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Thematic Section

The Economics of Turning People into Things[1]

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ABSTRACT *Nitasha Kaul argues that economic violence refers not only to violence caused for economic reasons, but also to violence caused by spurious economics. It is economic violence when people lose their jobs and livelihoods, when they witness massively divergent rewards for work and when they see an endless perpetuation of inequality around them. Such involuntary unemployment in the long run leads to social breakdown and community fragmentation.*

KEYWORDS *G-20; protest; economic violence; banks; consumption; capitalism*

Economics does violence when it forgets that social science must also be moral science

Introduction

The G-8 has gone double-digit in recent times. After decades of high-powered global conclaves, where few took decisions on policies that would affect the many, leaders of the most industrialized countries have reckoned that their utterances will carry more weight if they had a bigger chorus. The new members such as China, India, and Brazil have been welcomed into the fold at a critical time. Their co-operation is needed on issues of climate change, resource exploitation, and currency stability.

In the West, there has been a wave of crises – food price crisis, fuel crisis, sub-prime lending crisis, and the big bad one: the financial crisis. These crises have exposed the foolhardiness of blind faith in the efficient functioning of unregulated markets, and the powerlessness of governments to affect a widely acceptable solution when the interests of capital and labour forcefully collide.

Beyond economics

What is at stake is the very conceptualization of the economic and the political realm. William Grampp, an economist, puzzled in 1951, 'political anarchy has rarely suggested itself as the complement of a free market'. Indeed, if people are demonstrably fallible when unregulated in the political sphere, how is it that their mistakes, power asymmetries, and lack of restraint vanishes when their behaviour is considered in the marketplace?

The 'free markets' are free in a very specific way: trading in certain sectors of the economy may be unregulated and unsupervised, which means that individuals who operate within those markets can make short term decisions that benefit them while imposing long term costs on others. Thus, whenever the market is free from government regulation, it is actually individuals in it who are free to be irresponsible (due to naivete or malice) if it is in their interests.

The financial crisis shows just how interconnected the network of interests is, across national boundaries, like the wind and the birds. And rather like dealing with acid rain and bird flu, financial stability is a global public good that requires co-ordination. As the rift over fiscal stimulus between Franco-Germans and the Anglo-Americans at the G-20 solutions table warned, co-ordination is not the same as consensus.

It is important to get the balance right for each individual country if we are to avoid an escalation of economic violence. In general, economic violence has been conceived as a security threat. By economic violence, commentators have meant that people (may) turn violent when there is a scarcity of resources. For example, if prices of basic commodities shoot up, or if banks fail, people can riot. This will lead to political instability and from there it can spread as a security threat.[2] This would also appear to be the reason why – at the request of President Obama's administration – the CIA, from 26 February 2009, has produced a daily analysis of economic intelligence briefing reports related to the international economic crisis.[3] Along these lines, economic violence is important to monitor and contain so that it does not turn into political crises and cause security threats.

Economic violence

What I mean by economic violence is different. Economic violence is not only the violence caused for economic reasons, but also the violence caused by spurious economics. It is the violence caused to people when they lose their jobs and livelihoods, when they witness massively divergent rewards for work, when they see an endless perpetuation of inequality around them. Such involuntary unemployment in the long run leads to social breakdown and community fragmentation. This is already ongoing, but it must not be exacerbated.

Under conditions of economic uncertainty and social instability, a predictable pecking order gains credence – and those most vulnerable (low skilled, manual or factory labour, women and children, new immigrants) suffer disproportionately greatest through a circumscribing of the opportunities available to them.

It is for this reason that bailing out banks is not enough;[4] announcing the trillion dollars going to IMF is not enough.[5] For some revealing answers, try asking around where the recently announced 1.1 trillion to the IMF is coming from, who is contributing, how much and how. Not all of it is new, most of it is promised, much of it is available for loans to the poorest countries, and so we have it that the IMF which was seen as the problem in the world economic system – with a track record of worsening the situation by imposing structural adjustment programmes in the countries it lent to – is now the solution for the world economic system. As far as the IMF is concerned, the G-20 meeting in London did a total makeover. It is positive that protectionism continues to be off the agenda, and that the future heads of IMF and WB will not be exclusively European and American, but the real way forward would be a comprehensive reform of the financial architecture and institutions, so we can ask the basic questions about whether it is in people's interest to have economic systems reliant on debt, which can only be rescued and kick-started again by further debt.

Further, there must be a rethink on troublesome financial volatility, proposals for the workability of Tobin tax (see the 1996 book The Tobin Tax: Coping with Financial Volatility by Haq, Kaul, and Grunberg, see also www.attac.org) on speculative capital flows could be revisited as a means of stabilising currency flows, or at least generating revenue which could be used for minimizing the impact on those most hit by bouts of economic violence.

Most importantly, governments must take this chance to rethink the basic principles of the 'economy' – what is it good for?

Society and the economy

People often take the economy to mean businesses, workplace, factories, bank accounts, and export-import. It is true, those are the sites of economic practices – but the economy in itself is not a machine that exists fully formed, so that when a pipe breaks down, a fellow called the government can step in and fix it. The economy is a construction – a way of partitioning some human behaviours into remunerative activities. Where we draw the line at defining the economy is up to us as societies. This is why types of paid caring labour or green accounting are a part of the economy in some but not other countries. The economy is embedded in culture and it is embedded in the environment of which it is a part. Value comes from values. The ruin of larger cultural values or natural environment is to the detriment of the economy and should not be seen as separate from it.

When I spoke to various constituencies of people at the 'Financial Fools Day' G-20 protests in the city of London – the police, the mainstream media, and the protestors – everyone (regardless of their feelings about the outcomes on the street, and with differing intensity of emphasis), reiterated they thought the bankers were to blame for what happened. These same bankers were reported to be sipping Chablis and waving their wallets and 10 pound notes from their office windows and rooftop cafes at the gathered crowd of protestors below.

Why the bankers do not understand

To quote Upton Sinclair, it is very difficult to get a man (sic) to understand something when his salary depends on his not understanding it. The bankers (and various other financial personnel dealing in derivatives and hedge funds) play the only game they know.

Right from economics 101, we teach the students to obliterate the difference between people and things (labour and capital are simply two factors of production, never mind that only labour can be brought to witness in court as an accessory to a crime, see Ellerman, 1991). They learn that economics is about what is and not what ought to be (normative questions are not a concern), and that wants are limitless by definition. At a macro level, they learn to see the economy as a multiplication of individuals who are alike, and who behave as if they have complete information and can form rational expectations, which defeat the purpose of policy intervention. Economics, as it is taught in its neoclassical mainstream version across the world, is a travesty.[6] It is shamelessly ideological while purporting to be scientific as the social physics (the very name Economics was brought in over 100 years ago to replace the older term 'political economy' and make it sound more scientific!). The macro has no microfoundations, there is a lack of empirical contact with real world, and there is no adequate understanding of risk and uncertainty. It is not a surprise that economists have called upon economists to take some of the blame for failing to communicate the dangers resulting from putting into practice the oversimplified financial models.[7]

Asking the right questions

To this grounding in economic models with wildly unrealistic assumptions, add the general push towards money as an end in itself (the M–C–M schema of money and commodities), the prestige conferred by conspicuous consumption (the unending seduction of bigger and better gadgets), the ready availability of unthinking entertainment, is it any wonder that people who can make a fortune at the expense of others do so?

The economic questions are at their base moral ones of value and worth, to do with mechanisms of work and reward. And something deeper than a market has failed when a person takes a golden parachute after causing widespread redundancy, or gets paid hundreds of times the lowest paid worker of their organization. It is this shield of indifference – this lack of concern and conscience for fellow beings, which is overtly visible in democratic capitalism but equally liable to manifest in socialist totalitarianism – that is the first human crisis. Dealing with this would require a new definition of self-interest, so that being uneconomic (in the conventional sense) is not seen as being irrational.

Economic violence, which is caused by spurious economics, deserves to be recognized as such and alternatives reflected in the teaching machine and research incentives (unknown to outsiders, the field of economics is highly segmented, and with centuries of alternative theories and thinkers). Economics needs to be seen as econo-mixes, a plural set of theories, prescriptions, and outcomes that do not reflect the expertise of scientific detachment or neutral consensus, but are a mix of various social and political motivations that retain relevance only within a certain empirical context at a given time (Kaul, 2008).

Conclusion

The typical Economic Heroes are the ones who make most money and get most things. Where regulation is lax, or premises flawed, people will creatively invent instruments to exploit the loopholes. The ongoing financialization has literally been able to create value out of nothing in many cases. The fragility of a house of cards should not be a surprise.[8] The sad fact is the impact of these financial trades on businesses, livelihoods and jobs in other sectors when the bubbles burst. Crises are a fact of an interconnected system, but those who cause them are not the ones hit most by the effects of the job losses. It is the workers in sectors such as construction and manufacturing, and council workers with their pensions that take the fall (note how the media routinely describes the job losses as the companies having 'shed' workers).

The representative of Economic Heroes are the Royal Mail collection personnel and the Veolia garbage disposal people, and many other men and women on average pay who enact their essential roles day in and out while the world around them raps to Get Rich or Die Tryin'. The fight for economic justice in modern democracy is ever more difficult – every action is under surveillance, and the costs of an individual protesting in word and deed are solely hers, while the benefits may accrue to others in society – and ever more pertinent.

Notes

1 This article is adapted from OpenDemocracy website: www.opendemocracy.net
2 http://www.motherjones.com/politics/2009/02/pandemic-economic-violence, accessed 8 April 2009.
3 http://www.newsweek.com/id/186569, accessed 8 April 2009.
4 http://www.zmag.org/znet/viewArticle/19307, accessed 8 April 2009.
5 http://www.ipsnews.net/news.asp?idnews=46389, accessed 8 April 2009.
6 http://www.paecon.net
7 http://www.ku.dk/english/research/publications/wp/dp_2009/0903.pdf, accessed 8 April 2009.
8 http://www.wright.edu/~barbara.hopkins/Financial_crisis.htm, accessed 8 April 2009.

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