

Karl Polanyi and the coming U.S. election

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It's hard not to notice, during the American Presidential election drama, that despite all the debates and speeches, and multiple candidates, the terms "Neoliberalism" and "austerity" have yet to be employed, much less explained, these being the two necessary words to describe the dominant economic "regime" of the past 35 years. And this despite the fact that most observers recognize that a "populist revolt" driven by economic unhappiness is underway via the campaigns of Donald Trump and Bernie Sanders. With Trump, of course, we are getting much more, the uglier side of American populism: racism, xenophobia and misogyny, at least; the culture wars at a higher pitch.

Yet when Trump commented on the violence which canceled his Chicago rally on the evening of March 11th, he stated that the underlying driver of his supporters' anger is economic distress, not the ugly cultural prejudices. The diagnoses for the root cause of this anger thus lie at the heart of the proposed solutions. For students of the Great Depression, this will sound very familiar. That is because, despite many diversions and sub-currents, we are really arguing about a renewed New Deal versus an ever more purified laissez-faire, the nineteenth century term for keeping government out of markets – once those markets had been constructed. "Interventions", however, as we will see, are still required, because no one, left or right, can live with the brutalities of the workings of "free markets" except as they exist in the fantasyland of the American Right.

Americans have never been known to be systematic thinkers about policy matters, least of all in an election year, but still, it is a remarkable thing not to be able to name in public forums the ideas which have ruled the economics profession for decades now, and therefore the policy options of elected officials who turn to economists for guidance. Barry Goldwater, renowned, if not done in, for his candor, had no difficulty naming the system *he opposed* in his acceptance speech in San Francisco, 1964, or in his ghostwritten book, the *Conscience of a Conservative*: it was liberalism in all its forms, but especially its interventions into private markets - Keynesianism. For Goldwater, that included federal Civil Rights legislation and even Society Security.

Therefore, some clarification is called for when deploying these two terms, or the Market Fundamentalism/Market Utopianism others have chosen, myself included, to more polemically describe the dominant economic orthodoxy of our time.

By Neoliberalism it is meant the revival of "*classical* economics" which first arose in the late 18th and early 19th centuries in England, with the founders' famous names living on into our own time: Smith, Ricardo, Townsend, Malthus, Mill and Bentham and a few others. Early economic writers tended to reach into the world of biology, of Nature, for their metaphors and analogies, and these excursions had two main tendencies: to cite nature's cooperative features, or alternatively, its tooth and claw brutalities, which was Malthus' grim legacy, one which we have not fully shaken to this day. Continuing this tradition, classical economics later flirted seriously with Social Darwinism (see the influence of William Graham Sumner in the

U.S. and Herbert Spencer in England), almost becoming engaged to it, and then underwent the “micro” revolution of marginal costs in the late 19th century as the profession strained for its “scientific” laurels.

David Harvey, the prolific, polymath Marxist writer, links the term Neoliberal to the later Victorian economists – Alfred Marshall, William Jevons and Leon Walras - who succeeded their earlier classical colleagues from the first decades of the 19th century. But the realities of the past 30 years in America leads one back to the primal cruelties described by Karl Polanyi in those early industrial days, in his masterpiece *The Great Transformation*, and the religious intensity of the first classicals, not the later Victorian ones, those who worked in an era when life for workers was supposed to have gotten much better, although the London of those better days still horrified savvy American observers like Jane Addams of the Settlement House movement.

Neoliberalism was later greatly influenced by the conservative work - the defense of markets against governmental interventions - of Friedrich von Hayek and Ludwig von Mises (The preference here is to keep the “von” in the names: it makes them sound more *sinister*...) in the 1920's and 1930's, and Milton Friedman in the 1970's, thinking which eventually eclipsed the Keynesian “revolution” of the 1930's, and its demand-labor focused “macro” policies and accompanying federal fiscal interventions. Friedman's great debates with John Kenneth Galbraith in the 1970's usefully date the decline of Keynesianism for the general public, and the rise of “supply-side” economics: keeping entrepreneurs happy (and hopefully, inventive) through tax breaks without end. Many of us recall the linking of justice in-the-law with justice in-the- economy, courtesy of the old Smith Barney television advertisements from the 1980's, starring John Houseman from the movie *The Paper Chase*: these noble stock brokers “make money the old fashioned way, they *earn* it.” Decided British accent too, he had.

The “liberalism” part of *Neoliberalism* is confusing to the average citizen thinking about the modern political spectrum, since Neoliberalism is most certainly a *conservative doctrine* aimed at undermining every intellectual pillar of Keynesian true “liberals,” Social Democrats, and Socialists of all stripes. In its formative years of 1790-1840, liberalism and its *liberal* economists were hell-bent on overturning the last vestiges of late feudalism, then mercantilism, which guided the treatment of the agricultural workforce in rural England. That workforce was about to be “conscripted”, under threat of starvation, as labor in the new industrial mills of the English Midlands, the infamous “Satanic Mills”. In this sense these economists were “liberal” reformers, urging dramatic individualism and heroic entrepreneurship upon society, to free economic activity from the last ethical restraints which Judeo-Christian morality had insisted upon. Ironically for the secular left of the 21st century, those biblical strictures, against usury, for example, are looking better and better as credit card interest rates soar between 18-25%, the rates being even higher for the notorious “pay day loans,” the last borrowing resort for the poorest in the workforce. However, the words “freedom” and economic “liberty” do not explain much in the “abstract”: historical eras and context text tell us much more about what they meant, the impacts for different parts of society.

And this is where the term “Market Fundamentalism” or Market Utopianism comes in. Karl Polanyi (1886-1964), in his magisterial work from 1944, *The Great Transformation*, explains that the English economy of those years, 1790-1840, was the landscape for the first great attempt in human history to *consciously* construct all-embracing markets for land, labor and money, to turn these many-faceted features of traditional human economic life into pure

commodities, thus yanking them from their more organic historical connections to other, older governing values in traditional societies.

Polanyi, just to confuse the over-simplifications of today's Republican Right, and the broader Neoliberal worldview, was a socialist but not a Marxist. Yet his biography offers the Right these tantalizing facts: *The Great Transformation*, although begun and finished in England, and fittingly so given its subject matter, was mainly written at Bennington College in Vermont with a two-year grant from the Rockefeller Foundation, in 1941-1943.

Polanyi argued that what the classical economists claimed were universal laws, aiming to bring all nations into one giant market via "free trade" governed by the gold standard - and the guns of the British navy - were actually the very peculiar human constructs of a particular time and place. Polanyi also is *the only economist* who has satisfactorily explained where the *market fanaticism* of today's Right comes from: the original gambit of the early 19th century was so sweeping, so revolutionary, that it could only succeed in its Promethean mission with intensity equal to its impossible task. To paraphrase Polanyi, laissez-faire had to be planned, then legislated – then its horrors mitigated. Polanyi makes the proper connection: this movement closely resembles religious fanaticism, and perhaps that is a clue to the rise of the economic Right's religious allies within the Republican coalition: religious *fundamentalism* arose in the United States in the 1970s almost simultaneously with Market "fundamentalism". Here's how he puts it in his second chapter: "The mechanism which the motive of gain set in motion was comparable in effectiveness only to the most violent outbursts of religious fervor in history. Within a generation the whole human world was subjected to its undiluted influence."

What is more, Polanyi says that the imposition of these terrible abstractions created such a shock in their initial manifestations that it set off an immediate reaction, the start of the "double movement", with neither labor nor capital able to live with the stark horrors presented by the social realities of the 1840s. This is when society first looked into the mirror of a "pure" market transformation and saw not progress but a social Frankenstein staring back instead: children broken on the looms, workers in their improvised, inadequate tenements, prostitutes roaming the streets if not starving in the gutters. In short, people no longer displaying human faces but the features of cornered animals. Had economic, social, and legal justice arrived? This was not justice; it was the very rape of that term.

Polanyi stresses the *social disruptions* as much as the degree of economic exploitation at the heart of the long running wage argument, which continues to this day, comparing the cultural shock of a whole new way of life for the formerly agricultural workers to the encounter between primitive cultures with more advanced European civilizations, documented in North American Indian tribes in their 16th and 17th century experiences, and African cultures under late 19th Century imperialism. This anthropological approach has doubtless made Polanyi a troublesome writer for many doctrinaire Marxists, and it was notable to see David Harvey quote from him in his fine book, *A Brief History of Neoliberalism*.

American voters in 2016 have been re-introduced to *democratic* Socialism, which has no better advocate than Polanyi. It has its origins, Socialism does, the parent plant, the late George Lichtheim (1912-1973) explained, in two great revolutions: the French and *the Industrial*. The struggle to win the right to vote in France and England was inseparable from that dual history. Eventually, well after 1850, wages did rise, along with the expanding franchise for the vote; whether that was due to the latent virtues of the system initially set up

or the reforms engendered by its horrors is a debate which has not ceased. Today's Neoliberalism had nearly silenced serious left dissent by the late 1990s, or successfully isolated it in remote academic corners. Bill Clinton's two terms in the 1990s are proof of that. And there is the continuing tension between Neoliberal economics and democracy: notice the desperate, barely concealed attempt by the Republican Right to shrink the franchise, using as one of its main levers the racial stigmas from "The Great Incarceration" and the yet to be proven accusations of voter fraud.

This political "shunning" of the left happens even in the supposedly liberal Ivy League. The late political theorist Sheldon Wolin (1922-2015), shortly before his death, in an interview with Chris Hedges, spoke of the silent treatment he was given by the faculty at Princeton University when he placed a copy of his new magazine "Democracy" on the faculty lounge coffee table. He was shunned. Perhaps they did not like where he was going with his last book, or could see it coming much earlier: *Democracy Inc.: Managed Democracy and the Specter of Inverted Totalitarianism* (2008). Here is that interview, Segment Seven from a nine part series at the RealNewsNetwork:

http://therealnews.com/t2/index.php?option=com_content&task=view&id=31&Itemid=74&jumival=12621

Modern economic thought, and practice, since the 1970s, has witnessed a growing crescendo of Market Utopianism – the "purer the better" - is still the rallying cry of the Republican Right, even in the wake of the sobering events of 2008-2009 and despite some professional economists making substantial dents in the pretensions. And if you had any doubts about that, then you haven't been watching the Republican Presidential Primary debates of 2015-2016, or the sheer destructive obstructionism of its behavior towards President Obama as shamefully displayed in Congress. In its deliberate jamming of the democratic process itself, the Republican Right echoes the behavior if not the ideas of the Fascist parties in the Parliaments of Italy and Germany in the 1920s and early 1930s, before they became outright dictatorships. Republican words do not mock the democratic process itself, but that is their effect, and it is clear that the intent is to de-legitimize the fairly elected President of the United States. Therefore it is very important for American readers to be clear about where Karl Polanyi thought the original Market Utopianism of the early 19th century would lead, and the connections he drew between the origins of classical economics and the collapse of the "long" 19th century in the 1930s: "In order to comprehend German fascism, we must revert to Ricardian England."

Polanyi was far more broadly educated than most economists, perhaps an equal to Keynes. He was employed in Vienna in the 1920s as the "senior editor for the premier economic and financial weekly of Central Europe"– the *Financial Times* of its day and region. On the very first page of the opening chapter of *The Great Transformation*, Polanyi delivers his judgement on where the logic of mandating free markets as the dominant force in society would lead *if not tempered* with countervailing power:

Our thesis is that the idea of a self-adjusting market implied a stark utopia. Such an institution could not exist for any length of time without annihilating the human and natural substance of society; it would have physically destroyed man and transformed his surroundings into a wilderness. Inevitably, society took measures to protect itself, but whatever measures it took impaired the self-regulation of the market, disorganized industrial life, and thus endangered society in yet another way. It was this dilemma which

forced the development of the market system into a definite groove and finally disrupted the social organization based upon it.

That dilemma, the struggle over the nature of allowable interventions into the private market system to cope with its seemingly inevitable imbalances, gyrations, recessions and depressions, is still with us. There were prominent claims, however, in the late 1990s, that recessions were gone forever, the perpetual growth machine having been overseen by Alan Greenspan, and he was confident that the new financial derivatives would spread the risk to those who could best bear it. Greenspan was one of the members of Bill Clinton's "Committee to Save the World" along with Robert Rubin and Larry Summers. During that time they were Utopians *and would be Prometheans*.

The nature of these interventions was at the heart of the struggle to cope with the collapse of capitalism, 1929-1932, centered on currency issues (the Gold Standard and balanced budgets) and labor markets (public spending/public job creation vs tax increases/ budgets cuts – "austerity"). In the near collapse of 2008-2009, when financial markets froze around the world, the same basic arguments from the 1930s and indeed, the second half of the 19th century, could be heard swirling around President Obama's stimulus program. The main issues are still unresolved, and the now ancient stalemate that Polanyi so forcefully describes is a growing worry to some of the better economists in Washington, DC, who wonder what tools, if any, will be available to meet the next financial collapse. They worry as well, if they could ever be politically *deployed*.

Some would maintain, as Alan S. Blinder did in his review of Jeff Madrick's *Seven Bad Ideas: How Mainstream Economists Have Damaged America and the World*, that the "mainstream" of the profession is still neo-Keynesian (some would say only "emergency room" Keynesians) and not Market Utopian at all, but that remains to be proven in the realm of policy application via the political process. The attack of four well known "liberal" mainstreamers in a very public February, 2016 letter, upon a fellow professional for projecting high growth rates for candidate Sanders' policy proposals, and James Galbraith's stinging reply to them, casts some doubt as to just which channels the "mainstream" flows in.

Just in case his readers might have missed "our thesis" which Polanyi declared on the first page of his first chapter, he reiterated it with a bit more detail, 75 pages later:

To allow the market mechanism to be sole director of the fate of human beings and their natural environment indeed, even of the amount and use of purchasing power, would result in the demolition of society. For the alleged commodity 'labor power' cannot be shoved about, used indiscriminately, or even left unused, without affecting also the human individual who happens to be the bearer of this peculiar commodity. In disposing of a man's labor power the system would, incidentally, dispose of the physical, psychological, and moral entity 'man' attached to that tag. Robbed of the protective covering of cultural institutions, human beings would perish from the effects of social exposure; they would die as the victims of acute social dislocation through vice, perversion, crime and starvation. Nature would be reduced to its elements, neighborhoods and landscapes defiled, rivers polluted, military safety jeopardized, the power to produce food and raw materials destroyed. Finally, the market administration of purchasing power would periodically liquidate business enterprise, for shortages and surfeits of money would

prove as disastrous to business as floods and droughts in primitive society. Undoubtedly, labor, land, and money markets are essential to a market economy. But no society could stand the effects of such a system of crude fictions even for the shortest stretch of time unless its human and natural substance as well as its business organization was protected against the ravages of this satanic mill.

These are powerful indictments, secular jeremiads hurled against the Market Utopianism of the 19th century, and now applicable again to Neoliberalism and its present day program of austerity. Perhaps the main reason Polanyi's work has been kept on the margins of America economic life for so long – that is changing now, however slowly – is that the American economy of 1945-1971 stood so successfully upon the foundations of the New Deal, which Polanyi supported, without major panics and depressions, and with Wall Street curbed and Main Street employed, a far more egalitarian society than the one which surrounds us in 2016. There were significant exceptions, of course, delineated best by Michael Harrington's (1928-1989) *The Other America* (1962).

Were Polanyi's indictments too harsh? No, they were not, *if* one remembers the human wreckage strewn about the Western world in the wake of the events of 1929-1932 – and what followed politically in the 1930s, which plunged civilization into World War II, what the historian Max Hastings has recently called “the greatest event in human history”. And they weren't too harsh if one understands the “previews” to the Great Depression – the financial panics and the recessions/depressions which usually followed in their wakes in the United States in the 19th century: 1837, 1857, 1873, and 1893, and that broader, but shallower depression-price deflation, what some have called the first “Great Depression”, 1873-1896, which helped fuel the migration from rural Eastern Europe to the United States. These convulsions grew in scope, intensity and scale of human suffering so that the acute periods of social pain stretched four years, then more than a half a decade. And the comparisons are not too harsh if one remembers that public job creation and all the other counter-cyclical tools which the New Deal inaugurated on a large scale were absolutely forbidden by economic and political orthodoxy prior to that Great Depression/New Deal watershed.

Thus when successful businessman Jacob Coxey led his dissenting “army” on a long march from Ohio to a protest on the Capitol's steps in Washington, DC, in the spring of 1894, driven by the terrible conditions from the 1893 panic, he petitioned for the creation of public jobs building and repairing roads – and was promptly arrested for his efforts. Just another example, alas, of the ancient clash between democracy and economic orthodoxy, the theme being pursued today, in Europe, with intensity, by Yanis Varoufakis and the DiEm25 movement, as well as the Sanders campaign in the United States.

And we must face the facts of daily life for those who lived on the Lower East Side of New York, 1890-1910, or Hell's Kitchen at mid-town, the forties, on the West Side, the Irish Hell... and their equivalents in all the other major industrial cities, and then, much later in the 20th century, the “rise” of the black ghettos in the Northeast and Mid-West, and parts of “sunny” California, where American racism joined in “solidarity” with the worst features of the lowest rungs of industrial life, the most dangerous jobs, the last hired-first fired syndrome, leading to the formation of a true American “Lumpenproletariat”.

The ultimate cruelty for black citizens turned out to be that the later years of “The Great Migration” from the rural South, between 1917-1970, ran headlong into the beginnings of

another “Great Migration”: the flight of industry, of capital, fleeing first to the nearby union-free suburbs, then to the rural Midwest, and eventually to the American South and the U.S. Mexican border region, then on to Puerto Rico and finally, Asia. It was in these desperate but widespread pockets of underclass American life, and in the 13 states of Appalachia, that the poorer people of America lived out their own version of Polanyi’s awful England of the 1840s.

Two more important points need to be made in addition to Polanyi’s stark warnings about the dangers of pure free market-driven societies. One comes on the very first page of his masterpiece, that there were four pillars to that long 19th century, the one that began in the late 18th century and stretched, in reality and foundational principles, to the collapse of 1929-1932. And those pillars formed an interlocking nexus of the social/military with economic life. The first was the *balance of power* between nations that began with the Congress of Vienna in 1815; the second was the *international Gold Standard*, which required balanced budgets domestically and in trading accounts as well, or else the British navy would appear on the errant nation’s horizon – a form of militarily enforced “austerity”; third, the “*self-regulating market*,” the one that was built in England first...then held up as a model for the whole world, and fourth, *the “liberal” state*, with that word having a meaning somewhat closer to the Tories of the second half of the 19th century in Britain than to the New Deal liberals of the second half of the 20th century in America. Polanyi supplies an immediate qualifier to that liberal state, which he says was a creation of the market ideas and mechanisms, or more precisely, those whom imposed it. And therefore, he must logically say that the free market was the key element which underlay all the other institutions.

Let us now shift to the modern day neoliberal equivalents of this interwoven nexus that was crucial to that long 19th century, to those ideas which have ruled the Republican Right since at least 1980, and to which the Democratic Party, chiefly in economic and foreign policy matters, has deferred since the rise of Bill Clinton, although the outlines were clear to attentive observers during the tarnished one term presidency of Jimmy Carter, 1976-1980.

The contemporary cognitive scientist and linguist George Lakoff has given us a very useful and compact version of the Republican Right’s moral and policy synthesis, a ten word summary of the pillars of Neoliberalism in our era, and they do echo very closely what Polanyi sketched out for us as the core of 19th century civilization in Europe. Lakoff put it this way: the Republican Right stands for “free markets; smaller government; lower taxes; family values; strong defense.” He also took a stab at what a ten word equivalent would be for Progressives, but it does not resonate with the same clarity and if one understands the *many diverse movements composing* the Democratic Party, it is not difficult to see why. One might count seven, if one includes corporate America and the professionals who serve them, the upper 20% of the income demographic that the 1% vs the 99% glides over. Revealingly, Lakoff’s formulation did not include the word “equality”. One attempt at a unifying summary might be: universal healthcare, full employment, greater equality, economic security and environmental protection, to which the corporate wing would likely object for every value. Yet one can also hear Feminists, Black Lives Matter, the Hispanic Caucus and LGBT activists complaining that their issues are being submerged – or ignored, or subsumed, under these oppressive “universals”. And unions? They have lost their independent voice, as demonstrated most vividly by their lack of stirring Labor Day national addresses. And they were perhaps the preeminent “countervailing” domestic power during the post World War II “golden decades”.

As tight as Lakoff’s ten words seem to be in describing the Republican Right’s 20th century recreation of the 19th century’s core values, they fail to capture the razor sharp cutting blades

the movement uses to carve up what's left of liberalism, the faint vestiges of the New Deal which hung on through the Reagan era. To do the Right full justice, we have to see how President Bill Clinton's famous declaration fit in so seamlessly with their program, which was to dismantle the New Deal and shrink the size of government to the point where it could be "drowned in a bath tub": anti-tax activist Grover Norquist's death threat for "liberalism".

When President Bill Clinton declared the "Era of Big Government Over" in his 1996 State of the Union Address, he was signaling far more than what those words literally stated. The year and unstated context are as important as the declaration itself. Market Utopianism was at its zenith, economic downturns banished, or so many thought: all the right Washington players and a probably a majority of the economics profession. The crucial *unstated premise* in Clinton's declaration was that *big problems* stemming from the *private sector* economy were over as well. It was a major premise already on the way to being disproved: by the collapse of the Mexican peso in 1994-1995, trying to swim in the immediate wake of NAFTA; the Asian crisis of 1997; the Russian bond disaster of 1997-1998; and the collapse of the Promethean hedge fund Long Term Capital Management in 1998, the fund put together by the "best minds" in mathematical economics. But of course, since the Committee to Save the World and the Federal Reserve were there as an emergency room crew, who needed legislation and federal programs? This was the late 20th century's equivalent of the rescue operations of financier J.P. Morgan in the wake of the 1907 panic.

The Clinton pronouncement did a good job of hiding the numerous policy implications that flowed from his premise (and wish?). The government was no longer going to be an ally of progressive movements outside of government, because there would be no big programs to promote, a mutually reinforcing dynamic of lowered expectations that is still playing out today in 2016 between the campaigns of Bernie Sanders and Hillary Clinton. And there were no powerful movements either, least of all from the economic left, none pushing a coherent program; the greater force on that side of the political spectrum had become the "ecological left." The de-regulatory movement that went hand-in-hand as the enabler of the financialization of the economy and further political empowerment of Wall Street accelerated under Clinton, with near catastrophic consequences in 2007-2008.

Closely related to the de-regulatory push which the Democrats facilitated in alliance with the Republican Right was the growing movement for "privatization" of all formerly public functions: military, diplomatic, educational, social services, the prison and criminal justice system, even entire probation systems. Perhaps most publicly prominent in this trend was the move towards Charter Schools, the attacks upon teacher unions, and overthrowing the seniority system for teachers. Hedge fund leaders and high tech-social media champions like Mark Zuckerberg played a major role in this movement as principal funders, with a large dose of accommodation from the Obama Administration and Democratic urban mayors like Cory Booker in Newark, now a U.S. Senator.

The Clinton pronouncement of 1996 does a very good job at keeping the discussion of taxation off the policy table, which the Republican Right has dominated ever since Proposition 13 passed in California in 1978. This policy direction goes hand-in-hand with the neglect of American infrastructure, the inability to raise the gas tax, or raise the funds for any major left proposal for national health insurance, proper family leave programs or pre-school programs.

It also meshes nicely with the declaration of various leaders of the Republican Right in Congress, which may also be actively shared, or silently accommodated to, by almost the

entire Democratic Party short of Senator Sanders and a few members of the Progressive Caucus: *that “only the private sector can create jobs”*. In order to believe this fiction, one does indeed have to bury the history of the New Deal, which is the still barely breathing historical legacy which refutes it (along with the domestic production record during World War II), the Civilian Conservation Corps and the WPA’s public work projects now nearly erased from citizen memory. If citizens all need jobs and only the private sector can create them, and it refuses do so unless the public gives it an even greater share of GDP, then have we not created a powerful dynamic to further imbalance the distribution of power in society, reinforced now by Supreme Court decisions putting the wealthy in the drivers’ seats of the political system?

The logical questions following upon Bill Clinton’s dramatic pronouncement are these: what will replace big government in an era of growing *private sector* economic crises? What will stop the spiral of America’s decline from world economic leadership (disputed, as we will see by the Clinton campaign) which is driven in good part by inadequate tax revenue despite the money leaving labor’s hands and congealing in the accounts of the 1% - here and abroad, given the rise of tax havens? Are not average citizens, the political parties and the public good itself now at the mercy of the economic powers of the private sector? Acquiescence in all of these dynamics was signaled in that 1996 declaration of Bill Clinton’s that the era of “Big Government” was over.

As one proof that Clinton’s declaration had turned into Neoliberal catechism, we have CNN host Chris Cuomo’s grilling of Senator Sanders at one of the televised town halls in early 2016, trying to get him to confess that his policy proposals violate this major commandment dominating *the political sphere* in the name of *economic reality*, the additional fitting irony being that Chris is the son of one of the last embers still glowing from the old New Deal’s ideals, of the late Governor Mario Cuomo of New York. It wasn’t a question; it was more of a secular Inquisition, a mini-McCarthy hearing on the potential violations of the boundaries drawn around political economy.

And what about that other major term of our neoliberal era, **austerity**, which is so cruel sounding, as if it came from the mouth of a Dickens villain from the mid-Nineteenth century? It is such an ingrained assumption that the word was never uttered during the American presidential debates. Mark Blyth, who has written a passionate, readable book about it, subtitled “The History of a Dangerous Idea”, defines it as “a form of voluntary deflation in which the economy adjusts through the reduction of wages, prices and public spending to restore competitiveness, which is (supposedly) best achieved by cutting the state’s budget, debts and deficits” which will “inspire ‘business confidence’”. Blyth considers it very dangerous because it was the failed “classical” response to the Great Depression, 180 degrees in opposition to the Keynesian prescriptions, and also exactly what Germany has been prescribing today for Greece with predictably disastrous results, as Yanis Varoufakis had forecast and then resigned over in 2015.

Another way to look at austerity is that it functions as the policy “operating system” of Neoliberalism. Yet in America, it has some particularly sadistic policy edges meant to bleed the remains of the New Deal federal government until it expires, what has been called the “starve the beast” direction. If “sadistic” sounds too strong for your middle class sensibilities, please follow closely the tale of the lead in the water for Flint, Michigan, where the poor got lead to drink and General Motors got the science driven clean-up, a story which even tops the cruelty of Wall Street banks selling very complex “interest rate swap” deals as budget deficit

stop-gap measures to rural school boards in Pennsylvania – and local and state governments around the world. In both cases, this was the Austerity reality show, and the little people weren't just "fired", they were crucified on a cross of austerity. You can still find Bruce Bartlett's informative article, "Starve the Beast", online here at <http://www.independent.org/publications/tir/article.asp?a=641>

It has been noted that the Republican Right is gripped with a near religious intensity about their policy goals, and this registers its highest pitch in their anti-tax commandments and the pledge that Grover Norquist requires of their candidates, which is enforced via primary election challenges by groups like the "Club for Growth". It has become particularly effective since the 1970s as middle class/working class wages and incomes have stagnated or declined, so that these segments of society look for any financial relief within their grasp, and the Republican Right is only too happy to offer the anti-tax pledge to them as an emblem of its fidelity. It is usually accompanied by a not very well disguised Greek Chorus singing gently offstage, reminding them that most of their tax money was going to lazy minorities anyhow, not "hardworking families" like themselves, a phrase which carries within its unspoken terms the old 19th Century distinction between the deserving and undeserving poor. Hillary Clinton has sung this song as well, a milder tune, to the middle class in 2016, pledging her own version of "no new taxes".

In the United States, the "no new taxes" declaration has particular saliency, and cruelty, because almost all state and local governments must balance their budgets by law, even in times of recession and financial crisis, and if the Republican Right is successful in applying this reasoning to the federal government, it means that the Keynesian fiscal response to economic crisis has been entirely taken off the table, except for tax cuts. If the left proposes increased spending for a jobs program, via infrastructure spending or, heaven forbid, direct public job creation like the old Civilian Conservation Corps, then budget balancing is thrust forward as the Commandment, no matter how much the Right ignored it in their own administrations since 1980.

The "Starve the Beast" direction is also reinforced by one of the great "common sense" myths of American political life, the "kitchen table" wisdom that governments must balance their budgets just like families, thus assuring that all sectors, public and private, will be "contracting" during times of economic stress – just like the Great Depression. Disbelief accompanied my own online survey in 2010 in Maryland, at what state-wide candidates were saying on these matters. Democrats were indistinguishable from Republicans, even in this post Great Financial Crisis mood, most repeating verbatim the kitchen table wisdom equating family and governmental budgets, with no mention that the federal government, with the powers delegated to the Federal Reserve, was an entirely different institution with specially designed powers... the crucial difference which can mean life or death for citizens - and local governments in a severe economic crisis. Thus the family's "kitchen table" common sense supplies the butcher's knife to cut the umbilical cord of *federal* stimulus spending, the result being millions of families foreclosed upon.

And thus, sadly, the intellectual fulcrum point of American political economy is no different in 2016 than it was in 1929-1932, Modern Monetary Theory and the life of Keynes be damned. In terms of economic ideas we are still in the late 19th century, and as Karl Rove has declared, that's just where he and the Right want us to be, secure in the embrace of William McKinley, not listening to William Jennings Bryan's sermons about being "crucified on a cross of gold (or fiscal austerity)".

And what a world that long 19th Century was. If Mr Rove wants us to remember it for its spectacular economic growth, lack of a federal *regulatory* state and the illegality of unions, he certainly will not dwell upon, or perhaps even mention, the growing intensity of its economic crises, with even the king of the trusts, Mr. Morgan himself, realizing after 1907, that the slumps of the age would have to be mitigated by a hybrid institution, the Federal Reserve. Karl Polanyi was correct: no one, not even the kings of the private sector, could live with the effects of a “pure” free market.

Someone exploring the evolution of political economy in America is more than likely to come across a very powerful sentence uttered by President Woodrow Wilson, usually placed as an epigraph introducing an important chapter of larger works. Wilson said, in a bold, direct way, what no modern president or candidate except perhaps Bernie Sanders could even be imagined as saying in public, the words being heresy to the illusions of our age, which shares much in common with the one Wilson was addressing: “*The Truth is, we are all caught in a great economic system which is heartless.*”

Wilson was a progressive Conservative or conservative Progressive. Richard Hofstadter, whose classic *The American Political Tradition* appeared in 1948, entitled his 44-page chapter about him “The Conservative as Liberal.” Wilson’s powerful, compact judgement about our economic system is taken from the collection of his campaign speeches from 1911-12, published in book form as *The New Freedom*, and upon rereading it in 2016 it is remarkable how similar Wilson sounds to the Democratic candidates, sometimes leaning towards Sanders, sometimes sounding closer to the more cautious Clinton.

In private correspondence, according to Hofstadter, Wilson seemed to be evolving into a Social Democrat, especially in matters of energy and natural resource ownership; in public, on economic reforms, he was caught in that whirlpool which spins so many progressive reformers round and round: he brandished anti-trust rhetoric and *thought jailing even just one prominent corporate lawbreaker would be sufficient shock to restore the “common good”*. In fact and policy, though, he longed to restore the past, the economy of Lincoln’s antebellum boyhood, of many small competing firms. In reality, from his Progressive Era to the New Deal, and into our own times, America has never put a vigorous, sustained anti-trust policy into action. The reason for the failure to do so, most likely, is because such a program would mean accepting what those further to the left have always said about capitalism itself: left to its own inclinations, it tends towards oligopoly if not monopoly.

Wilson was a Southerner at heart, raised by parents with deep roots in the Protestant ministry, and it is not unfair to say he was, at his worst, a moralistic, *racist* Victorian, linking him even more to the feel of the 2016 campaign, as black activists at Princeton University seek to rename buildings and schools for someone better, and those at Yale do the same for John C. Calhoun. Wilson’s name today evokes a string of epithets from even the most refined on the academic left, like Corey Robin. Yet in re-reading his book, it is hard not to see a better side to him, someone who grasped that the private powers, the interlocking trusts of the late Gilded Age, were deeply impairing if not destroying democracy.

The New Freedom reminds us that we have now had three great Gilded Ages in America: the original, 1880-1916; then “the frenzy” of 1922-1929; and 1980 through to the present, with the high-water mark coming in the “Roaring” late 1990’s, with the crash of 2008-2009 still not marking the end of “Part III” because we have nowhere come close to dealing with the loss of industrial jobs overseas, wage stagnation or the great maldistribution of wealth. In other

words, we still don't have a new, green New Deal, one that will have to come up with freshly invented countervailing forces to keep private economic power from strangling democracy. Hofstadter says that was also Wilson's great failing: he called for a revitalization of American democracy, but not for economic democracy. The American state he envisioned was going to be a neutral arbiter among competing interests rather than a champion of the middle and working classes. His intervention into World War I left stranded, for a generation, the moderate reforms his administration did pass, and gave us an all too realistic preview of how powerful and reactionary the American state can be when embarked upon one of its "crusades" against evil "others". Even when these directed enthusiasms, or orchestrated hatreds, did not start out that way, they have usually ended up being aimed at the American Left.

For now, however, consider these brief passages for the connection of President Wilson to our own times and troubles, the better similarities, from the *pre-war* Wilson. All are taken from the early chapters of *The New Freedom*:

Since I have entered politics, I have chiefly had men's views confided to me privately. Some of the biggest men in the United States, in the field of commerce and manufacture, are afraid of somebody, are afraid of something. They know there is a power somewhere, so organized, so subtle, so watchful, so interlocked, so complete, so pervasive that they had better not speak above their breath when they speak in condemnation of it...if he enters certain fields, there are organizations which will use means against him that will prevent his building up a business which they do not want to have built up... Why? *Because the laws of this country do not prevent the strong from crushing the weak...*

All over the union people are coming to feel they have no control over the course of affairs... until two years ago we had witnessed with increasing concern the growth in New Jersey of a spirit of almost cynical despair. Men said: '*We vote; we are offered the platform we want; we elect the men who stand on that platform, and we get absolutely nothing.*' So they began to ask: '*What is the use of voting? We know that the machines of both parties are subsidized by the same persons, and therefore it is useless to turn in either direction.*'...

We are in a temper to reconstruct economic society, as we were once in a temper to reconstruct political society...*We stand in the presence of a revolution, not a bloody revolution; America is not given to the spilling of blood, but a silent revolution, whereby America will insist upon recovering in practice those ideas which she has always professed, upon securing a government devoted to the general interest and not to special interests...*

The law is still living in the dead past which we have left behind...We have not adjusted the law to the facts of the new order. (Editor's Note: *the emphases are mine, not Wilson's.*)

In early May, 2016, the American Presidential Primary looks as if it has clarified the choices: it will likely be Donald Trump versus Hillary Clinton, barring a Black Swan legal event against Secretary Clinton. Senator Bernie Sanders has had a powerful impact in pushing her further

to the left than her natural political inclinations would probably lead - which is to the moderate side of Neoliberalism. It remains to be seen if Sanders has founded a movement with life beyond his candidacy. It is appropriate to ask, then, if Karl Polanyi's insights, his framework for understanding capitalism, can help us make sense of these political dynamics in the world's most hyper-capitalist developed economy.

In the campaign so far, it is clear that citizen unhappiness with the economic status quo has driven both Trump and Sanders' supporters, with cultural grievances, and worse, making the Trump phenomenon more difficult to explain, although those familiar with all that is meant by the dynamics of "Weimar Culture" will have less trouble. Alternatively, President Obama and Secretary Clinton have been emphasizing the success of the American recovery since the 2008-2009 financial crisis, especially the drop in the formal unemployment rate to 4.7%. This focus has its evasions.

Within the space of just five months, there have been two important studies released, the first from a pair of Princeton University economists, documenting increased pain – increased suicide rates — especially among working class citizens, 45-54 years old – and another showing increases in suicide for all categories but the elderly and black men, the overall rate now the highest for the nation in 30 years. The cheerful official facade also evades the more telling statistics of how low the labor force participation rate has fallen, and how high the unemployment rates for non-college young black people are, between 30 and 51 percent, depending on the measuring tools. It is the young, both in and out of the workforce, including college graduates, who have most deeply embraced Senator Sanders' narrative about the acute economic distress. And it is Senator Sanders who has explained his democratic socialist roots by linking them to FDR's Second Bill of Rights, the "Second Bill" serving as the outline for an American version of social democracy, given in his State of the Union address from 1944, with Sanders repeating its ringing declaration that "necessitous men are not free men." This framing is very close to where Polanyi leads us in his concluding chapter's discussion in *The Great Transformation*, entitled "Freedom in a Complex Society", and published in the same year as FDR's speech.

And what about Polanyi's dramatic assertions about where free market fundamentalism might lead, if not mitigated by various "interventions", his dramatic opening page declaration about the "stark utopia" in store, that would end up "annihilating the human and natural substance of society?" If one adds the Trump vote to the Sanders vote, it is clear that a majority of the American *voting* public believes something dramatic has happened, that the economy is vastly underperforming, even as the solutions from the two camps have few points of intersection. The suicide findings add another dimension to the overall sense in the nation that something has gone terribly wrong.

If citizens have the inclination to look a bit further, there are indeed two recent works which place the reality at the bottom of American society close to Polanyi's bleak warning. They are Michelle Alexander's *The New Jim Crow: Mass Incarceration in the Age of Colorblindness* and the *Harvard Law Review's* study of "Policing and Profit" from April of 2015. This is where the realities of America's long and ugly history of racial dynamics meet the mechanisms of austerity, Neoliberalism's drive for lower taxes and the privatization of prisons and the probation systems – and much else. The results are perhaps the more jarring in that they have reached a culmination under the nation's first black President, who has continued the policies which drive the trends, especially the War on Drugs. And yet, in step with the

Zeitgeist, which their factual revelations challenge directly, neither of these startling works actually invokes the term Neoliberal, and both emphasize racial over economic forces.

All through late 2015 and early 2016, observers of American politics have struggled to explain the phenomenon of Donald Trump, but none have tried to do so with the assistance of Polanyi's "double movement," which is the pattern, often denied on the Right, of interventions into the market mechanisms to ease the suffering and social disruption, for both businesses and workers, and to protect the environment. Chapters Eleven, Twelve and Thirteen of *The Great Transformation*, which present the "double movement" in considerable detail - and documentation - for the second half of the 19th Century and on into the 1930's, contain some of the best fine-grained judgements and most distinguished writing about political economy in modern history.

We should remember that Polanyi states that the double movement ends in legislative turmoil and eventually, Parliamentary paralysis. This set the stage, in the 1930's, for the triumph of fascism in Germany; it happened earlier in Italy. The contemporary manifestation, "the gridlock in Washington, DC" is so familiar it needs no additional emphasis here.

Let us not be shy: many serious observers, from all parts of the spectrum, have issued warnings about Mr. Trump's tendencies in this direction, towards a homegrown U.S. fascism without the organized Brown and Black shirts. Trump has clearly, by choosing to run as a Republican in this era, placed himself on the Right side of the ideological spectrum, even as he has brought down the wrath of the Republican Right "establishment" by making explicit what in previous years had only been hinted at. Most observers agree he has succeeded by splitting off the working and lower middle class segments of the Right from the more affluent constituencies in the Republican coalition, partly by his ugly cultural framing, and partly by turning against "free trade" as practiced by both parties. Yet his tax proposals do not at all square with his populist job creation rhetoric, in fact are anti-egalitarian, and most of his other economic policy pronouncements are no more substantive than blustery promises and wishes. His emblazoned slogan – Make America Great Again! – is a way of hiding, by assertive nationalism, the bitterness of his anti-modernist supporters and denying the claims of progress made by both President Obama and Secretary Clinton. Yet, still, the race offers a billionaire running against a mere multi-millionaire who insists that America *has never lost its greatness*. And then there is author Thomas Frank, in *Listen Liberal*, reminding us that a good portion of the top 20% income demographic has moved, since the 1960s, from the Republican party into the Democratic camp, further alienating the crucial white working class voter, especially the men, because it is this new Democratic demographic that has authored the "political correctness" catechism.

Trumpism arises at this late moment after each of the major party's efforts to mitigate the fallout from the unleashed markets of the late 1990s have failed: the Right's efforts to militarily bring "democracy" to the Middle East (and a clearly Neoliberal constitution to Iraq), after the opening provided by the tragedy of 9/11 and a vast intervention to bail out the collapsed airline industry. Whatever the multi-causal motivation, including the logical extension of Neoliberal Globalization's burdens, it became a multi-trillion dollar exercise in military Keynesianism, and futility, with even more now being promised by the man who says Iraq was a terrible mistake but that he will smite ISIS in one grand stroke, meanwhile expanding the military to even greater magnitudes of world supremacy. In addition to their complicity with military Keynesianism, there was also the Democratic Centrist attempt to mitigate the Great Financial Crisis of 2008-2009 through Federal Reserve monetary gymnastics and emergency

room Keynesianism. It was New Deal lite, with no CCC or WPA, no public job creation or any reference to FDR's Second Bill of Rights until Senator Sanders' heretical speech at Georgetown University in November of 2015. These efforts were crowned by a willingness to increase the public debt to save Wall Street, but not to save millions of evicted homeowners, leaving many citizens with a very bitter aftertaste that has lingered into the election year.

Who can say where Trumpism leads, or if it can win in November of 2016? In many ways, openly expressed by Trump himself, his movement can be seen as the climax of the Republican Right's attempt to maintain Victorian moral values in the sexual and cultural realm against the waves of Creative cultural Destruction unleashed by its own championed Free Market Forces in the economic realm, ever since the 1960's. Hence the attack upon Political Correctness. When this framing is used against President Obama, it hurls the accusation of American economic and military decline – due to “liberal” weakness. “True Conservatives” to Trump's Right bristle at the notion that this New York real estate tycoon is the defender of their “traditional” values.

It is not an exaggeration to see in these themes a milder version of Weimar dynamics. The opposing candidate, the first major woman contender for the Presidency, will, by her symbolism alone, raise these three aspects to a fever pitch, even as her own diplomatic history will be deployed defensively to show how tough she can be in foreign policy. We will also hear many references to the high-tide wonders of Market Utopianism in the late Roaring 1990s, under her husband's policies.

The sophistication of Polanyi's handling of the double movement, how cross-class alliances of a surprising and counter-intuitive nature affected policy struggles in the political arena, means that his insights can inform us about the most ominous year in American politics since 1896. Unfortunately, even the best insights cannot predict the outcome.

In the broadest terms, the contest still, with all due respect to Sanders' achievements, is between the Neoliberal Right, now in its populist phase, and the Neoliberal Center, trying to move left, some would say “fake left” – but not too far. If the Democratic Party background papers of the primary season, of Larry Summers and Joseph Stiglitz from early 2015, are the intellectual source springs for Clinton's policies, then structural interventions into the labor markets remain beyond the pale. This despite the low labor participation rate, infrastructure and global warming crises all making the obvious case for public jobs and a new Civilian Conservation Corps. This shows the power still of Neoliberalism in economics, our modern day version of the four pillars which Polanyi explained were the mainstays of the 19th Century's “classical” economy, the one that ended in disaster in 1929-1932. If Trump wins in November, we simply don't know what form his governance will take, especially its economic policies. But Polanyi has made the outline of the possibilities remarkably clear. In Germany in the 1930s, the worst case, those four pillars were demolished and something new and terrifying put in their place. Brace yourself.

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