism.

(Thomas I. Palley, 2014, ^{CE} [Milton Friedman's economics and political economy: an old Keynesian critique](#), forthcoming in Robert Cord (ed.), *Milton Friedman: Contributions to Economics and Public Policy*, Oxford University Press, forthcoming, 2015)

Olivier Blanchard, in an NBER working paper entitled 'The State of Macro', spelt out the major focusses of the post-Keynesian revolution in macroeconomics:

When they launched the "rational expectations revolution", Lucas and Sargent (1978) did not mince words:

That the predictions [of Keynesian economics] were wildly incorrect, and that the doctrine on which they were based was fundamentally flawed, are now simple matters of fact, involving no subtleties in economic theory. The task which faces contemporary students of the business cycle is that of sorting through the wreckage, determining what features of that remarkable intellectual event called the Keynesian Revolution can be salvaged and put to good use, and which others must be discarded.

They predicted a long process of reconstruction:

Though it is far from clear what the outcome of this process will be, it is already evident that it will necessarily involve the reopening of basic issues in monetary economics which have been viewed since the thirties as "closed" and the re-evaluation of every aspect of the institutional framework within which monetary and fiscal policy is formulated in the advanced countries. This paper is an early progress report on this process of re-evaluation and reconstruction.

They were right. For the next fifteen years or so, the field exploded. Three groups dominated the news, the new-classicals, the new-Keynesians, and the new-growth theorists (no need to point out the PR role of "new" here), each pursuing a very different agenda:

The new-classicals embraced the Lucas-Sargent call for reconstruction. Soon, however, the Mencheviks gave way to the Bolcheviks, and the research agenda became even more extreme. Under Prescott's leadership, nominal rigidities, imperfect information, money, and the Phillips curve, all disappeared from the basic model, and researchers focused on the stochastic properties of the Ramsey model (equivalently, a representative agent Arrow-Debreu economy), rebaptized as the Real Business Cycle model, or RBC. Three principles guided the research: Explicit micro foundations, defined as utility and profit maximization; general equilibrium; and the exploration of how far one could go with no or few imperfections.

The new-Keynesians embraced reform, not revolution. United in the belief that the previous vision of macroeconomics was basically right, they accepted the need for better foundations for the various imperfections underlying that approach. The research program became one of examining, theoretically and empirically, the nature

and the reality of various imperfections, from nominal rigidities, to efficiency wages, to credit market constraints. Models were partial equilibrium, or included a trivial general equilibrium closure: It seemed too soon to embody each one in a common general equilibrium structure.

The new-growth theorists simply abandoned the field (i.e. fluctuations). Lucas' remark that, once one thinks about growth, one can hardly think about something else, convinced many to focus on determinants of growth, rather than on fluctuations and their apparently small welfare implications. Ironically, as the Ramsey growth model became the workhorse of the new-classicals, much of the progress on the growth front was made by examining the implications of various imperfections, from the public good nature of knowledge and the nature of R & D, to externalities in capital accumulation.

Relations between the three groups - or, more specifically, the first two, called by Hall "fresh water" and "salt water" respectively (for the geographic location of most of the new-classicals and most of the new-Keynesians) - were tense, and often unpleasant. The first accused the second of being bad economists, clinging to obsolete beliefs and discredited theories. The second accused the first of ignoring basic facts, and, in their pursuit of a beautiful but irrelevant model, of falling prey to a "scientific illusion." (See the debate between Prescott and Summers (1986)). One could reasonably despair of the future of macro (and, indeed, some of us came close (Blanchard 1992)).

(Olivier J. Blanchard, [Ⓔ] [The State Of Macro](#) , Working Paper 14259, NBER Working Paper Series, August 2008, pp. 3-5)

722 {§} (29/08/17) In the long run it matters little whether countries and communities are invaded militarily or through 'foreigners bearing gifts'. If the aim of the invasion is accessing the raw materials of the country or community, then, to paraphrase [Liz Wily \(2011\)](#), traditional rights to land and resources will be steamrollered in the name of a warped and outdated view of economic development.

This is, indeed, the 'development' of their own nations by those 'foreigners' at the expense of others. Living well [beyond their own, internal environmental means](#).

When, as is the 21st century case in China and elsewhere, imports are primarily raw materials and exports primarily manufactured products, then they are artificially expanding their available resource bases through appropriating those of others and, in the process, reorganizing the peoples and environments of those places to facilitate their access to the resources.

As Wily concludes:

The sheer scale of this globalized land acquisition at scale is indicative of a tipping-point in the globalization of the land market. It signals the opening up of virtually all economies and land classes to externally derived land purchases or leases.

This is unlikely to be reversible.

The implications for polarisation in the ownership of natural resources are immense. They are also alarming, considering that they occur in environments where industrialisation has not taken off and where opportunities for alternative wage employment for those deprived of their land are scarce.

Of course, the unfortunate [dispossession of millions of rural people](#) around the world, sacrificed to the overwhelming necessity for global agricultural and other primary resource development required by a rapidly industrializing world has not gone unnoticed.

As industrialized nations step up their pursuit of 'under-utilized' and 'untapped' resources around the world, international organizations publish their intentions to protect those suffering invasion and dispossession. The United Nations has provided one of the most comprehensive of these in their *2030 Agenda for Sustainable Development*. Here is their 'solution' to the problems facing those on the receiving end of the burgeoning 'development' activities of the industrialized world:

Sustainable Development Goals

- Goal 1. End poverty in all its forms everywhere
- Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture
- Goal 3. Ensure healthy lives and promote well-being for all at all ages
- Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
- Goal 5. Achieve gender equality and empower all women and girls
- Goal 6. Ensure availability and sustainable management of water and sanitation for all
- Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all
- Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
- Goal 10. Reduce inequality within and among countries
- Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable
- Goal 12. Ensure sustainable consumption and production patterns
- Goal 13. Take urgent action to combat climate change and its impacts*
- Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development
- Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat

desertification, and halt and reverse land degradation and halt biodiversity loss

Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Goal 17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

(United Nations, ^{CE} [Transforming our world: the 2030 Agenda for Sustainable Development](#), 21 October 2015)

'Of making many lists there is no end...'. A Western aphorism says it all: 'The road to hell is paved with good intentions'. As a popular *Bee Gees* song of the 1970s put it: "It's only words..."

⁷²³ Of course, because Kalecki is living in a time when credit creation is hobbled by the clumsy 1935 directive that the Federal Reserve must [purchase government securities from the private sector](#), specifically, government securities dealers, he uses the term 'borrowing', more appropriate to the understandings of 1920s free-marketeers than to New Deal practices. Where Kalecki uses the term 'borrowing' one should, in line with [his own explanation](#) elsewhere, read 'credit creation'.

⁷²⁴ This was not, of course, a new development of the late 20th century. Thomas Huxley (1893) described this attitude to the responsibilities of government in the second-half of the 19th century:

According to their views, not a shilling of public money must be bestowed upon a public park or pleasure ground; not sixpence upon the relief of starvation, or the cure of disease.

...The State is simply a policeman, and its duty is neither more nor less than to prevent robbery and murder and enforce contracts. It is not to promote good, nor even to do anything to prevent evil, except by the enforcement of penalties upon those who have been guilty of obvious and tangible assault upon purses or persons. (1893, p. 258)

⁷²⁵ See [Subsistence and status](#) for a discussion of the nature of and relationship between 'private' and 'public' environments in Western communities.

⁷²⁶ Adam Smith had explained this two centuries earlier:

The resolute firmness of the person who acts in this manner, and in order to obtain a great though remote advantage, not only gives up all present pleasures, but endures the greatest labor both of mind and body, necessarily commands our approbation. (1759 Part 4 Ch. 2)

⁷²⁷ See [Natural Law and Perfection](#)

⁷²⁸ See [Reciprocity and Exchange](#) for discussion on the nature of reciprocity and exchange. The presumption that there is only one definition of human exchange, from which actual behavior deviates as a result of constraints and incentives imposed by society, seems to be based on a

rather naive understanding of processes of categorization and classification and therefore of processes of human interaction.

729 The World Trade Organization statement of purpose would later explain this:

The economic case for an open trading system based upon multilaterally agreed rules is simple enough and rests largely on commercial common sense...

All countries, including the poorest, have assets - human, industrial, natural, financial - which they can employ to produce goods and services for their domestic markets or to compete overseas.

Economics tells us that we can benefit when these goods and services are traded. Simply put, the principle of "comparative advantage" says that countries prosper first by taking advantage of their assets in order to concentrate on what they can produce best, and then by trading these products for products that other countries produce best.

In other words, liberal trade policies - policies that allow the unrestricted flow of goods and services - sharpen competition, motivate innovation and breed success. They multiply the rewards that result from producing the best products, with the best design, at the best price.

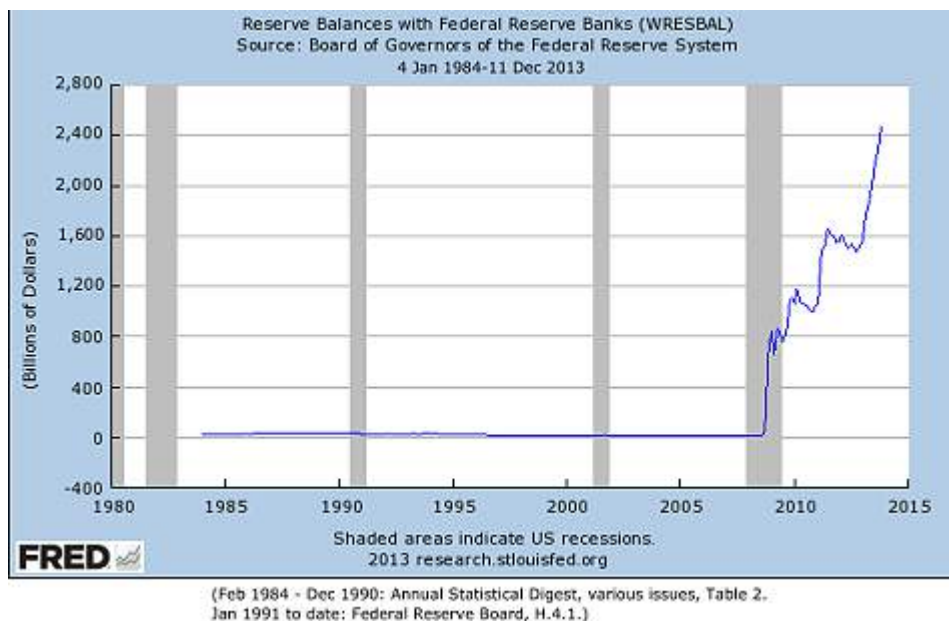
(^{CE} WTO)

The graphs below show US monetary base expansion from 1984 to 2013:

The US Monetary Base (in billions of dollars, seasonally adjusted) as at November 30 2013 (2013-12-11: 3,715.719 Billions of Dollars)



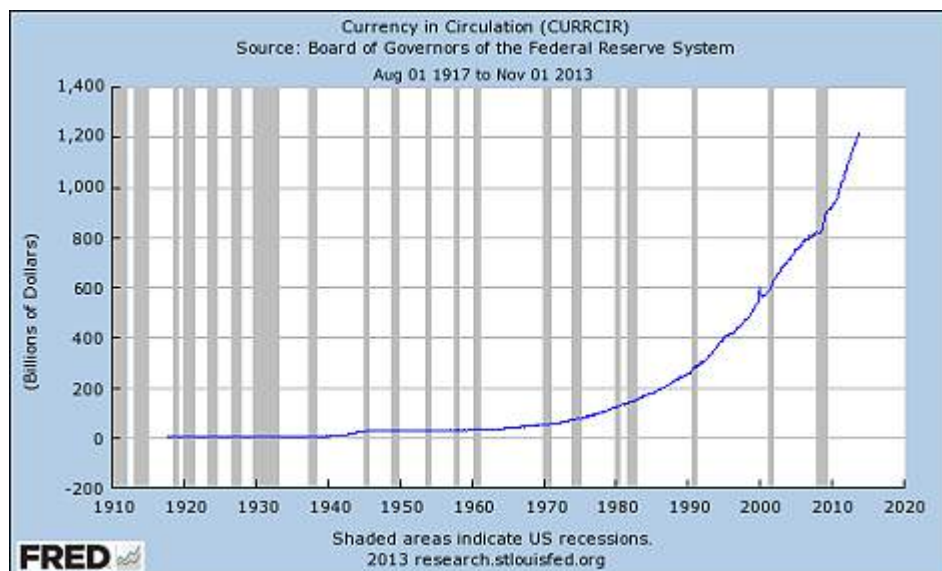
Bank reserves held with Federal Reserve Banks (in billions of dollars) from January 4 1984 to December 11 2013 (2013-12-11: 2,524.024 Billions of Dollars)



(Reserve balances with Federal Reserve Banks are the difference between "total factors supplying reserve funds" and "total factors, other than reserve balances, absorbing reserve funds." This item includes balances at the Federal Reserve of all depository institutions that are used to satisfy reserve requirements and balances held in excess of balance requirements. It excludes reserves held in the form of cash in bank vaults, and excludes service-related deposits.)

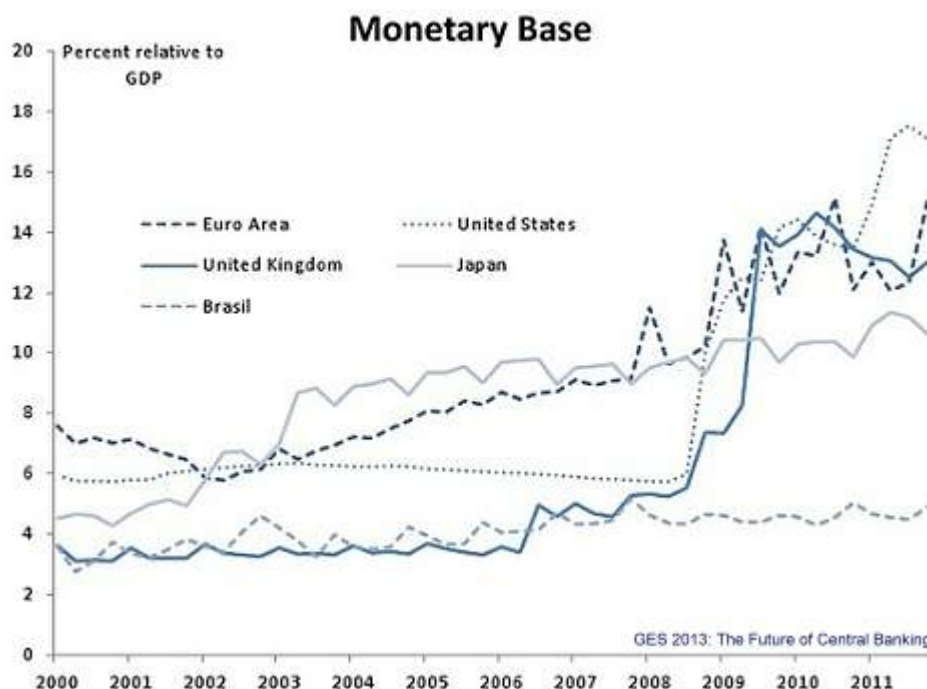
And, US Currency in Circulation (2013-12-11: 1,227.537 Billions of Dollars)





(Currency in circulation includes paper currency and coin held both by the public and in the vaults of depository institutions. The total includes Treasury estimates of coins outstanding and Treasury paper currency outstanding. This definition of currency in circulation differs from the currency component of the money stock, a measure of currency used in some other Federal Reserve reports (for example, the H.6 release), which excludes currency held in vaults of depository institutions.)

Here, for contextualization, is an international comparison of post-2007 monetary base expansion prepared for the 2013 Global Economic Symposium discussion, 'The Future of Central Banking: Inflation Targeting versus Financial Stability':



⁷³⁰ The *Investopedia* explanation of the nature of 'monetary authorities', which claims that 'in modern economies, the central bank is responsible for the formulation of monetary policy', relies on the presumption that central reserve authorities are entirely independent institutions, responsible for setting their own 'policies'.

The reason why this claim is often made is that, in neoliberal, *laissez faire* economies, it is assumed that central banks should be independent entities, responsible and responsive to private money markets and so

governments are assumed not to be involved (or have a secondary role, relying on the guidance of central reserve authorities) in the formulation of monetary policy.

When democratic governments rely on neoliberal understandings, this leads to real confusion as to who is ultimately responsible for setting monetary policy, with governments being required to 'borrow' from central banks *as though they were private entities*.

To reiterate the obvious: in truly democratic sovereign states, technocrats within administrative departments, institutions and agencies should *never* be allowed to usurp the prerogatives of government: the formulation of the policies they are responsible for implementing.

Politically determined policies may, at the discretion of political decision making bodies, sometimes confer broad powers to technocrats but such powers should always be subject to political oversight. Ambiguous policy directives should *not be manipulated by technocrats*, they should be referred back to the political body responsible for framing them. Poor policy framing should never be allowed to excuse technocratic usurpation of political responsibilities.

Neil Wilson has succinctly commented on all this:

There is a supply side shortage of Solomons. The philosopher kings do not exist. That's why we have democracy.

The central bank should have no authority to change price or quantity. Its job is to clear the government's cheques as determined by the democratic process, regulate the banks so they only lend for the productive purpose and put them through administration when they go bust.

Everything else should be decided by politicians. The governor of the central bank should be an anonymous civil servant in the same way that the head of the social security department is anonymous. They are given their orders by parliament and they execute them within those terms of reference.

(Neil Wilson, Comment on Bill Mitchell's blog entry, [☞ The ECB should not become a fiscal agent, billy blog](#), February 21, 2017)

⁷³¹ A commenter on a blog posting by Paul Krugman has summed it up:

"[A]usterity was the result of right-wing opportunism, exploiting instinctive popular concern about rising government debt in order to reduce the size of the state."

Apparently, observing the obvious is all it takes to be deemed a trenchant mainstream economist.

The question to be answered is: Why have 80 years passed and no countervailing political force disabused the public of such garbage? Or how about just the last 8 years? Or 24? And why have those mainstream economists - ostensibly "experts" on economics - (who are supposed to know better) kept lending their political support to their chosen political team when that team has repeatedly cowardly refused to take on the political responsibility of educating that public?

(ReaganAnd30YearsOfWrong, Commenter, Paul Krugman, [☞ A General Theory Of Austerity?](#), September 29 2016)

One can but dream that such education and counselling might echo Dan Kervick's (2012) explanation on a blog posting by Bill Mitchell:

Every economic unit except a monetarily sovereign government is stock constrained. It can only spend in excess of its receipts by drawing down its net stock of financial assets, either by spending some of the stock directly, or by issuing a debt claim against that stock. Once the claims against the stock exceed the size of the stock, the unit is insolvent, and can only continue to spend if others are willing to accept its IOUs even in the face of apparent insolvency, granting credit.

For a government like the government of Australia, the US, Japan or Canada, the whole notion that the government possesses a fixed "stock" of financial assets is a bookkeeping fiction. And if one insists on preserving that fiction and referring to the government's asset stock, one might as well view that government as having an infinite stock. Flows into that bottomless stock do not change the quantity of assets; nor do payments out of the stock change the quantity. Debt claims against that stock do not push the government closer to insolvency, because there is no bottom. The government is not stock constrained; it is only policy constrained.

The chief policy constraints are price stability and full employment. The government's concerns are not with what happens to its infinite financial asset stock, which is a bookkeeping fiction, but only with the way in which flows into the government's infinite well or out of the government's infinite well affect policy aims in the non-governmental sector.

Also, debt is a legally binding promise to pay, and so all of these non-governmental units are bound by laws to their debts, laws that the unit itself does not control. But governments make the laws under which they, themselves operate, and if the makers of the laws - in the case of a democracy the sovereign people - find the laws onerous, they can change the laws.

(Dan Kervick, Commenter, ^{CE} [A voice from the past - budget deficits are neither good nor bad](#), *Billy Blog*, Tuesday, May 22, 2012)

⁷³² Reminiscent of [Townsend's view](#) of 16th century disenfranchised peasants. As Paul Krugman put it, discussing US presidential hopeful, Jeb Bush's views,

...The real source of his remark was the "nation of takers" dogma that has taken over conservative circles in recent years - the insistence that a large number of Americans, white as well as black, are choosing not to work, because they can live lives of leisure thanks to government programs.

You see this laziness dogma everywhere on the right. It was the hidden background to Mitt Romney's infamous 47 percent remark. It underlay the furious attacks on unemployment benefits at a time of mass unemployment and on food stamps when they provided a vital lifeline for tens of millions of Americans. It drives claims that many, if not most, workers receiving disability payments are malingerers - "Over half of the people on disability are either anxious or their back hurts," says Senator Rand Paul.

It all adds up to a vision of the world in which the biggest problem facing America is that we're too nice to fellow citizens facing hardship. And the appeal of this vision to conservatives is obvious: it gives them another reason to do what they want to do anyway, namely slash aid to the less fortunate while cutting taxes on the rich.

Given how attractive the right finds the image of laziness run wild, you wouldn't expect contrary evidence to make much, if any, dent in the dogma....

(Paul Krugman, ^{CE} [The Laziness Dogma](#), *New York Times*, The Opinion Pages, July 13, 2015)

⁷³³ Christopher Krupenyi *et al* have summed it up:

Central to everything that makes us human - including our distinctive modes of communication, cooperation, and culture - is our theory of mind (TOM). TOM is the ability to impute unobservable mental states, such as desires and beliefs, to others.

(Christopher Krupenye, Fumihiro Kano, Satoshi Hirata, Josep Call and Michael Tomasello, ^{CE} [Great apes anticipate that other individuals will act according to false beliefs](#), *Science*, 07 Oct 2016: Vol. 354, Issue 6308, pp. 110-114)

So, we are not describing some peculiar misstep in the evolution of neoliberal human brains. It's more likely to be a failure to evolve beyond basic cognitive skills shared with the great apes! Perhaps neoliberal devotees are drawn to its false-beliefs because they have not inherited that common human ability to discriminate between illusion and reality - they suffer from '[arrested-development](#)'. As the authors explain:

In human developmental studies, it is only after age 4 that children pass traditional false-belief tests, in which they must explicitly predict a mistaken agent's future actions.

The question is: Are those neoliberal believers to be pitied but corrected; or allowed to hold back the social/ political/ economic development of the rest of us through imposing the consequences of their immature cognitive skills on us?

We all know the consequences of following their lead in the years prior to the Great Financial Crisis.

We all know that the reality check the GFC provided barely registered in the continued advice and direction their major institutions provided following the crisis.

So, why on earth do we continue to treat any of them as credible guides into the future?

Bill Mitchell has summed it up:

Go back to 2006 when all the true, neo-liberal believers were smugly declaring that the business cycle was dead and that more financial deregulation was required, apparently to enrich us all, whereas in reality, income inequality had been rising at rather stunning rate, such that the enrichment was being concentrated at the top-end-of-town.

In its April 2006 - Global Financial Stability Report - which is a sister publication to the Fiscal Monitor, the IMF waxed lyrical about the

strength of the "global financial system".

We learned that:

... globalization and financial innovations have advanced the scope for capital markets to channel credit to various users in the economy. In particular, the emergence of numerous, and often very large, institutional investors and the rapid growth of credit risk transfer instruments have enabled banks to manage their credit risk more actively and to outsource the warehousing of credit risk to a diverse range of investors. A wider dispersion of credit risk has "derisked" the banking sector, which still occupies a strategically important role in the economy, in part because of its role in the payments system. It is widely acknowledged, meanwhile, that holding of credit risk by a diverse multitude of investors increases the ability of the financial system as a whole to absorb potential shocks.

Okay, the rest of the world now knows that this assessment was ridiculous given the circumstances that had emerged after two decades or so of financial market deregulation.

We now know that the financial sector was out of control by 2006 and on the verge of collapse. We now know that only massive government intervention - that is, the use of the currency-issuing capacity of the government and its central banks - saved the world from a financial meltdown.

When the IMF wrote:

Beyond risk diversification, the unbundling and active trading of risk, including through credit derivative markets, seem to have created an efficient, timely, and transparent price discovery process for credit risk.

We now know that the IMF didn't have a clue what it was talking about.

When the IMF wrote that:

Balance sheets of the household sector in major countries have also improved since 2001, because of the rise in house prices and the recovery of international equity markets.

We now know that the estimates of rising household net worth was predicated on the asset-price bubbles created by the credit binge that followed the rise of the financial engineer through deregulation and the corrupt and unethical and criminal behaviour of the increasingly unfettered financial sector.

We now know that a substantial portion of this rising household net worth was illusory and households found that out the hard way, especially in the US, as housing prices crashed.

When the IMF wrote that:

There are several reasons to suggest why concerns of an impending recession in the United States may be overstated ...

We now know what followed 18 months later. The real collapse of the US economy which then resonated throughout the world in one way or another had been predicted by some economists (including

all the original Modern Monetary Theory (MMT) authors) for at least a decade prior to the GFC.

The IMF was trying to claim that financial markets were working efficiently to resolve any so-called "'mismatches' between the duration of their assets and liabilities" - that is, the exposure of banks to increasingly risky portfolio positions.

Finally, in 2006, the IMF was claiming that there was a need to:

... rein in fiscal deficits and public debt ... strong policy efforts to contain these trends are needed less these countries face increase market scrutiny when the environment turns less friendly.

The IMF claimed that "sound macroeconomic policy, especially prudent fiscal policy ... is essential to reduce vulnerabilities". That is, they were rehearsing the standard neo-liberal line at the time that fiscal surpluses were a necessary part of a low risk environment for countries.

They never once during this period, leading up to the GFC, acknowledged any understanding of the national account relationships that tell us that a government surplus (deficit) is exactly equal to a non-government deficit (surplus).

And they never once acknowledged an understanding that if the non-government sector is running a continual deficit, then after the exhaustion of savings and asset sales, the only other thing we would observe is rising non-government indebtedness.

This rising indebtedness clearly exposes the non-government sector to increased risk such that fluctuations in asset price and/or incomes can bring the whole house of cards crashing down.

That is exactly what happened in 2008.

It is important to reflect on what might be characterised as the standard narrative at the time propagated by the likes of the IMF, the BIS, and the OECD.

(Bill Mitchell, ^{CE} [Pragmatic retreats into reality by the IMF will be ephemeral](#), *Billy Blog*, October 6, 2016)

So: Why on earth do we take their opinions seriously? Any sane, dispassionate assessment should have resulted in, at the very least, a serious culling of deluded advisors. Instead, we continue to solicit their advice, to rely on their direction. Perhaps humanity has not yet cognitively evolved beyond the great apes after all!!

⁷³⁴ Thomas Piketty has given a clear description of the post-Second-World-War United States policies, which minimized inequality and secured the 'welfare -state' (the provision of a minimal level of well-being and social support for all citizens), and their subsequent dismantling:

...From the 1930s until the 1970s, the US were at the forefront of an ambitious set of policies aiming to reduce social inequalities. Partly to avoid any resemblance with Old Europe, seen then as extremely unequal and contrary to the American democratic spirit, in the inter-war years the country invented a highly progressive income and estate tax and set up levels of fiscal progressiveness never used on our side of the Atlantic. From 1930 to 1980 - for half

a century - the rate for the highest US income (over \$1m per year) was on average 82%, with peaks of 91% from the 1940s to 1960s (from Roosevelt to Kennedy), and still as high as 70% during Reagan's election in 1980.

This policy in no way affected the strong growth of the post-war American economy, doubtless because there is not much point in paying super-managers \$10m when \$1m will do. The estate tax, which was equally progressive with rates applicable to the largest fortunes in the range of 70% to 80% for decades (the rate has almost never exceeded 30% to 40% in Germany or France), greatly reduced the concentration of American capital, without the destruction and wars which Europe had to face.

...All this was carried through almost without unemployment, since both the level of productivity and the education system allowed it. This is also the time when the US finally put an end to the undemocratic legal racial discrimination still in place in the south, and launched new social policies.

All this change sparked a muscular opposition, particularly among the financial elites and the reactionary fringe of the white electorate. Humiliated in Vietnam, 1970s America was further concerned that the losers of the second world war (Germany and Japan in the lead) were catching up at top speed. The US also suffered from the oil crisis, inflation and under-indexation of tax schedules. Surfing the waves of all these frustrations, Reagan was elected in 1980 on a program aiming to restore a mythical capitalism said to have existed in the past.

The culmination of this new program was the tax reform of 1986, which ended half a century of a progressive tax system and lowered the rate applicable to the highest incomes to 28%.

Democrats never truly challenged this choice in the Clinton (1992-2000) and Obama (2008-2016) years, which stabilized the taxation rate at around 40% (two times lower than the average level for the period 1930 to 1980). This triggered an explosion of inequality coupled with incredibly high salaries for those who could get them, as well as a stagnation of revenues for most of America - all of which was accompanied by low growth (at a level still somewhat higher than Europe, mind you, as the old world was mired in other problems).

(^{CE} [Thomas Piketty on the rise of Bernie Sanders: the US enters a new political era](#), *The Guardian*, Wednesday 17 February 2016)

735 {§} (22/06/16){§} (13/07/16) In nations where wages are communally determined, as in Australia, there are usually legislative protections in place which ensure both wage equity and wage compliance. Labor unions are, themselves, subject to scrutiny in the interests of fair dealing. Bill Mitchell has described, and illustrated, this:

Australia has a system where there are minimum award conditions set out for each occupation/industry. These are legal requirements that have to be met.

In addition, unions can negotiate enterprise bargains with bosses on top of those minimum requirements that become legally binding as long as they pass what is known as the BOOT.

The BOOT stands for - Better Off Overall Test - and requires [that] any voluntary agreements between workers and firms make the workers better off than they would be if they remained on the 'award', the legal minimum requirements for that sector.

(Bill Mitchell, ^{CE} [Dirty deals by trade unions and minimum wages in Australia](#), *Billy Blog*, June 2, 2016)

However, despite Australia still having a semblance of communally determined wage rates, conditions have deteriorated over the past half century.

Some of the responsibility for this deterioration must be borne by unions themselves. As I experienced while truck driving in the early 1960s, unions, where they could effectively exercise industrial muscle, as on many of the water-fronts of Western nations, sometimes abused the power they acquired, exercising their muscle in activities which could only marginally be considered legitimate union concerns. At times, as I found to my surprise, having rather naively presumed the democratic nature of union organizations, some union leaders gained control over the central organizations and were able to treat them as their personal fiefdoms.

They often demanded and gained excessively generous conditions for both themselves and their members. In the process they increasingly alienated both employing bodies and members of other unions, required to accept the conditions they imposed.

By the mid-1960s, water-front unions had often so alienated western voting populations that they found little sympathy when confronted by massive dislocation to their industries and lives with the advent of containerization.

While, as Roosevelt recognized, worker empowerment is essential, it needs to be well regulated. This requires, not simply an arbitration process between unions and employers but also third-party scrutiny of the demands and conditions imposed and accepted by both involved bodies.

⁷³⁶ Many neoliberal arguments for the benefits of globalization focus on the increased capacity for credit accumulation which exists in a globalized world. However, most of those [benefits accrue to multinational enterprises](#) able to exploit the possibilities of deregulation implied in operating freely across national boundaries.

This presumes the primacy of the internationalized marketplace over communities and leads, inevitably, to international credit accumulation in places where the costs of accumulating those credits are lowest. There is little or no benefit derived by exporting countries where profits accumulated by private enterprise are diverted to tax havens.

⁷³⁷ Thomas Tørsløv, Ludvig Wier and Gabriel Zucman (June 5, 2018) have described the consequences for transnational corporations:

Perhaps the most striking development in tax policy throughout the world over the last few decades has been the decline in corporate income tax rates. Between 1985 and 2018, the global average statutory corporate tax rate has fallen by more than half, from 49% to 24%. In 2018, most spectacularly, the United States cut its rate from 35% to 21%.

Why are corporate tax rates falling? The standard explanation is that globalization makes countries compete harder for productive capital, pushing corporate tax rates down. By cutting their rates and providing public services and infrastructure more efficiently, countries can attract more machines, plants, and equipment, which makes workers more productive and boosts their wage.

Global economic integration has made capital location more sensitive to differences in taxes and led to a more perfect competition between nations.

This theory provides a consistent explanation for the global decline in tax rates observed over the last twenty years and offers nuanced normative insights (see ^{CE} [Keen and Konrad, 2013](#), for a survey of the large literature on tax competition).

Our paper asks a simple question: is this view of globalization and of the striking tax policy changes of the last years well founded empirically? Our simple answer is "no." Machines don't move to low-tax places; paper profits do.

By our estimates, close to 40% of multinational profits are artificially shifted to tax havens in 2015. This tax avoidance and the failure to curb it are the main reason why corporate tax rates are falling globally - not tax competition for productive capital.

The decline in corporate tax rate is the result of policies in high-tax countries - not a necessary by-product of globalization. The redistributive consequences of this process are major, and different than in the textbook model of tax competition. Instead of increasing capital stocks in low-tax countries, boosting wages along the way, profit shifting merely reduces the taxes paid by multinationals, which mostly benefits their shareholders, who tend to be wealthy.

It is apparent to many observers that the textbook model of tax competition doesn't capture the behavior of today's largest multinational companies well. These firms don't seem to move much tangible capital to low-tax places - they don't even have much tangible capital to start with. Instead, they avoid taxes by shifting accounting profits.

In 2016 for instance, Google Alphabet made \$19.2 billion in revenue in Bermuda, a small island in the Atlantic where it barely employs any worker nor owns any tangible assets, and where the corporate tax rate is zero percent. Contrary to the central postulate of the tax competition model, Bermuda does not have much to gain from attracting paper profits that don't improve wages for the population and that it taxes at 0%.

Despite this, the standard view of tax competition between nations continues to permeate much of the discussion about tax policy. The most likely reason is that we do not currently have comprehensive estimates of how much profits multinationals shift to low-tax places...

(Thomas Tørsløv, Ludvig Wier and Gabriel Zucman, ^{CE} [The Missing Profits of Nations](#), 05 June, 2018)

⁷³⁸ By 1947 the descendants of those 1920s free-marketeers were resurgent, powerful enough within the US Federal Reserve to rewrite the

first (1939) edition of [The Federal Reserve System - Its Purposes and Functions](#) and suppress the original. As S. W. Adams put it in 1958:

I am herewith reprinting verbatim the Federal Reserve book, first printed in 1939: THE FEDERAL RESERVE SYSTEM - Its Purposes and Functions.

This book was printed and published under and by the authority of the Board of Governors of the Reserve System - a board of seven members appointed by the President and confirmed by the Senate, for terms of 14 years.

I am doing this because when Mr. Eccles, the then chairman of the Board, retired, the Board had discovered that the book had made banking so simple that the masses could understand it and that was intolerable: money must be kept a mystery. The few who got hold of the book began to ask why Congress should surrender a delegated Constitutional power to private corporations who used it for private gain.

They began to ask: "Why should the people give to bankers U.S. Bonds, and pay an annual interest on these bonds, that they might use their own credit? Why should the Government have to borrow its own money (use its own credit) when forced to use more revenues than current taxes afforded?

Our bonded indebtedness in 1913, at the time the first Reserve Act was passed was less than \$10 billion dollars! In 1939 it had jumped to over \$45 billion.

So in 1939, 1940 and 1941 there was such a demand for this revealing book, that the Board made five printings. The Board had come to realize the great danger to their money power gained and exercised through the Reserve Act of 1913, promptly stopped the distribution of this book, and had it rewritten, completely omitting or obscuring the damaging statements.

Finding that additional copies could not be had, I decided, after 15 years of waiting and trying to get additional copies, to reprint the book myself.

([Ⓔ] [The Federal Reserve System Its Purposes And Functions](#) : As Originally Published, Washington, D.C., 1939, By the Board of Governors of the Federal Reserve System at the time Marriner Eccles was Chairman, A Reprint of a Suppressed Public Document Published by OMNI Publications, May 1, 1958)

⁷³⁹ It seems inevitable that, should a world central bank eventuate, it would develop very similar credit creation policies and practices to those found in private banks, providing [central bank financing through money creation](#). This would, almost certainly, result in mounting sovereign central bank debts 'owed' to the world central bank and consequent subservience of sovereign central banks to that 'world' bank. Stranger things have happened, as [Wynne Godley](#) has described

The Bank for International Settlements (BIS) is sometimes described as 'a sort of central bank of central banks'. It is, however, another of those [Ⓔ] [anachronistic international institutions \(like the World Bank and International Monetary Fund\)](#) which has been periodically reinvented and currently acts as a clearing house for international credit and currency

trading. It also hosts the Basel Committee on Banking Supervision, a committee charged with a peculiar neoliberally inspired responsibility for setting central bank capital adequacy requirements and reserve transparency (reflecting a presumption that sovereign central banks are not [unencumbered credit issuing institutions](#)).

The BIS may better be described as a neutered international version of a US regional central bank. Neutered because it has no access to (or legitimation by) an unencumbered credit issuing central reserve authority of its own.

⁷⁴⁰ It is in this way that orthodoxies, sects and schisms arise. Western people are most aware of this phenomenon within religious movements (resulting from the [separation of the supernatural from the natural](#) and focus on the natural world in Western thought). However, the seemingly inevitable fracturing of religious movements into competing orthodoxies, each with its own *theo* logical complex of buttressed explanations through which it defines its distinctive *raison d'être*, is merely a special case of a common ideological phenomenon.

Capitalism is no less [fractured into competing orthodoxies](#), sects and schisms, each with its own motivationally and directly bolstered [economy logical complexes](#). (Since, despite frequent reliance upon a metaphysically justified 'invisible hand', economic divisions are focused within 'this' world, I guess we can't really call them *theological* complexes!)

⁷⁴¹ Since federal bonds are implicitly redeemable for sovereign currency, the directive that the Federal Reserve should 'buy United States bonds directly from the Treasury' implies a paradox. If a bond is issued by the treasury, to the Federal Reserve, which then supplies sovereign credit to the Treasury; to whom does the Federal Reserve present the 'bond' which it now holds in order to obtain the implied sovereign currency which it presumably guarantees?

After all, sovereign credit is *created out of thin air* by the Federal Reserve. So, logic dictates that the language of the bill should be amended to eliminate this paradox (at the same time, that [self-serving amendment inserted into the bill](#) at the behest of private sector sovereign bond dealers should be removed).

The actual process is that the Federal Reserve is *authorized* by a Treasury request (or *requisition*) to create the sovereign credit it needs. The resulting document, received by the Federal Reserve, is merely a record of the request made by the Treasury.

⁷⁴² No, I am not suggesting that sovereign governments should provide lower levels of government with unlimited credit. Sovereign governments have a [responsibility to regulate credit supply](#).

As an alternative to the private sector 'disciplines' on borrowing imposed on lower levels of government (various fees and charges), Central Banks would inevitably need to impose governmental disciplines on credit availability such as requiring balancing rates and levies on their constituents where credit demands are deemed excessive or unsustainable. Such requirements already exist in almost all [sovereign governmental institutionalized 'internal rebalancing'](#) policies and procedures.

743 {§} (10/11/16) 'President Trump' no longer needs quotation marks - that's who the US elected in 2016.

Pavlina Tcherneva has expressed it well:

Economic consequences

A lot has been said already. For me, this was the culmination of a decades-long process where the Democrats sold out their progressive agenda and happily embraced the Republican's neoliberal economic policies...

My own view is that the Democrats have not had an economic policy of their own for nearly half a century, just an 'inferior' version of what Republicans usually champion - tax cuts on the wealthy, dismantling the public safety-net, 'fighting' inflation by creating unemployment, market liberalization and deregulation across the board, which among other things brought us a colossal financial sector that has cannibalized the productive economy.

Democrats need to grapple with the reality that Bill Clinton completed the Reagan revolution, and what we got from both parties is rabid financialization, extreme inequality, corporate welfare, joblessness, and economic insecurity: precisely the conditions that fan the flames of social antagonism and deep-seated racism and bigotry. There are many ways to tell this story but, just think, the real incomes of the vast majority of US households have barely moved in the last two decades. Most of us live in stagnation (at best) and many communities are mired in an ongoing recession (even depression), while the economy is 'officially' growing.

Neo-liberalism on steroids

As vile as Trump's campaign was, many of his supporters have legitimate gripes about the state of the economy and about big money in politics. Of course, the notion that Trump is the 'man of the people' who will deliver the kind of change they (we) need is preposterous. In fact, his entire economic platform is basically the one I already described above. Nothing has changed. It is the same old plain vanilla "trickle-down economics" we know too well.

(Pavlina R. Tcherneva, ^{CE} [The Economic Consequences Of Donald Trump](#), *New Economic Perspectives*, November 10, 2016)

George Blackford has summed it up:

Here's something for Democrats to think about:

- a. In the 70s, a Democratic president continued the deregulatory process of a Democratic congress that reached its climax in the Crash of 08.
- b. A Democratic congress continued the deregulatory process in the 80s as they cut taxes on the rich, increased taxes on the not so rich, and cut SS benefits.
- c. A Democratic president reappointed Greenspan to the Fed, further deregulated the financial system and implemented disastrous crime, welfare, and student loan bills in the 90s
- d. Democrats took back the congress in 2007 and did nothing to hold the people responsible for the wrongs that had been

committed as we were led into a war under false pretenses and turned into a nation of torturers; income and wages stagnated; and then the economy blew up.

e. Democrats took complete control of the federal government in 2009 and bailed out the banks, students and homeowners were allowed to founder, and a Heritage Foundation health plan was implemented that bailed out the insurance and drug companies at the expense of the middle class.

f. The middle class is devastated throughout the process.

And, somehow, it's supposed to be the voters' fault we ended up with a throw the bums out Trump instead of a more of the same Hillary? I don't think so!

(^{CE} [George H. Blackford](#), Commenter, on a strangely myopic blog posting by Paul Krugman, ^{CE} [Ending the American Romance](#), *New York Times* Opinion Pages, November 9, 2016)

We are entering 'Interesting Times'!

744 {§} (21/11/16) I must confess that I have an inbuilt, and growing, aversion to using the term 'debt' in describing and explaining the nature and purpose of public bonds. [Daniel Thornton's claim](#) that "the U.S. Treasury has only one option for financing deficit spending - issuing debt", or Bill Mitchell's use of the term 'public debt instruments' (below) in describing the nature of public bonds, conflate government bonds and 'government debt'. However, there is no 'natural law' of financing which requires this:

In macroeconomics, we summarise the plethora of public debt instruments with the concept of a bond. The standard bond has a face value - say \$1000 and a coupon rate - say 5 per cent and a maturity - say 10 years. This means that the bond holder will get \$50 dollars per annum (interest) for 10 years and when the maturity is reached they would get \$1000 back.

Bonds are issued by government into the primary market, which is simply the institutional machinery via which the government sells debt to the non-government bond dealers.

In a modern monetary system with flexible exchange rates it is clear the government does not have to finance its spending so the institutional machinery is voluntary and reflects the prevailing neo-liberal ideology - which emphasises a fear of fiscal excesses rather than any intrinsic need for funds (of which the currency-issuing government has an infinite capacity).

(Bill Mitchell, ^{CE} [The penny drops - WSJ acknowledges UK government can never run out of money](#), *Billy Blog*, November 3, 2016)

Mitchell has a later blog entry which expands the discussion:

The general rule for fixed-income bonds is that when the prices rise, the yield falls and vice versa. Thus, the price of a bond can change in the market place according to interest rate fluctuations.

When interest rates rise, the price of previously issued bonds fall because they are less attractive in comparison to the newly issued bonds, which are offering a higher coupon rates (reflecting current interest rates).

When interest rates fall, the price of older bonds increase, becoming more attractive as newly issued bonds offer a lower coupon rate than the older higher coupon rated bonds.

Further, rising yields may indicate a rising sense of risk (mostly from future inflation although sovereign credit ratings will influence this).

But they may also indicate a recovering economy where people are more confident investing in commercial paper (for higher returns) and so they demand less of the risk free government paper.

So you see how an event (yield rises) that signifies growing confidence in the real economy is reinterpreted (and trumpeted) by the conservatives to signal something bad (crowding out, increased cost of government spending).

The yield reflects the last bid in the bond auction. So if diversification is occurring reflecting confidence and the demand for public debt weakens and yields rise this has nothing at all to do with a declining pool of funds being soaked up by the bingeing government!

(Bill Mitchell, ^{CE} [Bank of Japan is in charge not the bond markets](#), *Billy Blog*, November 21, 2016)

As Mitchell implies, bonds are **not** the means by which 'the government sells debt to the non-government bond dealers'. Bonds are bonds (just as currency is currency). Neoliberal explanation might attempt to conflate government bonds with 'government debt', but, in reality, no debt is created in issuing bonds, and [no debt is purchased](#) when those bonds are sold.

No matter how much bond markets might fluctuate, those fluctuations are contained within the private sector 'bond markets'. They have as little impact on a Government's ability to 'fund its commitments' as fluctuation in the watermelon market! Mitchell explains it well,

the central bank (that is, the government) can **always** set bond yields at whatever level it chooses including zero.

The bond markets do not have the power to set yields unless the government allows them that flexibility. The government rules, not the markets.

Not to mention that the government doesn't even need to issue debt in primary markets in order to spend.

To break out of this neoliberal mindset it really is necessary to spell it all out. Otherwise we become party to the current neoliberal reordering of reality, which leads to the conclusion that governments fund their spending through selling 'debt securities' to private investors.

⁷⁴⁵ Once this sleight-of-hand charade is recognized for what it is, it is easy to presume that nobody could be so deluded as to actually believe that the masquerade they seem intent on playing out is 'necessary'. As Bill Mitchell has put it:

The Government plays along with the charade releasing what it deems to be cleverly crafted documents, shifting revenue and spending across year lines to give one impression or another of the state of affairs. None of the charade is based on any fundamental

economic understanding. None of it means anything other than a demonstration of a national scam to hide the truth from the ordinary citizen who for one reason or another relies on experts to summarise technical detail into meaningful sound bites.

The nation then goes about its business in this cloud of ignorance, while the elites continue to suppress wages and living standards and march off with increasing shares of national income. They know what is going on and it is in their interests to keep the rest of us from having the same information. It is the same the world over. Well, here is what is going on with a framework that allows the reader to cut through the lies ...

(Bill Mitchell, [Ⓔ] [A lying government pushing economy towards recession and greater inequality](#), *Billy Blog*, December 20, 2016)

I strongly suspect that neither Western governments nor Western elites are aware that [the nonsense being perpetrated](#) upon 'the nation' is nonsense. They are as convinced that the charade is based in fundamental economic understandings as the 'experts', 'informed commentators' and the general public. They all live in the same ideologically contrived, bounded reality.

It is the [nature of any ideology](#), that those whose lives are shaped by its requirements come to believe that [there is no other reality](#).

Those who can see the absurdity of it all face herculean difficulties and dangers in attempting to re-educate Western populations. It is one thing to voice one's opinions to those of like mind, it is quite another to attempt to re-educate true believers.

746 {§} (20/03/18) This refers to a US law which already presumes the legitimacy of bundling government department and agency unencumbered credit requirements as 'debt' - superficially supporting the idea that purchasing government bonds is purchasing 'government debt' and so should be rewarded with an interest return on those bonds. This law is based on a ruling by the US Committee on Banking and Currency (May 13, 1935, p. 13). As Kenneth Garbade (August 2014) explained:

The committee report did not explain the reason for the prohibition, stating only that "Section 207 of the bill as it passed the House ... has been modified ... so as to provide that direct [and guaranteed] obligations of the United States ... may be purchased only in the open market."

(Kenneth D. Garbade, [Ⓔ] [Direct Purchases of U.S. Treasury Securities by Federal Reserve Banks](#), *Federal Reserve Bank of New York*, Staff Report No. 684, August 2014, page 5)

The consequence of this amendment, requiring that 'direct [and guaranteed] obligations of the United States ... may be purchased *only in the open market*', results in the US Treasury having to issue Federal bonds to private sector bond markets equal in value to the funding needed to meet the 'direct [and guaranteed] obligations of the United States'. The Federal Reserve must then purchase those bonds from the private sector bond markets in order to justify the issue of unencumbered credit to the US Treasury.

This absurd charade is an obfuscatory redundancy since it introduces an irrelevant step in the generation of sovereign credit to fund the costs of

government.

Amending bills as they 'pass the House' is, of course, common US Congressional practice. The 'amendments', tacked onto bills as they are finalized, are often not subjected to close (or even any) scrutiny. Unexplained, unjustified and anomalous directives such as this, once passed into law, can be very difficult to remove. As [Maitland explained](#) of the evolution of English law:

... [I]t is rather the enormous bulk than any dearth of available materials that prevents us from tracing the transformation of every old doctrine and the emergence and expansion of every new idea.

Before long, the intellectually expedient 'it must be there for a reason' argument becomes the response to challenges to its existence. And, once established, it is not long before varied 'explanations' of the reasons for its existence emerge in the literature, cementing its validity. One such, almost convincing, explanation was provided by [Kalecki in 1943](#):

To understand this process it is best, I think, to imagine for a moment that the government pays its suppliers in government securities... what the economy lends to the government are goods and services whose production is 'financed' by government securities.

In reality the government pays for the services, not in securities, but in cash, but it simultaneously issues securities and so drains the cash off...

He would, of course, have done everyone a favor if he had challenged the validity of the directive rather than attempting to explain away its existence.

Clearly, US Central Reserve policies and procedures must, in a nation which claims to live by 'The Rule of Law', conform to existing legal directives and guidelines. However, as Kalecki very clearly explained, US Federal bonds, which form the 'government securities' 'purchased... in the open market' are, inescapably, created 'out of thin air' by the US Treasury. The private sector 'revenue raised' through their sale is federally guaranteed [private sector credit](#). Which is why the elaborate charade is required of:

- relabeling government agencies' [unencumbered](#) sovereign credit requirements as 'government debt';
- funding the direct [and guaranteed] obligations of the United States - which are supposed to be 'financed' by government securities - in 'cash', in 'anticipation' of the sale of the 'debt securities';
- selling those 'debt securities' (a [justificatory renaming of Federal bonds](#)) to private sector buyers (and so [draining the cash off](#) that the government has already paid its suppliers); and
- obtusely claiming that the 'revenue raised' to pay for the direct [and guaranteed] obligations of the United States has not been generated during the initial credit creation and simultaneous issuing of the securities (which, as Kalecki

explained, 'drain the cash off' (withdrawing the sovereign credit used to fund those obligations from the private sector and, in doing so, committing the government to long-term 'interest payments' to private sector bond buyers - which might well be the [hidden purpose of the charade!](#))).

Of course, it is this charade which is used by neoliberal devotees to justify their claim that all credit is created in the private realm and that government spending must, always, be constrained by revenue it can raise from the private sector.

It is this irrelevant 'balancing' of Treasury authorizations and buy back of those authorizations from the private sector bond markets by the Federal Reserve which provides the rationale for the post-1970s obsession with 'balancing the budget'. After all, as all well-educated neoliberal aficionados know, '[there is no such thing as public money](#)'; there is only taxpayers' money'.

⁷⁴⁷ The often raised chant 'What About Zimbabwe?' or 'What about 1920s Germany?' to counter suggestions that sovereign credit is unencumbered is, of course, based in a misunderstanding of the [nature of sovereignty](#). The suggestion that early 21st century Zimbabwe or 1920s Germany are/were in control of their own destinies is simplistic. In both cases, powerful external actors are/were in play, undermining sovereignty and seriously challenging any belief that either 'sovereign' nation is/was in control of their economic destinies.

⁷⁴⁸ Which relies, of course, on circular reasoning: private credit creation assumes access to sovereign credit which, in this Alice in Wonderland world, is a consequence of private credit creation. What a mystic wonderland is revealed when one munches on those magic mushrooms - or is it 'one is sprinkled with magic fairy dust'?

⁷⁴⁹ {§} (01/11/16) Bryce Covert has demonstrated the pseudo-erudition which underpins neoliberal 'knowledgeable comment' (based on that myopic neoliberal belief that [all credit is created in the private realm](#)). Apparently, it is 'necessary' to enable private financial institutions and investment agencies to interpose a private sector tax on US government spending:

Economic growth has been sluggish since the Great Recession, as the Republican primary candidates were all too happy to point out. Growth in the gross domestic product has run under 2 percent this year. The recovery has been weaker than past recoveries from recessions and worse than what officials originally expected.

At the same time, interest rates on the country's debt are incredibly low, hovering around 2 percent. That means we could borrow more money at a very low cost. What would we do with it? New money could be put to incredibly good use, rebuilding deteriorating roads and bridges or investing in education.

This is the stance of an increasing number of economists, including prominent voices like Lawrence Summers and Douglas Elmendorf: The United States needs to borrow money and invest it in growing the economy.

We're also not in danger of being unable to pay back what we owe. The cost of paying interest on the government's debt is at a 50-year low, consuming just 6 percent of the federal budget.

(Bryce Covert, [Ⓔ] [Hillary Clinton's Bad Promise on Debt](#), *New York Times*, Opinion Pages, October 31, 2016)

Alan Longbon has [put the problem in a nutshell](#):

The core idea behind this neo-liberal groupthink is to protect the exorbitant free lunch enjoyed by the private banks for providing the government with loans of the government's own money at interest.

Banks have attached themselves as a parasite onto the government and work very hard to convince the government and the voting public that this parasitic relationship is necessary for the health of all. An example of rentier rent extraction at the very highest level.

(Alan Longbon, Commenter, on Bill Mitchell, [Ⓔ] [Currency-issuing governments can keystroke their outstanding debt into oblivion](#), *Billy Blog*, October 13, 2016)

Alan Longbon's explanation extends an opinion expressed by Marriner Eccles⁷⁶⁹ in 1947. Addressing why Section 206(a) of the Banking Act of August 23, 1935 explicitly prohibited direct purchases of Treasury securities by Federal Reserve Banks, he pointed out that 'the prohibition was inserted at the behest of Government securities dealers':

... authority [to purchase directly from the Treasury] was taken away from the Reserve System primarily at the instance of some of the dealers ...

I think the real reasons for writing the prohibition into the [Banking Act of 1935] ... can be traced to certain Government bond dealers who quite naturally had their eyes on business that might be lost to them if direct purchasing were permitted.

([Garbade, 2014, p. 7](#))

{§} (23/11/16) Once economic processes and structures have been established, based on particular sets of presumptions about and understandings of 'economic reality', it appears that no-one is able to challenge them. They must be there because they are necessary. Their existence is evidence, if any were needed, of the deep and almost mystical nature of 'the economy' - beyond the understanding of 'mere mortals'.

As with any ideological construct, the features are to be 'explained' and justified, not questioned and challenged. If there are features which appear redundant that is not because they are redundant but because there are features of economies which require *specialist knowledge* (bringing to mind Mike Lofgren's explanation of *fachidiocy*). Without that knowledge people can believe that they are unnecessary, but the 'specialists' know their deeper significance. It was, indeed, appropriate that the 'natural laws' of economics would first be 'explained' by someone trained for the Anglican clergy.

⁷⁵⁰ The term 'apogee' assumes an orbit, however eccentric its ellipse. But, were Trump's budget to be enacted, it would be naive to assume some later return to 'normality'. Disturb an orbiting object at its apogee and the chances are high that the orbit will, at the very least, be altered and that the cumulative changes will reverberate through time.

{§} (07/08/17) The world may well be on the cusp of a geopolitical seismic shift. In attempting to understand the likely trajectory of such a shift, one needs to keep in mind:

- The escalation in US military funding which is occurring in both nuclear and conventional spheres;
- Coupled with the long-standing US belief that they are under threat from powerful external enemies.

(In the second decade of the 21st century this is almost entirely imaginary:

The Russians - or is it the Chinese or the Iranians or... - are out to get us!

Or self-instigated through US military adventures around the world);

- The determined push for financial deregulation and [Ⓔ] gutting of central government authority and responsibility which has become the sub-text of President Trump's bumbblings within the US Congress.

(The question to be asked is:

Have President Trump's ineptitudes provided the smoke-screen behind which more coherent 'small-government' forces (of both political parties) in the US Congress are left free to pursue their long-incubated agenda aimed at reducing central government to being the police force of neoliberalism?)

- And, of course, the absurd climate change denial implicit in Trump's withdrawal from the 2016 Paris climate agreement.

Steven Metz has described the inexorable drift toward the privatization of US military activity since September 11 2001 - a feature of the over-extension of Western imperialism since Roman times:

After nearly 16 years of military and diplomatic efforts, the U.S. cannot secure Afghanistan from the Taliban. During that time, the administrations of George W. Bush, Barack Obama and Donald Trump all wanted to believe that if they could just find the right U.S. troop levels and fine-tune the assistance provided to the government of Afghanistan, things would work out. But it never happened. Victory remains elusive.

Now, as the American public and its elected leaders grow impatient with the unending war and realize that doing more of the same will never produce different results, out-of-the-box proposals are on the table. As is often the case, frustration is making things that once appeared infeasible suddenly seem appealing. One such proposal is the idea of replacing some or even most U.S. troops in Afghanistan with private security contractors...

Another sign of the privatization of security is the American military's extensive reliance on contractors for intelligence, cyber warfare and logistics, as well as for VIP protection and site security. But again, rather than approaching this as something permanent, U.S. political and military leaders treat it as an abnormality—a

temporary expedient made necessary by the rapid expansion of operations in Iraq and Afghanistan.

Large corporations, too, are turning to private security firms. For commercial shipping, onboard security detachments have helped blunt the piracy problem that shipping firms faced. Many extractive industries in unsettled parts of the world hire security forces mostly composed of former members of national militaries.

(Steven Metz, [Ⓔ] [The Privatization of Security Is Coming. The U.S. Must Start Preparing for It](#), *World Political Review*, Friday, July 21, 2017)

And, of course, [Ⓔ] [outsourcing war](#) makes public oversight of the activities, funding, and personnel of those [privatized and corporatized](#) mercenary organizations more difficult. Citizens become dissociated from the prosecution of wars undertaken in their names; ensuring reduced public control over the activities and funding of that military industrial complex [bequeathed by Eisenhower](#).

The US might, indeed, as Noam Chomsky has suggested, become the "[Most Dangerous Country in the World](#)".

{§} (02/08/17) As George Orwell explained in his *1984* and Kissinger [suggested](#), a population [beset by real and/or imagined fears](#) is easily manipulated.

Guy Saperstein and Kelsey Abkin described such a population, ripe for manipulation:

At a rally in North Carolina in December 2016, a 12-year-old girl said to candidate Donald Trump, "I'm scared. What are you going to do to protect this country?"

"You know what, darlin'?" Trump replied. "You're not going to be scared anymore. They're going to be scared."

Throughout his campaign, Trump played off the rising fear of the American public. His us-vs.-them rhetoric eroded people's trust in facts, numbers, nuance, government and the news media and augmented the already fragile line of truth. Trump knew Americans were afraid and that they would vote accordingly.

...So how is it that we are living in what is arguably the safest time in history, yet we as a country exist in a culture of fear?

Christopher Fettweis, author of *The Pathologies of Power: Fear, Honor, Glory, and Hubris in U.S. Foreign Policy*, says it is because

"our fear is not based on an intellectual conclusion, it's a belief."

America's fear has become a framework of belief, surpassing far beyond the plasticity of opinions. And as history has proved time and time again, beliefs are near impossible to change.

The reality is "facts" don't mean much in the way of beliefs. Telling a person, who has the sincerest gut belief, the statistic that more Americans are killed each year by furniture than by terrorism becomes somehow unconvincing, or rather disagreeable.

Political psychologists call this tendency to conform assessments of information to some goal or end extrinsic to accuracy "motivated reasoning." In other words, people believe what they want to

believe. This cognitive process infiltrates everything from us convincing ourselves a gluten-free cupcake is healthy to our groundless denial of climate change and gun violence.

So why is this process so crucial in understanding the culture of fear in America?

It perpetuates it. Because humans will dismiss rational thinking for the sake of reconfirming their identity, their fears will eclipse facts.

A conservative turns on the news to see a terrorist attack in London. Then he goes on Twitter to see fellow conservatives' rant about building a wall and protecting our borders. His fear is legitimized within their cushy network of familiarity. If the conservative encountered the fact that "zero refugees from countries included in the president's travel ban have killed anyone in terrorist attacks on American soil," he would ignore it, because it does not fit with his worldview.

The individual does not conform to adjust his perspective, but emerges unconvinced and indignantly dogged.

According to psychologist Tom Gilovich, this is because the fundamental questions we ask ourselves in response to particular information conforms to what we want to believe. "For desired conclusions," he writes, "it is as if we ask ourselves 'Can I believe this?,' but for disagreeable conclusions we ask, 'Must I believe this?'"

People do not confront new information looking for truth, but rather looking for their truth and this means facts take a backseat to deeply ingrained fears.

(Guy T. Saperstein and Kelsey Abkin, [Ⓔ] [Why Are Americans So Afraid? Facts take a backseat to deeply ingrained fears](#). *AlterNet*, July 29, 2017)

How desperately the US needs a president of FDR's caliber:

This is preeminently the time to speak the truth, the whole truth, frankly and boldly. Nor need we shrink from honestly facing conditions in our country today.

This great Nation will endure as it has endured, will revive and will prosper. So, first of all, let me assert my firm belief that the only thing we have to fear is fear itself—nameless, unreasoning, unjustified terror which paralyzes needed efforts to convert retreat into advance.

In every dark hour of our national life a leadership of frankness and vigor has met with that understanding and support of the people themselves which is essential to victory. I am convinced that you will again give that support to leadership in these critical days.

(Franklin D. Roosevelt, [Ⓔ] [Inaugural Address](#), *The American Presidency Project*, March 4, 1933)

⁷⁵¹ Athanasios Orphanides has examined "the flawed political structure of the euro area that permitted governments of some member states to exploit problems in other member states that share the common currency". As he explained:

Five years after the beginning of the euro area crisis the outlook for the common currency looks bleak. The euro has failed its first major test since its introduction. Rather than promote prosperity in Europe, the euro has trapped numerous states into a protracted slump. Rather than promote the euro area's economic strength in the global economy, the euro has sapped economic potential, leading to a widening gap in economic performance relative to other economies. Rather than complete the European project, the euro has promoted mistrust among the people of Europe and contributed to the disintegration of the euro area.

What are the causes of this failure? Study of the failed EU/IMF program that was imposed on Greece in May 2010 - the original sin of the crisis - provides rich information that can help explain both the nature of the problem and the difficulty regarding its resolution. Information that is now in the public domain can shed light on how and why flawed decisions were made during the crisis. The analysis suggests that mismanagement of the crisis can be traced to the political structure of the euro area that leveraged the power of some member state governments against the interests of other member states and the euro area as a whole.

(Athanasios Orphanides, ^{CE} [The Euro Area Crisis Five Years After the Original Sin](#), MIT, Sloan School Working Paper 5147-15 10/19/2015)

Wynne Godley, in 1992, spelt out the problems of a future Eurozone underpinned by neoliberal presumptions:

The central idea of the Maastricht Treaty is that the EC countries should move towards an economic and monetary union, with a single currency managed by an independent central bank. But how is the rest of economic policy to be run? As the treaty proposes no new institutions other than a European bank, its sponsors must suppose that nothing more is needed. But this could only be correct if modern economies were self-adjusting systems that didn't need any management at all.

I am driven to the conclusion that such a view - that economies are self-righting organisms which never under any circumstances need management at all - did indeed determine the way in which the Maastricht Treaty was framed. It is a crude and extreme version of the view which for some time now has constituted Europe's conventional wisdom (though not that of the US or Japan) that governments are unable, and therefore should not try, to achieve any of the traditional goals of economic policy, such as growth and full employment. All that can legitimately be done, according to this view, is to control the money supply and balance the budget. It took a group largely composed of bankers (the Delors Committee) to reach the conclusion that an independent central bank was the only supra-national institution necessary to run an integrated, supra-national Europe.

But there is much more to it all. It needs to be emphasised at the start that the establishment of a single currency in the EC would indeed bring to an end the sovereignty of its component nations and their power to take independent action on major issues. As Mr Tim Congdon has argued very cogently, the power to issue its own money, to make drafts on its own central bank, is the main thing

which defines national independence. If a country gives up or loses this power, it acquires the status of a local authority or colony. Local authorities and regions obviously cannot devalue. But they also lose the power to finance deficits through money creation while other methods of raising finance are subject to central regulation. Nor can they change interest rates. As local authorities possess none of the instruments of macro-economic policy, their political choice is confined to relatively minor matters of emphasis - a bit more education here, a bit less infrastructure there. I think that when Jacques Delors lays new emphasis on the principle of 'subsidiarity', he is really only telling us we will be allowed to make decisions about a larger number of relatively unimportant matters than we might previously have supposed. Perhaps he will let us have curly cucumbers after all. Big deal!

Let me express a different view. I think that the central government of any sovereign state ought to be striving all the time to determine the optimum overall level of public provision, the correct overall burden of taxation, the correct allocation of total expenditures between competing requirements and the just distribution of the tax burden. It must also determine the extent to which any gap between expenditure and taxation is financed by making a draft on the central bank and how much it is financed by borrowing and on what terms. The way in which governments decide all these (and some other) issues, and the quality of leadership which they can deploy, will, in interaction with the decisions of individuals, corporations and foreigners, determine such things as interest rates, the exchange rate, the inflation rate, the growth rate and the unemployment rate. It will also profoundly influence the distribution of income and wealth not only between individuals but between whole regions, assisting, one hopes, those adversely affected by structural change.

... If a country or region has no power to devalue, and if it is not the beneficiary of a system of fiscal equalisation, then there is nothing to stop it suffering a process of cumulative and terminal decline leading, in the end, to emigration as the only alternative to poverty or starvation. I sympathise with the position of those (like Margaret Thatcher) who, faced with the loss of sovereignty, wish to get off the EMU train altogether. I also sympathise with those who seek integration under the jurisdiction of some kind of federal constitution with a federal budget very much larger than that of the Community budget. What I find totally baffling is the position of those who are aiming for economic and monetary union without the creation of new political institutions (apart from a new central bank), and who raise their hands in horror at the words 'federal' or 'federalism'. This is the position currently adopted by the Government and by most of those who take part in the public discussion.

(Wynne Godley, [Ⓔ] [Maastricht and All That](#), *London Review of Books*, Vol. 14 No. 19 · 8 October 1992, Pages 3-4)

⁷⁵² Barry Eichengreen and Charles Wyplosz have addressed the "Minimal conditions for the survival of the euro":

...[W]e set out minimal conditions for the survival of the euro. Typically this issue is framed as whether European monetary integration, which reached its apogee with the euro, will now be complemented by the political integration needed for the single currency to survive. This is how the technocrats and political intelligentsia responsible for the euro's creation saw things; since monetary union is not possible without political union, creating the euro was a way of forcing the pace of political integration.

Limits to political integration

This is not how we see things. Over the timeframe relevant for the euro's survival, political integration in Europe has its limits. This is what historical comparisons suggest. It took the US more than a century including the experience of a devastating civil war before it became a true, irrevocable political union, and Europe is only a short way down that path. The euro's existential crisis is likely to be resolved one way or the other long before that political destination is reached.

Economic theory similarly suggests limits to European political integration. Public finance theory (e.g. Buchanan 1965) points to the existence of economies of scale in the provision of public goods (integration allows public goods like fiscal coinsurance and a well-regulated banking system to be provided more cheaply), underscoring the advantages of political integration and centralisation. But it also highlights the costs of centralised provision since populations are heterogeneous and preferences for public goods differ across groups and regions - costs that create understandable resistance to pooling responsibility for provision.

This tension is evident in how Europe has responded to its crisis. In some areas where evidence of increasing returns is overwhelming, Europe has moved toward centralised provision. Examples include centralised provision of backstop facilities for sovereign debt markets (the European Central Bank's Outright Monetary Transactions) and creation of the Single Supervisor (with responsibility for oversight of the banking system).

But in other areas the benefits of centralised provision are dominated by the costs of uniformity, creating resistance to further centralisation. This is true most obviously of fiscal policy where different countries have different tastes (insofar as countries as distinct from individuals have tastes) for fiscal rectitude and stabilisation, and different degrees of tolerance of debt and deficits. This heterogeneity in turn creates a problem of trust, i.e. can those formulating and executing the common policy be trusted to do so in a manner consistent with a group's tastes. This is analogous to the problem that results in an undersupply of public goods like policing and schools in localities where the population is heterogeneous, wherein each group is reluctant to pay additional taxes for fear that the resources so mobilised will go to pay for public goods valued by other groups but not by itself (Alesina et al. 1999).

(Barry Eichengreen, Charles Wyplosz, ^{CE} [Minimal conditions for the survival of the euro](#), VOX, 14 March 2016)

As they summarize:

The Eurozone crisis has shown that monetary union entails more than just sharing monetary policies. This column, first published on 12 February 2016, identifies four minimal conditions for solidifying the monetary union. In the case of fiscal policy, this means a decentralised solution. In the case of financial supervision and monetary policy, centralisation is unambiguously the appropriate response. In the case of a fourth condition, debt restructuring, either approach is possible, but the authors prefer a solution that involves centrally restructuring debts while allocating costs at national level.

Bill Mitchell, in a blog posting, has provided an examination of related issues, arguably either stemming from or exacerbated by the flaws in Europe's Euro Zone adventure: [Ⓔ] [Chaos in Europe and the flawed monetary system](#), *Billy Blog*, Wednesday, March 23, 2016.

⁷⁵³ Bill Mitchell has spelt out similar 21st century consequences in Germany:

Germany has become so obsessed with recording fiscal surpluses that its trucks can no longer transit important bridges and so the export model is being undermined. It is so obsessed with screwing its own people and overseeing an increasing bias to precarious work with low pay that the future retirements of their workforce is in jeopardy. The chickens are coming home to roost in a big way for Europe's so-called powerhouse. No other nation should follow its lead....

The austerity-obsessed German government is claiming the solution lies in private-public partnerships with the private sector stumping up the funding.

We have been down this road before in many Anglo nations and have learned the hard way – PPPs are generally disastrous.

Please read my blogs – [Ⓔ] [Public infrastructure 101 – Part 1](#) and [Ⓔ] [Privatisation failure – the micro analogue of fiscal surplus obsessions](#) – for more discussion on this point.

(Bill Mitchell, [Ⓔ] [The chickens are coming home to roost for Europe's so-called powerhouse](#), *Billy Blog*, August 10, 2017)

⁷⁵⁴ Bill Mitchell has explained the nature of private credit - whether tokenized or not - well:

...the "money supply" in an "entrepreneurial economy" is demand-determined - as the demand for credit expands so does the money supply. As credit is repaid the money supply shrinks. These flows are going on all the time and the stock measure we choose to call the money supply, say M3 is just an arbitrary reflection of the credit circuit.

(Bill Mitchell, [Ⓔ] [Indexed bank reserve support schemes will not expand credit](#), *Billy Blog*, August 31, 2016)

⁷⁵⁵ An obvious, though probably politically difficult way in which the US Federal Reserve Board might address this unprecedented blowout in bank reserves would be to repackage excess bank reserves as 'long-term bank stabilization securities', which can be accessed only at the discretion of the Federal Reserve Board. This change might be glossed as a return to 'normal practice' following an economic crisis. In a second

phase of this change, the credit leakage which is implied in paying interest on those transferred bank reserves might progressively be stemmed through adjusting the rate.

While banks will, of course, loudly protest the inequity of such repackaging, the rationale for doing so should appeal to that large majority of US voters which believes that the banks have been rewarded for profligacy bordering on criminality. After all, the securities purchased by the Fed over the past several years were in large part funded by unsecured-credit-creating private bank activity, made possible through [the deregulation of bank activity and capital account liberalization](#) over the past several decades.

Perhaps the following is a half-hearted attempt, on the part of the US Fed, to address the problem (inducing banks to trade bank reserves for US Government securities): AUTHORIZATION FOR DOMESTIC OPEN MARKET OPERATIONS (As amended effective January 28, 2014), ^{CE} [Minutes of the Federal Open Market Committee](#), January 28 - 29, 2014, p.3. It will be interesting to see whether the major players are willing voluntarily to forgo their bank reserves for US securities, though the long-term problems associated with the blowout in the monetary base are not really addressed by such measures.

⁷⁵⁶ A minor point here, which should not cloud the far more important issues addressed by Alt. I doubt that one needs to provide a justification for sovereign credit creation (e.g. "A U.S. Dollar is an I.O.U. issued by the sovereign U.S. government which says "I owe you one Dollar's worth of credit on the Federal Taxes you owe me."). This seems to echo the old gold standard rationale.

Governments create credit.

That sovereign currency might be presented in the form of an IOU has become, since movement from the gold standard, an anachronism which often stimulates a felt need to provide a rationale for the existence of such IOUs. The rationale for the existence of sovereign monetary bases (and associated currencies) is that such bases are required in capitalist societies. This same rationale underpins the existence and features of most government institutions and agencies.

[The old 'Gold Standard'](#) was always a convention to justify maintaining relatively fixed exchange rates, taken far too literally by the US Government in purchasing and holding enough gold to underwrite its monetary base (a literalism which has, to the present, blinkered and constrained US economic understanding and model building).

⁷⁵⁷ The case for Central Bank independence was well made by US Federal Reserve Chairman Ben Bernanke (2010):

A broad consensus has emerged among policymakers, academics, and other informed observers around the world that the goals of monetary policy should be established by the political authorities, but that the conduct of monetary policy in pursuit of those goals should be free from political control. This conclusion is a consequence of the time frames over which monetary policy has its effects. To achieve both price stability and maximum sustainable employment, monetary policymakers must attempt to guide the economy over time toward a growth rate consistent with the

expansion in its underlying productive capacity. Because monetary policy works with lags that can be substantial, achieving this objective requires that monetary policymakers take a longer-term perspective when making their decisions. Policymakers in an independent central bank, with a mandate to achieve the best possible economic outcomes in the longer term, are best able to take such a perspective.

(^{CE} [Central Bank Independence, Transparency, and Accountability](#), Remarks by Ben S. Bernanke, Chairman, Board of Governors of the Federal Reserve System, at the Institute for Monetary and Economic Studies International Conference, Bank of Japan, Tokyo, Japan, May 26, 2010)

⁷⁵⁸ As the ^{CE} [Basic Income Action](#) website says:

What is a basic income, exactly? How does it work?

It's simple, and that's what makes it so powerful.

Set an amount - maybe \$1,000 a month, or \$800 or \$1,500 a month - and have government provide that to every adult American. Everyone gets the same amount, ideally enough to guarantee that people can afford food, clothes, shelter, and other necessities.

We can adjust the amount occasionally when economic conditions require it. State and local governments can supplement it, using local revenues.

This is an income independent of what people earn at a job or through investments, and everyone gets it, no questions asked, either as a direct payment or combined into the tax system. It's economic security for every American...

A basic income of \$1,000 a month is \$24,000 a year for a couple. That's more than the current official poverty level for a family of four. We can end hunger, end homelessness, end extreme poverty. Current policies cannot possibly achieve that; no way, no how, no hope.

Because it's universal and unconditional, basic income creates a baseline of justice and equality. Everyone will be on the political and economic playing fields, with money to participate actively as citizens and in markets.

Are there specific issues or problems you care about? Racism? Poverty? Income inequality? Health care? Education reform? Global warming and climate change? Political corruption and the power of special interests? Every American will have the means and incentives to work together as citizens, to make our government more efficient, responsive, and accountable...

Concern about inflation is a reason to be diligent about cutting welfare, eliminating corporate welfare, abolishing tax breaks and credits, and ending wasteful spending at all levels, federal, state, and local. Those cuts will offset the basic income.

Many economists are now more concerned about deflation than inflation. Because of stagnant incomes and technology-driven job reductions, Americans have less money to spend, and that lack of spending and demand is hindering economic activity generally.

If there is any inflation, ever, basic income will be a cushion, protecting us from higher prices. We'll stay calm while the Federal Reserve acts to prevent further inflation. Economic conditions will be more stable than today, and stability is good for consumers, businesses, entrepreneurs, and investors.

⁷⁵⁹ A 'jobs guarantee' is an attractive alternative for those who are concerned about the moral consequences of distributing 'unearned' income. This is most unlikely to be a real problem in a capitalist world since an unearned income solution would never get off the ground. Even 'welfare recipients' are, almost always, keenly aware of those who are 'free-loading' on the system.

Yves Smith has provided an interesting discussion on the rationale for a universal basic income in a blog posting. As she says,

...I know a universal basic income is a popular idea among readers, and I have to tell you, you are being set up.

Like it or not, even though we live in a fiat currency system, most people believe that their Federal taxes are necessary to fund Federal spending. We also live in a capitalist system, where most people have to work to earn income as a condition of their survival.

The big conservative argument for a universal basic income, and many neoliberals buy into it, is because it would be cheaper administratively and fairer than [our patchwork of social safety nets](#).

...One of the reasons that social safety nets are still standing to a degree is that they have business support. Food stamps are good for Big Ag. Medicaid provides more income to the medical industrial complex. And they separately are targeted to recognized human needs. Even people who believe that the poor are really malingerers are more willing to give their precious tax dollars to targeted spending than giving them a check that they stereotype will be used for drugs or gambling.

(Yves Smith, ^{CE} [The Conversation About Basic Income is a Mess. Here's How to Make Sense of It](#), *Naked Capitalism*, April 6, 2017)

In an earlier posting she has explained her preference for a jobs guarantee rather than a universal basic income. (If I were quibbling (I agree with her position on this) I might suggest that the Speenhamland Decrees did not 'produce [an unskilled underclass](#)'; that was a consequence of the 18th century dispossession of small holders, displacement of rural laborers, and impoverishment of many of the 'little gentry' and remaining small landholders):

The reason I prefer a jobs guarantee (with an income guarantee at a lower income level) is that the time an income guarantee was implemented on an open-ended, long term basis, it produced an unskilled underclass (see ^{CE} [our post on the Speenhamland system](#) for more detail).

Moreover, the idea that people are brimming with all sorts of creative things they'd do if they had an income to allow themselves to do it is bunk. For instance, MacArthur Foundation grant recipients, arguably some of the ... most creative people in society, almost without exception do not do anything productive while they have their grant funding. And let us not kid ourselves: most people

are not creative and need structure and pressure to get anything done.

Finally, humans are social animals. Work provides a community. If you are extraverted and need to be around people during the day, it's hard to create enough opportunities for interaction on your own. (Yves Smith, ^{CE} [F@ck Work?](#), *Naked Capitalism*, January 5, 2017)

⁷⁶⁰ There seems little to suggest that redistribution has negative 'economic' effects. See: Jonathan D. Ostry, Andrew Berg, and Charalambos G. Tsangarides, ^{CE} [Redistribution, Inequality and Growth](#) (IMF, Research Department, IMF Staff Discussion Note, February 2014) for an examination of the issues.

For an in-depth examination of "the trends and patterns in inequality and poverty for OECD and emerging countries" see the OECD site: ^{CE} [Income Inequality and Poverty](#)

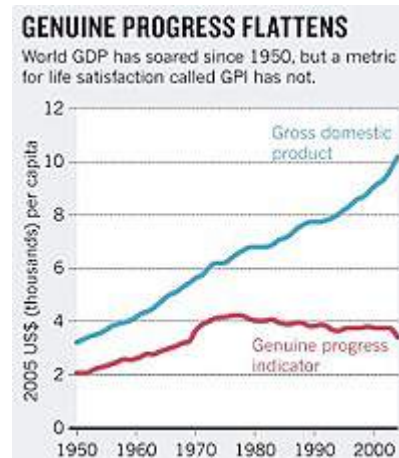
Thomas Hungerford (2012) put it succinctly:

Throughout the late-1940s and 1950s, the top marginal tax rate was typically above 90%; today it is 35%. Additionally, the top capital gains tax rate was 25% in the 1950s and 1960s, 35% in the 1970s; today it is 15%.

The real GDP growth rate averaged 4.2% and real per capita GDP increased annually by 2.4% in the 1950s. In the 2000s, the average real GDP growth rate was 1.7% and real per capita GDP increased annually by less than 1%.

Robert Costanza *et al* (2014) have questioned the usefulness of GDP measures and proposed alternatives:

Robert F. Kennedy once said that a country's gross domestic product (GDP) measures "everything except that which makes life worthwhile". The metric was developed in the 1930s and 1940s amid the upheaval of the Great Depression and global war. Even before the United Nations began requiring countries to collect data to report national GDP, Simon Kuznets, the metric's chief architect, had warned against equating its growth with well-being.



GDP measures mainly market transactions. It ignores social costs, environmental impacts and income inequality. If a business used GDP-style accounting, it would aim to maximize gross revenue - even at the expense of profitability, efficiency, sustainability or flexibility. That is hardly smart or sustainable (think Enron). Yet since the end of the Second World War, promoting GDP growth has remained the primary national policy goal in almost every country. (Robert Costanza *et al*, ^{CE} [Development: Time to leave GDP behind](#), *Nature* 505, 283 - 285 (16 January 2014))

⁷⁶¹ Bill Black has summed up capitalist plutocracy well:

Von Hayek was one [of] the principal framers of that immoral moral code that glorifies plunder by CEOs. Libertarians glorify von Hayek's bigoted glorification of elites as our moral superiors who have a right to rule and plunder our Nation. Tyler Cowen calls plutocracy and pervasive plunder a "hyper-meritocracy," but it is a rule by the most unethical for the most venal of purposes and it is the greatest enemy of merit and justice.

(William K. Black, [Ⓔ] [Why the Worst Get on Top - in Economics and as CEOs](#), *New Economic Perspectives*, June 11, 2014)

Of course, technically speaking, governments do not 'redistribute' tax revenues. However, in practical terms, since governments must control the supply of credit in order to limit inflationary pressures and retain confidence in the value of credit, the money supply needs to be kept stable and so, effectively, credit withdrawn through taxation is replaced by 'redistributed' credit. The short-hand for all this, while a little misleading is nonetheless useful: Governments redistribute credit clawed back through taxation and similar forms of revenue collection.

⁷⁶² This appeal to 'crisis funding', particularly for military purposes, has continued to justify 'crisis' [funding of US military activities](#) to the present. To justify military spending, link it to a 'crisis'!

While Roosevelt's appeal to sacrifice for the war effort was justified and used, quite deliberately, as a means to introduce high marginal tax rates on the wealthy, it's legacy, with the triumph of neoliberalism, has been support of the military industrial complex, even as marginal tax rates on the wealthy have been constantly reduced.

Roosevelt spelt out his vision for wealth redistribution in an April, 1942 fireside chat to the American people in which he explained: "I do not think that any American citizen should have a net income in excess of \$25,000 per year after payment of taxes" ([Ⓔ] [about \\$370,000 in 2017](#)):

...Although the treacherous attack on Pearl Harbor was the immediate cause of our entry into the war, that event found the American people spiritually prepared for war on a world-wide scale. We went into this war fighting. We know what we are fighting for. We realize that the war has become what Hitler originally proclaimed it to be- a total war.

Not all of us can have the privilege of fighting our enemies in distant parts of the world.

Not all of us can have the privilege of working in a munitions factory or a shipyard, or on the farms or in oil fields or mines, producing the weapons or the raw materials that are needed by our armed forces.

But there is one front and one battle where everyone in the United States-every man, woman, and child-is in action, and will be privileged to remain in action throughout this war. That front is right here at home, in our daily lives, and in our daily tasks. Here at home everyone will have the privilege of making whatever self-denial is necessary, not only to supply our fighting men, but to keep the economic structure of our country fortified and secure during the war and after the war.

This will require, of course, the abandonment not only of luxuries but of many other creature comforts.

Every loyal American is aware of his individual responsibility. Whenever I hear anyone saying "The American people are complacent-they need to be aroused," I feel like asking him to come to Washington to read the mail that floods into the White House and into all departments of this Government. The one question that recurs through all these thousands of letters and messages is: "What more can I do to help my country in winning this war?"

To build the factories, to buy the materials, to pay the labor, to provide the transportation, to equip and feed and house the soldiers, sailors, and marines, and to do all the thousands of things necessary in a war-all cost a lot of money, more money than has ever been spent by any Nation at any time in the long history of the world.

We are now spending, solely for war purposes, the sum of about \$100,000,000 every day in the week. But, before this year is over, that almost unbelievable rate of expenditure will be doubled.

All of this money has to be spent-and spent quickly-if we are to produce within the time now available the enormous quantities of weapons of war which we need. But the spending of these tremendous sums presents grave danger of disaster to our national economy.

When your Government continues to spend these unprecedented sums for munitions month by month and year by year, that money goes into the pocketbooks and bank accounts of the people of the United States. At the same time raw materials and many manufactured goods are necessarily taken away from civilian use; and machinery and factories are being converted to war production.

You do not have to be a professor of mathematics or economics to see that if people with plenty of cash start bidding against each other for scarce goods, the price of those goods goes up.

Yesterday I submitted to the Congress of the United States a seven-point program of general principles which taken together could be called the national economic policy for attaining the great objective of keeping the cost of living down.

I repeat them now to you in substance:

First. We must, through heavier taxes, keep personal and corporate profits at a low reasonable rate.

Second. We must fix ceilings on prices and rents.

Third. We must stabilize wages.

Fourth. We must stabilize farm prices.

Fifth. We must put more billions into war bonds.

Sixth. We must ration all essential commodities which are scarce.

Seventh. We must discourage installment buying, and encourage paying off debts and mortgages.

I do not think it is necessary to repeat what I said yesterday to the Congress in discussing these general principles.

The important thing to remember is that each one of these points is dependent on the others if the whole program is to work.

Some people are already taking the position that every one of the seven points is correct except the one point which steps on their own individual toes. A few seem very willing to approve self-denial on the part of their neighbors. The only effective course of action is a simultaneous attack on all of the factors which increase the cost of living, in one comprehensive, all-embracing program covering prices, and profits, and wages, and taxes and debts.

The blunt fact is that every single person in the United States is going to be affected by this program. Some of you will be affected more directly by one or two of these restrictive measures, but all of you will be affected indirectly by all of them.

Are you a businessman, or do you own stock in a business corporation? Well, your profits are going to be cut down to a reasonably low level by taxation. Your income will be subject to higher taxes. Indeed in these days, when every available dollar should go to the war effort, I do not think that any American citizen should have a net income in excess of \$25,000 per year after payment of taxes.

Are you a retailer or a wholesaler or a manufacturer or a farmer or a landlord? Ceilings are being placed on the prices at which you can sell your goods or rent your property.

Do you work for wages? You will have to forego higher wages for your particular job for the duration of the war.

(Franklin D. Roosevelt: [Ⓔ] ["Fireside Chat," April 28, 1942](#). Online by Gerhard Peters and John T. Woolley, *The American Presidency Project*)

763 {§} (25/05/16) While, at the time, appeal by the New Deal's architects to 'patriotic' sacrifice for the war effort and for post-war reconstruction seemed like a good idea - and, of course, worked! - it set in place [military \(and related\) spending](#) levers through which to trigger public support for US government deficits which have become institutionalized.

Appeals to patriotic support of the 'war' and 'post-war' responsibilities of the US soon morphed into appeals for public funding of major public works projects as means of keeping the country safe from international aggression. The US Federal Highway Administration, in its 50th Anniversary Web Site, invites visitors:

...to explore this Web site devoted to the Dwight D. Eisenhower System of Interstate and Defense Highways on its 50th anniversary. From the start on June 29, 1956, the Eisenhower Interstate System has been known as the Greatest Public Works Project in History.

Elsewhere on the site it explains the rationale for this "greatest public works project in history":

In the 1950's, the issue of evacuation was not in any sense frivolous at the height of the Cold War with the Soviet Union. For example, while President Dwight D. Eisenhower began lobbying congressional leaders on behalf of the highway proposal he would submit on

February 22, 1955, he was preoccupied with the Formosa Straits crisis that erupted when the People's Republic of China appeared ready to cross the straits and attack Chinese Nationalists on Formosa (now called Taiwan) over control of the islands of Quemoy and Matsu. This was a major international crisis, as illustrated by Eisenhower biographer Stephen E. Ambrose's observation that, "the United States in early 1955 came closer to using atomic weapons than at any other time in the Eisenhower Administration."

For the President, the Formosa crisis illustrated the need for the Interstate System. He worried about evacuating Washington and other cities in the event of a nuclear attack. He knew the present roads were inadequate for that purpose. Still, in a meeting with legislative leaders on January 11, 1955, the Formosa crisis prompted a discussion of what would happen in the event of a nuclear attack on the United States. The President said he was worried about an atomic bomb attack, which prompted him to suggest the need for a plan to relocate Congress in an emergency... (US Federal Highway Administration, ^{CE} [Highway History, Interstate System](#), accessed 11 July, 2016)

Over the past half century and more [this same logic has been used](#) to justify a wide range of projects, often inadequately planned and poorly administered but protected from public scrutiny because they are 'necessary to the defense of the nation'.

Bill Hartung has examined US military funding in an essay subtitled 'Slush Funds, Smoke and Mirrors, and Funny Money Equal Weapons Systems Galore':

Now you see it, now you don't. Think of it as the Department of Defense's version of the street con game, three-card monte, or maybe simply as the Pentagon shuffle. In any case, the Pentagon's budget is as close to a work of art as you're likely to find in the U.S. government - if, that is, by work of art you mean scam.

The United States is on track to spend more than \$600 billion on the military this year - more, that is, than was spent at the height of President Ronald Reagan's Cold War military buildup, and more than the military budgets of at least the next seven nations in the world combined. And keep in mind that that's just a partial total. As an analysis by the Straus Military Reform Project has shown, if we count related activities like homeland security, veterans' affairs, nuclear warhead production at the Department of Energy, military aid to other countries, and interest on the military-related national debt, that figure reaches a cool \$1 trillion.

The more that's spent on "defense," however, the less the Pentagon wants us to know about how those mountains of money are actually being used. As the only major federal agency that can't pass an audit, the Department of Defense (DoD) is the poster child for irresponsible budgeting.

It's not just that its books don't add up, however. The DoD is taking active measures to disguise how it is spending the hundreds of billions of taxpayer dollars it receives every year - from using the separate "war budget" as a slush fund to pay for pet projects that have nothing to do with fighting wars to keeping the cost of its new

nuclear bomber a secret. Add in dozens of other secret projects hidden in the department's budget and the Pentagon's poorly documented military aid programs, and it's clear that the DoD believes it has something to hide.

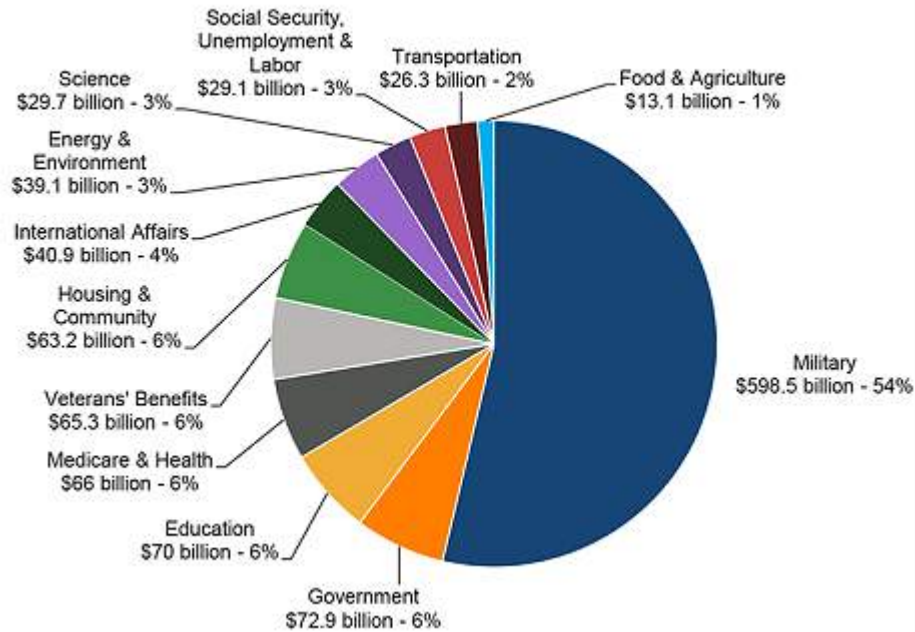
Don't for a moment imagine that the Pentagon's growing list of secret programs and evasive budgetary maneuvers is accidental or simply a matter of sloppy bookkeeping. Much of it is remarkably purposeful. By keeping us in the dark about how it spends our money, the Pentagon has made it virtually impossible for anyone to hold it accountable for just about anything. An entrenched bureaucracy is determined not to provide information that might be used to bring its sprawling budget - and so the institution itself - under control. That's why budgetary deception has become such a standard operating procedure at the Department of Defense.

(William D. Hartung, ^{CE} [The Pentagon's War on Accountability: Slush Funds, Smoke and Mirrors, and Funny Money Equal Weapons Systems Galore](#), *TomDispatch*, May 24, 2016)

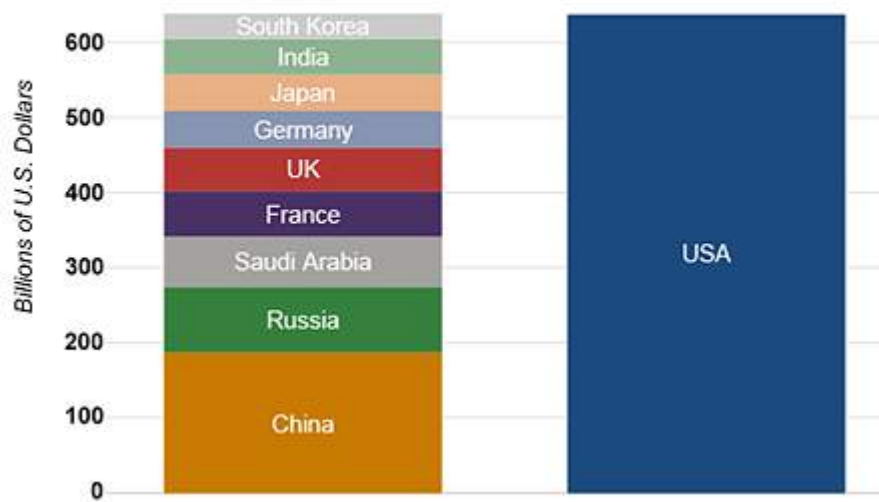
The website *National Priorities Project* has illustrated the degree to which, to the present, 'defense' dominates and justifies federal budgetary spending in the United States - a nation which, in its own mind, has, for more than half a century, been 'under threat':

In fiscal year 2015, military spending is projected to account for 54 percent of all federal discretionary spending, a total of \$598.5 billion. Military spending includes: all regular activities of the Department of Defense; war spending; nuclear weapons spending; international military assistance; and other Pentagon-related spending.

Discretionary Spending 2015: \$1.11 Trillion



U.S. and World Military Spending



(^{CE} [Fighting for a U.S. federal budget that works for all Americans](#), *National Priorities Project*, Accessed 2 May 2016)

One should beware the ^{CE} [law of unintended consequences](#)!

⁷⁶⁴ Oxfam America, in a report titled: *Broken at the Top: How America's Dysfunctional Tax System Costs Billions in Corporate Tax Dodging*, has painted a stark picture of the ways in which major corporations avoid taxation around the world:

The big picture on tax dodging

In every country in the world tax revenues pay for schools, hospitals, roads, bridges, first responders, social safety nets and other public services that keep societies running and reduce poverty.

Fair tax systems are vital to finance well-functioning and efficient states and to enable governments to fulfill their obligations to

uphold citizens' rights to essential services such as healthcare, education and social protection for low income families. A well-designed tax system can ensure that those who can afford it most make the largest contribution.

In developing countries in particular, where there is an immense need to strengthen health and education services for the hundreds of millions of people who still live in extreme poverty, revenues from taxes provide the most sustainable way to pay for teachers, doctors and police officers. Every dollar a developing country can raise in taxes is a dollar it does not need to seek from donors. Ultimately, the only way poor countries will be able to sustain themselves without relying on foreign aid is by creating a strong domestic tax base that can fund the essential public services and functioning governments their populations need.

However, national tax codes, as well as the international tax structure, can instead work in reverse so that the biggest burden falls on the poorest people. The current global tax architecture is secretive and uncoordinated, weakening the ability of governments to collect the taxes they are due. These rules facilitate cross-border tax dodging and the concealment of wealth. In particular, tax havens and offshore financial centers - which can be characterized by secrecy, low- or zero-tax rates and the almost complete lack of disclosure of any relevant business information - are the most obvious tools used to enable multinational corporations to escape taxes.

Exploiting tax loopholes and engaging in large-scale tax avoidance are integral components of the profit-making strategies of many multinational corporations. Tax avoidance, or tax dodging, means engaging in transactions which serve no commercial purpose other than to decrease the company's tax bill.

Tax dodging can take many forms. US corporations must pay 35% tax on all profits, wherever they are earned around the globe - but only after that money has been "repatriated" back to the US. Companies report that they have more than \$2 trillion of profits "permanently reinvested" abroad to avoid being taxed in the US - but companies actually can use that money in the US without paying tax by borrowing money domestically using these offshore assets as collateral.

Big corporations and their defenders in Washington, DC are quick to decry "double taxation" to justify their attempts to avoid repatriating their foreign profits and any attempts to close tax loopholes. But this excuse is a red herring. Companies receive a dollar-for-dollar credit for any amount of tax they pay to other countries. When US companies pay taxes to a foreign government, they lower their US tax bill by the same amount, so the profits are not taxed twice.

As a way to avoid paying the US's 35% statutory rate, companies artificially shift the ownership of assets (like patents or other intellectual property) to subsidiaries that exist only on paper in tax havens. For example, a US company might transfer its intellectual property rights to a Cayman Islands subsidiary, even if the underlying technology was developed in the United States. The US

subsidiary of the company would then pay royalties to the Caymans subsidiary to use that intellectual property. That payment would decrease the profit of the US subsidiary, which faces the US tax rate, and boost the profit of the Caymans subsidiary, which faces a low rate.

Even more insidious, companies engage in "earnings stripping" as another way to avoid paying their fair share of taxes. A subsidiary in a high tax country can borrow from a subsidiary in a low tax country enabling the parent company to essentially pay artificially high interest rates to itself. For the global company as whole, it's a wash - profits on one side match losses on the other - and no real business activity has occurred, except that the company's global tax bill is lower.

Perhaps the worst form of tax avoidance is an inversion - when a US company renounces its US citizenship by buying a foreign subsidiary in a low-tax jurisdiction, where it reincorporates. In some cases, nothing changes about the actual business - the new inverted company remains headquartered in the US and still conducts business from the US, enjoying all the advantages of the US market, but no longer pays its rightful share of US taxes.

Governments, including the US, are so far failing to crack down on the global practice of tax avoidance and the associated network of tax havens which enable it. Rather than coming together to stem harmful competition between countries, they are fighting to win a destructive race to the bottom that leaves everyone worse off.

(Oxfam America, ^{CE} *Broken at the Top: How America's Dysfunctional Tax System Costs Billions in Corporate Tax Dodging*, Oxfam Media Briefing, April 14, 2016)

⁷⁶⁵ A comment on a *New York Times* essay entitled 'Don't Let Our Democracy Collapse' sums up the process well:

Democracy is in decline. Mr. Hasen provides further reason to believe that U.S. citizens are now subject to competitive authoritarian rule.

I define "competitive authoritarianism" as:

- a polarized system in which the two major parties compete for donor dollars and base support and, when in power, impose the policies favored by donors and base on the citizenry as a whole;
- a system wherein the trappings of democracy remain in place, but in which democratic norms are undermined and democratic institutions, primarily through the influence of money in politics, are severely weakened;
- a system wherein government officials, in unprecedented ways, abuse state power to aid their allies and disadvantage their adversaries;
- a system in which the considered preferences of the majority of citizens are ignored and abuses of power go well beyond those associated with traditional patronage.

...Many citizens now believe: Since no governmental institution is bigger than the greed and lust for power that drives the person in charge, no institution is to be trusted.

(Andrew G. Bjelland, Sr, Commenter on Richard L. Hasen, ^{CE} [Don't Let Our Democracy Collapse](#), *New York Times*, July 15, 2017)

⁷⁶⁶ Bacevich, in a *TomDispatch* contribution entitled 'Slouching Toward Mar-a-Lago', provides yet "another stab at an approach to governance worthy of a democratic republic":

Where to begin? I submit that Rabbit Angstrom's question offers a place to start: What's the point of being an American?

Authentic progressives and principled conservatives will offer different answers to Rabbit's query. My own answer is rooted in an abiding conviction that our problems are less quantitative than qualitative. Rather than simply more -- yet more wealth, more freedom, more attempts at global leadership -- the times call for different. In my view, the point of being an American is to participate in creating a society that strikes a balance between wants and needs, that exists in harmony with nature and the rest of humankind, and that is rooted in an agreed upon conception of the common good.

My own prescription for how to act upon that statement of purpose is unlikely to find favor with most readers of *TomDispatch*. But therein lies the basis for an interesting debate, one that is essential to prospects for stemming the accelerating decay of American civic life.

Initiating such a debate, and so bringing into focus core issues, will remain next to impossible, however, without first clearing away the accumulated debris of the post-Cold-War era. Preliminary steps in that direction, listed in no particular order, ought to include the following:

- First, abolish the Electoral College. Doing so will preclude any further occurrence of the circumstances that twice in recent decades cast doubt on the outcome of national elections and thereby did far more than any foreign interference to undermine the legitimacy of American politics.
- Second, rollback gerrymandering. Doing so will help restore competitive elections and make incumbency more tenuous.
- Third, limit the impact of corporate money on elections at all levels, if need be by amending the Constitution.
- Fourth, mandate a balanced federal budget, thereby demolishing the pretense that Americans need not choose between guns and butter.

[As ^{CE} [Yves Smith has cogently observed](#), Bacevich "...misguidedly calls for a [balanced Federal budget](#)..." - but, let's not lose sight of the [absurd imbalance](#) between funding of 'guns and butter' in the US and, increasingly, in many other Western 'democracies'.]

- Fifth, implement a program of national service, thereby eliminating the All-Volunteer military and restoring the

tradition of the citizen-soldier. Doing so will help close the gap between the military and society and enrich the prevailing conception of citizenship. It might even encourage members of Congress to think twice before signing off on wars that the commander-in-chief wants to fight.

- Sixth, enact tax policies that will promote greater income equality.
- Seventh, increase public funding for public higher education, thereby ensuring that college remains an option for those who are not well-to-do.
- Eighth, beyond mere "job" creation, attend to the growing challenges of providing meaningful work -- employment that is both rewarding and reasonably remunerative -- for those without advanced STEM degrees.
- Ninth, end the thumb-twiddling on climate change and start treating it as the first-order national security priority that it is.
- Tenth, absent evident progress on the above, create a new party system, breaking the current duopoly in which Republicans and Democrats tacitly collaborate to dictate the policy agenda and restrict the range of policy options deemed permissible.

These are not particularly original proposals and I do not offer them as a panacea. They may, however, represent preliminary steps toward devising some new paradigm to replace a post-Cold-War consensus that, in promoting transnational corporate greed, mistaking libertinism for liberty, and embracing militarized neo-imperialism as the essence of statecraft, has paved the way for the presidency of Donald Trump.

We can and must do better. But doing so will require that we come up with better and truer ideas to serve as a foundation for American politics.

(Andrew J. Bacevich, ^{CE} [Slouching Toward Mar-a-Lago: The Post-Cold-War Consensus Collapses](#), *TomDispatch*, August 8, 2017)

⁷⁶⁷ In the early 21st century, the term *populism* has been used as shorthand for the demagoguery and neo-fascism which has emerged in response to the excesses of neoliberalism and globalization of the past fifty and more years. This is an entirely inappropriate use of the term. As a commenter on a *New York Times* article has explained:

Trump and his ilk are NOT "Populists"!

See definition below. Language matters! Why does the press persist in repeating this utterly inaccurate term?

Whatever we think of the likes of Trump and Le Pen, etc., they are not "Populists"!

pop·u·list

/ˈpäpy?l?st

- a person who holds, or who is concerned with, the views of ordinary people.

- a member of the Populist Party, a US political party formed in 1891 that advocated the interests of labor and farmers, free coinage of silver, a graduated income tax, and government control of monopolies.

They have no REAL interest in "ordinary people", they're demagogues. And Trump's policies (healthcare, taxes) HURT "ordinary people." As for "graduated income tax, and government control of monopolies".... we know how he feels about that!

(NYer, comment on Quinn Slobodian, [Trump, Populists and the Rise of Right-Wing Globalization](#), *New York Times*, October 22, 2018)

⁷⁶⁸ While rumors of prisoner torture and rank humiliation abounded during the Vietnam War, US armed forces and government/ political spokespeople routinely denied the activity. They knew that US citizens and allies would rebel against any such acknowledged activity. It was always subject to 'plausible denial'.

That was the mid-20th century.

By the end of the first decade of the 21st century, the perpetrators had grown in confidence. 'Everyone' now knew that prisoners were routinely tortured and humiliated in the interests of 'intelligence gathering'.. But, of course, it never happened on US soil!

Matt Apuzzo, Sheri Fink and James Risen, in a disturbing (would that it were more than that!) report subtitled 'Beatings, sleep deprivation, menacing and other brutal tactics have led to persistent mental health problems among detainees held in secret C.I.A. prisons and at Guantánamo' detail some of the consequences:

Before the United States permitted a terrifying way of interrogating prisoners, government lawyers and intelligence officials assured themselves of one crucial outcome. They knew that the methods inflicted on terrorism suspects would be painful, shocking and far beyond what the country had ever accepted. But none of it, they concluded, would cause long lasting psychological harm.

Fifteen years later, it is clear they were wrong

After enduring agonizing treatment in secret C.I.A. prisons around the world or coercive practices at the military detention camp at Guantánamo Bay, Cuba, dozens of detainees developed persistent mental health problems, according to previously undisclosed medical records, government documents and interviews with former prisoners and military and civilian doctors. Some emerged with the same symptoms as American prisoners of war who were brutalized decades earlier by some of the world's cruelest regimes.

(Matt Apuzzo, Sheri Fink and James Risen, [How U.S. Torture Left Legacy of Damaged Minds](#), *New York Times*, October 8, 2016)

How long before such atrocities become accepted interrogation 'techniques' within the borders of the United States of America?

⁷⁶⁹ Marriner Eccles: Governor, US Federal Reserve Board (1934-1948) and Governor, Board of Governors of the FRB (1948-1951).

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For iOS: [Ⓔ] [Download the Winzip application](#) from iTunes; install it, and open the zipped file in the installed Winzip app. Winzip is a well-established, cross-platform application - I've used it for so long my first encounter is lost in the mists of time!

Most Android readers have built-in compressed file extraction features which operate in the same way as those files in Windows (double-click the '.zip' file and drag its contents to the desktop or elsewhere. The operating system will automatically 'unpack' the contents).

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(Only updates from 01 January 2016 are marked in the text and included here)†

From 20 July 2017, Updates have been captioned in this list.
Prior to that date, updates are signaled only by the date itself.

<p>April 2019:</p>	<p>March 2019:</p>	<p>February 2019:</p>	<p>January 2019:</p> <p>Date: 22/01/2019 The greatest purveyor of violence in the world today? King: Moral Leadership when desperately needed</p> <p>Date: 21/01/2019 Israel's sociopathic immorality & Western concern with 'loss of funding' & charges of 'anti-Semitism'</p> <p>Date: 16/01/2019 Records show rapid ocean warming since 1971: The nudge to budge the West Antarctic Ice Sheet!</p> <p>Date: 13/01/2019 The fruits of economic growth go straight to the already-rich doing nothing to reverse the trend of inequality</p> <p>Date: 11/01/2019 Amoral Nations driven by 'What Must be Done': Morally Rudderless, Adrift in Dangerous Times</p> <p>Date: 07/01/2019 Morality can, finally, be reduced to expediency American agents set targets of units which torture, kill, abuse &...</p> <p>Date: 05/01/2019 Cost per US taxpayer for post 9/11 Wars: \$23,386 What else could be done with US\$5.6 trillion?</p>
<p>December 2018:</p> <p>Date: 30/12/2018 Perhaps we are paranoid: but that doesn't mean that they're not scheming and plotting to get us!</p> <p>Date: 28/12/2018 Past 22 years include the 20 warmest years on record 2018 is on course to be the 4th warmest year on record</p> <p>Date: 24/12/2018 Hope for the best, but always plan for the worst: 1°C warmer & sea levels were 6-9 meters higher than today</p> <p>Date: 23/12/2018 Extreme wealth should attract extreme taxation applied to capitalism's arch accumulators & hoarders</p> <p>Date: 19/12/2018 'Democratic Capitalism' is not an Oxymoron, but: It does require a clear</p>	<p>November 2018:</p> <p>Date: 23/11/2018 These are extraordinary crimes against humanity: Moral depravity in an ominous time in history</p> <p>Date: 20/11/2018 Money talks: Profit, Power & Revolving Doors: Corporate lobbying & the subversion of government</p> <p>Date: 19/11/2018 What creditors want: irreversible debt peonage Sounding the Alarm on Leveraged Lending</p> <p>Date: 17/11/2018 Predatory Lending: the <i>raison d'être</i> of Unregulated Capitalism Driving the impoverished into irreversible debt peonage</p> <p>Date: 13/11/2018 References to external sources now start with Æ,</p>	<p>October 2018:</p> <p>Date: 30/10/2018 Bombing raids on sovereign nations Regime change with prejudice: We came, We saw, He Died!</p> <p>Date: 25/10/2018 It is clear that the financial system is broken and needs serious reconstructive surgery</p> <p>Date: 23/10/2018 'Populism' is not a collective noun for demagoguery & neo-fascism True Democracy is 'populist'</p> <p>Date: 19/10/2018 Cumulative changes in US annual wages, 1979–2017 It hasn't slowed down: the rich get even richer!</p> <p>Date: 18/10/2018 US Politics: a long, sorry tale of corruption, greed, lies,</p>	<p>September 2018:</p> <p>Date: 23/09/2018 A spider's web of international relationships between Finance Centers: Concentrating wealth over the past 50 years</p> <p>Date: 22/09/2018 China can avoid damage from US tariffs with a Keynesian stimulus Knowing US importers will pass the tariffs on to consumers</p> <p>Date: 21/09/2018 Trumpian trade policy has torn up US created Rules Trump is reverting to a pre-1930s tariffs free-for-all</p> <p>Date: 20/09/2018 Hubris, self-belief & a sociopathic will to power Übermenschen write history: 'might is right'</p> <p>Date: 16/09/2018 Escalating Blackmail to Shield</p>

<p>understanding of democratic credit creation and circulation</p> <p>Date: 15/12/2018 Pentagon has failed its first comprehensive audit, There were 'accounting discrepancies that could take years to resolve'</p> <p>Date: 07/12/2018 Fear not! Capitalism's future is now assured: Vast fossil fuel resources have been discovered!</p> <p>Date: 03/12/2018 Pentagon spending: fabricating numbers to justify demands for more money each year,</p> <p>Date: 02/12/2018 Fait Accompli: From Public Regulation of the Private Realm to: Private Enterprise capture of the Public Realm</p>	<p>to clearly signal that they are internet addresses</p> <p>Date: 11/11/2018 What the Hell Happened to Brazil? The World Bank & the magic of prosperity through austerity</p> <p>Date: 05/11/2018 Nuclear Winter or Global Warming? Take your pick: The myopic stupidity of Western capitalists</p> <p>Date: 04/11/2018 Respect for government, the Supreme Court, the president: it's all gone We've become a plutocracy that doesn't like government or pay taxes</p> <p>Date: 03/11/2018 Barack Obama: the "worst mistake" of his presidency was: failure to plan for the aftermath of 'regime change'</p>	<p>abuse of power & ideological fundamentalism?</p> <p>Date: 08/10/2018 Combat protectionism's evils: globalize production Trade should be 'freed' from parochial constraints</p> <p>Date: 01/10/2018 Morality as Expediency; Victory as Ceaseless Combat: 'War Heroes' & the 'Once Were' forgotten ones of unending wars</p>	<p>US War Criminals: 'National Security' can be used to justify torture</p> <p>Date: 15/09/2018 Central Banks, agents of states & their treasuries, should serve as fiscal agents of the state</p> <p>Date: 08/09/2018 A self-serving piece of Revisionist Fluff The rescue & reward of financial malefactors</p> <p>Date: 06/09/2018 The U.S. military only loses if it stops fighting so: Unaccountable generals wage endless wars without congressional constraint.</p> <p>Date: 05/09/2018 Of fiat reserve currency, deficits & US security: a problem 'as critical as the nuclear threat'</p> <p>Date: 04/09/2018 The US dollar as reserve currency for the world makes its plutocrats richer & impoverishes the rest: Could this be intentional?</p> <p>Date: 01/09/2018 a tale of missed chances & a missing 'New Deal'; of Obama's meaningless chants of 'Yes We Can'</p>
<p>August 2018:</p> <p>Date: 29/08/2018 Is an economy that ensures full employment and shared prosperity 'an impossible dream'?</p> <p>Date: 27/08/2018 The exploitation of Africa's natural resources by multinational companies has destituted its peoples</p> <p>Date: 26/08/2018 In fossil-fuel rich nations, promoting CO₂ reduction policies can have serious political repercussions</p> <p>Date: 19/08/2018 It's hard to believe, but politicians in Australia are still arguing against reducing CO₂ emissions & advertisers promote 'clean coal' power stations</p> <p>It's that time of year: everything is starting to grow again, the place looks rather unkempt and needing attention. Lawns need to be mowed, next winter's firewood felled, cut up and stacked and the residue burned. Given the wildfires already burning along</p>	<p>July 2018:</p> <p>Date: 31/07/2018 From the Holocene to the Paleogene Did the tropics become ecological dead zones?</p> <p>Date: 23/07/2018 The top-secret world the US has created: So massive that its effectiveness is impossible to determine</p> <p>Date: 19/07/2018 Path-breakers in the "science" of war: The Global Growth of U.S. Special Operations Forces</p> <p>Date: 17/07/2018 Trapped in slavery by ruthless employers: Western forms of Debt bondage & indenture</p> <p>Date: 16/07/2018 To disenfranchise citizens and hijack democracy Engross them in a self-indulgent pursuit of 'bread and circuses'</p> <p>Date: 13/07/2018 The personification of capitalist govt. run amok Confusing "the country" with "my company."</p>	<p>June 2018:</p> <p>Date: 29/06/2018 Overstated claims of Central Bank Independence are used to abrogate democratic accountability</p> <p>Date: 28/06/2018 Corporations offshored factories & technologies, hijacked profits & betrayed their Western bases</p> <p>Date: 20/06/2018 Something is rotten in this Neoliberal World: 'Free-Markets' lead to burgeoning inequality</p> <p>Date: 16/06/2018 Profits are siphoned into Tax Havens So profits are accumulated but wages stagnate</p> <p>Date: 15/06/2018 Helping to drive corporate debt to record levels by inflating a bubble in stocks and bonds</p> <p>Date: 12/06/2018 The US Fed must purchase 'debt securities' <i>only in the open market:</i> An absurd charade</p>	<p>May 2018:</p> <p>Date: 24/05/2018 Sociopathic social and environmental rapine: Heat, flood, & drought records broken by 2064</p> <p>Date: 23/05/2018 More than 100 killed & 2700 injured by snipers "There are no innocent people in the Gaza Strip"</p> <p>Date: 18/05/2018 The paramount functions of a democracy's schools: To prepare each citizen to choose wisely and freely.</p> <p>Date: 15/05/2018 The track-record of Western Colonialism: The subjugated will overthrow the colonists:</p> <p>Date: 11/05/2018 Putrefying piles of dung venting noxious fumes: Enveloped in those fumes, repose the mega-wealthy</p> <p>Date: 09/05/2018 When loss of resources becomes 'a profit' & Accessing resources is 'Living beyond our means'</p>

<p>the east coast of Australia, coupled with the recent horrors of California, Greece, Portugal and elsewhere, accumulated debris under trees and in garden areas must be cleared and burnt before temperatures start rising here.</p> <p>So, unless inclement weather keeps me indoors, there are likely to be significant gaps in the next 2-3 months.</p> <p>Date: 16/08/2018 Faced with a need to choose, capitalism will come down on the side of exploitation</p> <p>Date: 15/08/2018 The offshoring of jobs and technology transfer: as a deliberate policy to weaken domestic labor</p> <p>Date: 13/08/2018 The US dollar's role as the major world currency: A major contributor to chronic U.S. trade deficits</p> <p>Date: 10/08/2018 How to shoot oneself in the foot with a 'trade war' Levy imposed tariffs on American consumers</p> <p>Date: 02/08/2018 The trajectory of Western 'civilization' is ominous: Increasingly certain environmental catastrophe</p> <p>Date: 01/08/2018 Becoming Clean & Green by Offshoring Pollution: Investing in coal-based power projects elsewhere</p>	<p>Date: 09/07/2018 Are 'JG', 'Make-Work' pejorative terms? What was FDR's Civilian Conservation Corps ?</p> <p>Date: 08/07/2018 Simplistic 'trade wars' are not so easy to win in a deregulated hyper-globalized world!</p> <p>Date: 07/07/2018 Regulatory agency employees are hired by the firms they regulate creating a "revolving door" between government and the private sector</p> <p>Date: 06/07/2018 We live in a deregulated hyper-globalized world geared to exploiting neutered nation-states</p> <p>Date: 03/07/2018 Outworn, right-leaning, inequitable neoliberalism Disguised as freedom, modernism & emancipation</p>	<p>Date: 11/06/2018 Machines don't move to low-tax places, profits do. multinationals shift 'paper' profits to tax havens</p> <p>Date: 08/06/2018 A Debt-Financed Future: Ruin or Prosperity? Macaulay: 'the nation became richer & richer'</p> <p>Date: 07/06/2018 What is happening on this small planet of ours? Wars of annihilation: 'Precision Bombing' & 'Targeted Killing'</p> <p>Date: 01/06/2018 From Democracy to Plutocracy: How elected Western legislators lost their way</p>	<p>Date: 07/05/2018 Policymakers often choose to ignore bubbles Seeing them as evidence of a robust economy</p> <p>Date: 05/05/2018 Of Blank Checks, Hubris & US Presidential Power: Waging unauthorized War across a Borderless World</p> <p>Date: 04/05/2018 The latest expansion of America's secret wars: Battling 'rebels' who pose no threat to the US</p>
<p>April 2018:</p> <p>Date: 30/04/2018 The IMF and World Bank have expired Use-By dates: Decaying organizations often turn noxious</p> <p>Date: 27/04/2018 A global proliferation of extreme wealth: Private wealth managers for the uber wealthy</p> <p>Date: 25/04/2018 (i) The Corporatization of Public Responsibilities; (ii) How Corporations parasitize Governments</p> <p>Date: 17/04/2018 Is there public support for Progressive Taxation regimes in democratic capitalist countries?</p> <p>Date: 16/04/2018 Core Elements of Democracy's Commons: Require a Comprehensive Bill of Rights</p>	<p>March 2018:</p> <p>Date: 29/03/2018 A quality-of-life-ensuring, social safety net Ensuring inclusive economic wellbeing</p> <p>Date: 27/03/2018 So, who is orchestrating the 'Russian' hysteria? Russian diplomats expelled across US & Europe</p> <p>Date: 25/03/2018 Private credit creation cannot be the source of unencumbered Sovereign credit</p> <p>Date: 22/03/2018 Oh what a tangled web we weave When first we practice to deceive</p> <p>Date: 20/03/2018 Bundling US government credit requirements as 'debt', to be sold as 'debt securities'</p>	<p>February 2018:</p> <p>Date: 25/02/2018 We live in an Orwellian Newspeak world. MSM promote & airbrush Western military activity</p> <p>Date: 23/02/2018 Allow 'market forces' to rectify labor problems: Macron: TINA way to reduce unemployment</p> <p>Date: 22/02/2018 A US President with a blank check to wage war who outsources that power to the Pentagon</p> <p>Date: 19/02/2018 3rd World Communities are Changing - but into What? Sprawling squatter settlements on the outskirts of towns</p> <p>Date: 18/02/2018 Its Budgetary Focus reveals its priorities Is it: The People; The Marketplace; or ...?</p>	<p>January 2018:</p> <p>Date: 26/01/2018 An American empire of chaos... of graveyards With an exaggerated, imperial presidency</p> <p>Date: 24/01/2018 From Public-Private Partnerships to Private Capture of the Public Realm</p> <p>Date: 23/01/2018 The World's Plutocrats are partying again! and Western politicians have joined them!</p> <p>Date: 20/01/2018 A case for State-level Progressive Taxation Should citizens contribute 'As they are Able'?</p> <p>Date: 12/01/2018 Western colonial practice toward 'the natives': The egotistic & barbarous aims of 'civilized' people</p>

<p>Date: 15/04/2018 Presumptuous hubris & impulsive war making: "Mission Accomplished!" Trump tweeted</p> <p>Date: 10/04/2018 The Corporate Plan: Citizens in Servitude Big Business's aim: dismantle public education Date: 08/04/2018</p> <p>Universal programs for Grass-Roots problems? 'Government of the people, <i>by the people</i>'</p> <p>Date: 06/04/2018 Most democratic quintile of the world's countries Accounts for 92% of all world armaments exports</p> <p>Date: 03/04/2018 Selling Arms as if There Were No Tomorrow Who is the leading arms dealer on the planet?</p> <p>Date: 01/04/2018 What are capitalism's Infrastructural commons? Do the Commons include Social-Safety-Nets?</p>	<p>Date: 17/03/2018 How anomalous legal directives are legitimized &, though redundant, are justified through time</p> <p>Date: 16/03/2018 Central Banks could issue unencumbered credit Why go through this elaborate charade? Date: 12/03/2018</p> <p>Capitalists used their wealth & collective power to subvert feudalism &, 800yrs later, democracy</p> <p>Date: 10/03/2018 U.S. Military Budget Components FY2019 Why Military Spending Is Bigger Than You Think</p> <p>Date: 08/03/2018 A 'Credible Threat' and Cold War Mark II: A nuclear arms race with a reinvented external threat</p> <p>Date: 05/03/2018 A Cold, Calculated Determination To Ensure Overwhelming Nuclear Weapons Supremacy</p> <p>Date: 03/03/2018 A truly symbiotic governmental system, or: Funding States through progressive taxation?</p>	<p>Date: 13/02/2018 What is important about a Sovereign State's budget is its focus & whether it is inflationary or deflationary.</p> <p>Date: 11/02/2018 Money is like muck, not good except it be spread This is The State's responsibility.</p> <p>Date: 09/02/2018 What do US leaders think of their own record? Woodrow Wilson (1919): The world knows America as the savior of the world!</p> <p>Date: 06/02/2018 Hottest year on record without an El Niño - 2017 Climate scientists predicted this rapid rise</p> <p>Date: 05/02/2018 Put them to work: Free-Riders threaten society We should only support the Truly Disabled</p> <p>Date: 02/02/2018 The message hasn't changed: "Greed is good." Davos' so-called global elite believe it to be true!</p>	<p>Date: 10/01/2018 The nature of Israel's Apartheid System Reject all euphemisms, Apartheid is the Reality!</p>
<p>December 2017: Date: 31/12/2017 Sleep-Walking into catastrophe: Let's Accumulate Capital! Is this the way it all ends?</p> <p>Date: 29/12/2017 A New Understanding of 'The Commons' in a world of grass-roots community empowerment</p> <p>Date: 23/12/2017 Independence or Interdependence?: Rules of acquisition or Reciprocal responsibilities</p> <p>Date: 21/12/2017 Building a Nuclear Arsenal in an unstable region Why have US officials condoned it?</p> <p>Date: 18/12/2017 The last, most dangerous Western Colony: With Nuclear weapons & its own 'Native Reserves'</p> <p>Date: 07/12/2017 Short-term profits & long-term disaster: It's all about the money. When will they ever learn?</p>	<p>November 2017: Date: 30/11/2017 This is the way Civilizations wither & die: Hopefully, not with a bang but a whimper!</p> <p>Date: 28/11/2017 The infrastructures of The West are decaying: We are wantonly eroding our Commons</p> <p>Date: 27/11/2017 Banking 'Quiet Periods' & proper financial regulation The absurdity of financial deregulation exposed</p> <p>Date: 19/11/2017 When sovereignty is compromised Does sovereign Credit become Encumbered?</p> <p>Date: 18/11/2017 Big Money is funding perfidy across the US Gutting the power of the lower 90% to oppose them</p> <p>Date: 10/11/2017 The Driver and Guarantor of True Democracy: 'Bottom-up' Government: Of, By, & For The People</p>	<p>October 2017: Date: 22/10/2017 Calling Sovereign-credit-needs 'government debt' Enables bond holders to 'tax' those needs</p> <p>Date: 19/10/2017 Nothing is 'lost' or 'owed' by the government When it issues currency and other forms of credit.</p> <p>Date: 17/10/2017 Become Profit-Makers to fund Spending? -OR- Final freedom from domestic money markets?</p> <p>Date: 15/10/2017 Citizens are transformed into 'customers' who <i>should</i> pay for services they choose to use</p> <p>Date: 09/10/2017 The Neoliberal definition of Public Deficits: the difference between earnings and spending</p> <p>Date: 06/10/2017 The common-law rights of the English</p>	<p>September 2017: Date: 23/09/2017 Delusion? Conspiracy? or Ideological Straitjacket? Why go through these elaborate charades?</p> <p>Date: 19/09/2017 Largest upward transfer of wealth in US history Who can protect us from these evils?</p> <p>Date: 16/09/2017 A Universal Basic Income: Heart of 'The Commons' UBI works best if paired with a jobs guarantee</p> <p>Date: 14/09/2017 Limiting neoliberalism's bizarre consequences Where sovereign credit creation is disavowed...</p> <p>Date: 10/09/2017 The severely ambitious are often delusional There's no vaccine for the folly of excess hubris</p> <p>Date: 08/09/2017 Revenue raising taxation should be anomalous Economic discipline through regulation!</p>

<p>Date: 05/12/2017 How to Usurp & Subvert</p> <p>National Sovereignty: Undermine the Central Reserve Authority</p>	<p>Date: 07/11/2017 Pres. Trump: Pitchman for armaments factories & the Western military industrial complex</p> <p>Date: 05/11/2017 Western nations have been drawn into incessant poorly justified, ill-considered</p> <p>war-making Date: 03/11/2017</p> <p>The rubblized generals of America's rubblized wars on a rubblized planet</p> <p>now reign supreme</p>	<p>Presumed to be the 'natural' rights of humanity</p> <p>Date: 01/10/2017 Market Forces introduce rational social change The burning Question:</p> <p>Rational for Whom?</p>	<p>Date: 05/09/2017 Taxes are not needed to 'fund public expenditure' Except in a bizarre neoliberal 'reality'</p> <p>Date: 04/09/2017 In 2017 Neoliberalism is alive & well - Ask France A new labor code to 'boost France's economy'</p>
<p>August 2017:</p> <p>Date: 31/08/2017 How to handle digressions offered in footnotes These often elaborate ideas beyond chapter topics</p> <p>Well, the year is flying by and it's now time to get the spring chores done. There's firewood to be felled, cut up and stacked; clearing to be done and debris to be burned in preparation for the fire season (this really is a post-20th C. necessity in my neck of the woods); lawns and garden areas to be reclaimed and tidied up and various building maintenance chores to be undertaken; so there may be significant gaps over the next couple of months (unless, of course, inclement weather keeps me indoors!)</p> <p>Date: 29/08/2017 Global Land Acquisition & Sustainable Development It's only words, and words are all we have...</p> <p>Date: 28/08/2017 'Development' at the expense of others Living beyond a nation's environmental means</p> <p>Date: 27/08/2017 Economies must serve communities They are not independent 'environments'</p> <p>Date: 21/08/2017 MMT as Lens not Ideology Policy reflects ideology & monetary understandings</p> <p>Date: 20/08/2017 Capitalist infrastructure is capitalist Commons Beware Public-Private Partnerships</p> <p>Date: 18/08/2017 After neoliberalism, What Next? On the Cusp of Revolution or ...?</p>	<p>July 2017:</p> <p>Date: 30/07/2017 Eroding Civil/Military separation of powers Civilianizing the military and militarizing civilians</p> <p>Date: 27/07/2017 MMTers are a Motley Crew No they are <i>not</i> 'the lunatic fringe'!</p> <p>Date: 24/07/2017 From 'citizens' to 'customers': Corporatization of the commonweal</p> <p>Date: 23/07/2017 Public responsibility for the commonweal Grass-roots Government</p> <p>Date: 21/07/2017 Public Choice Theory: Government should get out of The Economy</p> <p>Date: 20/07/2017 TPP, TTIP, TiSA and the resurrection of the Undead</p> <p>Date: 17/07/2017</p> <p>Date: 14/07/2017</p> <p>Date: 13/07/2017</p> <p>Date: 09/07/2017</p> <p>Date: 07/07/2017</p> <p>Date: 06/07/2017</p> <p>Date: 01/07/2017</p>	<p>June 2017:</p> <p>Date: 29/06/2017</p> <p>Date: 27/06/2017</p> <p>Date: 26/06/2017</p> <p>Date: 24/06/2017</p> <p>Date: 22/06/2017</p> <p>Date: 20/06/2017</p> <p>Date: 19/06/2017</p> <p>Date: 16/06/2017</p> <p>Date: 12/06/2017</p> <p>Date: 11/06/2017</p> <p>Date: 10/06/2017</p> <p>Date: 09/06/2017</p> <p>Date: 05/06/2017</p> <p>Date: 02/06/2017</p> <p>Date: 01/06/2017</p>	<p>May 2017:</p> <p>Date: 31/05/2017</p> <p>Date: 28/05/2017</p> <p>Date: 24/05/2017</p> <p>Date: 21/05/2017</p> <p>Date: 19/05/2017</p> <p>Date: 16/05/2017</p> <p>Date: 15/05/2017</p> <p>Date: 14/05/2017</p> <p>Date: 12/05/2017</p> <p>Date: 11/05/2017</p> <p>Date: 05/05/2017</p> <p>Date: 04/05/2017</p> <p>Date: 01/05/2017</p>

<p>Date: 17/08/2017 What is Neoliberalism?</p> <p>We seldom recognize that it is an ideology...</p> <p>Date: 14/08/2017 ...Only Believe,</p> <p>It will trickle down! Democratic Capitalist Governments <i>Create Credit</i></p> <p>Date: 11/08/2017 Sovereign Government 'debt'</p> <p>is private wealth Public spending should be publicly funded</p> <p>Date: 10/08/2017 Trump is Not Cause, But Consequence Step-by-step Democracy loses its way</p> <p>Date: 08/08/2017 Brutality, despotism and corruption in communities</p> <p>Are evidences of <i>communal disintegration</i></p> <p>Date: 07/08/2017 Privatization of Security Is Coming: The over-extension of decadent imperialism</p> <p>Date: 02/08/2017 Overwhelmed by ingrained fears: People will plead to be delivered from phantoms</p>			
<p>April 2017:</p> <p>Date: 30/04/2017</p> <p>Date: 27/04/2017</p> <p>Date: 26/04/2017</p> <p>Date: 25/04/2017</p> <p>Date: 23/04/2017</p> <p>Date: 19/04/2017</p> <p>Date: 16/04/2017</p> <p>Date: 15/04/2017</p> <p>Date: 12/04/2017</p> <p>Date: 11/04/2017</p> <p>Date: 09/04/2017</p> <p>Date: 07/04/2017</p> <p>Date: 06/04/2017</p> <p>Date: 04/04/2017</p> <p>Date: 03/04/2017</p>	<p>March 2017:</p> <p>Date: 28/03/2017</p> <p>Date: 27/03/2017</p> <p>Date: 24/03/2017</p> <p>Date: 23/03/2017</p> <p>Date: 22/03/2017</p> <p>Date: 18/03/2017</p> <p>Date: 16/03/2017</p> <p>Date: 14/03/2017</p> <p>Date: 12/03/2017</p> <p>Date: 09/03/2017</p> <p>Date: 08/03/2017</p> <p>Date: 07/03/2017</p> <p>Date: 06/03/2017</p> <p>Date: 01/03/2017</p>	<p>February 2017:</p> <p>Date: 27/02/2017</p> <p>Date: 26/02/2017</p> <p>Date: 22/02/2017</p> <p>Date: 20/02/2017</p> <p>Date: 19/02/2017</p> <p>Date: 18/02/2017</p> <p>Date: 16/02/2017</p> <p>Date: 13/02/2017</p> <p>Date: 11/02/2017</p> <p>Date: 04/02/2017</p> <p>Date: 03/02/2017</p> <p>Date: 02/02/2017</p>	<p>January 2017:</p> <p>Date: 30/01/2017</p> <p>Date: 26/01/2017</p> <p>Date: 24/01/2017</p> <p>Date: 23/01/2017</p> <p>Date: 22/01/2017</p> <p>Date: 20/01/2017</p> <p>Date: 19/01/2017</p> <p>Date: 19/01/2017</p> <p>Date: 18/01/2017</p> <p>Date: 17/01/2017</p> <p>Date: 15/01/2017</p> <p>Date: 14/01/2017</p> <p>Date: 11/01/2017</p> <p>Date: 10/01/2017</p> <p>Date: 08/01/2017</p> <p>Date: 06/01/2017</p> <p>Date: 06/01/2017</p> <p>Date: 05/01/2017</p> <p>Date: 03/01/2017</p> <p>Date: 02/01/2017</p> <p>Date: 01/01/2017</p>

<p>December 2016:</p> <p>Date: 31/12/2016</p> <p>Date: 30/12/2016</p> <p>Date: 26/12/2016</p> <p>Date: 23/12/2016</p> <p>Date: 22/12/2016</p> <p>Date: 20/12/2016</p> <p>Date: 15/12/2016</p> <p>Date: 13/12/2016</p> <p>Date: 11/12/2016</p> <p>Date: 10/12/2016</p> <p>Date: 08/12/2016</p> <p>Date: 05/12/2016</p> <p>Date: 01/12/2016</p>	<p>November 2016:</p> <p>Date: 29/11/2016</p> <p>Date: 28/11/2016</p> <p>Date: 23/11/2016</p> <p>Date: 22/11/2016</p> <p>Date: 21/11/2016</p> <p>Date: 20/11/2016</p> <p>Date: 19/11/2016</p> <p>Date: 15/11/2016</p> <p>Date: 13/11/2016</p> <p>Date: 12/11/2016</p> <p>Date: 10/11/2016</p> <p>Date: 05/11/2016</p> <p>Date: 04/11/2016</p> <p>Date: 01/11/2016</p>	<p>October 2016:</p> <p>Date: 30/10/2016</p> <p>Date: 24/10/2016</p> <p>Date: 23/10/2016</p> <p>Date: 21/10/2016</p> <p>Date: 17/10/2016</p> <p>Date: 15/10/2016</p> <p>Date: 14/10/2016</p> <p>Date: 11/10/2016</p> <p>Date: 09/10/2016</p> <p>Date: 08/10/2016</p> <p>Date: 07/10/2016</p> <p>Date: 06/10/2016</p> <p>Date: 03/10/2016</p>	<p>September 2016:</p> <p>Date: 30/09/2016</p> <p>Date: 28/09/2016</p> <p>Date: 24/09/2016</p> <p>Date: 22/09/2016</p> <p>Date: 20/09/2016</p> <p>Date: 18/09/2016</p> <p>Date: 16/09/2016</p> <p>Date: 15/09/2016</p> <p>Date: 14/09/2016</p> <p>Date: 13/09/2016</p> <p>Date: 11/09/2016</p> <p>Date: 10/09/2016</p> <p>Date: 09/09/2016</p> <p>Date: 05/09/2016</p> <p>Date: 03/09/2016</p> <p>Date: 01/09/2016</p>
<p>August 2016:</p> <p>Date: 30/08/2016</p> <p>Spring has arrived early this year, the weeds are taking over; dogs are becoming lost in what should be 'lawns'; next year's firewood has to be felled, cut up and stacked; and debris burned in preparation for the fire season, so updates will be spasmodic over coming weeks!</p> <p>Date: 25/08/2016</p> <p>Date: 24/08/2016</p> <p>Date: 21/08/2016</p> <p>Date: 18/08/2016</p> <p>Date: 14/08/2016</p> <p>Date: 12/08/2016</p> <p>Date: 10/08/2016</p> <p>Date: 09/08/2016</p> <p>Date: 08/08/2016</p> <p>Date: 07/08/2016</p> <p>Date: 06/08/2016</p> <p>Date: 05/08/2016</p> <p>Date: 04/08/2016</p> <p>Date: 01/08/2016</p>	<p>July 2016:</p> <p>Date: 31/07/2016</p> <p>Date: 30/07/2016</p> <p>Date: 29/07/2016</p> <p>Date: 26/07/2016</p> <p>Date: 25/07/2016</p> <p>Date: 24/07/2016</p> <p>Date: 23/07/2016</p> <p>Date: 22/07/2016</p> <p>Date: 21/07/2016</p> <p>Date: 20/07/2016</p> <p>Date: 19/07/2016</p> <p>Date: 18/07/2016</p> <p>Date: 17/07/2016</p> <p>Date: 16/07/2016</p> <p>Date: 14/07/2016</p> <p>Date: 13/07/2016</p> <p>Date: 11/07/2016</p> <p>Date: 08/07/2016</p> <p>Date: 07/07/2016</p> <p>Date: 06/07/2016</p> <p>Date: 03/07/2016</p> <p>Date: 02/07/2016</p> <p>Date: 01/07/2016</p>	<p>June 2016:</p> <p>Date: 30/06/2016</p> <p>Date: 28/06/2016</p> <p>Date: 27/06/2016</p> <p>Date: 24/06/2016</p> <p>Date: 23/06/2016</p> <p>Date: 22/06/2016</p> <p>Date: 21/06/2016</p> <p>Date: 20/06/2016</p> <p>Date: 17/06/2016</p> <p>Date: 16/06/2016</p> <p>Date: 15/06/2016</p> <p>Date: 12/06/2016</p> <p>Date: 10/06/2016</p> <p>Date: 09/06/2016</p> <p>Date: 08/06/2016</p> <p>Date: 07/06/2016</p> <p>Date: 06/06/2016</p> <p>Date: 05/06/2016</p> <p>Date: 03/06/2016</p> <p>Date: 01/06/2016</p>	<p>May 2016:</p> <p>Date: 30/05/2016</p> <p>Date: 28/05/2016</p> <p>Date: 26/05/2016</p> <p>Date: 25/05/2016</p> <p>Date: 24/05/2016</p> <p>Date: 21/05/2016</p> <p>Date: 19/05/2016</p> <p>Date: 16/05/2016</p> <p>Date: 15/05/2016</p> <p>Date: 14/05/2016</p> <p>Date: 08/05/2016</p> <p>Date: 07/05/2016</p> <p>Date: 03/05/2016</p> <p>Date: 02/05/2016</p>
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