

Setting the Stage

The Invisible Handcuffs tells a unique story about the damage done by markets. Many books have critiqued market inefficiencies by pointing out problems created by insufficient demand or an unequal distribution of income. Other books either criticize economic theory or address the cultural, social, ecological, or ethical shortcomings of markets. This book does something different.

Rather than simply condemning capitalists or capitalism for moral deficiencies, or decrying the inequities of exploitation, this book takes aim at capitalism in terms of its own basic rationale -- the creation of an efficient economy. Again, other books have critiqued the inefficiencies of capitalist production, but The Invisible Handcuffs focuses on a single aspect of market inefficiency that has been largely ignored: how a failure to adequately take work, workers, and working conditions into account has stifled the economy.

The Invisible Handcuffs also takes aim at economic theory. This parallel critique of economic theory, alongside the practices of both government and business, is another unique feature of this book. This two-track approach is relevant because business practices and economic theory tend to move in tandem.

Elsewhere, I have written about how business influences what economists do (Perelman 2007). Here, the emphasis is on the influence of economics on business practices (see MacKenzie 2006). Although economists express sharp disagreements about minor points of difference, the discipline is virtually unanimous about larger issues, including the

dogmatic exclusion of work, workers, and working conditions from economics.

The closed ranks of mainstream economists, backed up with their imposing mathematical sophistication, give the discipline a scientific veneer that tends to mesmerize both government and business leaders -- at least until the economy malfunctions with a serious recession.

As a result, both economists and people in power are lulled into ignoring the importance of the productive activities that form the foundations of a strong economy. This neglect makes for bad policy as well as bad theory.

Another feature of this book is the blending of the current situation with historical analysis. This approach is especially useful in economics because the hold of economic theory -- even outdated and misleading theory -- is very strong. As William Faulkner wrote in Requiem for a Nun, "The past is never dead. It's not even past."

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 peoples' voluntary actions so well 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 presentation bent

the truth, but he was skilled in rhetoric, a subject that he taught. As this book shows, he had to go to great lengths in presenting the economy as a voluntaristic system by carefully excluding dramatic economic changes that were already underway literally in his own neighborhood.

Building upon Smith, later economists created a more sophisticated theory, which still maintained the basic ingredients of Smithian economics. This book will explore the causes and consequences of the inability of economics to put aside the utopian vision of Adam Smith's metaphor of a harmonious economy. In the process, The Invisible Handcuffs will explore the nature of the real production process, in which employers attempt to impose their will on recalcitrant workers. In the real world, in place of Smith's voluntarism, business and public agencies routinely take strong measures to control labor, belying Smith's theory of the mutual interests of business and labor. The Invisible Handcuffs explains why this overriding conflict between workers and capital represents a destructive force inherent in markets.

The Invisible Handcuffs turns Adam Smith upside down. In contrast to the vision of a harmonious economy as imagined by Smith, this book accepts that the interests of employers and workers are largely at odds.

The basic problem regarding this conflict is not so much that rebellious workers will stage some sort of uprising in the workplace, although such events do happen at times. Instead, this book addresses a more corrosive result: the effort to control labor creates an atmosphere that destroys respect as well as the free flow of information, both of which are essential in an efficient modern economy.

In contrast, a rational economy would offer workers a helping hand, visible or not -- not just in terms of providing a higher standard of living, but even far more important, helping workers 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.

The more technologically advanced an economy becomes, the more both the economy and society suffer as a result of a tragic neglect of work, workers, and working conditions. Within this context, this book makes the case that the economy has matured to the point where it cannot harness anything close to its full productive potential. In effect, the invisible handcuffs undermine society by stunting workers and thereby stifling the economy.

Ever since the time of Adam Smith, economists' efforts to justify this dysfunctional system of control have led them to develop a theory that emphasizes commercial transactions (buying and selling) to the exclusion of production. This approach removes any consideration of 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 transaction on 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' skill, they reduce it to the level of a commodity -- identifying skill as human capital. Although related fields, such as sociology and psychology, have subfields that look at work, workers, and working conditions, what passes for labor economics tends to concentrate on studying large-scale databases

that cannot capture such matters.

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 humanity -- let alone its own people. The list of pervasive problems includes excessive poverty, inadequate health care, global warming, and environmental damage, just to name a few.

Although United States policymakers do not pay sufficient attention to such problems, they go to great lengths in a misguided effort 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 becomes undeniable. Even more important, when the world faces difficult threats, such as global warming, society cannot afford to waste a resource as valuable as human potential. This book is intended to contribute to the process of casting off the handcuffs in order to benefit from previously unutilized human potential.

The Bearded Slave

The training of economists promotes a maddening uniformity. Heated debates do occur, but almost always within a narrow framework. A few marginalized schools of economics, such as the institutionalists, exist at the fringes of academic economics, but they exert virtually no influence on the discipline as a whole. For example, no Ivy League economics department has shown a willingness to hire an institutionalist, let alone

a radical economist.

Some individual economists dissent from market fundamentalism on a few specific issues, such as global warming. Others even accept a role for government spending to increase the quantity of commercial transactions, which will create more employment. But, for the most part, the economics profession presents a solid phalanx in insisting on the primacy of transactions at the expense of matters of work, workers, and working conditions. As a result, the handcuffs remain invisible.

By excluding such subjects as work, workers, and working conditions, economists not only leave themselves unable to recognize major problems, but they also inspire business and political leaders take measures that undermine the economy.

Although the dogmatism of economics seems as solid 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. [Riis 1922, p. 253]

This book is intended as one among many blows, contributing to a crack in the dogma that will make way for a form of economics that is both more realistic and more humanistic.

Exactly forty years ago, Michelangelo's wonderfully evocative *Slaves* made a deep impression on me. In place of the uniform delicacy and detail

of his David statues or the frescoes on the Sistine Chapel, the figures in these huge sculptures are left more than half-unfinished. Their very incompleteness is a major source of strength because the figures seem to be forcing their way out of the massive pieces of marble. The effect of the powerful Bearded Slave, struggling to release himself from the rock, which had once completely engulfed him, was especially dramatic.

I like to think that many economists are like the Bearded Slave, deep down struggling to emerge from the self-censorship that engulfs the discipline.