

A person wearing a white dress shirt and a dark blue patterned tie is holding a book. The book is the central focus, with its cover text clearly visible. In the background, there is a desk with a pen holder containing pencils and pens, and some papers with numbers like 10, 11, 16, 17, and 18. The person's hand is visible on the right side of the book.

THE INVISIBLE HANDCUFFS

OF CAPITALISM

HOW MARKET TYRANNY STIFLES
THE ECONOMY BY STUNTING WORKERS

MICHAEL PERELMAN

The Invisible Handcuffs of Capitalism

THE INVISIBLE HANDCUFFS OF CAPITALISM

How Market Tyranny Stifles the Economy by Stunting Workers

by Michael Perelman



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INTRODUCTION

Setting the Stage

The Invisible Handcuffs tells a unique story about the damage that capitalism inflicts on society. Many authors have addressed the cultural, social, ecological, or ethical shortcomings of markets, such as the unequal distribution of income. Others have stressed the inherent instability of capitalism, which leads to recurrent economic crises.

This book does something different. It takes aim at capitalism in terms of its own basic rationale—the creation of an efficient method of organizing production. In particular, *The Invisible Handcuffs* concentrates on a largely ignored dimension of market inefficiency: how 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.

The inattention of mainstream economists to work, workers, and working conditions has not been accidental. It has been a key part of a centuries-long effort, beginning at least as far back as Adam Smith, to construct an ideology that would shield markets from criticism.

Some mainstream economists have dared to look in this direction, but they have been treated harshly. So most economists have practiced self-censorship and shied away from examining work, workers, and working conditions. There have been sharp disagreements about minor points, but they have only helped to obscure the virtual unanimity about larger issues.

There have been times, especially during economic crises, when the usually closed ranks of economists have opened a bit. During the recent “Great Recession” for example, many people saw at least suspected that the fanciful economic theories had helped to bring about the economic crisis. However, we shall see how similar “awakenings” have accompanied past crises, but once these passed the old ideology, again masquerading as science and as always buttressed by imposing mathematical models, reasserted itself. Ironically, this return to orthodoxy made the economy even more vulnerable to crisis.

The approach of this book is historical, because this is especially useful in understanding the continuing hold of mainstream economic theory. As William Faulkner wrote in *Requiem for a Nun*: “The past is never dead. It’s not even past.”

An Ideological Fairy Tale

Almost 250 years ago, Adam Smith, often described as the father of modern economics, introduced the idea of the invisible hand, which has since become a popular metaphor for expressing unbounded faith in capitalism. He proposed that the market coordinated people’s activities in such a beneficent way that one might well imagine that an invisible hand was at work creating an economy that was both fair and efficient.

Smith maintained that within the rules of the market, people were free to do as they pleased. He recognized that the market did impose discipline, but he insisted that it did so fairly, in the sense that the market did not favor any persons or groups.

Smith’s argument has a certain power and persuasiveness, and, because he was skilled in rhetoric, on the subject he taught at his university, he was able to convincingly present the economy as a voluntary

system, carefully excluding dramatic economic changes that were already under way, literally in his own neighborhood. But as we will see, Smith's idea of an invisible hand guiding the economy toward a desirable social outcome took hold because it fit the needs of those powerful persons who owned the land, raw materials, and capital upon which everyone else depends.

Building upon Smith, later economists created a more sophisticated theory, while still maintaining the basic ingredients of Smithian economics, especially his emphasis on individual commercial transactions (buying and selling) as the central feature of capitalist economies. Production itself, which is always a social and not an individual process, was excluded.

The dogmatic insistence on framing the economy this way obscures any consideration of the fundamental questions about work, workers, and working conditions. For example, economists may look at workers in terms of the level of wages or the extent of unemployment (the absence of a buyer-seller transaction in the job market), but the actual content of people's existence as workers on the job passes unnoticed. Even where economists take note of workers' skills, they reduce it to the level of a commodity—identifying skill as “human capital,” to be sold to a willing buyer.

Within this narrow market perspective, social relations become invisible. Workers are not just creatures that inhabit the workplace. They live within families, a class, and a society. If these relationships are ignored, the potential for substantial progress in grasping the economy is virtually nil.

An Ideology Comes Unglued

Although the ideological victory of mainstream economics has been effective in staving off critique, it has been a mixed blessing for employers and their allies in government. While economics has helped shield them from criticism as well, it also has mesmerized them into believing things that are not true. They, too, have neglected work, workers, and working conditions, and this has made for bad management and bad policy. People in power became lulled into ignoring the importance of the productive activities that form the foundation of a strong economy.

The subject of conflicts between ideological and productive needs runs through this book. The ideology of economics intersected with the personal needs of the people who run the economy. The “captains of industry” enjoyed believing that their authority was the result of their own talents and hard work. Measures that could make workers more productive might threaten either the rationale for or the authority of the capitalists. So when they had to choose between justifying their position and improving workers' productive potential, they opted for the former.

Instead of Adam Smith's imagined harmonious economy, the real world is one in which the interests of employers and workers are sharply at odds. Ideology may be able to partially cover up the nature of this conflict, but ideology cannot eradicate it. Instead, hidden from view, the conflict festers, poisoning all aspects of society. This corrosive aspect of capitalist social relations compels business and public agencies to take strong measures to impose their will on recalcitrant workers; however, the effort to control labor increases hostility within the workplace. At the same time, such measures create an atmosphere that destroys respect, as well as the free flow of information, both of which are essential in an efficient modern economy. They also force the system's apologists to construct still more elaborate rationalizations for its goodness.

In contrast, a rational economy would offer workers a helping hand, not just in terms of providing a higher standard of living, but even more important, making sure that workers have every opportunity to develop their potential.

This neglect of workers' potential, both at the workplace and in society at large, represents an enormous loss—both social and economic. One problem in moving forward is the opposite of Adam Smith's invisible hand. What we might call "invisible handcuffs" blind workers from realizing how capitalism both constrains their potential and degrades their quality of life.

The more technologically advanced an economy becomes, the more destructive the invisible handcuffs become. Both the economy and society suffer because of the tragic neglect of workers, and working conditions. Modest political reforms and a more humanistic scheme of management might seem to be able to remedy this problem, but such efforts will, at best, make modest improvements. These invisible handcuffs will continue to undermine society by stunting workers and thereby stifling the economy. Nonetheless, these handcuffs are an integral part of a market economy.

For the most part, this book concentrates on the United States, where the market economy has perhaps evolved the furthest. Certainly, the current U.S. economy falls short on an infuriating array of counts. Here is the most powerful economy in the world, yet it seems powerless to meet the most pressing needs of its people. The list of pervasive problems includes obscene poverty, inadequate health care, climate change, and environmental damage.

Policymakers do not pay sufficient attention to such problems. When they do address them, they end up going to great lengths to nurture the market rather than people; yet to their surprise, the relative economic strength of the U.S. economy still seems to be eroding. In this context, the importance of looking at the economy from the perspective of workers should be undeniable. Today when the world faces such difficult threats, society cannot afford to waste a resource as valuable as human potential. This book is intended to highlight the urgent need to cast off the handcuffs in order to benefit from previously unutilized human potential.

The Bearded Slave

Mainstream economics represents a barrier to meeting the urgent challenges that we face. Breaking through the solid front of the discipline is a difficult but urgent task.

Economists have been trained to resist such efforts. Their education promotes a maddening uniformity. Heated debates do occur, but almost always within a narrow framework. A few marginalized schools of economics exist at the fringes of academia, but they exert little influence on the discipline as a whole. For example, for decades no Ivy League economics department has hired anybody who deviates significantly, much less radically, from mainstream thought.

Some individual economists dissent from market fundamentalism on specific issues, such as global warming. Others even accept a role for government spending, especially in the midst of a crisis, to increase the quantity of commercial transactions in order to generate more employment. But for the most part, even when the economy is in obvious disarray, the economics profession presents a solid phalanx, insisting on the primacy of market transactions at the expense of the process of production. As a result, matters of work, workers, and working conditions fall from view.

One purpose of emphasizing commercial transactions is to ensure that the "handcuffs" remain invisible, but this choice has unintended consequences. By excluding the study of work, workers, and working conditions, economists lose sight of the productive system on which the economy depends. This not only leaves them unable to recognize destructive economic tendencies, but it also encourages business and political leaders to take measures that undermine the economy by limiting people's potential.

Although the dogmatism of economics seems as hard as a rock, the situation is not hopeless. Jacob Riis, a posthumously celebrated social reformer, recalled his therapy to avoid discouragement:

I would go out and look at a stone-mason hammering away at his rock perhaps a hundred times without as much as a crack showing in it. Yet at the hundred-and-first blow, it will split in two, and I know it was not that blow that did it, but all that had gone before.¹

This book is intended as one among many blows that will ultimately crack the prevailing dogma that prevents the development of an economy that can nurture and tap in to people's potential. It does not describe how this kind of economy will work. Developing the details of the future organization is far more challenging than helping to make way for the transition; however, awareness of the currently wasted potential must precede the transformation of the present system of social relations.

Michelangelo's wonderfully evocative, half-finished sculptures, known as *The Slaves*, made a deep impression on me when I saw them in Florence forty years ago. These works do not display the uniform delicacy and detail of his *David* or the frescoes of the Sistine Chapel, but the very incompleteness of these four massive statues, intended for the tomb of Pope Julius, is a major source of strength. The *Awakening Slave* depicts a powerful body, seemingly waking, while still encased in stone. The effect of the *Bearded Slave*, struggling to free himself from his marble boulder, which has once completely engulfed him, is even more dramatic.

Everybody irritated by a boss's foolish command or a corporation's ridiculous bureaucratic demands has taken a first step toward an awakening. These annoyances are symptomatic of a much larger problem associated with an outdated system of command and control at the workplace. Once that realization kicks in, you can sense your inner *Bearded Slave*. I like to think that many economists are also like the *Bearded Slave*, deep down struggling to emerge from the self-censorship that engulfs the discipline.

Capitalist society also has something in common with the *Bearded Slave*, except that what covers its inner potential is man-made. It is capitalist control that encrusts society with unsightly layers of waste and inefficiency. This book includes many such examples. Hammering away at this crud might make the system more productive, but more often than not the waste and inefficiency serve a purpose—to maintain the existing system of control.

With enough blows, the irrationality of this system will be exposed. An irresistible vision of a humane system with rich social relations—something more beautiful than Michelangelo's statues—will first come into view and then replace capitalism.

A Brief Note on the Characterization of Economics

This book describes economists as if they were an entirely homogeneous group, which is not entirely accurate. A tiny minority of marginalized economists remain critical of the capitalist system. A large number of more conventional economists, some of whom have won Nobel Prizes, have been able to recognize particular shortcomings, though without understanding the systemic nature of the invisible handcuffs.

For example, the work of behavioral economists and neuroeconomists is generating interest for the development of a more realistic analysis of how people actually make decisions. This research shows why the fundamental assumptions of human behavior that economists use are thoroughly unrealistic. Although one of these scholars, the psychologist Daniel Kahneman, won the Nobel Prize

economics, the critical insights of these groups have been no more able to budge the mass of the economics profession than the generations of institutionalist economists (the progeny of Thorstein Veblen) who preceded them.

The stubborn resistance of economics to adapt to scientific evidence reflects a long-standing solidarity on the part of the discipline. Even in macroeconomics, which generates contentious economic debates, Paul Krugman's textbook acknowledges, "the clean little secret of modern macroeconomics is how much consensus economists have reached over the past 70 years."²

For this reason, this book will treat economics and economists as if they were homogeneous despite the existence of a small number who do not completely fit the stereotype.

Overview

The first chapter, "The Anti-Worker Theology of Markets," begins with a discussion of the theological defense of markets by sources as far apart in time and in stature as Edmund Burke and George W. Bush. According to such people, market relations ensure not only efficiency but also higher qualities such as freedom and justice. For the true believers, questioning markets is akin to blasphemy. However, a more appropriate theology of markets might come from Greek mythology, from the legend of the sadistic Procrustes, whose story is introduced in this chapter.

The second chapter, "Disciplining Workers in the Procrustean Bed," begins to move away from theology toward reality, by examining a less attractive aspect of the market (and one that the ideologues refuse to attribute to the market): disciplining workers. The chapter describes both direct discipline in the workplace and obvious forms of control, such as the Federal Reserve's intentional creation of unemployment to make labor fearful of being fired—what Alan Greenspan, then chairman of the Federal Reserve Board, referred to as the traumatization of labor. Such policies are ironic considering that policymakers pretend that all social objectives—whether higher wages, better working conditions, environmental protections, or even the quality of life—must give way to the promise of job creation. The two concluding sections of the chapter offer quantitative estimates of some of the human and economic costs of labor discipline.

The third chapter, "How Economics Marginalized Workers," analyzes the development of economic theory's justification of its inattention to work, workers, and working conditions. It explains why economics chooses to treat work as nothing more than the absence of leisure and how economic theory reduces workers to an abstract input—labor—comparable to coal or steel. This perspective is especially destructive because the abstractions of economics block its practitioners and those whose vision is shaped by economists from recognizing the potential of real people.

[Chapter 4](#), "Everyday Life in a Procrustean World," discusses the impact of the narrow market perspective on everyday life. It examines the enormous amount of time that jobs consume, as well as the extension of controls on people's behavior outside the workplace. These controls are also counterproductive, because they interfere with people's opportunity to improve their own abilities and capacities. This chapter shows how mainstream economics has tried to convince working people themselves to adopt the same perspective as economists, instructing them to identify themselves as individual consumers while seeing their own work as nothing more than a loss of leisure. In effect, workers are supposed to ignore work and their relationships with other workers.

The fifth chapter, "International Procrusteanism," briefly extends the analysis to the international economy, showing how much of the rest of the world must comply with the demands of the United States for market-friendly policies.

[Chapters 6](#) and [7](#) put the subject in historical perspective by looking back at the economic vision bequeathed by Adam Smith. “Adam Smith’s Historical Vision” looks at Smith’s analysis based on how he thought that societies evolved until they reached the ultimate form of market organization. In this intensely ideological work, Smith cast markets in a highly favorable light. Markets are harmonious, fair, efficient, and give everybody an opportunity to succeed. In this way, Smith provides the ideological foundation for the defense of markets.

[Chapter 7](#), “The Dark Side of Adam Smith,” shows how Smith realized that his vision of a harmonious society depended upon the prior existence of a successful coercion of labor to accept the discipline of the workplace. In his time, violent measures were often required to leave people with no other option than to accept the new conditions of wage labor. Even after people became corralled into wage labor, Smith realized that controls had to reach deeper into people’s lives, even including state regulation of religion. In short, for all his positive rhetoric about freedom, Smith’s ultimate concern was to control people in order to make them obedient workers. This reading of Smith lends further support to [chapter 2](#)’s emphasis on the role of discipline.

This chapter also explains why Smith had to distort his work by excluding any discussion of modern industry. He did this in order to allow him to offer his vision of marketplace freedom and liberty, and later, accounts for how economists simplified Smith’s writings. They removed its uncomfortable ideological implications, leaving an effective, but unrealistic, propagandistic shell.

[Chapter 8](#), “Keeping Score,” looks at the concept of the Gross Domestic Product, a seemingly straightforward measure of the progress of an economy. We review the evolution of this concept showing how, just as with Adam Smith’s theory, the Gross Domestic Product focused on convenient matters that put the market in the best possible light. Just as is the case in economic theory, Gross Domestic Product accounting sweeps work, workers, and working conditions under the rug, along with any notion of the importance of social relationships. By using such a measure to gauge economic success, the concept of Gross Domestic Product served to strengthen the case for destructive, market-friendly policies.

The chapter ends by contrasting the Gross Domestic Product with the results of a recent field of “happiness studies,” in which social scientists, including some economists, recognize the disconnect between the GDP and a satisfying quality of life.

[Chapter 9](#), “The Destructive Nature of Procrusteanism,” is the capstone of the book, surveying some of the innumerable ways in which capitalist discipline proves to be counterproductive, even in terms of its narrowly conceived objective of increasing the quantity of commercial transactions included in the Gross Domestic Product. For example, unwieldy bureaucracies driven by purely financial motives are incapable of efficiently organizing, let alone inspiring, people. These bureaucracies are not merely a managerial mistake but, as will be shown, a natural outgrowth of an advanced market economy.

These shortcomings of the great corporations that dominate the modern market economy fall into two classes. The first class consists of the destructive effects of efforts to control labor, natural to the present capitalist system. The more interesting, second set of defects represents the ways in which the present organization of production does not just waste labor but also stunts workers’ potential.

The final chapter, “Where Do We Go from Here?” offers some hints about the future possibilities of people working together to create a better life. These propositions fly in the face of prevailing opinion. However, if we continue with the obsessive efforts to control labor, we will harm the interests of society as well as the interests of those who seem to be benefiting from current practices.

The Anti-Worker Theology of Markets

The Theological Defense of Markets

Academic economists present a great mystery. How can they muster so much brilliance and intelligence to deny any suggestion of market imperfections? These dogmatic defenders of markets warn that any measures to address economic deficiencies—other than the knee-jerk remedy of expanding market powers even further—are certain to disrupt economic efficiency. Others may acknowledge market problems, but they insist that the root cause must be people's personal shortcomings. The proper response is to demand more from the people, not the system.

This blind devotion to the market is a kind of religion. Like the adherents of many other religions, economists can be intolerant of those who do not accept their worldview. As Margaret Thatcher, the ultra-conservative British prime minister, popularly known as the “Iron Lady,” once explained, “Economics are the method. The object is to change the soul.”¹ This call for spiritual uplift inspired neoliberalism, an extremist mindset in which public policy must give way to the interests of the market.

However, when markets implode, and eventually they always do, many fundamentalists temporarily throw aside their faith in markets. They call on the government for support—never for selfish reasons, of course, but only to return the market to health once more. Once the crisis has passed, their absolute faith in the market is restored. As Charles Darwin once observed, “ignorance more frequently begets confidence than does knowledge.”² The stubbornness of market fundamentalism reflects a theological view that markets are an end in themselves rather than merely a means to an end. Even the mildest challenge to the market reeks of heresy. Edmund Burke, perhaps the most famous British statesman of the eighteenth century, set the tone for this theological defense of markets, confidently declaring, “The laws of commerce ... are the laws of nature, and consequently the laws of God.”³ The *Journal of Markets and Morality* continues to promote this theological tradition.

From a less elevated perspective, business and political leaders commonly join the familiar litany of praise for the market, bandying about lofty terms: freedom, democracy, and justice, not to mention efficiency and prosperity. When first running for president in 1999, George W. Bush offered a simple formulation, simply declaring that “trade and markets are freedom.”⁴

Surely, nobody could object to allowing people to enjoy freedom, democracy, or any other positive quality attributed to the market. Fundamentalists ask why anyone would be foolish enough to challenge the existing economic system, one that presumably represents the pinnacle of social organization—or at least it would, if ill-considered taxes and regulations did not interfere with what President Ronald Reagan called “the magic of the marketplace?”

But adults should not believe in magic. Despite Reagan's fanciful rhetoric, the market is a harsh taskmaster. Frederick Winslow Taylor, the father of scientific management, famous for devoting his life to using a stopwatch to cut split seconds from workers' tasks, gave a more realistic verdict of the modern situation, observing, “In the past the man has been first; in the future the system must be first.”⁵ Does this system really serve people's essential needs? I do not think that it does. Let us begin

A Different Theology

Consider a different theology—an ancient Greek legend. A bandit named Damastes terrorized people near Eleusis in Attica. People called him Procrustes, or “The Stretcher,” because he compelled unwary travelers who fell into his hands to spend the night on an iron bed. He sadistically murdered his guests by stretching short men to fit the dimensions of the bed, or, if they were tall, cutting off as much of their limbs as necessary to fit them into the bed. His sadism supposedly turned the surrounding countryside into a desert. Procrustes’ reign of terror was eventually cut short when Theseus, a heroic figure who became king of Athens, subjected Procrustes to his own bed treatment.

Mythological references might seem out of place in a book on the economy, but economic language has become so perverted that reframing it in an unfamiliar context seems appropriate. After a Taylor’s expression—“the system must be first”—suggested that the modern economy requires that people conform to its dictates. In effect, his stopwatch tightened the screws on the Procrustean bed.

German sociologist Max Weber, hardly a radical, vividly captured this harsh spirit of the Procrustean world, observing, “The market is the most impersonal relationship of practical life in which humans can enter.... Such absolute depersonalization is contrary to all the elementary forms of human relationship.”⁶ One of Weber’s most famous expressions is his metaphor of the iron cage (actually a mistranslation of a less poetic “shell as hard as steel”):

Today’s capitalist economic order is a monstrous cosmos, into which the individual is born and which in practice is for him, at least as an individual, simply a given, an immutable shell, which he is obliged to live. It forces on the individual, to the extent that he is caught up in the relationships of the “market,” the norms of its economic activity.⁷

Contemporary rhetoric offers an excellent example of this market imperative. The word *reform* has become synonymous with the elimination of protections against unfavorable market outcomes. In effect, people must learn to adjust to the market rather than make any attempt to have the market adjust to people’s needs. Procrusteanism is the set of practices intended to force people to accept market discipline.

The Procrustean Heritage of Economics

Associating Procrusteanism with the market might seem jarring to many readers, but it has actually been part of a subtext of economics for centuries. Many early economists believed that because people are driven by potentially dangerous passions, the market offered a socially beneficial outlet for their urges.⁸ For example, Adam Smith, whose first book was about psychology, introduced his famous description of the invisible hand thusly: “It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest.”⁹ In the same vein, John Maynard Keynes wrote, “It is better that a man should tyrannise over his bank balance than over his fellow-citizens; and whilst the former is sometimes denounced as being but a means to the latter, sometimes at least it is an alternative.”¹⁰

Francis Ysidro Edgeworth, an influential Oxford economist, expanded upon the association between the passions and the market. Although he was less clear than Smith or Keynes about the market as an alternative to antisocial behavior, his basic message was unmistakable:

The first principle of economics is that every agent is actuated only by self-interest. The workings of this principle may be viewed under two aspects, according as the agent acts without or with the consent of others affected by his actions. In wide senses, the first species of action may be called war; the second, contract.¹¹

Economists in the eighteenth and early nineteenth centuries clearly understood that people would naturally resist employment as wage laborers if they could maintain themselves outside of the market. They proposed strong measures to deny people alternative means of support, including the confiscation of the land upon which people had traditionally provided for their own needs.¹² The intention was to make people so destitute they would be desperate to work for wages. Then, once wage labor became sufficiently common, people would begin to think of it as normal and take it for granted.

Once workers became habituated to wage labor, economists could ignore the coercive side of the market and treat it as a purely voluntary system. In the process, they banished any suggestion of either coercion or irrational behavior, except on the part of those who might be foolish enough to resist total engagement with the market. Here is how the Reverend Thomas Robert Malthus described the egalitarian relationship between workers and their employers:

The man who does a day's work for me, confers full as great an obligation upon me, as I confer upon him. I possess what he wants; he possesses what I want. We make an amicable exchange. The poor man walks erect in conscious independence; and the mind of his employer is notwithstanding vitiated by a sense of power.¹³

Nonetheless, Malthus was not above recommending harsh measures to ensure that workers would be so destitute that they would have no choice but to accept the amicable bargains that would await them.

The brutal measures that were required to transform society to the point that people took wage labor for granted did obvious damage. However, once people accept market life as the norm, the Procrustean bed begins to fall from view. The ongoing negative consequences of markets became less noticeable. Even the people the system harms most directly come to accept it as natural, almost as if they were voluntarily donning a pair of invisible handcuffs.

These handcuffs, and their unintentional consequences, remain invisible, but that does not mean their damage is insignificant. As we shall see, so long as the causes of the alienation, insecurity, and powerlessness that go along with capitalism remain invisible, free-floating anger becomes common. Procrustean have mastered the art of diverting this anger into a powerful reinforcement of the system.

There is another kind of damage. The Procrustean project of squeezing more profits out of people ultimately turns out to be self-defeating, so much so that it threatens the health and vitality of society along with the very economy it is intended to promote.

Beyond the Procrustean Economy

In the spirit of Weber—at least the mistranslated Weber—the market functions as a Procrustean bed. Why would anybody willingly lie down in such a bed? Those who accommodate themselves to the system often suffer a cruel fate, as the discussion of workplace deaths and diseases in [chapter 3](#) will demonstrate. However, the system punishes those who refuse to adjust themselves voluntarily to it. This helps people to come to see this world as natural and allows overt Procrustean control to be largely replaced by the invisible handcuffs.

At times, however, when Procrustean hands overplay their hands or the system malfunctions, the handcuffs become visible once again. As was true before capitalism was firmly established, some elements of society stand up against the demands of the market and others may appear ready to do so. In response, the Procrustean hands stand ready to impose their will, unleashing violent repression when necessary. For example, in Uruguay, when such repression was in full force, the journalist Eduardo Galeano observed, “People were in prison so that prices could be free.”¹⁴

Unlike the irrational sadist Procrustes—a parasite that destroyed its victim with no apparent purpose—those who control the capitalist economy are rational, singlemindedly devoted to the making of money. Toward this end, the Procrustean hands routinely call upon the state to use its monopoly of force to keep everybody in line, while loudly proclaiming that the modern economy is the height of freedom as well as rationality. After all, people can freely choose to work where they want and buy what they want—and nobody commands anybody (except on the job).

Business leaders, politicians, and economists are quick to explain that the logic of the system is immutable. They come down hard on anyone who dares to question Procrustean rationality, even though they themselves are generally immune from the harsh demands of Procrusteanism. This posture helps to make the boundary between the realm of Procrustes and the invisible handcuffs even fuzzier. How can anyone rationalize why hours of work have not radically decreased despite the proliferation of modern, labor-saving technology? How can anyone reconcile increasing job insecurity and stagnating wages with market efficiency? Are these conditions the natural functioning of the labor market or the intentional manipulation of Procrustean hands?

We will make the case that ultimately the market is Procrustean and, like Procrustes, destroys its surroundings. Viable alternatives do exist. They might seem impossibly utopian, but only because the gate-keepers of the Procrustean economy stubbornly refuse to accept any dialogue or even the possibility of a dialogue. As Margaret Thatcher adamantly proclaimed, “There is no alternative.” The iron bed must remain in place. Everyone must learn to accept the dictates of the Procrustean economy—to voluntarily don the invisible handcuffs. There is no choice in the matter. To defy the logic of the market would be suicidal—at least in an economic sense.

As we shall see, the truth is otherwise. The Procrustean ideology is as absurd as it is inhuman. Let us begin now to see how. First, let us critically evaluate the market. Then let us point ourselves in a more positive direction. Only after people get beyond the idea that the system must be first can society tap into people’s potential and create a more fulfilling way of life. With sufficient intelligence, courage, and imagination, we can get the kind of economy we deserve—an anti-Procrustean one in which the productive system will finally adjust to meet society’s most pressing needs.

CHAPTER TWO

Disciplining Workers in the Procrustean Bed

Jobs! Jobs! Jobs!

The most compelling defense of the inverted priorities of Procrusteanism concerns jobs: any policy that dares to give people's pressing needs priority over the rigid imperative of the market will surely result in a loss of jobs. In fact, the promise of job creation drives the rhetoric of almost all economic policies. Business demands tax breaks, relief from environmental protection, and a host of other special treatments, while the rich demand tax cuts for themselves, all in the name of creating jobs—even when the evidence for the job creation is weak or nonexistent.¹

For all their talk about job creation, the largest corporations—the businesses that win a disproportionate share of the benefits from playing the job card—actually create few jobs. According to a report published in 2000, toward the end of a period of unusually vigorous job growth, the top 200 corporations worldwide employed a mere 0.78 percent of the world's workforce, even though their sales accounted for 27.5 percent of world economic activity.² That business is not particularly good at creating jobs—especially good jobs—should come as no surprise. Wall Street rewards corporations for eliminating jobs, not creating them. Profits rather than jobs are the highest priority for business leaders. However, big business is exceptionally skillful in collecting subsidies based on the false hope of job creation—often in amounts in excess of \$100,000 per job, even when the jobs are short-lived or nonexistent.³ For example, when Northwest Airlines threatened to move from Minnesota, the state granted the company \$828 million for a repair facility with 1,500 jobs. Once the agreement was in place, the company accepted an immediate loan of \$270 million as part of the deal. Not long after, it announced that the facility and the jobs were on hold.⁴ After the company went bankrupt in 2005, it showed its compassionate side. Management supplied its laid-off workers with a handbook for surviving during hard times, offering valuable tips, such as not being “shy about pulling something you like out of the trash.”⁵

Even when jobs are created, the quality of the jobs is poor, something ignored by policymakers. Many of the jobs in the giant corporations do not provide health care or a living wage. The CEO of Wal-Mart, the world's largest private employer, confessed that a full-time worker might not be able to support a family on a Wal-Mart paycheck.⁶ As a result, millions of its employees must rely on government assistance. In July 2003, California assemblywoman Sandy Lieber released copies of employee handouts from Wal-Mart explaining how to use an employment verification service when applying for Medicaid, food stamps, and other public services. According to the Democratic Staff of the Committee on Education and the Workforce, one 200-person Wal-Mart store may result in a cost to federal taxpayers of \$420,750 per year—about \$2,103 per employee over and above the costs imposed on state and local governments.⁷

Despite the poor record of large corporations in providing good jobs, business attacks any legislation intended to raise wages or improve working conditions as a “job killer.” The use of such clever terms effectively cuts off any discussion with those who might be foolish enough to advocate such policies. In light of the absence of effective regulations to prevent workplace fatalities, mo-

attention should be given to killer jobs rather than job killers. Such alternative phrasing cannot gain traction in the present political climate, because those who dare to question the wisdom of the Procrustean economy seldom manage to get a public hearing.

Although employment in the United States has increased during the last three decades, hourly wages corrected for inflation peaked in 1972 at \$8.99, measured in 1982 dollars. By 2007, hourly wages had fallen to \$8.32. Well-paying blue-collar jobs had been disappearing for years.⁸ The decent white-collar employment suffered the same fate. Both trends helped to give us an unprecedented stretch of thirty-five years without an increase in real wages.

In addition, jobs have become more insecure. A few decades ago, many people had long-lasting careers. They could feel reasonably certain that as long as they performed their job well, they could continue with the same employer and probably also advance to better positions.

Today, businesses now openly regard workers as disposable commodities. Downsizing, outsourcing, and plant closings have become routine events. The *Wall Street Journal* casually noted that “many management theorists” maintain that “the whole concept of a job—steady work at steady pay from the same employer—must be discarded.”⁹ Just after AT&T announced the layoff of 40,000 workers, James Meadows, vice president for human resources and responsible for administering the job cuts, explained corporate thinking about job mobility:

In AT&T, we have to promote the whole concept of the workforce being contingent, though most of our contingent workers are inside our walls. “Jobs” are being replaced by “projects” and “fields of work” are giving rise to a society that is increasingly “jobless but not workless.” People need to look at themselves as self-employed, as vendors who come to this company to sell their skills.¹⁰

Meadows’s honesty points to the shallowness of business’s professed interest in job creation. For people like him, business supplies plenty of opportunities. If people cannot take advantage of these, something is wrong with them. If not enough opportunities are available, some interference is upsetting the smooth functioning of the market. Masters of Procrusteanism never apologize for the way the system treats ordinary people.

Work! Work! Work!

Although jobs are at the forefront of economic policy dialogues, the nature of the work itself gets little consideration. After all, work raises troubling questions. With all of the advances in technology, why do people still have to work so hard? Although the physical demands of most modern labor are light compared to those who worked in William Blake’s “dark Satanic mills,” work in pre-capitalist societies had certain advantages over labor today. Before markets became dominant, people worked relatively few yearly hours. During harvest times, work was long and hard, but during much of the year, free time was abundant. Joan Thirsk estimated that in sixteenth- and early seventeenth-century England, about one-third of the working days, including Sundays, were spent in leisure.¹¹ Innumerable religious holidays punctuated the tempo of work throughout Europe. Karl Kautsky estimated that there were 204 annual holidays in medieval Lower Bavaria.¹² In short, modern technology has not so much been used to relieve people of the burdens of work as to extract more work from people.

Modern technology has eliminated many awful jobs. Relatively few people in the United States work in dangerous, subterranean coal mines. Yet many modern jobs put workers at risk for mor-

subtle but equally lethal conditions. In so-called “clean rooms” for semiconductor production, workers lack adequate protection from the toxic chemicals that surround them, while they wear “bunny suits” to protect the silicon from the workers’ bodily impurities.

The contrast between jobs and work is striking. Many people work long hours in poor conditions while millions of people are left looking for jobs. Shouldn’t a successful economy emphasize the development of technology that makes work easier, rather than creating technology intended to make a smaller number of people work more intensively? Why wouldn’t a successful economy apply modern technology to make work less stressful? Such questions are rarely raised in polite society.

As I will explain later, modern economics frames the world in a way that precludes questions about the nature of work by adding its own Procrustean twist. Economics devalues work by reducing people to one-dimensional consumers who maximize their “utility”—economists’ strange term for enjoyment—by using their budgets (however limited) to select bundles of goods suitable to their personal tastes. Within this framework, work represents nothing more than the loss of utility that people experience because they choose to sacrifice leisure to get utility from consumption. In effect, the clock becomes the sole indicator of working conditions.

When Workplace Procrusteanism Subsides

Ironically, despite the constant drumbeat of business advocates calling for tax cuts and subsidies to aid corporations in their holy quest to create jobs, employers actually need a large pool of unemployed workers. When unemployment is low and the fear of getting fired subsides, workers’ bargaining power increases. Employers recognize pools of unemployed workers as a valuable tool for increasing their bargaining power.

Because most people do not enjoy taking orders and have a natural tendency to assert some independence, workers can become rebellious when workplace authorities do not treat them with respect, especially when they feel confident that comparable jobs are readily available.

In the late 1960s, when unemployment was unusually low, Procrustean authority was far less effective. For example, in 1968, Bill Watson, a sociologist, spent a year working in a Detroit automobile factory, where he witnessed several dramatic examples of the lengths to which workers went to challenge management. In one case, workers revolted against the production of a poorly designed six-cylinder model car. After management rejected employee suggestions for improvement in the production and design, the workers initiated a “counterplan,” beginning with acts of deliberate misassembling or omitting parts. Workers in the inspection section made alliances with workers in several assembly areas to ensure a high rate of defective motors.

In the process, workers and foremen argued over particular motors. Tension escalated. Workers went ahead and installed defective motors in cars, thereby forcing management to remove them later. The conflict ended only when a layoff allowed management to move the entire six-cylinder assembly and inspection operation to another end of the plant.¹³

In a second instance, the company attempted to save money by building engines with parts that had already been rejected during the year. Workers in the motor-test area lodged a protest, but management hounded inspectors to accept the defective motors. After the motor-test men communicated their grievances to other workers, they began to collaborate in intentional sabotage. Inspectors agreed to reject three of every four motors. Stacks of motors piled up at an accelerating pace until the entire plant shut down, costing the company more than ten hours of production time to deal with the problem. When management summoned inspectors to the head supervisor’s office, the

inspectors slyly protested that they were only acting in the interest of management.

Watson's third example is the most telling of all. During a model changeover period, management scheduled a six-week inventory buildup, keeping only fifty people on the job. These workers would have earned 90 percent of their pay if they had been laid off. Workers reacted to the opportunity and attempted to finish the inventory buildup in three or four days instead of six weeks. They trained each other in particular skills, circumventing the established ranking and job classification system to slip through the required time.

Management responded harshly, forcing workers to halt, claiming that they had violated the legitimate channels of authority, training, and communication. If workers had been given the opportunity to organize their own work, Watson claims that they could have completed the task in one-tenth the scheduled time. Management, however, was determined to stop workers from organizing their own work, even when it would have been finished more quickly and management would have saved money because of the speed-up.¹⁴ So much for the idea that market forces lead to efficient choices!

Watson also described how workers engaged in hose fights at the workplace and organized contests to explode rods from engines. These incidents illustrate the enormous costs associated with a conflictive system of labor relations. One might argue that the particular managers that Watson described were unusually shortsighted, but something else was at stake. To admit that workers have something to contribute beyond blindly carrying out the demands of management undermines the ultimate rationale for management's domination. As a result, managers often instinctively resist any encroachments on their authority, no matter how much this authority impedes productivity.

Watson's story communicates a sense of the intense joy and exhilaration that workers felt from having the opportunity to organize their own activity. He applauded the industrial sabotage as "the forcing of more free time into existence." He explained:

The seizing of quantities of time for getting together with friends and the amusement activities ranging from card games to reading or walking around the plant to see what other areas are doing is an important achievement for the laborers. Not only does it demonstrate the feeling that much of the time should be organized by the workers themselves, but it also demonstrates a long-existing animosity....

While this organization is a reaction to the need for common action in getting the work done, relationships like these also function to carry out sabotage, to make collections, or even to organize games and contests which serve to turn the working day into an enjoyable event.¹⁵

Watson's experience may not have been particularly unique. In the 1980s, the United States automobile industry had to dedicate an estimated 20 percent of its plant area and 25 percent of its workers' hours to fixing mistakes.¹⁶ The industry had two options available. It could intensify its supervision over workers or it could actively engage its employees by giving them more control over their jobs. The first option is not only expensive, it further alienates the workers, perhaps encouraging other forms of sabotage. The choice made, that of more intensive supervision, suggests that the automobile industry seems to have adopted the attitude Watson experienced.

One could argue that the behavior Watson described was evidence of the need for a firm hand to control rebellious workers. That rebellion, however, may have been less a product of outrageous and unacceptable behavior by these workers than a natural response to the Procrustean response to the conflict inherent in the relationship between labor and capital.

Imagine how much the company lost just because management stubbornly refused to take advantage of the workers' on-the-spot knowledge of the business. But to do so would have weakened

the dysfunctional Procrustean hierarchy that allows managers the privilege of seeing themselves superior to their underlings.

In fact, management's perception is less relevant than that of the workers. Once you get beyond the theology of capitalism, the ultimate justification for this mode of production is that the efficiency markets can offer the best possible life for people. Part of the illusion of efficiency is that capitalism is a meritocracy—that the best people rise to positions of authority. Consequently, maintaining the legitimacy of authority is crucial for capitalism.

The proper maintenance of authority is an old question. Machiavelli's *The Prince* may be the classic text on the subject. His chapter 17 asks whether it be better to be loved than feared. He concluded "it is safer to be feared than loved."¹⁷ Machiavelli's conclusion is just as applicable for capitalist management as for a medieval prince. In this sense, a certain amount of Procrusteanism is a necessary requirement for the capitalist workplace.

The key insight from Watson's experience is the degree to which the workers were able to organize themselves in spite of management. Had their objective been to earn profits, their efforts would have qualified as entrepreneurial—and far more so than is usually expected from workers who lacked the formal qualifications usually associated with leadership.

The Federal Reserve to the Rescue

Business leaders understood why workers, such as Watson and his colleagues, openly challenge management. They had little fear of getting fired because unemployment rates were very low. Although they would never admit to such crass motives, business leaders know that maintaining a substantial level of unemployment gives them a strategic advantage. Losing a job posed few risks for Watson's colleagues since many equally attractive jobs were available at the time. Where jobs are harder to find, workers are less likely to behave in ways that displease management, including demanding higher wages.

Since the end of the Second World War, the responsibility for creating the "appropriate" level of unemployment has fallen to the Federal Reserve. Officially, the Federal Reserve has a dual mandate to prevent inflation and to maintain full employment. In reality, the Fed concentrates on fighting inflation by vigorously preventing full employment.

A board of seven governors, appointed by the president and approved by the Senate, theoretically runs the system, but the Fed is actually quite Byzantine. "Constitutionally, the Federal Reserve is a pretty queer duck" was the verdict of the populist Texas congressman Wright Patman. Martin Mayer, author of *The Bankers* and other excellent books on finance, went further, observing that "the Federal Reserve would be a queer duck even without any Constitution, for a more awkward and complicated mixture of private and public, executive and legislative, national and regional could not possibly be imagined."¹⁸

In addition to the Federal Reserve Board, each of the twelve regional banks has a president, selected by bankers. These regional presidents, directly representing the interests of the banking sector, wield enormous power.

The chief policymaking arm of the Federal Reserve, known as the Federal Open Market Committee, consists of a rotating pool of seven of the governors and four of the regional bank presidents plus the president of the New York Federal Reserve Bank. This committee makes the key decision regarding monetary policy—whether to make credit scarce or abundant.

The decisions of the Open Market Committee have a powerful effect on the economy. When the

committee makes credit tight by restricting the supply of money, interest rates increase, which the discourages businesses from borrowing to finance spending on building, plants, equipment, and the like. In addition, higher interest rates depress consumers' purchases of cars or houses on credit because their monthly payments depend on the rate of interest.

Shrinking consumer purchases, together with the higher cost of borrowing, further discourages business from investing. As a result, the economy slows down, replenishing the pool of unemployed workers.

In effect, then, the Fed represents a collaboration between the bankers and government, free to make policy without congressional oversight. The only requirement placed on the Federal Reserve is that the chairman has to appear twice a year before the House and Senate. Just imagine the uproar if anyone suggested that labor unions have the power to determine the course of the economy with virtually no oversight.

In addition, all other things equal, high interest rates tend to redistribute wealth from the poor to the rich, because the rich as a whole are net lenders, while the poor are net borrowers. Even during the 1990s, a time when interest rates were low, over one-seventh of wage earners' salaries went to pay interest on their loans.¹⁹

Business does not want the economy to slow down too much, since economic growth is ultimately necessary for a sustained expansion of profits. Therefore, when the Open Market Committee deems it appropriate, it once again expands the money supply in an attempt to increase the pace of economic growth, at least until the economy begins to run short of unemployment.

Ideally, the Federal Reserve would like to maintain a Goldilocks economy, in which economic growth is just right—strong enough to increase profits, but slow enough to keep workers in check. When business is pleased with economic performance, the press portrays the chairman of the Federal Reserve Board as a hero. For example, the journalist Bob Woodward titled his book on Alan Greenspan, *Maestro*, as if the economy were his symphony orchestra.²⁰ After the economy fell apart on his watch, Greenspan's reputation withered.

The Hidden Procrusteanism of the Fed

One thing is fairly certain: when business fears that the economy is beginning to grow fast enough that workers might feel confident in demanding better wages or working conditions, the Federal Reserve is sure to step in and tighten the money supply.

Restrictive monetary policy does not operate in the open. One of the beauties of the monetary weapon is that few people make the connection between what the Open Market Committee decides and their own situation. Nobody seems to be responsible for the resulting hard economic times. How could the economy seem Procrustean when Procrustes is nowhere to be found? When the economy slows down, the boss can tell the workers, "Sorry, guys, but there's nothing I can do. I would love to be able to comply with your demands, but business is not good."

Workers are likely to resent people who directly discipline them, such as a supervisor or even the boss of the whole operation. Few workers, however, will ever think to vent their anger at the faceless president of a branch of the Federal Reserve Bank or one of the equally unknown members of the Board of Governors. No wonder that conservatives often regard the Federal Reserve's fight against inflation as one of the nation's highest economic priorities.

Insofar as discipline is concerned, the system works like a charm—at least for business interests. This game becomes even more effective because the Federal Reserve projects an image of standing

above the political fray. The Fed speaks in terms of its mandated responsibility to maintain long-run growth, minimize inflation, and promote price stability—all of which sounds reasonable—while ignoring that part of its mandate to create full employment.

The Federal Reserve uses price stability as a code word for holding wages in check. Paul Volcker, former chairman of the Federal Reserve Board, was clear about this relationship: “In an economy like ours, with wages and salaries accounting for two-thirds of all costs, sustaining progress [in reducing inflation] will need to be reflected in the moderation of growth of nominal wages.”²¹

The targets of restrictive monetary policy do not include rising prices for assets, such as houses and stocks. Instead, rising asset prices are interpreted as signs of economic health, even though the prices may be the result of speculative excesses that will ultimately destabilize the economy. Nor are the multimillion-dollar salaries of executives a concern.

When Richard Nixon was running for president in 1968, he insisted that inflation was the country's number one problem. After his election, he enlisted his Council of Economic Advisors to identify those adversely impacted by inflation. According to the council's chairman, Herbert Stein, “If anyone was being severely hurt, the available statistics were too crude to reveal it.”²²

Of course, Dr. Stein understood as well as anybody what David Ricardo, the most important economist of the early nineteenth century, wrote about the harm of inflation:

The depreciation of the circulating medium (meaning inflation) has been more injurious to the poorer than to the richer monied men ... It may be laid down as a principle of universal application, that every man is injured or benefited by the variation of the value of the circulating medium in proportion as his property consists of money.²³

As later research has shown, a modest level of inflation is beneficial for the economy because it allows business more flexibility in dealing with workers. Employees are resentful when business demands wage cuts. Inflation allows business a back door for reducing wages—at least what wages can buy. In this way, management can alter the wage structure, rewarding some workers, with higher wages while letting the real wages of less-favored workers erode.²⁴ In addition, a number of studies indicate that inflation does no damage to the middle or lower classes as a whole. Although inflation does harm those on fixed incomes, inflation (within limits) is associated with higher economic growth, bringing more prosperity, especially to unskilled workers. Inflation, however, does have a detrimental effect on the rich, because it erodes the value of their financial assets.²⁵

Creating Unemployment

Economist Edwin Dickens has written a series of significant articles analyzing the minutes of the meetings of the Open Market Committee of the Federal Reserve Board, dating back to the 1950s. Dickens's research shows convincingly that the Federal Reserve's partisan behavior is designed to tilt the economy in the direction of the wealthy by making workers more compliant. Dickens reports on numerous occasions when participants voted to tighten the money supply just before major union contracts were about to expire. The minutes indicate that the specific intent was to force employers to be less generous with their wage offers during contract negotiations.²⁶

A recent study formalized Dickens's work by attempting to distinguish whether the policy actions of the Federal Reserve were a response to inflation or to low unemployment. The study concluded that “a baseless fear of full employment” rather than the prevention of inflation was the guiding principle.

of the Federal Reserve.²⁷ The conclusion of this study should come as little surprise to people familiar with the Federal Reserve's obsession with the danger of high wages.

Defenders of such policies justify the temporary restriction of job creation, contending that the Federal Reserve is merely trying to curb excessive growth. According to this school of thought, the Federal Reserve is simply preventing the kind of excesses that lead to severe recessions and depressions. Slowing down growth today may be necessary to provide for a higher, sustainable growth rate in the future. Most economists argue that the cumulative effect of even a fairly small increase in growth rate can be substantial, more than enough to compensate for a temporary slowdown.

The periodic slowdowns that the Federal Reserve engineered to undermine wage growth are unlikely to stimulate economic growth. According to a study by the Bank for International Settlements, slowdowns actually seem to diminish rather than promote long-term growth.²⁸ Over and above the dramatic effects of intentionally engineered slowdowns, the more steady effort to keep wages in check also probably reduces the rate of growth. As economists continually warn, the cumulative effect of a reduced rate of economic growth can be substantial. This loss must count as another cost of Procrusteanism.

In the 1920s, John Maynard Keynes described the effect of this sort of monetary policy on workers:

The object of credit restriction ... is to withdraw from employers the financial means to employ labour at the existing level of wages and prices. The policy can only attain its end by intensifying unemployment without limit, until the workers are ready to accept the necessary reduction of money wages under the pressure of hard facts.²⁹

Keynes's description of this policy seemed to frame it as a form of Procrustean class warfare:

Those who are attacked first are faced with a depression of their standard of life, because the cost of living will not fall until all the others have been successfully attacked too; and, therefore, they are justified in defending themselves.... They are bound to resist so long as they can; and there must be war, until those who are economically weakest are beaten to the ground.³⁰

Keynes concluded: "It is a policy, nevertheless, from which any humane or judicious person must shrink."³¹

Sado-Monetarism

The Federal Reserve's fight against wages can be intense. In 1979, shortly after taking the reins at the Federal Reserve, Paul Volcker announced new operating procedures and a determination to hold inflation in check.

At first, many powerful people doubted whether Volcker would be willing to follow through with his plans, which were sure to create enormous casualties. A front-page story in the *Wall Street Journal*, "Monetary Medicine: Fed's 'Cure' Is Likely to Hurt in Short Run by Depressing Economy, Analysts Say," expressed this sentiment. The paper noted:

Among those who are skeptical that the Fed will really stick to an aggregate target is Alan Greenspan ... who questions whether, if unemployment begins to climb significantly, monetary authorities will have the fortitude to "stick to the new policy."³²

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