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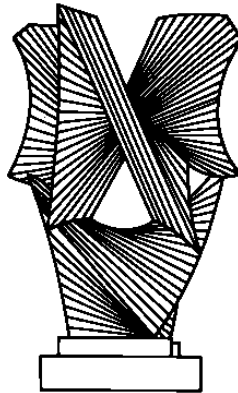
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FANTASIES AND ILLUSIONS:  
ON LIBERTY, ORDER AND FREE MARKETS

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## FANTASIES AND ILLUSIONS: ON LIBERTY, ORDER, AND FREE MARKETS

Bernard E. Harcourt<sup>1</sup>

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Symposium Issue on Fantasy and Markets

### Abstract

*Critical thinkers have used various terms to describe the collective imaginary that has real effects on individuals, society, and politics. Freud used the term “einer Illusion” to characterize religious belief in his work, The Future of an Illusion, though many others in the psychoanalytic tradition would turn to the notion of fantasy. Marx sometimes used the term illusion and he notoriously deployed the optical illusion and the phantasmagoria in his famous discussion of commodity fetishism. (And Marx, of course, is the father of Ideologiekritic). Foucault at times used the language of fantasy and phantasms, in an early period deployed the term illusion, and in later works adamantly rejected the word illusion. (He would always resist the term ideology). What is the difference between an illusion, a fantasy, and ideology? What is the right term to describe these collective imaginaries that have real effects on social and political conditions? In this essay, the first of a triptych, I explore the relation between two of these notions, namely illusions and fantasies, in the concrete context of the myth of the “free market.”*

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<sup>1</sup> Julius Kreeger Professor of Law and Professor and Chairman of the Political Science Department, The University of Chicago. Special thanks to Renata Salecl and Jeanne Schroeder for bringing us all together to fantasize about markets, and to all the participants and Simon Critchley for their thoughts and comments on this essay.

## FANTASIES AND ILLUSIONS: ON LIBERTY, ORDER, AND FREE MARKETS

Bernard E. Harcourt

In an opening passage of *The Birth of the Clinic: An Archaeology of Medical Perception* (1963), Michel Foucault describes a treatment and cure for hysteria—what was called at the time “*vapeurs*” or “the neurosis of distinguished ladies.”<sup>2</sup> It was an eccentric cure that doctor Pierre Pomme developed and discussed in his 1763 treatise, *Traité des affections vaporeuses des deux sexes*. It involved taking baths for “ten or twelve hours a day, for ten whole months”<sup>3</sup> and resulted in, what Pomme saw and described as, “membranous tissues” peeling away and “pass[ing] daily with the urine,” “the right ureter also peel[ing] away and [coming] out whole in the same way,” and the intestines “peel[ing] off their internal tunics” and “emerg[ing] from the rectum.”<sup>4</sup>

Foucault suggests that we are today incapable of making sense of Pomme’s discourse. In contrast to the medical discourse of anatomical dissection of the nineteenth century, which remains legible to us, Pomme’s treatise, “lacking any perceptual base” Foucault writes, “speaks to us in the language of fantasy.”<sup>5</sup> The word Foucault uses, in the original, is “*fantasmes*,” the form of the common genus that somewhat privileges sight.<sup>6</sup> The term carries a visual,

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<sup>2</sup> Foucault, *The Birth of the Clinic*, trans. A. M. Sheridan Smith (New York: Vintage 1994). The quoted passage is from Ellenberger p.187 which captured nicely Pierre Pomme’s intervention in his treatise, *Traité des affections vaporeuses des deux sexes; ou l'on tâche de joindre à une théorie solide une pratique sûre, fondée sur des observations* (see [http://www.vialibri.net/item\\_pg/6589554-1763-pomme-pierre-trait-des-affections-vaporeuses-des-deux-sexes-che.htm](http://www.vialibri.net/item_pg/6589554-1763-pomme-pierre-trait-des-affections-vaporeuses-des-deux-sexes-che.htm)).

<sup>3</sup> Pomme 1763, quoted in Michel Foucault, *The Birth of the Clinic*, p. ix.

<sup>4</sup> *Id.*

<sup>5</sup> Foucault, *The Birth of the Clinic* at p. x.

<sup>6</sup> Michel Foucault, *Naissance de la clinique. Une archéologie du regard médical* (Presses Universitaires de France, 1963), p. vi.

hallucinatory element.<sup>7</sup> Maurice Merleau-Ponty, in his *Phenomenology of Perception*, writing in 1945, would deploy the term “fantasme” in precisely this sense of a hallucinatory vision.<sup>8</sup> Now, Foucault would come to regret the emphasis on the visual or perceptive element, on the “gaze,” on the idea of “medical perception,” six years later in *The Archaeology of Knowledge* (1969).<sup>9</sup> But the term was never exclusively visual. It was about our inability to see and say, together: to comprehend. Pomme’s discourse is, today, a “*fantasme*” in that it is not, or is no longer in our realm of truth – “*dans le vrai* (within the true) of contemporary biological discourse,” as Foucault would write.<sup>10</sup> It is fantasy to us today because Pomme “spoke of objects, employed methods and placed himself within a theoretical perspective totally alien” to us.<sup>11</sup> As Foucault explained in his inaugural lecture at the Collège de France in 1970, “one would only be in the true ... if one obeyed the rules of some discursive ‘policy’ which would have to be reactivated every time one spoke.”<sup>12</sup>

Earlier in the century, in 1927, Sigmund Freud had published a book with the title *The Future of an Illusion*, using the term “illusion” to capture the notion of a *desired* set of beliefs.<sup>13</sup> The guiding principle of usage was wish-fulfillment, or as he wrote “fulfillments of the oldest, strongest and most urgent wishes of mankind.”<sup>14</sup> The German term Freud used was “*einer*

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<sup>7</sup> See <http://www.cnrtl.fr/definition/phantasme>.

<sup>8</sup> See Merleau-Ponty, *Phénoménologie de perception*, 1945, at p. 344 (“Je voyais en marge de mon champ visuel et à quelque distance une grande ombre en mouvement, je tourne le regard de ce côté, le fantasme se rétrécit et se met en place : ce n’était qu’une mouche près de mon œil. J’avais conscience de voir une ombre et j’ai maintenant conscience de n’avoir vu qu’une mouche »).

<sup>9</sup> Michel Foucault, *The Archaeology of Knowledge* (Vintage 1972), at p. 54 n.1 (“In this respect, the term ‘*regard médical*’ used in my *Naissance de la clinique* was not a very happy one”).

<sup>10</sup> Michel Foucault, *The Discourse on Language*, in *The Archaeology of Knowledge* (Vintage 1972), at p. 224.

<sup>11</sup> *Id.* at 224.

<sup>12</sup> Foucault, *The Discourse on Language*, at 224.

<sup>13</sup> Sigmund Freud, *The Future of an Illusion*, trans. James Strachey (1989)

<sup>14</sup> *Id.* at p. 30.

*Illusion*,”<sup>15</sup> a term intended to connote the strength of the beliefs: “The secret of their strength lies in the strength of those wishes,” Freud explained.<sup>16</sup> Religious belief, which Freud defined as “teachings and assertions about facts and conditions of external (or internal) reality which tell one something that one has not discovered for oneself and which lay claim to one’s belief,”<sup>17</sup> are illusions; but as illusions, they are not the same thing as errors, nor are they necessarily erroneous. “Illusions need not necessarily be false—that is to say, unrealizable or in contradiction to reality.”<sup>18</sup> Similarly, they are also not the same as delusions, whose essential character is to be “in contradiction with reality.”<sup>19</sup> “Thus we call a belief an illusion when a wish-fulfillment is a prominent factor in its motivation, and in doing so we disregard its relations to reality, just as the illusion itself sets no store by verification.”<sup>20</sup>

Sixty years earlier, in 1867, Karl Marx had famously used the metaphor of the “phantasmagoria”—the theatrical use of a *laterna magica* to project frightening images on a screen—to describe commodity fetishism.<sup>21</sup> Here too, religion played an important role as a central analogy for this form of mystification. “In order to find an analogy, we must have recourse to the mist-enveloped regions of the religious world,” Marx claimed. “In that world the productions of the human brain appear as independent beings endowed with life, and entering into relation both with one another and the human race.”<sup>22</sup> The same is true with things *qua* commodities, Marx explains: “There it is a definite social relation between men, that assumes, in

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<sup>15</sup> Sigmund Freud, *Die Zukunft einer Illusion* (1927).

<sup>16</sup> Freud, *The Future of an Illusion*, p. 30.

<sup>17</sup> *Id.* at p. 25.

<sup>18</sup> *Id.* at p. 31.

<sup>19</sup> *Id.* at p. 31.

<sup>20</sup> *Id.* at p. 31.

<sup>21</sup> [Tucker, Marx-Engels Reader, p. 321]; in Marx 1976 at p. 165.

<sup>22</sup> Marx-Engels Reader at p. 321.

their eyes, the phantasmagoric<sup>23</sup> form of a relation between things.”<sup>24</sup> The idea, here, involves an optical illusion. And, of course, Marx used the notion of perception, of the optic nerve, of sight, as a way to distinguish this particular phenomenon—the fetishism of commodities—from our perceptible senses:

In the same way the light from an object is perceived by us not as the subjective excitation of our optic nerve, but as the objective form of something outside the eye itself. But, in the act of seeing, there is at all events, an actual passage of light from one thing to another, from the external object to the eye. There is a physical relation between physical things. But it is different with commodities.<sup>25</sup>

Marx’s discussion of commodity fetishism is steeped in visual allegories—in sight and optics. The phantasmal dimension of Marx was pronounced.<sup>26</sup>

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Foucault’s *fantasmes*, Freud’s *Illusion*, and Marx’s *phantasmagoria*: these represent, to my mind, a surprising inversion of the signifier. I would have expected Foucauldian *illusions*, Freudian *fantasies*, and, well, Marxian *ideologies*. But these texts resist, even though the subsequent history of usage would vary. Psychoanalysis, as we all know, would embrace the notion of fantasies,<sup>27</sup> while Foucault would eventually reject, vehemently, the concept of illusions,<sup>28</sup> and the Frankfurt School would turn, as we know well, to *Ideologiekritik*.<sup>29</sup>

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<sup>23</sup> Translated as “fantastic” in most English translations, but should read “phantasmagoric.”

<sup>24</sup> Marx-Engels Reader at p. 321.

<sup>25</sup> Marx-Engels Reader at p. 321.

<sup>26</sup> Marx also deployed the notion of illusion; the monetary system, for instance, Marx described explicitly as “the illusions of the monetary system.” Marx-Engels Reader at p. 328. *See also* the discussion of this in Jacques Derrida, “What is Ideology?” in *Specters of Marx*, translated by Peggy Kamuf, Routledge 1994.

<sup>27</sup> Especially through Slavoj Žižek’s reading of Lacan. *See*, his *The Plague of Fantasies* (London: Verso 1997), and Chapter 4 in *How to Read Lacan*, “From *Che vuoi?* to Fantasy: Lacan with Eyes Wide Shut.”

<sup>28</sup> *See infra* at p. \_\_\_.

<sup>29</sup> *See, generally*, Raymond Geuss, *The Idea of A Critical Theory: Habermas & The Frankfurt School* (Cambridge University Press, 1981), at p. 26-44; *see especially* p. 39-41 for a contrast between ideology, illusion and delusion.

How then do these terms—phantasms and fantasies, illusions and delusions, ideologies—relate to each other when we are dealing with a phenomenon like “the market”? Today, we so often imagine markets as living, volitional, or agentic objects, as things onto which we project social relations, or as entities with autonomous or quasi-autonomous existence. It is commonplace, today, as Jean and John Comaroff suggest, to “displace political sovereignty with the sovereignty of ‘*the* market,’ as if the latter had a mind and a morality of its own.”<sup>30</sup> Our fantasies of the “free market” join together the imaginary of a living market with the desire for freedom, giving birth to this organism of the market that can exist freely, that can manage itself and flourish and prosper, that can regulate itself, and that can shower benefits on us all. (Though, of course, if it is in fact a living thing, then it could equally well be satanic, a little devil, a monster).

How exactly do we theorize the fantasy versus the illusion? How do the different ways in which we describe our imagination of the market—whether in terms of fantasies, illusions, ideologies, or some other kinship term—reflect different dimensions of that act of imagining? And how can we make progress, if necessary, in formulating a better way of exploring and discussing all this? These are the tasks of this essay. First, to explore how each one of these connected terms helps describe our imagination of the market today—our fantasies of orderliness, our aspirations to freedom, and our myths of free markets. Second, to move forward in articulating a more productive formulation for our critical enterprise.

## **I. Imagining the Free Market: Fantasies and Illusions**

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<sup>30</sup> Comaroff and Comaroff 2001:43.



In her marvelous book *Choice*, Renata Salecl explores our late-modern anxiety over choosing through the lens of the Lacanian concept of “the Big Other”—the imaginary social order of language, institutions, and culture that make up our social space.<sup>31</sup> This imaginary social order, Salecl suggests, mediates our anxiety with choice—choice which has become a central, self-identifying notion of late-modernity. Through various mechanisms, we find ways of binding ourselves precisely in order to avoid choice. Salecl writes: “my claim is that people already form their own self-binding mechanisms, although these are not developed consciously: they are not ‘rational’ strategies. People limit their choices by themselves, or they act as though someone else had imposed limits for them.”<sup>32</sup>

In her text, Salecl discusses Dany-Robert Dufour’s provocative suggestion that “in postmodernity there is no more symbolic Big Other” and that “in such a society the market becomes the Big Other.”<sup>33</sup> That would be the *free* market, I take it—which seems entirely right, in important and intriguing ways. The orderliness of the free market and the lack of choice—the *naturalness* of the free market—are central to alleviating our anxiety. The combination of order and liberty is what relieves us of choice. Salecl adds: “In order to find at least temporary stability in terms of our identity, we create a fantasy scenario about the consistency of the social sphere we inhabit.”<sup>34</sup> It is this notion of a fantasy scenario that brings us to the heart of our inquiry and of this symposium on fantasy and markets—and it raises the central question of the different valences of the terms illusion and fantasy.

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<sup>31</sup> Renata Salecl, *Choice* (London: Profile Books 2010), at p. 59.

<sup>32</sup> Salecl, *Choice*, at p. 145.

<sup>33</sup> *Id.* at p. 67.

<sup>34</sup> *Id.* at p. 59.

Let's see if we can make any progress with the terms themselves. The element of desire in the notion of "fantasy," naturally, emphasizes wish-fulfillment in the Freudian sense, but also an idea of playfulness. There is something enjoyable, often libidinal, something that satisfies the person who believes. It satisfies a desire. It tastes good. Think of the illustrations that Freud uses in his own discussion: the middle-class girl who imagines that a prince will sweep her away, the alchemist who believes that he can turn metals into gold, our hope that children are "creatures without sexuality," or even racist beliefs like those of "certain nationalists that the Indo-Germanic race is the only one capable of civilization."<sup>35</sup>

It is never clear, of course, whether fantasies benefit or harm us. They do both. Surely though, they are not *only* harmful. Fantasies can make life bearable, though they can also lead us to error. As compared to delusions, or even illusions perhaps, fantasies can be a wonderful escape. The funny thing about fantasies, though, is that sometimes they are so extravagant or unrestrained that the person fantasizing should know herself that they are unreal. In that sense, the person may be complicit in the act of fantasizing.

By contrast, the illusion (and phantasm) underscores the spectral element—the visual—but through that, the idea of projection, raising the question of agency and subjectivity: who is it that is projecting the image? The phantasmagoria may have created a spectral, haunting image on the background of the theatre stage, but it required someone projecting the image. Is there, then, an actor creating the illusion? The delusional would underscore, first, a clear departure from reality, but second and more importantly, it would pick up on the idea of self-deception. The person who believes, in the case of a delusion, is deceiving themselves. She bears responsibility. She is somehow the creator, she gave birth to that deception.

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<sup>35</sup> Freud, *The Future of an Illusion*, at p. 30-31.

Some of this is reflected in Raymond Geuss' discussion of Freud's distinction between error ("*Irrtum*"), illusion ("*Illusion*"), and delusion ("*Wahnidee*") in *The Future of an Illusion*. On Geuss' reading, the error consists in no more than "a normal, everyday, false factual belief, e.g. the belief that Sigmund Freud was born in Vienna."<sup>36</sup> (He was born in Freiberg in Mähren, Moravia, in the former Austrian Empire; and incidentally, his birth name was Sigismund Schlomo Freud). By contrast, the delusion is, according to Geuss, "a false belief an agent holds *because* holding this belief satisfies some wish the agent has;" the example here is of "a man who falsely believes that he is Charlemagne because his belief satisfies his wish to be an important historical personage."<sup>37</sup> (Notice that this, of course, would verge on a diagnosable mental illness under contemporary standards; elsewhere, Geuss uses the terms delusion and false consciousness interchangeably<sup>38</sup>). And the Freudian illusion, as we saw earlier, may or may not be false or in error, but "is held by the agent because it satisfies a wish."<sup>39</sup> Here is Geuss's rendition of the example of the middle-class girl who believes—has the "illusion"—that a prince will come sweep her away: "It may in fact turn out that a prince does come and marry her—in Freud's Vienna there were such princes around, although probably not very many, so the girl's chances were rather slim—but the reason she believes that she will marry a prince is that this belief satisfies some wish she has."<sup>40</sup>

The difficulty in all this, of course, is that the signified shifts along with the signifier. As Geuss elegantly notes, even Freud's treatment "is not as clear and unambiguous as one might

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<sup>36</sup> Geuss, *The Idea of a Critical Theory*, at p. 39.

<sup>37</sup> *Id.* at p. 39.

<sup>38</sup> *Id.* at p. 19, 20, and 60.

<sup>39</sup> *Id.* at p. 39.

<sup>40</sup> *Id.* at p. 39.

wish.”<sup>41</sup> The terms are defined differently in different contexts, and the theorists themselves shift course often from one text to another. There is no Archimedean point. Foucault’s writings are a good illustration.

During the early 1970s, Foucault used the term “illusion” freely. In his 1974 lectures on *Psychiatric Power*, Foucault in fact used the term to pinpoint one of his more penetrating interventions—the claim about the illusion of Man: “What I call Man, in the nineteenth and twentieth centuries, is nothing other than the kind of after-image [*image rémanente*] of this oscillation between the juridical individual... and the disciplinary individual... [And] from this oscillation between the power claimed and the power exercised, were born the *illusion* and the reality of what we call Man.”<sup>42</sup> Similarly, in those lectures, and in 1975 in *Discipline and Punish*, Foucault drew importantly on the notion of optics and optical illusions to discuss the *panopticon*.<sup>43</sup>

However, a few years later, Foucault would begin to, and then repeatedly reject the use of the term “illusion”—as well, for that matter, as the word “error” (and, of course, “ideology”<sup>44</sup>). For Foucault, regimes of truth are by no means a mere illusion, even though they are made to appear and eventually will disappear. Madness, delinquency, and sexuality are not illusions, even if they are the product of a whole series of practices that gave birth to something that did not

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<sup>41</sup> *Id.* at p. 39.

<sup>42</sup> Foucault, *Psychiatric Power*, trans. Graham Burchell, at p. 58 (emphasis added).

<sup>43</sup> See, e.g., *id.* at p. 77; Foucault, *Discipline and Punish*, trans. Alan Sheridan, at p. 200-201.

<sup>44</sup> Foucault was more consistent in resisting the term “ideology.” For a general discussion, see Bernard E. Harcourt, “Radical Thought from Marx, Nietzsche, and Freud, Through Foucault, to the Present: Comments on Steven Lukes’ ‘In Defense of False Consciousness,’” *University of Chicago Legal Forum* (2011); see also Foucault’s discussion of ideology in *Archaeology of Knowledge*, written in 1966, at p. 184

exist beforehand and continues not to exist.<sup>45</sup> Foucault's project, he himself emphasized, is *not* to demonstrate that these things are no more than "villainous illusions or ideological products that must be dissipated in the light of reason"—"*de vilaines illusions ou des produits idéologiques à dissiper à la [lumière] de la raison enfin montée à son zenith.*"<sup>46</sup> Instead, as Foucault explained in his lectures on *The Birth of Biopolitics* in 1979, "The goal of these studies is to demonstrate how the pairing of series of practices and regimes of truth forms an apparatus of knowledge-power that marks effectively in reality that which does not exist and submits it to the exclusion of truth and falsity."<sup>47</sup> Nevertheless, in all his investigations, these things that still do not exist, even though they have been born and are indeed something real, are not mere illusions: "They are not an illusion since it is precisely a set of practices, of real practices, that have established them and mark them imperiously in the real."<sup>48</sup>

Foucault's own usage of the term "illusion" would shift over time as he toiled over the signification he would give the concept. But of this, of course, we are all familiar—we, who toil over words for a living. None of the terms have a natural content or valence. In the end, exploring the somewhat contingent dimensions of each word may not be as helpful as examining closely the object itself—the free market. So let me turn there.

## II. Proposing a Theory of the Imaginary

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<sup>45</sup> Michel Foucault, *Naissance de la biopolitique. Cours au Collège de France. 1978-1979* (Gallimard/Seuil 2004), at p. 21-22.

<sup>46</sup> *Id.* at 21.

<sup>47</sup> *Id.* at 22.

<sup>48</sup> *Id.* at 22. Foucault would develop these themes as well in his lecture "Qu'est-ce que la critique? [Critique et *Aufklärung*]," lecture delivered at the *Société française de philosophie*, 27 May 1978), *Bulletin de la Société française de philosophie*, t. LXXXIV, 1990, p. 35-63 (English translation, "What Is Critique?" 41-82, in Michel Foucault, *The Politics of Truth*, Sylvère Lotringer ed. (Los Angeles: Semiotext(e), 2007)).

Here, then, is the most precise articulation of what I would call the fantasy or the illusion of free markets. First, there is a widely-shared, dominant belief in this country that free markets are better and more efficient than government regulation; that, in effect, the state tends to be incompetent when it comes to economic regulation. This is captured well by Barack Obama, who stated, during the 2008 campaign, that free markets are “the best mechanism ever invented for efficiently allocating resources to maximize production.”<sup>49</sup> The opinion polls offered ample support. So, for instance, in a Financial Times/Harris Poll opinion poll conducted in September 2007, 49% of respondents in the United States answered affirmatively—in contrast to 17% who responded negatively—to the question “Do you think a free-market, capitalist economy (an economic system in which prices and wages are determined by unrestricted competition between businesses, with limited government regulation or fear of monopolies) is the best economic system or not?”<sup>50</sup> In a twenty-nation poll conducted by the Program on International Policy Attitudes (PIPA) at the University of Maryland, researchers found that an average 71 percent of respondents in the United States agree with the statement that “The free enterprise system and free market economy is the best system on which to base the future of the world;” only 24% of respondents disagreed with that statement.<sup>51</sup> Although those polling results preceded the Great Recession of 2008, they continue to reflect contemporary reality. In August and September 2009, a Gallup Poll survey found that the majority of Americans “believed that there was either too much regulation, or about the right amount,” whereas only a quarter of Americans felt there was “too little government regulation of business and industry.” In another poll conducted in January

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<sup>49</sup> Quoted in David Leonhardt, “[Advanced] Obamanomics” in *New York Times Magazine*, August 24, 2008, p. 28-54.

<sup>50</sup> See *The Harris Poll* #94, September 27, 2007 (available at [http://www.harrisi.org/harris\\_poll/index.asp?PID=810](http://www.harrisi.org/harris_poll/index.asp?PID=810)).

<sup>51</sup> See *20-Nation Poll Finds Strong Global Consensus: Support for Free Market System But Also More Regulation of Large Companies* (available at [http://www.globescan.com/news\\_archives/pipa\\_market.html](http://www.globescan.com/news_archives/pipa_market.html)).

2010, Gallup found that 57% of Americans were “worried that there will be too much government regulation of business,” with only 37% of Americans worrying that there will not be enough. On a related question, Gallup discovered that “Half of Americans believe the government should become less involved in regulating and controlling business, with 24% saying the government should become more involved and 23% saying things are about right.”<sup>52</sup> There is a dominant belief in this country that the free market system is better than government regulation.

Second, this shared conviction rests on an underlying belief that free markets actually exist, in other words that there can be constructed spaces of voluntary, compensated economic exchange that are not or are less regulated, or that are self-regulated. It is premised, in essence, on *either* a categorical distinction between free markets and regulated economies or, alternatively, on a spectrum from free to regulated market economies. This is evident from the very questions posed in the polling data. Underlying the questions and answers is this shared belief that some forms of economic organization involve more and others less government regulation. To most people, this is simply assumed. It is nevertheless important to spell out. I would add that this underlying belief that free markets actually exist is a complex production of truth, firmly held, and deeply entrenched, with a long history going back at least to the Physiocrats, Adam Smith, and 18<sup>th</sup> century debates over public economy. The contemporary idea of the efficiency of competitive markets traces back to the emergence of the idea of natural order in the writings of François Quesnay, Mirabeau, and Le Mercier de la Rivière. It traces back to their famous *Tableau économique*, which was one of the first conceptualizations and

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<sup>52</sup> See Frank Newport, “Americans Leery of Too Much Gov’t Regulation of Business; Republicans in particular are worried about too much government regulation, February 2, 2010, available at <http://www.gallup.com/poll/125468/Americans-Leery-Govt-Regulation-Business.aspx>.

visualizations of a space of economic exchange that could thrive best without governmental interference.<sup>53</sup>

Third—and here, at the heart of the claim of fantasy or illusion, is where matters become more contested—the free market does not exist. The categorical distinction between free and regulated economies—or the spectrum, if you prefer, since a spectrum is no more than a graduated expression of binary difference—is erroneous and misleading. As I argue in *The Illusion of Free Markets*, there is no such thing in our physical world as free markets: All markets, all forms and venues of economic exchange, are man-made, constructed, regulated, and administered by often-complex mechanisms that necessarily distribute wealth in large and small ways.<sup>54</sup> The state is always present in market organization and its level of involvement does not change. In a purportedly free market, the state is just as present, enforcing private contracts, preventing and punishing trespass on private property, overseeing, regulating, and enforcing through criminal, administrative, and civil sanctions the markets themselves, and distributing wealth through the tax code, military spending, bureaucratic governance, and myriad other means. The state creates, maintains, and regulates free markets extensively—criminalizing market bypassing, fraud, misrepresentation, and other deviations from the “orderly” course of human affairs. Whenever the state is not explicitly directing economic behavior or setting prices—as, for instance, in controlled economies—it is nevertheless present in equal magnitude enforcing breaches of contract, criminalizing insider trading, corners, and unfair trade practices, defining and protecting private property, and punishing black-market activity. In the end, the categories of free and regulated markets are misleading heuristic devices.

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<sup>53</sup> See Harcourt, *The Illusion of Free Markets*, at p. 86-87.

<sup>54</sup> *Id.* at p. 176-190.



Fourth, and finally, these misleading categories are deeply entrenched in our systems of knowledge and belief, and they have real effects—what we would call, in French, “*des effets de vérité*.” Even though they are not themselves true, correct, or accurate, they have “truthful” effects on the real world. They are not mere mistakes that can easily be corrected. The belief in free markets has produced a significant redistribution of wealth in society. It has legitimized the fantasy of less regulation—of what has been euphemistically called “deregulation.” By playing on this fantasy, the financial and political architects of our economy over the past four decades—both Republicans and Democrats—have been able to mask massive redistribution by claiming they were simply “deregulating” the economy, when all along they were actually *reregulating* to the benefit of their largest campaign donors.

The reregulation of the economy over the past forty years has had tangible effects on distributions of wealth in the country. As the sociologist Douglas Massey minutely documents in his book *Categorically Unequal*, following decades of improvement, the income gap between the richest and poorest in this country has dramatically widened since the 1970s, resulting in what social scientists now refer to as a U-curve of increasing inequality.<sup>55</sup> Recent reports from the Census Bureau confirm this, with new evidence last month that “the number of Americans living below the official poverty line, 46.2 million people, was the highest number in the 52 years the bureau has been publishing figures on it.”<sup>56</sup> Today, 27% of African-Americans and 26% of Hispanics in this country—more than 1 in 4—live in poverty.<sup>57</sup> One in 9 African-American men between the ages of 20 and 34 are incarcerated. Not to put too fine a point on it: today, as

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<sup>55</sup> Douglas S. Massey, *Categorically Unequal: The American Stratification System* (Russell Sage, 2008).

<sup>56</sup> Sabrina Tavernise, “Soaring Poverty Casts Spotlight on ‘Lost Decade,’” *New York Times*, September 13, 2011 (available at [http://www.nytimes.com/2011/09/14/us/14census.html?\\_r=2&scp=1&sq=poverty%20levels&st=cse](http://www.nytimes.com/2011/09/14/us/14census.html?_r=2&scp=1&sq=poverty%20levels&st=cse)).

<sup>57</sup> *Id.*

Nicholas Kristof of the *New York Times* reports, “the 400 wealthiest Americans have a greater combined net worth than the bottom 150 million Americans;” “The top 1 percent of Americans possess more wealth than the entire bottom 90 percent;” and “in the Bush expansion from 2002 to 2007, 65 percent of economic gains went to the richest 1 percent.”<sup>58</sup> These are real effects shaped, in part, by the dominant belief in free markets, privatization, and “deregulation.”

This, I take it, would be one precise articulation of a possible claim of illusion or fantasy. Naturally, it raises a number of questions along the different dimensions and valences of the terms that we might use—delusion, illusion, fantasy, or phantasm, or ideology. Are the categories of free and regulated markets the product of a wish-fulfillment? Do they satisfy desires? Are they productive in either positive or negative ways? Are we fooling ourselves when we believe them? Are we responsible for these beliefs, at fault for continuing to believe? Are there others who are projecting these images for us to consume? Are there people running a phantasmagoria? These are some of the questions that I imagine would be posed by the different vocabulary. Let me address a few of them.

To begin with, does the belief in the free market satisfy anyone’s desires or fulfill a wish? As a factual matter, I believe, it could be shown that the wealthier in our society have indeed benefited during the recent period of renewed faith in free markets since the 1970s. The truth is, the complex regulatory mechanisms necessary for a colossal late-modern economy like ours *inevitably* distribute wealth in large and small ways. Tax incentives for domestic oil production and lower capital gains rates are obvious illustrations. But there are all kinds of more minute rules and regulations surrounding our wheat pits, stock markets, and economic exchanges that have significant wealth effects: limits on retail buyers flipping shares after an IPO, rulings

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<sup>58</sup> Nicholas Kristof, “America’s ‘Primal Scream,’” *New York Times*, October 15, 2011.

allowing exchanges to cut communication to non-member dealers, fixed prices in extended after-hour trading, even the advent of options markets.<sup>59</sup> The mere existence of a privately chartered organization like the Chicago Board of Trade, which required the state of Illinois to criminalize and forcibly shut down competing bucket shops, has large distributional wealth effects on farmers and consumers—and, of course, bankers, brokers, and dealers.<sup>60</sup> The growing economic inequality in this country during a period that can only be fairly described as “neoliberal” suggests that the belief in the free market may well have served the economic interests of the political and social elite, who shape state regulation. It has certainly not served the economic interests of the middle- and lower-class (most members of the Tea Party and the Occupy movement, for instance). This has been productive for many, clearly, but not for others. For the former, it has been somewhat better perhaps than wish-fulfillment. For the latter, it may satisfy a desire without necessarily realizing it.

What exactly is that desire? For the mass of Americans who do not benefit materially from these beliefs—and I am thinking here, naturally, of the vast majority of Tea Party members who do not form part of the top wage-earners in this country—what desires are being met? The fact is, the vast majority of Tea Party members seem to embrace the free market. It is something that largely defines the movement. The Tea Party Patriots, an umbrella organization of more than two thousand local Tea Party groups that best reflects the grassroots origins of the movement, has taken as its motto “Limited government, fiscal responsibility, and free market.”<sup>61</sup> These are a constant refrain throughout the larger social movement—and one that is, arguably, revealing. Dick Armeey states in *Give Us Liberty*, for instance, that “The most powerful, proven instrument

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<sup>59</sup> Harcourt, *The Illusion of Free Markets*

<sup>60</sup> *Id.*

<sup>61</sup> Zernike, at p. 143.

of material and social progress is the free market. The market economy, driven by the accumulated expressions of individual economic choices, is the only economic system that preserves and enhances individual liberty.”<sup>62</sup> Sarah Palin echoes these sentiments in *Going Rogue*: “No one person is smart enough to control and predict markets. The free market is just that: free to rise or fall, shrink, or expand, based on conditions that are often outside human control.”<sup>63</sup> Palin adds: “Government interference in market cycles is just as dangerous as government-directed programs that encourage permanent dependency. In both cases, the rewards for responsible behavior and the penalties for irresponsible behavior are removed by the state.”<sup>64</sup> Or, more succinctly, Palin declares, “America was built on free-market capitalism, and it’s still the best system in the world.”<sup>65</sup> Similarly, Glenn Beck declares in his *Common Sense*: “You cannot take away freedom to protect it, you cannot destroy the free market to save it, and you cannot uphold freedom of speech by silencing those with whom you disagree. To take rights away to defend them or to spend your way out of debt defies common sense.”<sup>66</sup>

What these passages reveal is the intimate connection between the belief in the free market and the wish for freedom and individual liberty. Also, the connection with being an American and patriot, and, as such, somewhat superior to others of other nationalities and cultures. In this sense, it may well have a dimension of the illusion, in a Freudian sense, insofar as it satisfies particular desires. This is, at least, consistent with what Kate Zernike has found. Zernike writes: “To its activists, the Tea Party movement quickly became something more than a

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<sup>62</sup> Matt Kibbe and Dick Arme, *Give Us Liberty*, pg 156 (quoting and endorsing the “Contract from America”).

<sup>63</sup> Sarah Palin, *Going Rogue: An American Life*, p. 390.

<sup>64</sup> Sarah Palin, *Going Rogue: An American Life*, p. 390.

<sup>65</sup> *Id.* at p. 360.

<sup>66</sup> Glenn Beck and Joe Kerry. *Glenn Beck's Common Sense: The Case Against an Out-of-Control Government, Inspired by Thomas Paine*. Threshold Editions, 2009. p. 17.

protest. It was more like a religion. It had given them a community, and it had given them a cause, which they embraced like a crusade.”<sup>67</sup> Zernike continues: “The language and the symbols of the movement helped encourage that sense of mission, the feeling that they were the true patriots. But for many people, there was enough appeal in simply having that community, a place to get out their frustrations. Outsiders who underestimate the movement failed to appreciate how much it had come to mean to those involved.”<sup>68</sup> It is also consistent with many of the writers on whom Tea Party members draw inspiration, such as Ayn Rand, Friedrich Hayek and Milton Friedman, William F. Buckley and the French philosopher, Frederic Bastiat.<sup>69</sup> Glenn Beck has, as we all know, sent sales of *The Road to Serfdom* skyrocketing.<sup>70</sup>

The belief in free markets, moreover, is not merely delusional in the sense that it’s not *just* self-deception. There are proponents of the idea of free markets who have aggressively promoted the theories, including thinkers such as Hayek and Friedman, and politicians such as President Ronald Reagan and Prime Minister Margaret Thatcher. But, as I’ve argued elsewhere, I do think it is also important to explore the subjective dimension of these beliefs.<sup>71</sup> It is a bit too easy to always be pointing fingers at neoconservative thinkers and to absolve ourselves. In fact, a large part of the critical intervention in *The Illusion of Free Markets* is precisely to explore our own involvement in the widely shared belief—shared, as we have seen, by a vast majority of the American people—in the incompetence of government regulation. It is important to explore how

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<sup>67</sup> Zernike, at p. 124.

<sup>68</sup> Zernike, at p. 124.

<sup>69</sup> See, for example, Noah Kristula- Green, “Tea Party Embraces Ayn Rand,” July 31st, 2010, <http://www.frumforum.com/conservatives-make-room-for-ayn-rand/>; McBride, at p. 3; Dick Armey on Friedman at p. 69; Zernike at p. 128.

<sup>70</sup> See <http://blogs.wsj.com/economics/2010/06/17/the-glenn-beck-effect-hayek-has-a-hit/>

<sup>71</sup> Harcourt, ‘Radical Thought from Marx, Nietzsche, and Freud, through Foucault, to the Present: Comments on Steven Lukes’s ‘In Defense of False Consciousness,’” *University of Chicago Legal Forum*, \_\_: \_\_-\_\_ (2011).

come, exactly, the idea has flourished since the 18th century; why there has been such little resistance; and what other interests or fantasies it has served in the process. What has made it so irresistible to so many people?

And here, I suspect, part of the answer must lie in the seduction of freedom. The appeal of liberty is indeed a powerful motivator—especially when it is tied, as it has been since the Physiocrats, to the notion of orderliness. Hayek himself recognized this well.<sup>72</sup> The idea of natural order is so seductive. As David Harvey suggests, “Concepts of dignity and individual freedom are powerful and appealing in their own right. Such ideals empowered the dissident movements in eastern Europe and the Soviet Union before the end of the Cold War as well as the students in Tiananmen Square.”<sup>73</sup> They are precisely what made the Physiocrats sound so revolutionary in their day. It is what gave them so much momentum and made them influential. And it is what propelled their rationality into the twenty-first century.

## Conclusion

Renata Salecl provocatively writes, in *Choice*, that, “Following Walter Benjamin’s prediction that capitalism would function as a new form of religion, some today argue that the market has become God: until the recent financial crisis anyone opposed to the dogma of the free market economy was labeled a heretic.”<sup>74</sup> It is amusing to discover, in light of this, that a recent survey of religious attitudes revealed that an unexpectedly large percentage of Americans associate the free market with god.

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<sup>72</sup> Hayek, *The Road to Serfdom*, at p. 124.

<sup>73</sup> Harvey 2005, p. 5.

<sup>74</sup> Salecl, *Choice*, at p. 67.

According to the most recent Baylor Religion Survey of 1,714 American adults, conducted by Gallup Poll in the Fall of 2010 under the auspices of Baylor University, the National Science Foundation, and the John Templeton Foundation, about 20% of Americans “combine a view of God as actively engaged in daily workings of the world with an economic conservative view that opposes government regulation and champions the free market as a matter of faith.”<sup>75</sup> As sociologist Paul Froese, co-author of the survey, suggests, “They say the invisible hand of the free market is really God at work.”<sup>76</sup> “They think the economy works because God wants it to work. It's a new religious economic idealism,” Froese explains. “When Rick Perry or Michele Bachmann say ‘God blesses us, God watches us, God helps us,’ religious conservatives get the shorthand. They see ‘government’ as a profane object — a word that is used to signal working against God’s plan for the United States. To argue against this is to argue with their religion.”<sup>77</sup>

The concepts of fantasy, illusion, and phantasmagoria were, from the start, closely associated with the religious sphere. Recall that Marx drew on religion as the best analogy for the mystification of commodity fetishism, and Freud explored the future of religion as illusion. It is amusing to think that reality now mimics theory. In the end, the religious dimension remains extremely enlightening because it underscores the extent to which beliefs that are non-evidentiary become so true and sticky.

What bothered Foucault most in the term illusion, in his later work, was that it connoted (to him at least) that the beliefs could be easily dismissed as false or did not have “real” effects.

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<sup>75</sup> Cathy Lynn Grossman, “Baylor Religion Survey reveals many see God steering economy,” USA TODAY, 9/20/2011 (available at <http://www.usatoday.com/money/economy/story/2011-09-20/god-economy/50470304/1>); “Deus ex machina: Faith in the free market,” *The Economist*, September 20 2011 (available at <http://www.economist.com/blogs/freeexchange/2011/09/deus-ex-machina>).

<sup>76</sup> Grossman 2011, quoting Froese.

<sup>77</sup> Grossman 2001, quoting Froese.

There is something to that, on some interpretations of the term illusion. Freud, for instance, imagined that psychoanalysis could dispel illusions. He wrote, regarding the illusion that children are without sexuality, that the belief could be “destroyed by psycho-analysis.”<sup>78</sup> Some might argue, of course, that the full psychoanalytic method is extremely demanding. I have no doubt that is true. But Foucault’s point, ultimately, rings true as well. In the end, it is important to recognize how these imaginaries—how the regimes of truth, illusions, fantasies—*have* truthful effects. That they have *real* effects. Real effects of truth. And it is these effects that matter most.

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<sup>78</sup> Freud, *The Future of an Illusion*, at p. 31.



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