

An Interview with Michael Perelman

## **The Invisible Handcuffs of Capitalism: How Market Tyranny Stifles The Economy By Stunting Workers**

by Michael Perelman. New York, New York: Monthly Review Press, 2011. \$19.95 U.S., paper. ISBN-13: 978-1-58367-229-7. Pages: 1-360.

*Carlo Fanelli is a Ph.D. Candidate at the Department of Sociology & Anthropology, Carleton University, with interests in critical political economy, labour studies, Canadian public policy, social movements, urban sociology and education. Carlo serves as editor of Alternate Routes: A Journal of Critical Social Research, and recently co-edited Capitalism & Confrontation: Critical Perspectives. Michael Perelman teaches economics at California State University, Chico. He has published 19 books, including, The Confiscation of American Prosperity, Railroad Economics, Manufacturing Discontent, The Perverse Economy, and The Invention of Capitalism. Michael spoke to Carlo Fanelli about his most recent book over June 2011.*

**Carlo Fanelli (CF):** Your early work pays a great deal of attention to the classical political economists (e.g. Ricardo, Smith, J.B. Say, J.S. Mill, Marx, etc.), with later writings engaging with economic luminaries such as Alfred Marshall and John Maynard Keynes. Could you briefly discuss how this research has influenced your thinking about economics? And in what ways has this motivated your present explorations?

**Michael Perelman (MP):** The disconnect between what purports to be objective analysis and the underlying power relationships fascinates me. Like Moliere's bourgeois gentlemen, who was unaware that he was speaking prose, economists have developed a culture in which they communicate without any recognition of how much they have internalized the distorted perspective of a capitalist system. What is more surprising is how thoroughly the economists were able to propagate their flawed worldview throughout much of society. The economic worldview loses sight of essential elements of the world economists to analyze. Once their simplistic world of economics spins out control, economists' instinct is to explain away their deficiencies rather than finally coming to grips with the real world. In that sense,

I feel that a critical study of economists and their economics becomes useful as a means of self-defense against the tyranny of markets.

**CF:** A central theme running throughout much of your work has been to denaturalize capitalism—that is, as one of your previous book titles indicates, show how capitalism was “invented” and is not, as is commonly assumed, the natural culmination of age-old historical practices. Rather your studies show how, as Marx put it, capitalism was ‘written in the annals of mankind in letters of blood and fire.’ In this book you critique Adam Smith’s notion of fair, harmonious and efficient markets, and instead, argue that wage-labour depended on violence and coercion to accept the discipline of the workplace. How does this compare with previous forms of social organization? Could you illustrate this with some examples?

**MP:** To be fair, capitalism was not invented in some Eureka moment. Already in pre-historical times, people traded, but, of course, trade is a necessary, but not sufficient condition for capitalism. Early on, people began to take up trades, moving the world closer to a capitalist economy. Next, people would face hard times or need money for weddings or funerals. Unable to pay their debts, they might find themselves forced into wage labor. However, wage labor at this stage of development represented a relatively small portion of the population. A mixture of wage labor and slavery existed in Greece and Rome, hence the word proletariat. Once the great empires fell, feudal lords acquired far more power. Serfdom increased at the expense wage labor. Eventually, as modern technology took hold, power shifted again in the direction of traders, often under the shadow of the newly emerging European empires.

The landed gentry either lost power or joined in the commercial revolution, which morphed into the industrial revolution. At this point, forcing people to work to make commodities for foreign trade became a high priority. Marx described this process as primitive accumulation, where he wrote about the blood and fire. I followed up his work in my book, *The Invention of Capitalism*, where I described some of the harsh measures used to drive people off the land, where they could provide for their own needs, leaving them with the necessity of having to work for wages. The laws against hunting were particularly interesting. The legend of Robin Hood represented the feudal measures to protect the aristocrats’ hunting preserves. By the early 17th century, these laws had fallen into disuse. At the end of the century, as the shoots of modern capitalism were being

laid down, the law was suddenly enforced again. Hunting became a capital offense. During the next century, Australia became populated with by leaders of these game laws. At the same time, clumps of aristocratic hunters were allowed to ride across farmers' land, in order to chase down foxes.

In their published books, the political economists at the time ignored the injustices associated with the enforcement of the feudal game laws, as well as the enormous economic damage done by the hunters. Instead, they described the economy as the result of voluntary transactions between willing buyers and sellers. Away from the public eye, these same economists applauded the displacement of rural masses, which was providing new bodies for the emerging proletariat. In this sense, capitalism was invented as I described in *The Invention of Capitalism*. Capitalism was invented in another sense. The early economists described the emergence of capitalism as a voluntary system that benefited everybody. This falsification of history, which was central to their analysis, was a very creative invention.

**CF:** Your most recent book, as you state (p.9), takes aim at capitalism in terms of its own basic rationale: the creation of an efficient method of organizing production. You argue that the failure by economists and employers alike to adequately take work, workers and working conditions into account has led to actions that have stifled the economy. This inattention, however, has not been accidental. Can you describe the consequences of this largely ignored dimension of market inefficiency?

**MP:** Good question. In *The Invisible Handcuffs*, I tried to show how economists tried to frame capitalism as a system of voluntary transactions, as I mentioned in my previous answer. One can understand how the economists could have gotten away with this evasion of reality in a world when literacy was limited and communications, expensive. In a modern world, to be able to get away with such nonsense is an audacious act of genius. Economic theory also abstracts from virtually anything having to do with time. For example, business is assumed to invest efficiently when it purchases durable equipment. How is that possible when business has no knowledge about future demand conditions, technology, or competition? Considerations of such matters would make mathematical models impossible. How is it possible to efficiently value the existing stock of resource, such as petroleum, when nobody knows precisely how much petroleum

there is, or whether alternative sources of energy will appear, or whether creating even more carbon dioxide would be too dangerous to contemplate?

What economics does do very well is to create an effective ideological system that pretends to prove that whatever business wants to do is good. Within this framework of voluntary transactions, workers agree to a wage bargain in which they give up their leisure time in return for wages, which more than compensate for their lost leisure. No thought is given to the context in which the transaction is made. From this perspective, the conditions of workers who accept the lethal consequences of accepting a job at the Fukushima nuclear plant are no different a high priced athlete playing an enjoyable game. Also missing from this picture is anything having to do with work, workers, and working conditions. The only relevant action is the wage bargain. Just as an individual consumer tries to buy commodities at the cheapest possible price, employers want to buy their workers for as little as they can. Unions become framed as a monopoly that interferes with the transactions. At the same time, this transaction-based perspective, neither employers nor society have any reason to nurture the skills or the creativity of the working class. Why not break the unions and defund education. Not surprisingly, productivity suffers.

Traumatized workers, as Alan Greenspan called them, may often be docile, but their fear of job loss is likely to interfere with efficient performance. But since all that counts is buying work at the cheapest possible price, even though the ultimate effect of that arrangement is detrimental to productivity, as well as society at large. In the book, I do describe the hostile treatment meted out to economists who stray from this perspective. In part, this attitude reflects the defensive behavior of academics who want to defend the purity of their supposed science, but, I suspect, that there may also be an intuition that to move beyond the transaction perspective ultimately leads to Marx. Part of what is involved is the unproductive effort used to maintain of power relations. Once a worker is reduced to a means of production and managers can believe that they are selected because of their superior abilities.

This perspective is obviously detrimental to workers' creativity. In one of my favorite cases, when computerization was first being introduced into manufacturing, a paper mill opened up its computer system to the whole workforce. The workers who manned the fac-

tory took advantage of this access to information and quickly ramped up productivity and efficiency. Recognizing the growing threat to their authority, management quickly shut off their access. Imagine a team sport—basketball or soccer—in which no one could do anything without prior authorization from their coach. Any deviations would be punished. Not only would the players' restriction hurt their play, but the players' development would also suffer.

**CF:** You make the case in *The Invention of Capitalism* (p. 10) that economics is an ideology masquerading as a science buttressed by mathematical models. Scientific pretensions aside, the economics profession in your view supports the interests of the rich and powerful at the expense of the vast majority of the working class. Contra mainstream economics, you show how the interests of employers and employees are fundamentally at odds. Instead, you contend that what might be called “invisible handcuffs” blind workers from realizing how capitalism both constrains their potential and degrades their quality of life. Can you briefly describe what you mean by this? In what ways has the economics profession, particularly their role in academe, played in reinforcing capitalism? How do neoclassical presuppositions, such as natural assumptions concerning human behavior, differ from your own starting points?

**MP:** Let me take issue with your premise. You suggest that economics supports the (perceived) interest of the rich. I inserted the parenthesis to suggest that economists are not doing the rich a real favor. I am convinced that a more egalitarian society would improve the general quality of life, not just of the working class. By all measures, the quality of life increases with equality. Ignoring that point, in the United States the economics profession, fearing to suggest anything that will upset the rich and powerful, has practiced severe self-censorship for more than a century. Other countries are not as extreme in this respect, but diversity is relatively rare in the study of economics around the world.

A leftist—let alone a Marxist—can hope to get a job in literary criticism or even sociology, but the chances in an economics department is less than slim. There are a few liberal arts college, some Jesuit institutions, and a handful of state universities that are less rigid, but nonetheless relatively few of them. There was a brief opening in the 60s, but that has long passed. Besides, the rigor (mortis?) of economists' training is extremely demanding in terms of mastering mathematics and statistics. Even if a student is already advanced enough

to breeze through that work, he or she will have to find a sympathetic professor to oversee anything outside of the mainstream. If that effort is successful, the vast majority of departments would not consider that person as a potential colleague.

I am fascinated by human potential — what unlikely people are able to accomplish despite the odds. I believe that everybody has the capacity to be the worlds best at something; that the role of society (not just family, or education) should be to help people discover what that something is. To the extent that this kind of discovery becomes widespread, societies will prosper. Hierarchical systems prevent that kind of discovery and need to be eliminated as soon as possible.

**CF:** You argue (p.29) that the promise of job creation drives the rhetoric of almost all economic policies. How has this influenced policy-makers and what have been the consequences? What role have large corporations played? And how have changes in the organization of work, workers and working conditions affected the quality of employment?

**MP:** The rhetoric of job creation smacks of blackmail. Give us everything you want or we will make unemployment worse. But if you look at the last decade, business got virtually everything it requested, but without much job creation. What is worse, the largest corporations were most effective in reducing jobs. Besides, real hourly wages peaked back in 1973. The corporations run around from state to state, offering to create new jobs in return for tax breaks and other incentives. Sometimes the jobs never materialize; other times they do, but disappear soon after.

**CF:** With the focus on workplace (especially union) concessions and attacks against the public provision of social services a current flash-point of political contestation, how does economics serve to obscure relations of class and the compulsions of the market?

**MP:** Abstract economics does not play much of a role, either in the discussion of job creation or in the concessions and cutbacks that are rolling across the country. The basic justification is that business, by its very nature, will create all of the preconditions for prosperity as long as nothing impedes “the magic of the marketplace.” Adults should not believe in magic. As long as opportunities exist to cut back on wages and benefits by moving work abroad to where people work for pennies an hour, expectation of a tsunami of good, high-paying jobs is ridiculous—even more so when companies get tax breaks to take advantage of such labor arbitrage.

**CF:** Finally, where do we go from here? How may economists and the economic profession, within and external to academe, be challenged in progressive ways? What role does political education and mobilization play? How might academics, activists and trade unionists begin to break the chains of the “invisible handcuffs” ?

**MP:** Now you are getting to the toughest question. Even Marx never described the specifics of his ideal society. Although he frequently recommended tactics to address particular situations, he never laid out a long-term strategy. In a sense, he had no choice. He was trying to assemble disparate political factions who could never agree on anything. Some of his German followers then adopted the attitude that they should just wait for the crisis to open the door to a new society. Now, after more than a century, that quietist strategy should be thoroughly discredited. The first step is the easiest. Develop the thoroughgoing critique of the status quo. Unfortunately, radicals have been quicker to snipe at each other’s analysis than to collaborate on something to appeal to the larger population. In short, the easiest part is still difficult. Next, we must be able to communicate an alternative. Merely to suggest the abstract idea of socialism is vulnerable to the charge of proposing to duplicate all the abuses, real or imagined, of any society that purports to be socialist. Now, in the midst of a sadistic round of austerity, proposing an alternative should be easier than ever, but I haven’t seen much progress in that regard. The next step becomes even more difficult. People need to be able to organize in a way that not only appeals to the masses, but it makes them feel empowered. Although I have not offered any concrete program, I think it might be useful in considering any action to think about how it might contribute to, or detract from the simple steps that I suggested.