Abstract

The Process of Provisioning:

The Halter for the Workhorse

An overview of the process of provisioning can be developed by drawing upon institutional economists such as Veblen and Marx, but also including recent contributions by Dolfsma (2008, 2009) and Searle (2010). In general, the provision of material needs for sustaining human life in advanced capitalist countries takes place by contingent rewards by means of abstract and symbolic intermediaries.

First, provisioning is accomplished by the separation of production from consumption, and a change in property rules. The successive removal of production from the home established “consumer” units which were dependent on wage labor to provide for subsistence of the household members. Access to subsistence was then mediated by money wage payments, which were in turn utilized to purchase consumer products. Participation in the labor force was motivated by this requirement of cash for the purchase of necessities. The circulation of money by the state, the establishment of legal tender, and the regulation of credit, facilitated confidence in these financial circuits. Second, the adequacy of provisioning was then determined by competition in the labor market. Certain categories of workers were subject to deprivation (Polanyi’s “prod of hunger”) to motivate labor force participation.

The overall process of provisioning is thus organized and guided by access to abstract means of payment, money, and symbolic luxury goods, which help to assure the ongoing reproduction of differential access to provisioning. Alternatives include government redistribution efforts, such as universal minimum standards of provisioning. Another approach is the reorganization of work, so that contingent access to the means of subsistence and social position is no longer directly tied to the performance of labor. A third alternative is to protect the right to organize labor as a civil right (Kahlenberg and Marvit 2012), to differentiate the human aspect of labor, compared with other “factors of production.”
I. Repeal of the “Right to Live” (Polanyi 1944)

In well-known passages, Polanyi describes the repeal of the “right to live” with the Anti-Combination Laws of 1799-1800 and the Poor Law Amendment in 1834 (Polanyi 1944, 77-85, 113, 138, 163-165, 223-225). The creation of the wage labor force also divided the Christian nation, but “if the workers were physically dehumanized, the owning classes were morally degraded” as human labor became a commodity (Polanyi 1944, 102).

The political economists described the “division of labor” as increasing productivity, and the population acquired new meaning as the source of wealth (Gallagher 1986, 2006). The new vision of society was a “social contract,” in which individual citizens with universal rights consented to form a collective nation (Hunt 2007, 113-135). The goal of the nation was wealth and the commitment was to protect individual private property. In their capacity to create a new secular model of society based on equality, they also agreed to abide by these rules to which authority they would submit. The subject was the citizen and the object was the worker, who in this new organization would be able to produce more wealth for the pleasure of all. The promise of upward mobility helped to legitimate the new organization (Habermas 1989).

The liberal nation state was a corporate body, replacing and expanding the stationary, local body of the guild (Davis 2015). Even while the possibility of “representation” was being challenged by Rousseau (Pocock 1975), new forms and methods of political calculus were being developed (McKeon 2005, 353-357). Within the nation, the individual was mobile, no longer tied to the local parish for poor relief, and no longer guaranteed a skill or employment.

II. Consumer objects as individual possessions, with social meaning

The new society was represented by money, the “sovereign” coin of the unified nation (Polanyi 1944, 162, 202-203). The symbol of the whole was the currency, but the “collective” nature of the economy was not evident under the laws of “laissez-faire” and individual competition.

Under the aegis of formal universal equality and the autonomous individual, new rationales for exceptions and exclusions needed to be formulated. Natural inferiorities were located in distinct features of the body, such as race, ethnicities, and gender (Hunt 2007, 26-34, 82-92; 186-214). Emotional tendencies were also assigned, such as the “empathetic” woman or the “rational” CEO, or the black man in the city streets presumed to be prone to violence. These characterizations then became stereotypes, and serve to stratify labor markets and residential locations, and to strongly qualify one’s life chances and to reinforce inequality.

In a mobile society, new symbols of status acquired increasing significance (Veblen 1912; Bourdieu 1984; Brewer and Trentmann). In a competitive society, every-changing symbols of status were required, with the flux of fashion (Lewis 2000) and the trend towards increasing productivity and cheapening of the product, what Postone calls a “treadmill” and Schor a “squirrel cage” (Schor 1992, 117-122). One’s social position was reflected in the recognition of one’s peers, with whom one also competed.

The individual “body” became a representation of the self (Hunt 2007, 26-32, 82-85), consciously presented in public spaces to assert equal social status (Sewell 2014). That “self” is split internally, into Smith’s “impartial spectator” as judge and the agent (McKeon 2005, 376-381), constantly viewing oneself as others saw her. The new capacity for “self-fashioning” (Greenblatt 1980; Seigel 2005; Taylor
1989) also engendered a new anxiety about social position, with possibilities for mobility downward as well as upward. Individuals sought to normalize an “identity,” which ironically enabled them to identify with a specific group of others (Gutmann 2003; Akerlof and Kranton 2000, 2010).

III. Money

According to recent theorists, money is also a social contract (Davis 2015; Desan 2014). That is, money is based on a promise to pay within a collective which then fulfills that promise according to common rules. The declaration of legal tender of the national currency is a symbol of this commitment (Searle 2010). Exchange of this token in the present among members of the collective then allows the mobilization of current resources with the redemption for more resources in the future. This intertemporal exchange assumes the perpetuity of the collective. Given its self-fulfilling, “performative” dimension (Mitchell 2008), this exchange then also assures its perpetuation, by providing resources for collective projects in the present. That is, financial markets assume an infinite homogeneous time which is then the basis for collective projects and continuation over time. The “fictional” nature of money (Polanyi 1944, 72-73; Pocock 1975, 450-451, 464) becomes true based on its ritual enactments.

Assurance of the stable value of the currency is necessary to facilitate ongoing exchange. The “value” of money is based on purchasing power, or commodities in general. Yet the value of commodities is in constant flux, with changing tastes and technologies. The “liquidity” of money is assured by exchange among various types of financial assets. That is, the qualitative relationship of exchange is reinforced by the option of changing form, and the quantitative expression of equivalents. The value of money also requires these continual transformations of form, to avoid questions regarding its merely symbolic nature. To forestall these issues of “confidence,” there is a tendency for reification of money in economic theory (Davis 2015), and active management by the Central Bank (which also calls into question “laissez faire,” according to Polanyi (1944)).

The need for a stable referent for both commodity and fiat money is evident historically with state efforts to manage the value of money. For example, Locke was involved with the re-coinage decisions in seventeenth century England. The operation of the gold standard is discussed by (Polanyi 1944), and the Bretton Woods agreement and subsequent role of dollar as a key currency play a prime role in post World War II global financial flows (Vasudevan 2013). Keynes relied upon a “money-wage unit” to analyze changing value of the currency (Keynes 1964, 37-45). The pricing of OPEC oil in dollars helps to stabilize the value of both, and to facilitate global financial flows as well as military alliances. The dollar/oil standard seems to be replicated in political alliances in the US, where both sectors are large contributors to the political process, and promote policies which underscore the future value of both oil and dollars in the present. That is, the “flow” of energy seems to facilitate the global flow of “currencies,” an odd pun, from the establishment of the electric grid in the US in the late nineteenth century (Mitchell 2008) to the military protection of global shipping in the twenty-first.

Both Smith (1994) and Marx (1967) noted that profit can be increased by an increase in the speed or velocity of the financial circuits. There is an apparent intensification with time, with speed-up of “throughput” (Chandler 1977) at the factory and increasing pace of technological change (Hunt 2008). The ability to trade financial assets then increases the ability to claim future returns in the present, and to trade based on any small deviations of the present discounted value of those claims on the millisecond. This is the era of “flash crash” (Lewis 2014) and the increase in communications technology
among financial centers to further reduce the time of the financial circuits, to facilitate “high-frequency trading”.

When the currency is reified, and the social nature of the contract is not understood (Davis 2015), the contract cannot be revised or amended without loss of confidence in the collective. When there is an attempt to “save the currency” but sacrifice the nation (Polanyi 1944, 192-200, 228-229, 231-233).

IV. Public/Private Divide

As the labor market becomes separated from life, with the commoditization of human labor, there is a gendered separation of spheres (McKeon 2005, 168-181; Habermas 1989), and the separation of market from society (Polanyi 1944, 71, 196, 213, 218, 223, 225, 235). But that society then reflects the market in what it values and how its time is allocated. There is an “industrious society” in which the household must acquire status and employment of its members and to acquire and display its wealth in attractive fashion (de Vries 2008). That is, household production is also judged by a common standard of upward mobility and the “American Dream.” The elaborate institutional separation of market from society enables one to target one’s own body for “self-fashioning,” understood as a new form of “freedom.”

As private spaces represent the person and her status, there is an intensification and multiplication of such spaces. The modern manifestation is the phenomenon of houses and cars, which display a privacy to others in public spaces of highways and suburbs. The transformation of the American landscape into highly stratified and segregated suburbs is a phenomenon of post-World War II finance and stimulus policies. Homes and cars become ever larger in a competitive individualized expression. The penetration of mass media and the internet tends to furnish the homes in a similar fashion, and to influence forms of leisure activity according to contemporary status groups. The commercialization of the internet allows the mass audience to be “alone together” (Turkle 2011), rather than to form a new type of collective community. Even if the model of competing privatized individuals actually let to personal happiness, the increasing size and geometric expansion of the number of cars and houses are no longer ecologically sustainable.

V. Expanding Financial Circuits

Smith’s “extent of the market” increased to facilitate further division of labor and specialization (Smith 1994), along with the commodification of land, labor, and money (Polanyi 1944). The financial flows increased in scale and geography with the expansion of empire, first under the aegis of Great Britain in the nineteenth century, and the US in the twentieth century.

The organization of commerce under the rubric of corporations was manifested first by chartered monopoly corporations and later by private business corporations which were increasingly multinational. Much of the business history of the late nineteenth and early twentieth centuries of the US can be understood by examination of changing business forms and strategies, from entrepreneurial ownership to distributed stockholder ownership to principles of the maximization of shareholder value. The shifts from Fordism to Post-Fordism to flexible specialization to outsourcing are descriptors of corporate strategy which have important implications for the structure of employment, national GDP, as well as trade and investment flows. The term “financialization” is often reserved for the exchange of financial assets as the primary source of profits, rather than commodity production (Krippner 2011, 3-14; Milberg and Winkler 2013, 12-16, 214-219). Whether this was a change in corporate strategy,
government policy, structural change in the economy, or due to the declining rate of profit in production is a matter of ongoing debate.

These organizational changes also influenced the culture and quality of life, as well as political discourse. The “Financial Revolution” in England had an effect on personality and considerations of virtue (Pocock 1975; Wennerlind 2011). The experience of agrarian independence was altered by the increasing debt levels necessary to compete with a national market for agriculture (Levy 2012a). The merger wave of the late nineteenth century set off a populist movement and led to new forms of national regulation (Lamoreaux 1985; Livingston 1984). The development of consumer credit in the early twentieth century was an important enabler for the “consumer” society (Hyman 2011). Home ownership and home finance in the 1930s was a source of economic stabilization after the Great Depression (Shiller 2008; Schwartz 2009).

After World War II the changing role of the US economy led to increasing consolidation of the corporate form, for example, with the conglomerate mergers in the 1960s and 1970s (Davis 2013). The end of Bretton Woods in 1971 required and enabled the increase in financialization in global currencies and capital flows (Vasudevan 2013). The globalization of finance increased national access to capital markets for leading capitalist countries, but resulted in increasing discipline of national policy makers by the global bond market and its associated pressures towards austerity. At the same time, outsourcing and competition for position in Global Value Chains (GVCs) put increasing pressure on wages (Milberg and Winkler 2013). The downward pressure on fiscal stimulus and domestic wages may also lead to global stagnation and the reduction of profitable investment opportunities (Summers 2014).

Clearly financial flows encompassed the household of the wage laborer in the period of early industrialization, who used his wage payment to purchase necessities in the product market. Yet the turn to such revenue streams as payments for consumer durables and services as a source of increasing scale of financial flows may be a relatively recent phenomenon (Lapavitsas 2013, 159-168, 200-216).

As the service sector expands (Vasudevan 2013), there are increasing challenges to profitability, including maintaining productivity growth and achieving economies of scale. In this context there is a further intensification of labor, and resort to unskilled and more marginal labor force to maintain lower wages.

The irony of the public/private divide is that consumers who are seeking “fast fashion” and new looks for their social engagements do not understand the conditions of the workers who produce these items. Events like the collapse of the Rana Plaza factory, where over one thousand workers were killed in April 24, 2013, then have the potential to inspire consumer movements and corporate responsibility to correct these dangerous working conditions in the production of Western brands (Cline 2013).

In addition to tragic accidents, nonetheless, the GVCs also structure the entry of entire developing countries into the global supply chains for major multinational corporations with recognized “logos.” These brand images are important to consumers who are seeking to increase their status with peers and employers, and to improve their income and employment opportunities. In an employment context where economic opportunity is highly contingent on one’s image, these consumer priorities have some rationality.
Given the variation of capital productivity historically (Mohun 2009), the struggle over wages can impact profitability. The average real wages have not increased since the 1970s, with an increasing divide between productivity and wage growth.

VI. Alternatives

The work of Ostrom and others demonstrates that it is possible to maintain work incentives without the “prod of hunger” (Ostrom 1990, 2010). There are alternative forms of “collective intentionality” (Searle 2010); among the possibilities are additional resources allocated to collective enforcement mechanisms (Bowles and Gintis 2011).

Within market society, it is possible to vary wage and compensation regimes, according to recent contributions.

First, recent work on minimum wages, living wage campaigns and local labor mandates has revealed that these strategies can have local support and enforcement (Reich, Jacobs, and Dietz 2014).

Second, rather than focus on money wage levels, the assurance of certain human “capabilities” is an alternative strategy, based on the work of Sen and Nussbaum (Sen 1999; Nussbaum 2011). That is, income guarantees do not necessarily address inequalities to education and health care, or minimum standards for housing.

A third strategy is to assure the right of labor to organize, preferably on a global level. Such an assurance would help take wages out of international competition, and set a floor for minimum standards (Kahlenberg and Marvit 2012).

It is possible to even imagine an alternative to a market society which is based on the commodification of land, labor, and money. For example, a new form of money tokens could refer to discrete land parcels, instead of availability of wage labor. In an increasing labor surplus global economy, the scarce resource is arable land, as well as development options in densely settled metropolitan areas. A new global institution on the order of a land-based Bretton Woods system could focus “development” on ecological regions, and on restoring sustainability on a global level (Davis 2015), utilizing biogeophysical measures of sustainability rather than market-based measurements. A new form of personality would be required and enabled. Rather than a private individual in a separate protected sphere, there would be global citizens collaborating to sustain regional commonwealths.

VII. The new social contract

The myth of the social contract of Locke is based on a desire to set society on a new foundation, in contrast to “ancient custom,” (Pocock 1975), and to establish a new form of the secular liberal state. The presumed consent then is based on the commodification of labor, whose new status is actually a form of coercion (Commons 1995).

There are possible new visions of human society. But reform of the system is very difficult within the context of the present system, as Polanyi understood.
The mere possibility that there might be an interference with the property system undermines that type of confidence which in liberal economy is vital, namely, absolute confidence in the continuity of the titles to property. While the actual content of property rights might undergo redefinition at the hands of legislation, assurance of formal continuity is essential to the functioning of the market system. (Polanyi 1944, 234).

That is, the financial markets trade on the present value of future assets. The expected future returns must be assured by the actions of the state in the present, at risk of financial panic. In this sense, the trend towards “financialization” has its own logic, whereby Wall Street holds Main Street hostage (Stiglitz 2010), rather than facilitate new forms of association and collective self-determination.
Bibliography


