Market Extremists Amok and How Best to Dethrone Them

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Market extremism doesn't wear hoods, white sheets, or armbands. Skinheads in its ranks are few. Suicide bombers in its cause are even fewer.

But the essence of extremism, as opposed to other specific "isms," is to extend -- harshly, rigidly, and dangerously -- a commitment and ideology that in softer and milder forms can be acceptable or useful. Worship of an unfettered, self-justifying marketplace developed in exactly this harsh, rigid form during the 1980s and
1990s. The infamous practices of Enron, where market mania turned abusive, with the help of the Bush family, are only the tip of one berg in an ice field that continues to threaten national political and economic navigation.

Over the last 15 years, market-based excesses have run the gamut from crony-driven privatization of public assets and attempts to remold U.S. law into a branch of laissez-faire economics to even bolder efforts to recast U.S. election finance as a marketplace. These unchained markets have reshaped the global economy around international mechanisms -- such as the World Trade Organization (WTO) -- empowered to override local and national laws and regulations in the name of investment flow. Market mania has emerged as the both the pivotal crippler of U.S. democracy and the driving force behind the upward redistribution of U.S. wealth. It has made the egalitarian principles and patterns of the 1950s and 1960s vanish in a cloud of dust.

On the other hand, this market zeitgeist has its own history of vulnerability. If the Democratic Party and liberalism have a history of doing themselves in through naive international policies and cultural excursions that lacked majority support -- causes from Southern slaveholding in the mid-nineteenth century to agrarian insurgencies in the 1890s and urban and campus radicalism in the 1960s and early 1970s -- the self-destructive face of Republicanism and conservatism has involved markets, corporations, and fealty to the rich. These penchants characterized the Gilded Age of the late nineteenth century, the Roaring Twenties, and the last two decades.

Edward Chancellor, in Devil Take the Hindmost: A History of Financial Speculation, notes that the first bourse in Amsterdam was a place where gentlemen refused to go, sending agents instead. Gambling analogies pervaded the early financial markets (and still plague current ones). The famous eighteenth-century financier John Law doubled as an expert at the game of hazard. The term "blue chip" used in the stock market came from the highest denomination chip in the Monte Carlo casino.

One can only wonder at the gall of the American and British think tanks and pundits who have held out "markets" as an alternative organizational basis for society (to replace the notions of state, polity, and community developed over 2,000 years). The self-interest of their corporate and upper-bracket patrons, of course, is more obvious.

Still, the cautions befitting the market's dubious background were pushed aside in the 1980s, as a curious mix of zealots and self-servers decided to exalt markets in general -- and the financial markets in particular -- into the premier institutions of American governance.

Seriousness was abandoned, just as it had been a century earlier when kindred U.S. business and financial apologists latched onto the social Darwinist theories of an Englishman, Herbert Spencer, in order to justify the dog-eat-dog economics at work in the United States. The Gilded Age economy, said William Graham Sumner of Yale, simply exemplified the "survival of the fittest" that Charles Darwin had found in biology. U.S. Senator Chauncey Depew prattled to New York millionaire audiences about their being the chosen ones of a grand evolutionary process.

A century later, it wasn't social Darwinism but rather market-centric perspectives that were invoked to explain a wide range of phenomena. The public-choice school of thought framed politics itself as a counterproductive snarl of interest-group competitions and urged an alternative ideology that emphasized market principles.

In such crusades, markets were never discussed factually as arenas in which money prevailed – arenas therefore innately favorable to wealth concentration and to the interests of the rich. Instead, they were dressed up in more appealing clothes as the truest vehicles of democracy.

In retrospect, it all quacks like the duck in the AFLAC commercial. The marketplace, in this fantasy, became the ultimate forum where the people could express themselves, where they could do battle with Harvard- type elitists who didn't want them to spend their money on large automobiles. The sages of The Wall Street Journal editorial page told readers in the mid-1990s that voters wanted to be treated as customers, not constituents.

Former Citicorp Chairman Walter Wriston, famous for almost wrecking his bank with earlier unwise loans to Latin America, opined in 1992 that "markets are voting machines; they function by taking referenda." The proletariat, predicted Wriston, would eventually "fight to reduce government power over the corporations for which they work, organizations far more democratic, collegial, and tolerant than distant state bureaucracies." Parallel balderdash issued from Newt Gingrich during his brief mid-1990s reign as House speaker. He dreamed about the possibility of establishing a "consumer-directed government," once suggesting that critical social problems could be resolved simply by asking "our major multinational corporations for advice."

All of this hot air about a new era -- at least partially based in the perfectibility of markets -- helped launch the four-year speculative bubble that finally burst in 2000 2002. But kindred thinking also helped blueprint other dubious market-manic constructions that still stand. For a short list, consider these: excessive deregulation of finance and energy, privatization of public assets, privatization of Social Security, and the use of transnational organizations such as the WTO and NAFTA to override local and national laws, in the United States and elsewhere, that interfere with market absolutism. These may become some of the great battlegrounds of the early twenty-first-century economy. Another could take shape around attempts to justify globalization as a market-driven inevitability.

No serious opposition politics can emerge that does not challenge at least the extremes of this faith in markets, but no faith could be riper for the picking. Its conceptual underpinnings were questionable enough, though they did not get enough questioning, six or eight years ago. Since then, the NASDAQ crash and the Enron, Arthur Andersen, and Merrill Lynch scandals have told the average American enough about the fallibility of business, finance, and markets to make the new- economy truisms of five years ago sound like the premises of cranks.

Extreme politics, in this new form as in others before it, has a distinct regional home. As much as the ideological excesses of the left in the 1960s evoked Berkeley, and the militia groups on the right were a Rocky Mountain phenomenon, the market mania of the last two decades has centered on Texas --

economic Lone Ranger country, where market fundamentalism and religious fundamentalism have joined to create a uniquely strident culture. In Texas, government doesn't get in the way of "bidness." Pollution flourishes, there's no income tax, and the state's biggest city, Houston, won't tolerate zoning. In Texas, the business and academic infrastructure lists well to the right of that in any other major state. The Federal Reserve Bank of Dallas is the most conservative and market- propagandistic of the 12 regional Federal Reserve banks. Think tanks connected with the Texas GOP congressional delegation can be counted on for economic tracts that make Southern Baptist Convention resolutions look subtle and avant-garde.

Twenty years ago, a still-Connecticut-tinged George Bush Senior made his famous remark about supply-side tax cuts being "voodoo economics," but he learned fast. By 1985, when Texas-based Enron was formed, Vice President Bush was already captaining the Reagan administration's Task Force on Regulatory Relief, and his four-year term as president would produce two pieces of market-worshipping policy that proved vital to the company's future operations. These were the 1992 energy act, which obliged utility companies to transmit electricity shipped by Enron and other marketers, and a regulation issued by the Commodity Futures Trading Commission, which created a legal exemption that let Enron begin trading energy derivatives.

Enron was en route to its millennial climax: speculating, trading, and manipulating energy costs in deregulated markets. And the Bush family and retainers clustered around it like bees around the honeycomb.

This collusion was not without reward, but it also left Bush pere et fils, and market mania, open to attack. It isn't often that a major issue in U.S. politics -- perhaps even a potential watershed issue -- comes with such a juicy related scandal. Not long ago, this vulnerability of Texas royalty and Texas philosophy would have been hard to imagine. Now, market extremism is in the dock of public opinion. The question is not whether a coherent and powerful indictment can take form, but whether the Democratic opposition in Washington is capable of shaping and voicing it.

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