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

*Bernard E. Harcourt\**

## INTRODUCTION

In an opening passage of *The Birth of the Clinic*, Michel Foucault describes a treatment and cure for hysteria—what was called at the time “*vapeurs*” or “the neurosis of distinguished ladies.”<sup>1</sup> It was an eccentric cure that Dr. 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>2</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>3</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>4</sup> The word Foucault uses, in the original, is “*fantasmes*,”<sup>5</sup> the form of the common genus that privi-

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<sup>1</sup> See MICHEL FOUCAULT, *THE BIRTH OF THE CLINIC: AN ARCHAEOLOGY OF MEDICAL PERCEPTION* ix (A.M. Sheridan Smith trans., Vintage Books 1994) (1973); see also HENRI F. ELLENBERGER, *THE DISCOVERY OF THE UNCONSCIOUS: THE HISTORY AND EVOLUTION OF DYNAMIC PSYCHIATRY 187* (1970) (discussing Pierre Pomme’s analysis of hysteria in his treatise, *Traité des affections vaporeuses des deux sexes : où l’on a tâché de joindre à une théorie solide une pratique sûre, fondée sur des observations*).

<sup>2</sup> FOUCAULT, *supra* note 1, at ix (quoting Pomme) (internal quotation marks omitted).

<sup>3</sup> *Id.*

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

<sup>5</sup> MICHEL FOUCAULT, *NAISSANCE DE LA CLINIQUE. UNE ARCHÉOLOGIE DU REGARD MÉDICAL* vi (1963) (Fr.).

leges sight. The term carries a visual, hallucinatory element.<sup>6</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>7</sup> Foucault eventually would come to regret the emphasis on the visual or perceptive element, on the “gaze,” on the idea of “medical perception,” especially six years later in *The Archaeology of Knowledge*.<sup>8</sup> But the earlier use of the term was never meant to be 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 intimate.<sup>9</sup> It is fantasy to us because Pomme “spoke of objects, employed methods and placed himself within a theoretical perspective totally alien” to us.<sup>10</sup> As Foucault explained a year later in his inaugural lecture at the Collège de France, “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>11</sup>

Earlier in the century, in 1927, Sigmund Freud published *The Future of an Illusion*, using the term “illusion” to capture the notion of a *desired* set of beliefs.<sup>12</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>13</sup> The German term Freud used was “*einer Illusion*,”<sup>14</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>15</sup> Religious belief, which Freud defined as “teachings and assertions about facts and conditions of external (or internal) reality which tell one something one has not discovered for oneself and which lay claim to one’s belief,”<sup>16</sup> are illusions; but as illusions, they are not the same thing as errors, nor are they necessarily erroneous. “Illusions need

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<sup>6</sup> See CENTRE NATIONAL DE RESSOURCES TEXTUELLES ET LEXICALES, <http://www.cnrtl.fr/definition/phantasme> (last visited Apr. 10, 2012) (Fr.) (defining “*phantasme*”).

<sup>7</sup> See MAURICE MERLEAU-PONTY, PHÉNOMÉNOLOGIE DE LA PERCEPTION 344 (1945) (Fr.) (“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>8</sup> See MICHEL FOUCAULT, THE ARCHAEOLOGY OF KNOWLEDGE & THE DISCOURSE ON LANGUAGE 54 n.1 (Tavistock Publ’ns Ltd. 1972) (“In this respect, the term ‘*regard médical*’ used in my *Naissance de la clinique* was not a very happy one.”).

<sup>9</sup> Cf. *id.* at 224 (discussing Mendel).

<sup>10</sup> Cf. *id.* (discussing Mendel).

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

<sup>12</sup> See SIGMUND FREUD, THE FUTURE OF AN ILLUSION (James Strachey trans., 1961).

<sup>13</sup> *Id.* at 30.

<sup>14</sup> *Id.*

<sup>15</sup> *Id.*

<sup>16</sup> *Id.* at 25.

not necessarily be false—that is to say, unrealizable or in contradiction to reality.”<sup>17</sup> Similarly, they are also not the same as delusions, whose essential character is to be “in contradiction with reality.”<sup>18</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>19</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>20</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 take flight into the misty realm of religion,” Marx claimed. “There the products of the human brain appear as autonomous figures endowed with a life of their own, which enter into relations both with each other and with the human race.”<sup>21</sup> The same is true with things *qua* commodities, Marx explained: “It is nothing but the definite social relation between men themselves which assumes here, for them, the [phantasmagoric]<sup>22</sup> form of a relation between things.”<sup>23</sup> The idea, here too, 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 impression made by a thing on the optic nerve is perceived not as a subjective excitation of that nerve but as the objective form of a thing outside the eye. In the act of seeing, of course, light is really transmitted from one thing, the external object, to another thing, the eye. It is a physical relation between physical things. As against this, the commodity-form, and the value-relation of the products of labour within which it appears, have absolutely no connection with the physical nature of the commodity and the material [*dinglich*] relations arising out of this.<sup>24</sup>

Marx’s discussion of commodity fetishism is steeped in visual allegories—in sight and optics. The phantasmal dimension of Marx was

<sup>17</sup> *Id.* at 31.

<sup>18</sup> *Id.*

<sup>19</sup> *Id.*

<sup>20</sup> 1 KARL MARX, CAPITAL: A CRITIQUE OF POLITICAL ECONOMY 165 (Ben Fowkes trans., Vintage Books 1977).

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

<sup>22</sup> Though it is translated as “fantastic” in this and most other English translations, it should read “phantasmagoric” as in the original German where it is “*die phantasmagorische Form*.” See generally CAROLINE EVANS, FASHION AT THE EDGE: SPECTACLE, MODERNITY, AND DEATHLINESS 89 n.4 (2007); DAVID KAZANJIAN, THE COLONIZING TRICK: NATIONAL CULTURE AND IMPERIAL CITIZENSHIP IN EARLY AMERICA 228 n.52 (2003).

<sup>23</sup> MARX, *supra* note 20, at 165.

<sup>24</sup> *Id.*

pronounced.<sup>25</sup>

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 their texts resist, even though the subsequent history of usage would vary. Psychoanalysis, as we all know, would embrace the notion of fantasies,<sup>26</sup> while Foucault would eventually reject, vehemently, the concept of illusions,<sup>27</sup> and the Frankfurt School would turn, as we know well, to *Ideologiekritik*.<sup>28</sup>

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>29</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 kin term—reflect different dimensions of that imagination? And how can we make progress, if necessary, if possible, 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 desire for freedom, our myth of the free market. Second, to move forward in articulating a more productive formulation in furtherance of a critical enterprise.

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<sup>25</sup> Marx also deployed the notion of illusion; the monetary system, for instance, Marx described explicitly as “the illusions of the Monetary System.” *Id.* at 176; see also JACQUES DERRIDA, *What is Ideology?* in SPECTERS OF MARX: THE STATE OF THE DEBT, THE WORK OF MOURNING & THE NEW INTERNATIONAL (Peggy Kamuf trans., 1994).

<sup>26</sup> This is especially apparent in Slavoj Žižek's reading of Lacan. See SLAVOJ ŽIŽEK, *THE PLAGUE OF FANTASIES* (1997); see also SLAVOJ ŽIŽEK, *From Che vuoi? to Fantasy: Lacan with Eyes Wide Shut*, in HOW TO READ LACAN 40 (2007).

<sup>27</sup> See *infra* p. 107.

<sup>28</sup> See RAYMOND GEUSS, *THE IDEA OF A CRITICAL THEORY: HABERMAS & THE FRANKFURT SCHOOL* 39–41 (1981) (contrasting ideology, illusion and delusion). See generally *id.* at 26–44.

<sup>29</sup> Jean Comaroff & John L. Comaroff, *Millennial Capitalism: First Thoughts on a Second Coming*, 12 PUB. CULTURE 291, 333 (2000).

## I. IMAGINING THE FREE MARKET: FANTASIES AND ILLUSIONS

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>30</sup> This imaginary social order, Salecl suggests, mediates our anxiety with choice—choice that has become a central, identifying notion of late-modernity. Through various mechanisms, we find ways of binding ourselves precisely in order to limit choice. Salecl writes: “[M]y 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>31</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>32</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 seems to be precisely 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>33</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. 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, which 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>34</sup>

It is never clear, of course, whether fantasies benefit or harm us.

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<sup>30</sup> See RENATA SALECL, *CHOICE* 59 (2010).

<sup>31</sup> *Id.* at 145.

<sup>32</sup> *Id.* at 67.

<sup>33</sup> *Id.* at 59.

<sup>34</sup> FREUD, *supra* note 12, at 30–31.

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 is less playful or libidinal, at least today. It is more closely related to the delusion, a term that underscores, first, clear departure from reality, but second and more importantly, the idea of unflattering self-deception. The person who believes, in the case of a delusion, is deceiving herself often in a grandiose manner. She bears responsibility. She is somehow the creator; she gave birth to that deception. Both the illusion and delusion have a strong element of the phantasm, which 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.

Some of this is reflected in Raymond Geuss's discussion of Freud's distinction between error (*"Irrtum"*), illusion (*"Illusion"*), and delusion (*"Wahnidee"*) in *The Future of an Illusion*. On Geuss's reading, the Freudian error consists in no more than "a normal, everyday, false factual belief, e.g. the belief that Sigmund Freud was born in Vienna."<sup>35</sup> By contrast, the Freudian delusion is, according to Geuss, "a false belief an agent holds *because* holding this belief satisfies some wish the agent has";<sup>36</sup> the example here is of "a man who falsely believes that he is Charlemagne because this belief satisfies his wish to be an important historical personage."<sup>37</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>38</sup> Here is Geuss's rendition of the example of the middle-class girl who believes—or, rather, 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>39</sup>

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<sup>35</sup> GEUSS, *supra* note 28, at 39. He was born in Freiberg, in Mähren, Moravia, in the former Austrian Empire; incidentally, his birth name was Sigismund Schloomo Freud.

<sup>36</sup> *Id.*

<sup>37</sup> *Id.* at 39. 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. *See, e.g., id.* at 19–20, 60.

<sup>38</sup> *Id.* at 39.

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

The difficulty in all this, of course, is that the signifier shifts along with the signified. As Geuss elegantly notes, even Freud's treatment "is not as clear and unambiguous as one might wish."<sup>40</sup> The terms are defined differently in different contexts, and the theorists themselves shift course 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*, in fact, Foucault would use 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>41</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* prison.<sup>42</sup>

However, a few years later, Foucault would reject the term "illusion"—as well as, for that matter, the word "error" (and, of course, "ideology"<sup>43</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 exist beforehand and continues not to exist.<sup>44</sup> Foucault's project, he himself would emphasize, did *not* seek 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>45</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

<sup>40</sup> See *id.* at 39.

<sup>41</sup> MICHEL FOUCAULT, *PSYCHIATRIC POWER: LECTURES AT THE COLLEGE DE FRANCE, 1973–1974*, at 58 (Jacques Lagrange ed., Graham Burchell trans., 2003) (emphasis added).

<sup>42</sup> See, e.g., *id.* at 77; MICHEL FOUCAULT, *DISCIPLINE AND PUNISH: THE BIRTH OF THE PRISON 200–02* (Alan Sheridan trans., 2d ed. 1995) (1977).

<sup>43</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's* In Defense of "False Consciousness," 2011 U. CHI. LEGAL F. 29 (2011); and Foucault's discussion of ideology in FOUCAULT, *supra* note 8, at 184.

<sup>44</sup> See MICHEL FOUCAULT, *NAISSANCE DE LA BIOPOLITIQUE: COURS AU COLLEGE DE FRANCE 1978–1979*, at 21–22 (2004) (Fr.).

<sup>45</sup> *Id.* at 21.

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>46</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>47</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 has 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

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>48</sup> The opinion polls offer ample support. For instance, in a *Financial Times*/Harris Poll opinion poll conducted in September 2007, forty-nine percent of respondents in the United States answered affirmatively—in contrast to seventeen percent 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>49</sup> In a twenty-nation poll conducted by the Program on International Policy Attitudes (PIPA) at the University of

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<sup>46</sup> *Id.* at 22.

<sup>47</sup> *Id.* Foucault would develop these themes as well in his lecture, Michel Foucault, *Qu’est-ce que la critique?* [Critique et *Aufklärung*], *Société française de philosophie* (May 27, 1978), in *BULLETIN DE LA SOCIÉTÉ FRANÇAISE DE PHILOSOPHIE*, t. LXXXIV, 1990, p. 35–63, translated in MICHEL FOUCAULT, *THE POLITICS OF TRUTH* 41–82 (Sylvère Lotringer ed., 2007).

<sup>48</sup> David Leonhardt, *A Free-Market-Loving, Big-Spending, Fiscally Conservative Wealth Redistributionist*, *N.Y. TIMES*, Aug. 24, 2008, at MM30.

<sup>49</sup> See Press Release, Harris Interactive, *Six Nation Survey Finds Little Enthusiasm for Free Market Capitalism in Western Europe or the United States* (Sept. 27, 2007), available at <http://www.harrisinteractive.com/vault/Harris-Interactive-Poll-Research-FT-economics-2007-09.pdf>.

Maryland, researchers found that an average seventy-one percent of respondents in the United States agree with the statement that “[t]he free enterprise system and free market economy is the best system on which to base the future of the world”; only twenty-four percent of respondents disagreed with that statement.<sup>50</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.”<sup>51</sup> In another poll conducted in January 2010, Gallup found that fifty-seven percent of Americans were “worried that there will be too much government regulation of business,” with only thirty-seven percent of Americans worrying that there will not be enough.<sup>52</sup> On a related question, Gallup discovered that “[h]alf 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>53</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 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 a shared belief that some forms of economic organization involve more, and others less, government regulation. To most people, this is simply assumed; but it is nevertheless important to spell it out here because, in truth, it represents a complex production of truth, firmly held, and deeply entrenched, with a long history going back at least to the Physiocrats, Adam Smith, and eighteenth century debates over public economy. The contemporary idea of the efficiency of competitive markets traces back to the introduction of the idea of natural order into economic thought in the writings of

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<sup>50</sup> See Program on International Policy Attitudes, 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) (last visited Apr. 10, 2012).

<sup>51</sup> See Frank Newport, *Americans Leery of Too Much Gov't Regulation of Business: Republicans in Particular Are Worried About Too Much Government Regulation*, GALLUP.COM (Feb. 2, 2010), <http://www.gallup.com/poll/125468/Americans-Leery-Govt-Regulation-Business.aspx>.

<sup>52</sup> *Id.*

<sup>53</sup> *Id.*

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 visualizations of a space of economic exchange that could thrive best without governmental interference.<sup>54</sup>

Third—and here 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 as a free market: 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>55</sup> The state is always present in market organization and its level of involvement does not change much. 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 market transactions 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.

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 of wealth by claiming they were simply “deregulating” the economy, when all along

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<sup>54</sup> See BERNARD E. HARCOURT, *THE ILLUSION OF FREE MARKETS: PUNISHMENT AND THE MYTH OF NATURAL ORDER* 86–87 (2011).

<sup>55</sup> *Id.* at 176–90.

they were actually *re-regulating* for the benefit of their largest campaign donors.

Re-regulation 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>56</sup> Recent reports from the Census Bureau confirm this, with new evidence emerging 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>57</sup> Today, twenty-seven percent of African-Americans and twenty-six percent of Hispanics in this country—more than one in four—live in poverty.<sup>58</sup> One in nine African-American men between the ages of twenty and thirty-four are incarcerated. Not to put too fine a point on it: today, as Nicholas Kristof of the *New York Times* reports, “the 400 wealthiest Americans have a greater combined net worth than the bottom 150 million Americans”; “[t]he 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>59</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 valence of the terms that we might use—delusion, illusion, fantasy, phantasm, ideology. Are the categories of free and regulated markets the product of 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, or 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. I will address a few of them now.

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 that

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<sup>56</sup> See DOUGLAS S. MASSEY, *CATEGORICALLY UNEQUAL: THE AMERICAN STRATIFICATION SYSTEM* (2007).

<sup>57</sup> Sabrina Tavernise, *Poverty Rate Soars to Highest Level Since 1993*, N.Y. TIMES, Sept. 14, 2011, at A1.

<sup>58</sup> *Id.*

<sup>59</sup> Nicholas Kristof, *America’s “Primal Scream,”* N.Y. TIMES, Oct. 16, 2011, at SR11.

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 the ability of retail buyers to flip shares after an IPO; rulings allowing exchanges to cut communication to non-member dealers; fixed prices in extended, after-hour trading; even the advent of options markets.<sup>60</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>61</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? There is no doubt that the vast majority of Tea Party members embrace the idea of 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 reflect the grassroots origins of the movement, has taken as its motto: “Limited government, fiscal responsibility, and free markets.”<sup>62</sup> This is a constant refrain throughout the larger social movement. Dick Armeý states in *Give Us Liberty*, for instance, that “[t]he most powerful, proven instrument 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>63</sup> Sarah Palin echoes these sentiments in her book *Going Rogue*: “No one

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<sup>60</sup> See HARCOURT, *supra* note 54, at 176–90.

<sup>61</sup> See generally *id.*

<sup>62</sup> KATE ZERNIKE, BOILING MAD: INSIDE TEA PARTY AMERICA 143 (2010).

<sup>63</sup> DICK ARMEY & MATT KIBBE, GIVE US LIBERTY: A TEA PARTY MANIFESTO 156 (2010) (quoting and endorsing the “Contract with America”).

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>64</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>65</sup> Or, more succinctly, Palin declares, “America was built on free-market capitalism, and it is still the best system in the world.”<sup>66</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>67</sup>

What these passages reveal is the intimate connection between the belief in the free market and the wish for freedom and individual liberty. What is also revealed is the connection between being American, being a patriot, and certain feelings of superiority to those of other nationalities and cultures. In this sense, the belief in the free market 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 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>68</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>69</sup>

It is also consistent with many of the writers from whom Tea Party members draw inspiration, such as Ayn Rand, Friedrich Hayek, Milton Friedman, William F. Buckley, and the French philosopher Frederic Bastiat.<sup>70</sup> Glenn Beck has, as we all know, sent sales of Hayek’s *The Road*

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<sup>64</sup> SARAH PALIN, *GOING ROGUE: AN AMERICAN LIFE* 389–90 (2009).

<sup>65</sup> *Id.* at 390.

<sup>66</sup> *Id.* at 360.

<sup>67</sup> GLENN BECK, *GLENN BECK’S COMMON SENSE: THE CASE AGAINST AN OUT-OF-CONTROL GOVERNMENT, INSPIRED BY THOMAS PAINE*, 17 (2009).

<sup>68</sup> ZERNIKE, *supra* note 62, at 124.

<sup>69</sup> *Id.*

<sup>70</sup> See, e.g., ARMEY & KIBBE, *supra* note 63, at 69 (discussing Milton Friedman); ZERNIKE, *supra* note 62, at 128; Noah Kristula-Green, *Tea Party Embraces Ayn Rand*, FRUMFORUM.COM (July 31, 2010, 1:27 AM), <http://www.frumforum.com/conservatives-make-room-for-ayn-rand/>; Keally McBride, *Tea Party Rules: Rousseau’s American Tour 2011*, at 2, 14 (unpublished manu-

to *Serfdom* skyrocketing.<sup>71</sup>

The belief in free markets, moreover, is not simply delusional. It is not just *self*-deception. There are people who have aggressively promoted these theories, including thinkers such as Hayek and Friedman, and politicians such as President Ronald Reagan and Prime Minister Margaret Thatcher. But, as I have argued elsewhere, I think it is also important to explore the subjective dimension of these beliefs.<sup>72</sup> It is a bit too easy to always point fingers at neoconservative thinkers and absolve ourselves of any responsibility.<sup>73</sup> 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 in the incompetence of government in the economic realm—shared, as we have seen, by a vast majority of the American people. It is important to explore how that idea has flourished since the eighteenth century; why there has been so 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>74</sup> The idea of natural order is so seductive. As David Harvey suggests, “[c]oncepts 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>75</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 so influential. And it is what propelled their beliefs into the twenty-first century.

## CONCLUSION

Renata Salecl provocatively writes in *Choice* that “[f]ollowing 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

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script) (on file with author).

<sup>71</sup> See Justin Lahart, *The Glenn Beck Effect: Hayek Has a Hit*, WALL ST. J. (June 17, 2010, 6:00 AM), <http://blogs.wsj.com/economics/2010/06/17/the-glenn-beck-effect-hayek-has-a-hit/>.

<sup>72</sup> Harcourt, *supra* note 43, at 46–48.

<sup>73</sup> *Id.* at 48.

<sup>74</sup> See F.A. HAYEK, *THE ROAD TO SERFDOM* 124–33 (2007) (1944).

<sup>75</sup> DAVID HARVEY, *A BRIEF HISTORY OF NEOLIBERALISM* 5 (2005).

economy was labeled a heretic.”<sup>76</sup> It is amusing to discover, in light of this, that a recent survey of religious attitudes reveals that an unexpectedly large percentage of Americans associate the free market with god.

According to the most recent Baylor Religion Survey of 1,714 American adults, about twenty percent 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>77</sup> As sociologist Paul Froese, co-author of the survey, suggests, “[t]hey say the invisible hand of the free market is really God at work.”<sup>78</sup> “They think the economy works because God wants it to work. It’s a new religious economic idealism,” Froese explains:<sup>79</sup>

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>80</sup>

It is amusing to see how reality mimics theory. 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 commodities, and Freud explored the future of religion as a form of illusion. Still today, the religious dimension remains extremely enlightening, especially insofar as it reveals how beliefs that are non-evidentiary can become “truthful” and gain traction.

What bothered Foucault most with the term “illusion,” in his later work, was that it signaled (to him at least) that beliefs could be easily dismissed as false or did not have “real” effects.<sup>81</sup> 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>82</sup> Some might argue, of course, that the full psychoanalytic method is extremely demanding. I have no doubt that that is true. But Foucault’s point, ultimately, rings true as well. In the end, it is important to recognize how these imaginaries—how re-

<sup>76</sup> SALECL, *supra* note 30, at 67.

<sup>77</sup> Cathy Lynn Grossman, *Religion Colors Money Views; Survey Reveals Many See God Steering Economy, Government As Meddlers*, USA TODAY, Sept. 20, 2011, at 5B; *Deus ex machina: Faith in the Free Market*, ECONOMIST (Sept. 20, 2011, 8:23 PM), <http://www.economist.com/blogs/freexchange/2011/09/deus-ex-machina>.

<sup>78</sup> Grossman, *supra* note 77.

<sup>79</sup> *Id.*

<sup>80</sup> *Id.*

<sup>81</sup> FOUCAULT, *supra* note 44, at 21–22.

<sup>82</sup> FREUD, *supra* note 12, at 31.

gimes of truth, illusions, and fantasies—*have* truthful effects. It is important to emphasize that they have *real* effects—real effects of truth. And it is these effects that matter most.