



Samuel Bowles

Santa Fe Institute & **CORE**

Register for free

University

- 2 Technological progress and population growth (Sep15)
- 3 Scarcity, work and leisure (Sep15)
- 4 Social interactions (Sep15)
- 5 Property and power: Mutual gains and conflict (Sep15)
- 6 The firm: Owners, managers and employees (Sep15)

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United States
of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 106th CONGRESS, FIRST SESSION
WASHINGTON, FRIDAY, FEBRUARY 12, 1999

Senate

No. 26

Vol. 145

The Senate met at 9:30 a.m. and was called to order by the Chief Justice of

of impeachment exhibited by the House of Representatives against William Jefferson

Under the consent agreement reached last night, following three weeks, a mo-

Liberalism in trouble

- Initially a set of values that advanced individual rights and tolerance as a hallmark of a well-governed society, liberalism has come to embrace a laissez-faire economic model that places those values in jeopardy. In the process, liberalism has lost sight of the ends that once animated it.
- Those ends included protecting religious minorities and defending the weak against the strong.

William Pitt, a member of the British parliament, in 1763 explaining the political meaning of private property:

"The poorest man may in his cottage bid defiance to all the forces of the Crown. It may be frail – its roof may shake – the wind may enter – the rain may enter – but the king of England cannot enter – all his force dares not cross the threshold of the ruined tenement."

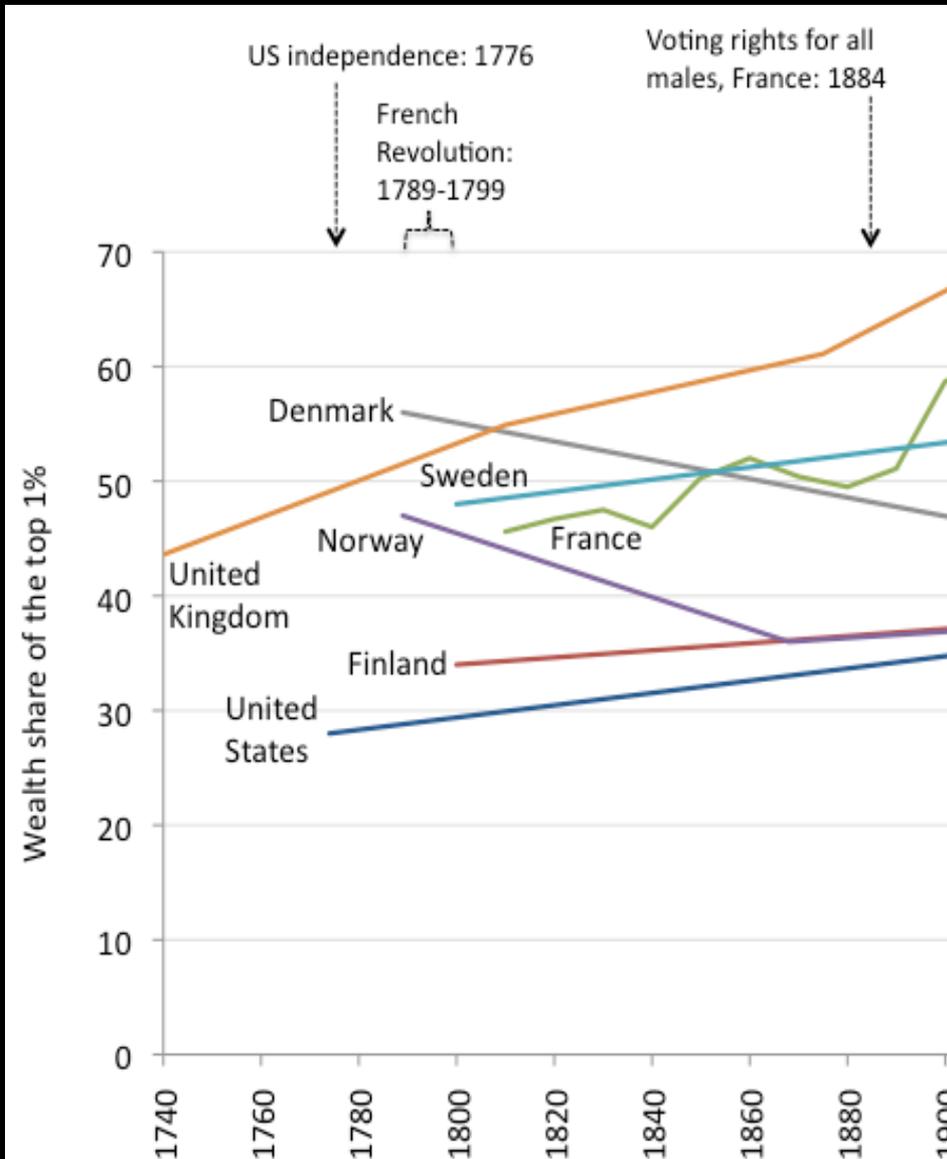
- “People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices.” Adam Smith 1776

- “At the end of the seventeenth century the divine right of monarchs gave place to natural liberty...and the divine right of the church to the principle of toleration.” Keynes *The end of laissez faire*, 1926
- “The purpose of promoting the individual was to depose the monarch and the church; the effect – through the new ethical significance attributed to contract – was to buttress property ...”

Economic liberalism, II

- U.S. Supreme Court in its *Coppage v. State of Kansas* (1915) decision
- ...wherever the right of private property exists, there must and will be inequalities of fortune; .. it is impossible to uphold the freedom of contract and the right of private property without at the same time recognizing as legitimate these inequalities of fortune that are the necessary result of the exercise of those rights.

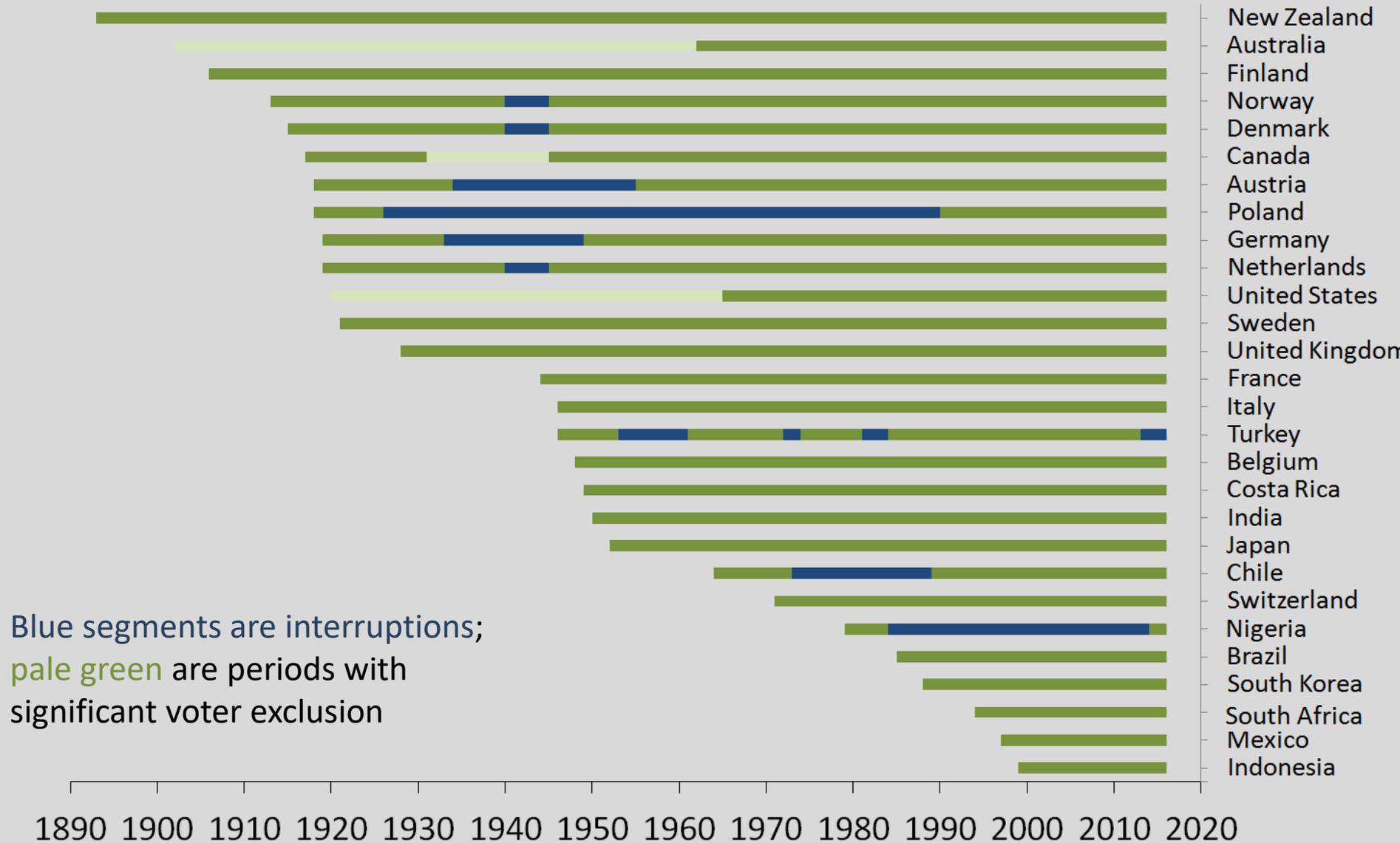
“...the effect – through the new ethical significance attributed to contract – was to buttress property ”



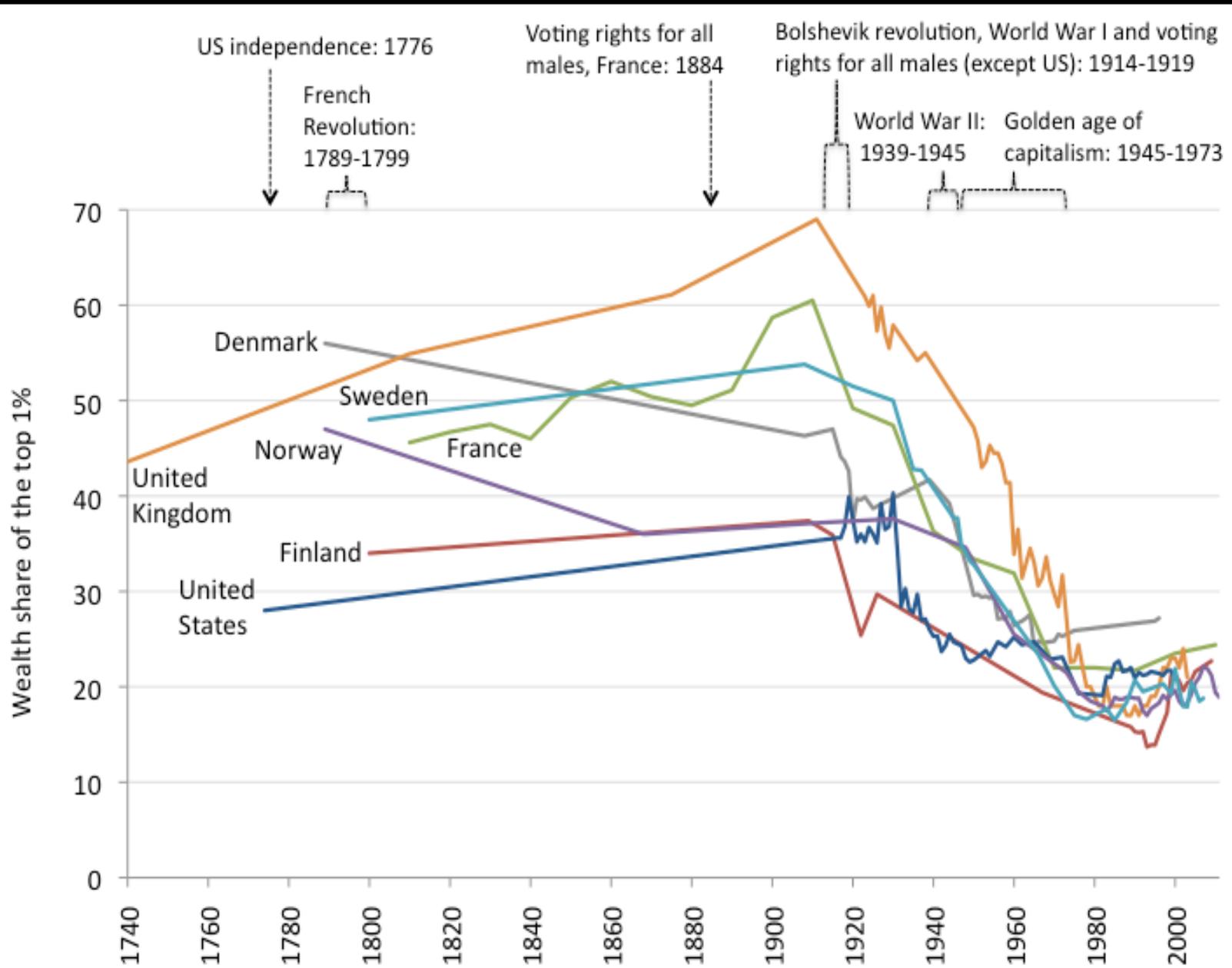
- “... The early nineteenth century performed a miraculous union. It harmonized ... conservative individualism with .. socialism and democratic egalitarianism.” Keynes 1926
- “That age would have been hard put to achieve this harmony of opposites **had it not been for economists**, who spring into prominence just at the right moment [with] the idea of a divine harmony between private advantage and the public good..
- “The political philosopher could retire in favour of the business man – for the latter could attain the philosopher’s *summum bonum* by just pursuing his own private profit.

- “...But it was not long before the claims of society raised themselves anew against the individual. ...[with the rise of] .. socialism and democratic egalitarianism. Keynes 1926

In response: The advance of democracy: civil liberties, rule of law, and universal suffrage (Source: CORE)



The democratization of liberalism: wealth inequality (top 1% share; Source: CORE)



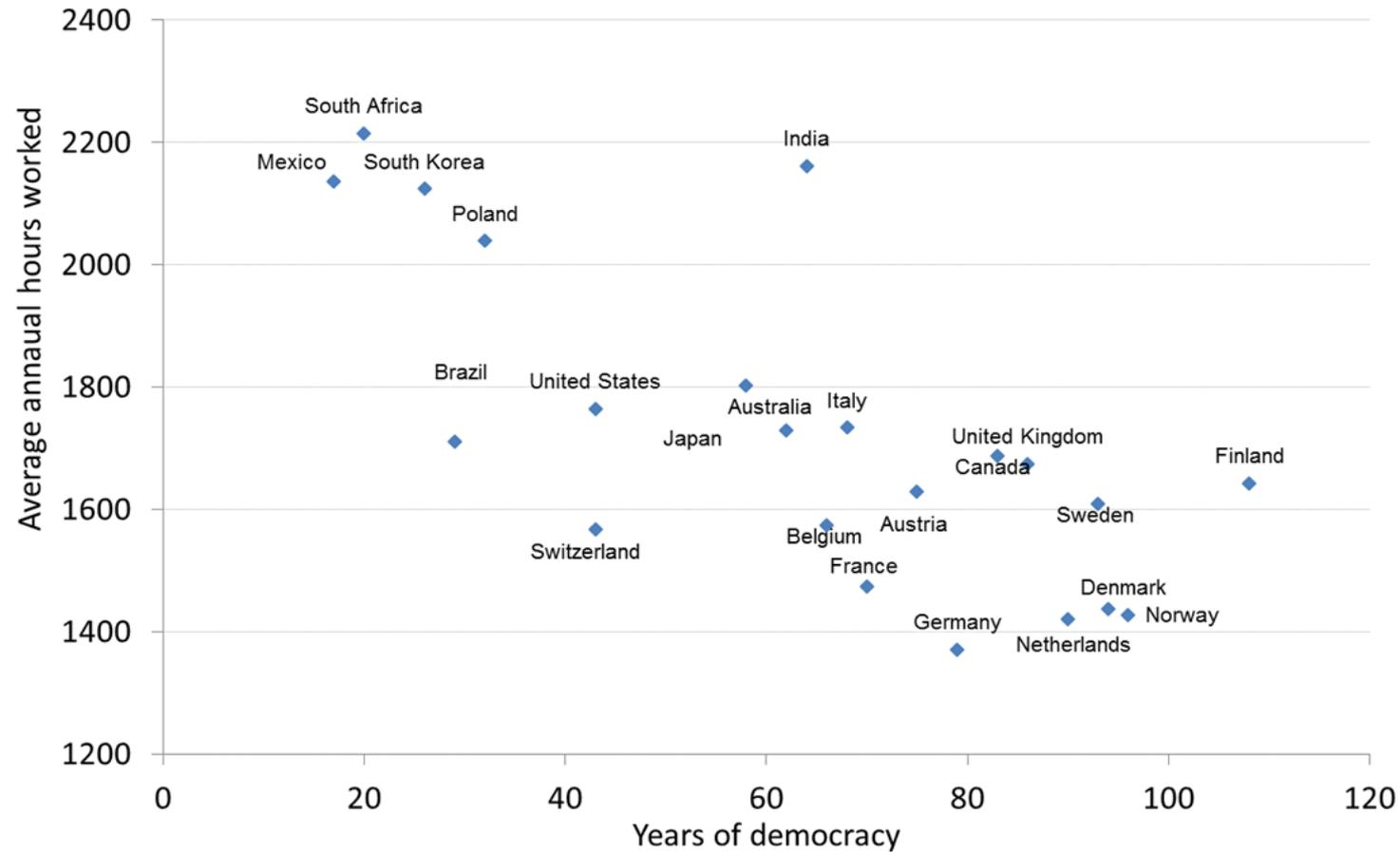
Even before democracy:

Liberal national states as a form of insurance

- A common language
- Geographical and other mobility
- National educational systems
- The rule of law
- Eventually, social insurance and income replacing transfers
- Effects: to limit the worst case outcomes;
- Consequence: to enhance the fallback positions of the less well off

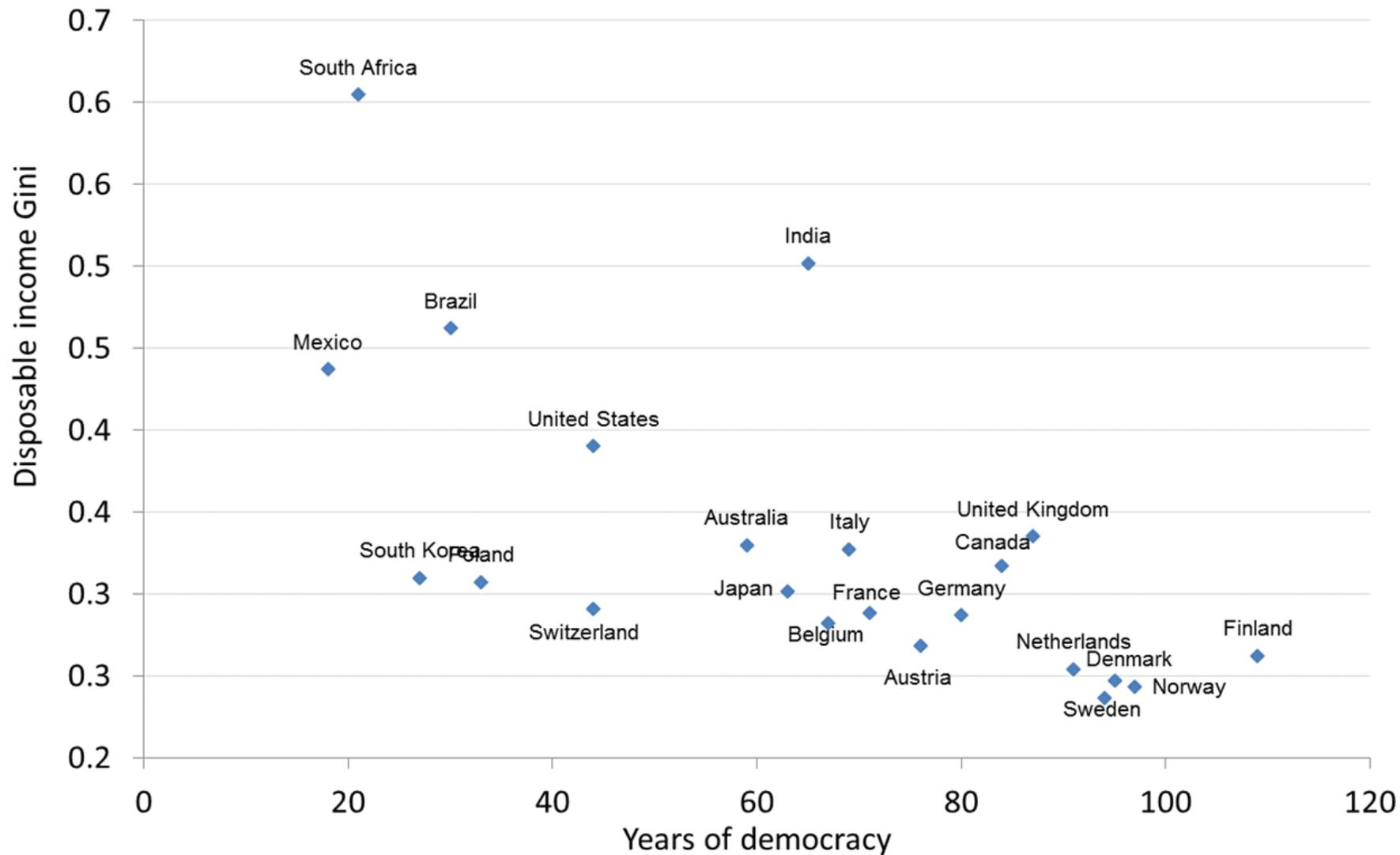
Democratization of liberalism

The experience of democracy and working time



Democratization of liberalism:

The experience of democracy and inequality in disposable income



The Golden Age & The Accord (USA): productivity and real wages

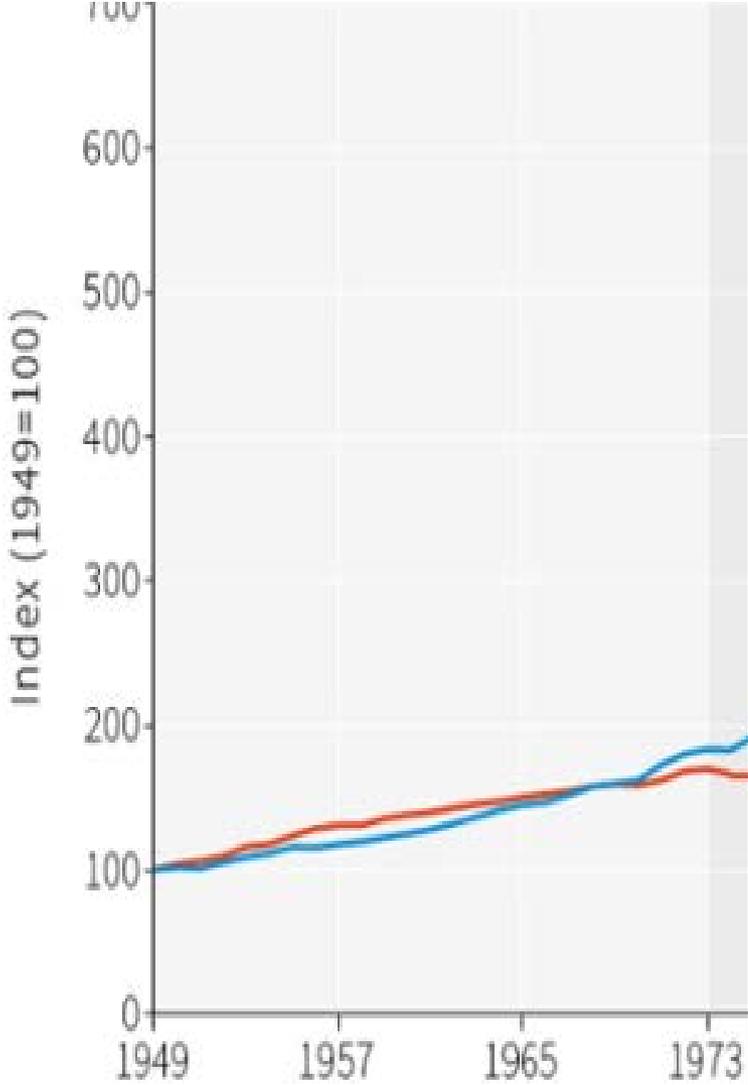
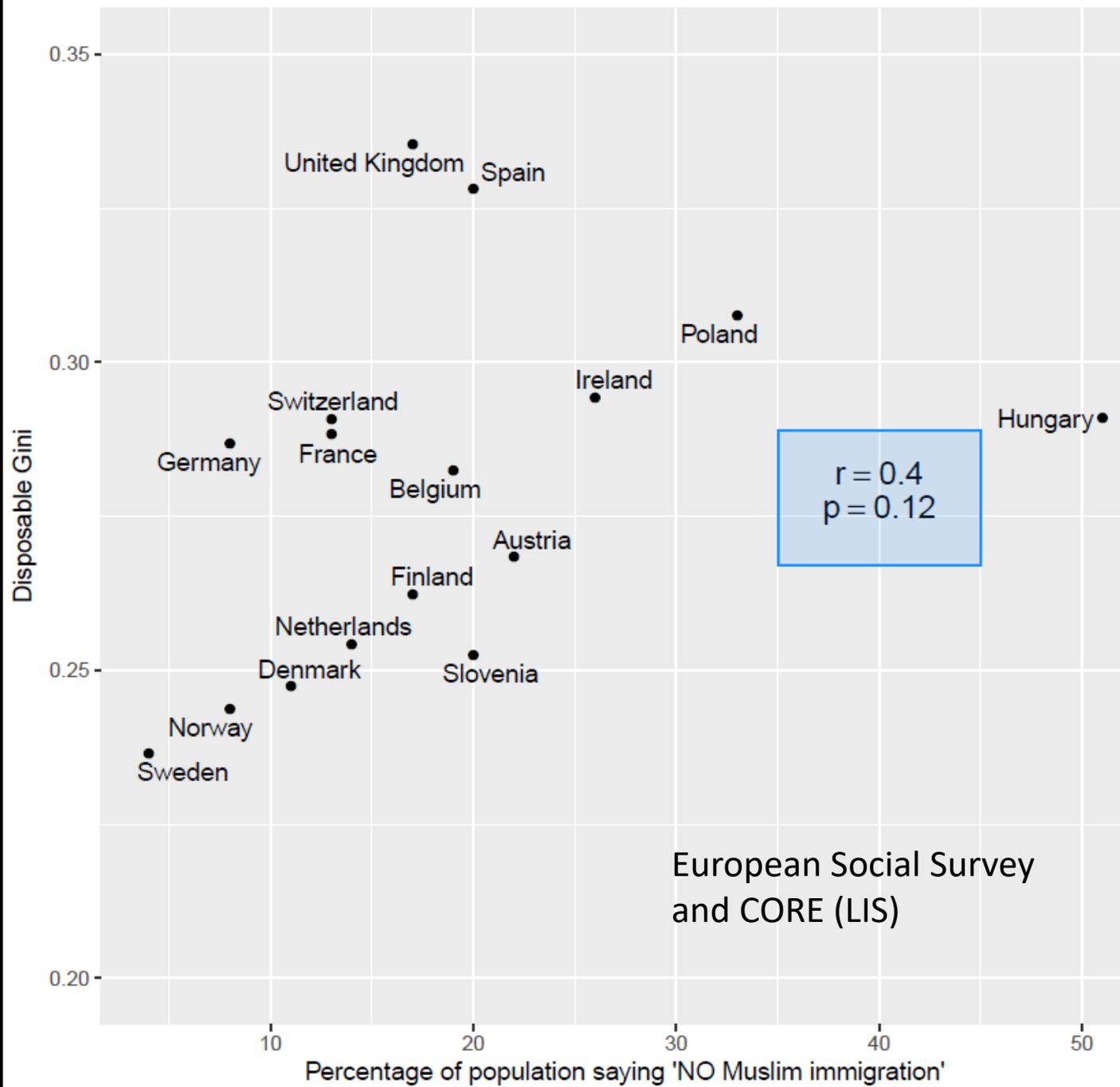


Figure 14. Real wages and productivity in response to the Accord

Perfect Storm

- Xenophobic intolerance is a symptom, not a cause, of liberalism having lost its bearings, and of the lack of a convincing narrative of what went wrong.
- Dashed economic expectations, loss of voice in everyday life, and the decline of once proud manufacturing communities that were the correlates of its domestic laissez-faire.
- Liberalism's perfect storm was of its own making: global laissez-faire provided ready made scapegoats for the growing economic disparities which the resurgence of domestic economic liberalism promoted.

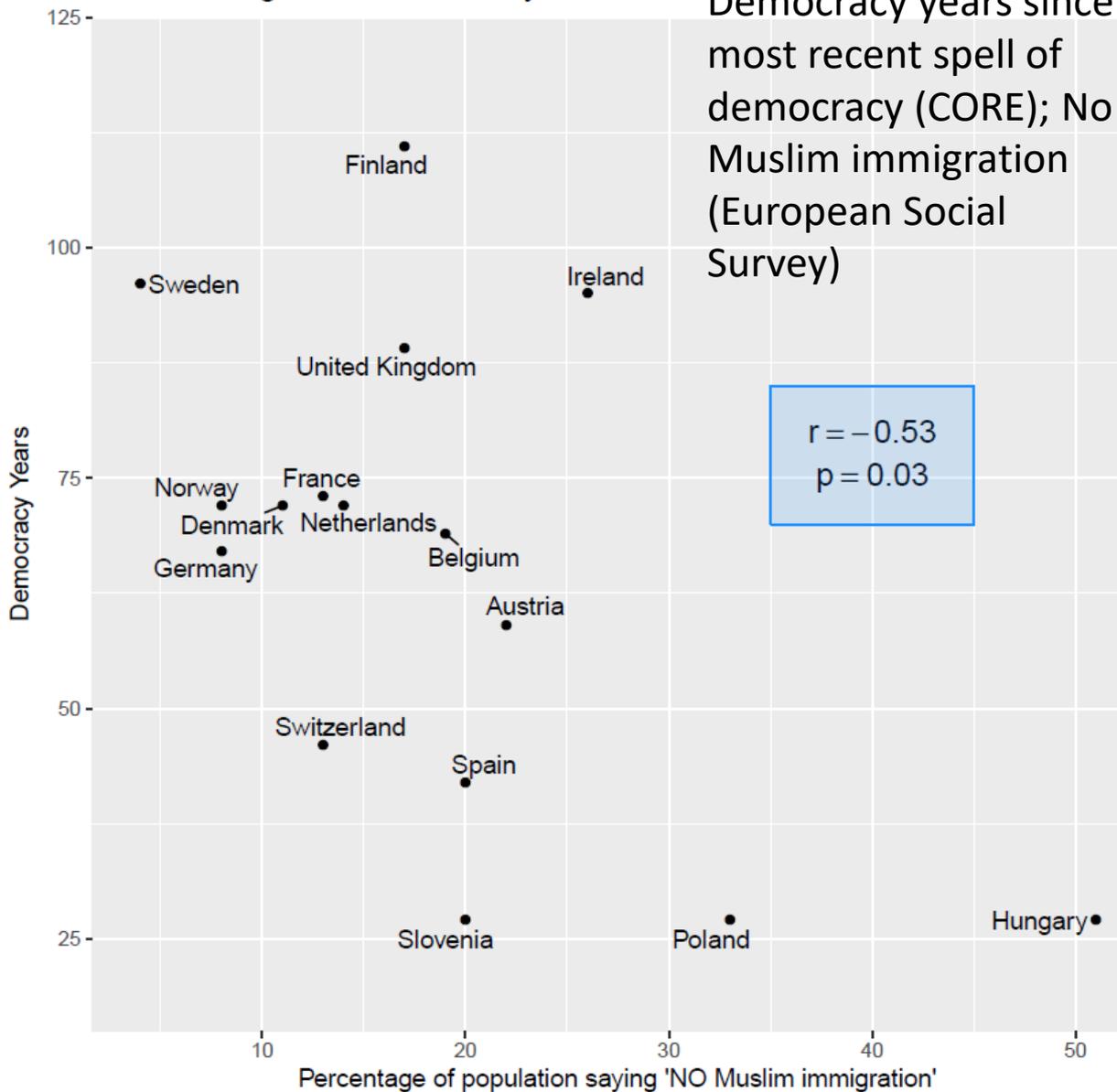
Muslim Immigration & Disposable Gini



European Social Survey
and CORE (LIS)

Muslim Immigration & Democracy Years

Democracy years since most recent spell of democracy (CORE); No Muslim immigration (European Social Survey)



Loss of voice: Xenophobic intolerance did not arise from economic inequality alone

- “An agrarian order that historically speaking was extraordinarily congenial to democracy was now displaced by a new socioeconomic order of corporate capitalism that was much less compatible. Robert Dahl (1978)
- “Through a highly successful case of ideological transfer, the Lockean defense of private property, which in the agrarian order made good sense morally and politically, was shifted over intact to corporate enterprise
- “Thus by an extraordinary ideological sleight of hand, the corporation took on the legitimacy of the farmer's home, tools, and land, and what he produced out of his land, labor, ingenuity, anguish, planning, forbearance, sacrifice, risk, and hope

The U.S. Supreme Court (1898):

- “..the proprietors of ... establishments and their operatives do not stand on an equality, ...their interests are, to a certain extent, conflicting.
- “The former naturally desire to obtain as much labor as possible from their employees, while the latter are often induced by the fear of discharge to conform to the regulations which in their judgment, fairly exercised would pronounce them to be detrimental to their health or strength.
- “In other words, the proprietors lay down the rules and the laborers are practically constrained to obey them.”

- “Because the internal government of the corporation was not itself democratic but hierarchical and often despotic, the rapid expansion of this revolutionary form of economic enterprise meant that an increasing proportion of the demos would live out their working lives, and most of their daily existence, not within a democratic system but instead within a hierarchical structure of subordination” Robert Dahl 1978

Perfect storm, continued

- With universal suffrage, the fate of liberal values is now in the hands of a broad electorate, many of whom (or their ancestors) had been vociferous defenders of liberal freedoms in the past.
- Today, the active support of the less well off is again essential to the defense and deepening of liberal freedoms.
- The marriage of liberalism to an economic model guaranteed to promote inequality now makes this unlikely.
- But rejecting “free trade” in favor of protectionism will only promote its parochial mindset.

- Endangered liberal values would stand a better chance in a society
- committed to defending and giving voice to the weak and vulnerable, as did the early liberals,
- today by ensuring democratic accountability of economic power, and
- to insuring people against the economic insecurities that inevitably accompany a technologically dynamic and cosmopolitan economy.

