

LHP: THE POWER OF MARKET FUNDAMENTALISM

RHP: FROM POVERTY TO PERVERSITY


From Poverty to Perversity

Ideational Embeddedness and Market Fundamentalism Over Two Centuries of Welfare Debate

Over the past thirty years, market fundamentalism has moved from the margins of debate to become the dominant policy perspective across the global economy (Bourdieu 1998; Campbell and Pedersen, eds. 2001; Fourcade-Gourinchas and Babb 2002; Stiglitz 2002). As we discussed in Chapter 1, the term was popularized by George Soros (1998; 2000) to capture the religious-like certitude of those who believe in a sacred imperative to organize all dimensions of social life according to market principles. Market fundamentalism is the contemporary form of what Polanyi (1944, 3)] identified six decades ago as economic liberalism's "stark utopia" and what we call free-market utopianism—the idea that a "market society" should be created by subordinating all aspects of social life to a system of self-regulating markets.

Social scientists have been surprised by the extraordinary revival of market fundamentalism, which was widely assumed to have died off in the Great Depression of the 1930s. They have had difficulty in explaining its phoenixlike revival. The normal tools of comparative analysis have provided relatively little leverage. Since market fundamentalism's influence depends on global networks, one cannot proceed with comparisons as though each national case is fully independent of the others. Moreover, since no nation could risk following market fundamentalist precepts to the letter, it is difficult even to produce a persuasive indicator of the relative influence of the doctrine in different societies.

Even among those who have chosen to engage this difficult terrain, the situation has been further complicated by explanatory disagreements. Some analysts attribute the return of market

fundamentalism entirely to structural changes such as the growing integration of global markets (Callinicos 2001; Friedman 1999). Polity-centered institutionalists have been skeptical about the doctrine's actual implementation, especially in societies that are characterized by "varieties of capitalism" that differ from the Anglo-American model (Pierson 1994; Hall and Soskice, eds. 2001; Huber and Stephens 2001; Yamamura and Streeck, eds. 2003). Others have traced market fundamentalism's influence to the enormous investments its supporters have made in propagating their ideas through think tanks, journals, and policy networks (George 1997; Himmelstein 1990; O'Connor 2001 ; Piven and Cloward 1997; Williams 1996).

As readers of this volume know well by now, we are sympathetic to this emphasis on ideas. Our focus, however, is on that which has been little addressed, namely the *causal mechanisms* that allow certain ideas to exert extraordinary political influence. Haunted by the specter of idealism, social scientists have been wary of attributing causal power to ideas. But if we are to be relevant in today's world, we must both recognize and explain how market fundamentalist ideas have so radically transformed our dominant knowledge culture.¹

We bring a new analytic strategy to this challenge. Using comparative historical methodology we compare two welfare revolutions. Our first case is the 1996 American "Personal Responsibility and Work Opportunities Reconciliation Act" (PRWORA). The PRWORA is an especially compelling case because a comparable overturning of an existing welfare regime by a market-driven one has occurred only one other time in Anglo-American history.² This was in 1834 when England's infamous Poor Law Amendment Act, or "The New Poor Law" (NPL) demolished the centuries-old welfare system of the Old Poor Law (OPL) and replaced it with a radically different system, as we discussed in Chapter 5. In comparing these two cases, our goal is not to explain the nuts and bolts of the Congressional legislative process. Rather, we aim to explain the change in the dominant policy ideas made possible by market fundamentalism's triumph over the previously established ones. The two cases have several striking similarities.

Each episode began at a moment of extraordinary national crisis and social turmoil that led to increased welfare benefits. There followed prolonged periods of political attacks against the existing welfare systems, culminating in sudden legislative breaks with each nation's long-established legacies of public social provision. Relief expenditures as a percentage of English GDP fell by almost 50% in the decade following reform; in the United States, the decline in the next decade was even sharper and more persistent despite two serious recessions that drove up unemployment levels. (Figures 6.1 and 6.2 trace changes in relief spending per capita.)

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What makes these cases so theoretically and methodologically compelling, however, is not simply the fact of their similarities. It is that they exhibit these similarities *despite* overwhelming differences along every *other* significant sociological parameter: England was a small, newly industrializing but still largely agrarian island, while the United States was a postindustrial colossus. England's political system was years away from any semblance of democratic rule while the United States was a liberal democratic polity with an ethos of equality. The eighteenth and early nineteenth century English "poor" were those who had to work to survive while the rich bore the moral sanction of being idle; in the United the roles were reversed. (See Tables 6.1 and 6.2 for a summary of the similarities and differences across the two cases.).³


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<A>Our Theoretical Approach

Our theoretical approach brings together economic sociology and the sociology of ideas. We decided to couple these fields after finding that both welfare revolutions were preceded by the triumph of market fundamentalism as a new ideational authority. Both cases represent instances of theory-driven legislation—examples of what Bourdieu (1998, 95) referred to as theories “making themselves true” by changing the social world to reflect their abstract theoretical models. It was the ideas of market fundamentalism, we believe, that were the causal mechanisms of revolutionary policy change. We advance this engagement by elaborating several key concepts that will have wider use. The most significant of these is *ideational embeddedness*—a concept derived from Polanyi’s insight that markets, even free markets, are always embedded in rules, theoretical assumptions, and institutional arrangements. It follows that even the most aggressive “free market” reforms do not disembed markets but simply re-embed them in different institutional arrangements (see Chapters 1, 2, and 3, and Somers 1993). To date, however, economic sociologists have too often confined their institutionalist imaginations to the standard legal, political, and organizational structures of embeddedness. Zukin and DiMaggio (1990) have enhanced the scope of vision to include “cognitive embeddedness.” We go a step further, expanding market embeddedness to include the ideas, public narratives, and explanatory systems by which states, societies, and political cultures construct, transform, explain, and normalize market processes. Like all the familiar mechanisms by which markets are shaped, regulated, and organized, they are always *ideationally embedded* by one or another competing knowledge regime.

Following this principle, we find that in the case of the PRWORA, low-wage labor markets were not disembedded (as is often thought); instead, the new legislation institutionalized a regime in which a new set of ideationally driven rules and regulations forced the poor to become more directly responsive to market signals (Peck 2001). The role of market fundamentalism in

this dramatic policy change demonstrates that ideas have an independent influence on political outcomes. The relative strength of that influence is an empirical question. But once we acknowledge that ideas do exercise this independent role, it becomes clear that many battles over social and economic policy should be redefined as conflicts not over *whether* markets should be embedded but rather *which* ideational regimes will do the embedding.

To theorize about these ideational conflicts in markets and welfare policy, we also call upon the services of Camic and Gross's (2001) proposal for a "new sociology of ideas"—a term they use for an innovative synthesis of recent work in the sociology of knowledge. Focusing on how intellectuals generate and diffuse ideas into the social environment, Camic and Gross reject the sociology of knowledge's traditional explanations of ideas as reflections of social conditions (Mannheim 1968 [1936]) . Instead, they see the work of intellectuals as potentially world-changing activity. A similar and compatible attention to ideas has emerged in political science, which builds on historical institutionalism to elaborate a new "ideational institutionalism" (Berman 1998; Blyth 2002; Campbell 1998; Hall 1989; Lieberman 2002; McNamara 1998; Rueschmeyer and Skocpol, eds. 1996).

We concur with the spirit of this new work: Ideas *matter*. But equally important is that *all ideas are not created equal*. Only some ideas can exercise the causal power to undermine, dislodge, and replace a previously dominant ideational regime. We propose the concept of "epistemic privilege" to describe ideas with this kind of comparative advantage. It is sometimes assumed that following the methods of modern science produces this kind of privilege, but there are obvious difficulties with this approach. For example, when Keynes published his *General Theory* (1964 [1936]), both he and his orthodox opponents insisted that their differing theoretical standpoints represented the most advanced fruits of economic science. Likewise, there are also cases where ideas rooted in religious revelation have triumphed over those rooted in the

scientific method. Yet another explanation is offered by Camic and Gross (2001); they suggest that epistemic privilege derives from a “fit” between an idea and its local circumstances.⁴

Our explanation is that epistemically privileged ideas come equipped with their own internal claims to veracity. A theory that has “the means of making itself true” (Bourdieu 1998:95) has an obvious advantage over a theory that lacks its own epistemological bootstraps. This has been evident not only for religious revelation, but for Marxism, Freudian theory, and market fundamentalism itself. They have all displayed astonishing immunity to the kinds of empirical challenges that should be evidentially disconfirming. To be sure, “fit” still matters; real people must decide to accept these truth claims. But even in the face of repeated empirical challenges, certain theories have been remarkably persuasive in very diverse localities and across very different historical periods, and we need to understand how they establish their veracity. What makes market fundamentalism stand out even in this rarefied crowd is that it is the only one that lays claims to being an empirical science. That makes its epistemological status even more privileged and its invincibility even more puzzling.

<A>The Perversity Thesis: The Wedge of a Regime Change

To explain such durability, we turn to the “perversity thesis.” We adopt this term from Albert Hirschman’s path-breaking finding that welfare critics since the French Revolution have used the same “rhetoric of perversity”—the assertion that policies intended to alleviate poverty create perverse incentives toward welfare dependency and exploitation, and thus inexorably exacerbate the very social ills that they were meant to cure (Hirschman 1991).⁵ The logic behind the rhetoric is impeccable—if assistance is actually hurting the poor by creating dependence, then denying it is not cruel but compassionate, as it restores their morally necessary autonomy. In our two historical episodes, the deployment of the perversity rhetoric worked brilliantly to delegitimize

longstanding welfare policies while empowering market fundamentalism to proclaim itself the solution to the crisis of welfare dependency.

By itself, however, the perversity rhetoric was insufficient to ensure its success; it required three external conditions. First, there had to be a severe crisis under the watch of the reigning welfare regime, which created opportunities for an ideational coup. Second, there had to ensue a battle of clashing ideas fought out in the public arena. Third, the once “extremist” market fundamentalist competitor had to gain a new mainstream legitimacy by establishing itself as the possible solution to the now teetering old regime. This is when the internal capacities of the perversity thesis came into play. To move into the mainstream, the ideational contender had to reframe the crisis by changing the very definition of reality. It did this by explaining this crisis as a product of the wrong-headed principles and practices of the existing regime, asserting that they violated the inviolable laws of nature. Moreover, the contender had to argue counterfactually that had *it* been the dominant ideational regime, the crisis could have been avoided. The challenging theory then had to be able to explain how and why intelligent and well-intended people could have been so deceived into believing the bad ideas of the old regime (Lakatos 1970, 91–196; MacIntyre 1980). Finally, the challenging ideas had to take the form of a more powerful public narrative that retold the story of the nation’s meaning, morality, and place in the flow of history (Glasman 1996; Lakoff 1996).

This is a high bar, one that only a set of ideas with enormous epistemic privilege could have successfully scaled. To understand how the perversity thesis exercised such power requires deepening Hirschman’s analysis of the rhetoric of perversity, which turns out to be only the tip of the proverbial iceberg. Below the surface, there is a three-dimensional epistemological infrastructure made up of *social naturalism*, *theoretical realism*, and a *conversion narrative*.

In the analysis that follows, we show how these three factors equipped the perversity thesis with the epistemological bootstraps needed to meet all of the above conditions and to be a causal

mechanism in both cases of ideational regime change from poverty to perversity. To change the public understanding of poverty from the fault of the economy to the fault of the poor required the authority of new “poverty knowledge” (O’Connor 2001).

<A>The Two Welfare Revolutions

England: The Crisis of the Old Regime

England was unique among countries in that it had a highly developed nationwide preindustrial welfare system (Harvey 1999; Solar 1995; Somers 1993, 1994). The 1597 and 1601 Poor Laws obligated each parish to provide relief to those in need due to sickness, old age, absence of parental support, or unemployment as long as they had legal “settlement” in the locality. The decentralized administrative apparatus left to local parishes the precise form of support, but the great bulk of outlays took the form of outdoor relief—cash or in-kind benefits to people in their own homes, as well as parish-provided employment called “setting the poor to work.”⁶ By the last decades of the eighteenth century, poor relief had become a standard necessity in the family budgets of “the greater part of the lower working class” (Lees 1998; Marshall 1926; Snell 1985; Wrightson 1980, 2000).

As discussed in Chapter 5, the year 1795 marked a major turning point in Poor Law history. War with revolutionary France, a disastrous harvest, and limitations on food imports caused a dramatic spike in the price of wheat, putting a subsistence diet out of reach for many ordinary working people. Scarcity “so acute and prolonged caused astonishment and dismay” (Poynter 1969, 45), and the poor responded with a wave of food riots (Thompson 1971; Brewer and Styles, eds. 1980; Tilly 1995). Panicked by the specter of revolutionary France, elites searched for policies of containment. The most famous of these was the Speenhamland “Act”⁷—an allowance system assuring subsistence to families of varying sizes (Blaug 1963; GT, ch.7). As

additional assistance reduced discontent, the Poor Laws were again pushed to the background of political debate during the first decade of the new century.

But by the end of the Napoleonic Wars in 1815, rural counties suffered severe economic downturns and high unemployment, parish rates soared, and Speenhamland came under renewed attack. Critics indicted it for having normalized the provision of assistance to able-bodied men and their families, for subjecting public assistance to a “recent unwise benevolence,” and for turning relief into an entitlement (Poynter 1969, 45). Even with such elite criticism and a series of Select investigative committees (1817, 1818, 1824), there was still no consensus for a shift in policy.

Not until the 1832 Reform Bill radically expanded the franchise did the middle class electorate become large enough to oppose the OPL’s “interferences” in the labor market. Initially, the new government appointed a Royal Commission to investigate problems with the Poor Law. The commissioners, determined to exploit the opportunity for reform, worked feverishly to produce a report that would legitimate a radical overhaul of the whole system. In a stinging assault on Speenhamland, the influential 1834 Royal Commission Report called for total abolition of outdoor relief for all the able bodied (Brundage 1978, 2002; Driver 1993; Poynter 1969). In the wake of the Report, Parliament passed the infamous 1834 Poor Law Amendment Act in a matter of months. Designed less to rehabilitate than to punish and shame, the mechanism of reform was the principle of “less eligibility”—the practice of making welfare so odious that it was less attractive (eligible) than even the most poverty-stricken life without it. Receiving poor relief became conditional on being incarcerated in a poorhouse, and with it came formal deprivation of political and legal rights under regimes of strict discipline and sexual celibacy—husbands and wives were separated, as were children and their parents (Digby 1978; Henriques 1979; Driver 1993).

As part of the movement in England toward administrative reform and centralization (Brewer 1989; Fischer and Lundgreen 1975; Fraser, ed. 1976), the OPL's porous organizational apparatus was also overhauled. The locus of control shifted from local parishes to a London-based Poor Law Commission that consolidated parishes into large unified districts controlled by state-appointed bureaucrats (Driver 1993; Henriques 1979). The new law encountered stiff resistance from both "monster" popular protests and parish authorities determined to maintain local control (Dunkley 1982; Rose 1970; Steinberg 1999). Within ten years, however, poor relief fell sharply (Figure 6.1); by 1845 only 21,700 able-bodied men still received outdoor relief (Williams 1981, 181).

The United States: The Crisis of the Great Society

The history of Federal welfare assistance in the United States begins with the 1935 Social Security Act's Aid to Dependent Children, later renamed Aid to Families with Dependent Children (AFDC). Previously, assistance to poor families had been based entirely on local discretion, but under the new law, state officials were supposed to provide assistance to poor children (O'Connor 2001; Piven and Cloward 1993 [1971]; Teles 1996 [?]). State and local officials, however, maintained considerable discretion even under the federal legislation; especially in the South, where assistance varied by race (Reese 2005).*

The War on Poverty and the large-scale migration of African Americans from the rural South doubled the number of AFDC families in the 1960s (Piven and Cloward 1993, source Table 1). As Supreme Court decisions between 1968 and 1970 made AFDC a legal entitlement (Davis 1993; Teles 1998, 107–16) and media coverage consistently put a dark face on images of poverty, welfare quickly became racialized and criticism increased from all sides. (The percentage of AFDC recipients who were African American rose from about 14% in 1936 to a peak of 46% in 1973, before falling to 36% in 1995 (Gilens 1999, 106; Quadagno 1994).

Conservatives became more vocal in attacking the misguided “entitlement” policies of the Kennedy-Johnson administrations. Political liberals said AFDC was ineffective in reducing poverty, preferring large-scale jobs programs or a guaranteed annual income. But when the protest movements of the 1960s receded, the impulse to replace AFDC lost steam, and reform efforts under both Nixon and Carter were defeated. Although Reaganites in the 1980s orchestrated a chorus of attacks on AFDC in terms very similar to those of the Speenhamland critics, they were not yet strong enough to overhaul the program. Instead, Reagan’s major initiative was to initiate “waivers” that allowed states to experiment with welfare reform (Teles 1998; Rogers-Dillon 2004). By the early 1990s, thanks to an expansive network of conservative think tanks (George 1997; Rich 2004), conservatives had so radically shifted the political and ideational culture to the right that Clinton campaigned on the promise to “end welfare as we know it.” When the Republicans catapulted to power in the 1994 mid-term elections, they held him to his promise. After two years of political pressure, Clinton finally signed the “Personal Responsibility and Work Opportunities Reconciliation Act”—a title that perfectly expressed the newly triumphant narrative of self-inflicted and character-driven poverty.

Restructuring administrative control was as important to conservatives as was the content of the bill. In contrast to the NPL, however, the PRWORA replaced the federally governed AFDC with a program that was funded through block grants to the states, named Temporary Aid to Needy Families or TANF (Weaver 2000).⁸ Inspired by a broader bipartisan movement toward “devolution” of government programs (Osborne and Gaebler 1993; Teles 1998), TANF block grants ended the legal recognition of public assistance as an entitlement, while still providing a complex system of rules on how states should allocate assistance.

In parallel form, both the PRWORA and the NPL dramatically ruptured entrenched welfare legacies in a matter of just a few decades. How could such dominant institutional environments have been so vulnerable? Our answer is that in both cases, the real battle was ideational. Before

any major institutional change was possible the hard work of ideational regime change was necessary. Once the hard battle of ideas was won, policy transformation occurred almost effortlessly. It was the ideational transformations from poverty to perversity that did the real work of defeating both old regimes.

England's Old Regime: Pragmatic Institutionalism and the Rational Control of Nature

Nineteenth-century Poor Law critics scapegoated Speenhamland for its unconscionable “break from the past” primarily because it offered aid to the indigent and “able bodied” alike. In fact, its principles were continuous with the two centuries of mercantilism that preceded it, just as its wage-price indexing and relief of poverty for both the sick and able bodied dated to the 1349–51 Statute of Labourers and the 1597 and 1601 Poor Laws (Minchinton 1972; Palmer 1993; Somers 1993, 1994, 1995). Indeed most of Speenhamland was continuous with the past. In contrast to modern social policy, Speenhamland and the old Poor Law alike did not make moral or practical distinctions among those in need, whether they were employed, unemployed, underemployed, or unemployable (Furniss 1920). Rather than representing a separate poverty policy, the Old Poor Laws made work, poverty, and economic displacement all matters for a broad “Code of Labor” (Marshall 1981; Somers 1993, 1994).

The source of these principles was the centuries-old definition of the “poor” as everyone other than the “idle” rich. They were poor precisely because they had no choice but to work. This conception of the poor was coupled with the first foundational precept of mercantilism—that “People are the Wealth of a Nation.” Hence, the purpose of poor relief was to maintain the nation’s source of national wealth (Appleby 1978; Furniss 1920; Wilson 1969). With economic growth contingent upon “the miraculous Power of Industry,” mercantilist writings overflowed with admonitions to protect by any means the working capacity of the laboring poor. The second

mercantilist tenet was the “populationist” belief that national wealth depended on an ever-increasing population of working people. Policies thus encouraged finding steady work for those without employment, attracting more foreign workers, and providing incentives to the poor to marry and have children without the nineteenth-century indictment of childbirth among the poor as an irresponsible tax burden (Appleby 1978).

Even with these strong tenets, mercantilist policy was surprisingly *problem-driven*—its policies were conceived as rational solutions to urgent public crises (Coleman 1969, 1980; Schmoller [1897] 1987; Wilson 1969). We describe this empirically driven ideational regime as “*institutional pragmatism*”—institutional because it understood labor markets and society as a whole to be rule-driven rather than “natural”; pragmatic because it was problem-driven rather than ideologically teleological. Mercantilism’s pragmatism was expressed through its decentralized structures of implementation (Wrightson 2000). National markets were still underdeveloped and prices regionally varied, making it simply practical for local authorities to have maximum discretion and flexibility in determining levels of assistance and necessary rates of taxation (Heckscher [1935] 1955; Webb and Webb 1927). Decentralized and discretionary policies made it possible for local authorities to assess the current state of need by relying on “signals” (from petitions to food riots) from the local population (Somers 1993; Thompson 1971; Walter and Wrightson 1976; Wrightson 2000:215).

Coupled with mercantilism’s pragmatism was its institutionalism—the belief that legal rules and political rationality are the foundation of society’s wellbeing. Thus scarcity was not a natural condition of society, but a product of deceptive social practices such as “hoarding” or trafficking in unregulated goods or wages, of failure to enforce existing rules, or refusal to enact effective new rules (Schmoller 1897; Walter and Wrightson 1976).⁹ With poverty defined as an inflicted product of rule-breaking or political intention, defending the poor “from the blame of their own poverty” was an “insistent theme” of political elites (Appleby 1978, 140–41, 150; Snell 1985).

Institutionalism made poverty not the fault of inevitable market gluts, scarcity, or natural disasters, but of the political failure to prevent their occurrences or to regulate their consequences. Institutional pragmatism reflected an imperturbable faith that ever-greater prosperity was possible with the exercise of political reason in the interest of the well-being, productivity, and increasing numbers of the laboring poor. Nature was a thing apart, driven by natural forces utterly incommensurable with political action and human reason.

Amartya Sen (1981) has argued that famines come not from shortages but from political maldistribution and designed restrictions of *entitlement* to food. From Sen's perspective, Speenhamland, mercantilism, and Old Poor Law measures taken to avoid famine by redistributing food to the poor and treating it as an entitlement reflected great foresight. By embedding labor markets within a thicket of public laws and institutional pragmatism, the nation's productive capacity became a matter of political rationality and rule making. Both employment and unemployment were too important to be left to their own "natural" state (Somers 1993, 1994).

<A>Population and Perversity: Nature vs. Reason

To change policy, ideas require an opportunity. In the last years of the eighteenth century, a crisis of seemingly intractable poverty and spiraling poor rates (taxes) brought to an end the once-uncontested legitimacy of mercantilist social policies. This presented an extraordinary opportunity to Thomas Robert Malthus. Malthus's *Essay on the Principle of Population* has justly been celebrated as one of the founding documents of demography. But it was the book's theoretical innovations in the political economy of labor markets, social naturalism, and the perversity thesis that arguably changed the course of history. For sociologists it may be difficult to ascribe so much importance to a single individual. In the case of Malthus, however, it would be difficult to *overstate* the extraordinary influence of his ideas. Widely circulated and rewritten

in serial editions (1798, 1803, 1806, 1807, 1817, 1826), the *Essay* attacks mercantilism's faith in the use of political reason to overcome nature's ills. It also ridicules the idea that politics is the practice of human rationality applied through positive law (see, e.g., Winch 1992, viii).

Rejecting such political rationalism, Malthus claimed to have found the true cause of the current crisis in the laws of nature, as well as in his novel law of population. In an unprecedented attack on the old regime, he blamed the perversity of the Poor Laws themselves for the escalation in taxation. By inducing the poor to propagate and multiply, Malthus claimed, the laws *caused the very poverty they were designed to cure* ([1803] 1992, 100). He attributes much of the blame to mercantilism's populationist fallacy; the Poor Laws were simply the legislative enactment of a wrongheaded idea about the benefits of population growth. That Malthus treated as *fact* what was but a mercantilist *idea* may be one of the great ironies of history. Without his unquestioning belief in the effectiveness of the very mercantilist policies he so loathed, the Malthusian law of population might never have been born. And absent this law, the perversity thesis's case for abolishing the Poor Laws might never have become the ideological engine for market fundamentalism's ultimate success.

Malthus begins his assault by turning the world upside down. "Man" cannot reason with nature because it is nature's utter indifference to reason that distinguishes it from humanity. The first law of nature thus seals the fate of those who would put their hopes in the mind's powers. Regardless of moral capacities, people are first and foremost biological beings motivated by the instinctive drives to eat and have sex. Reflecting the brutal struggle for survival endemic to nature and society alike, however, the two drives are at war with each other. Whereas the need to eat must be satisfied by what will always be a scarce food supply that increases only "arithmetically," the "resources" available to satisfy the sexual drive are limitless. Population thus increases "geometrically."

In this paradigm-changing move, Malthus “proved” that the laws of nature make scarcity a permanent condition of life. Against the rationalist belief that political intervention could alleviate social problems, he declared that scarcity combined with population growth make poverty, distress, and famine inexorable. To explain why the law of population did not wipe out humanity eons ago, Malthus introduces “positive population checks.”¹⁰ War, famine, pestilence, infant mortality, are just a few of the ways nature successfully cuts the population to fit scarcity’s Procrustean bed. Ironically, this argument reveals Malthus’s own utopianism. Despite nature’s terrors and its endless struggles for scarce resources, when left *to its own devices*, it creates a perfect balance of supply and demand. When humans finally abandon the folly and futility of trying to impose their own will over nature, they will find that while not always benign, nature is always a wise governor.

From the law of population, Malthus turns to the Poor Laws: “To remedy the frequent distresses of the poor, laws to enforce their relief have been instituted ... But it is to be feared that ... [they have] spread the general evil over a much larger surface ([1992 1803], 89) The Poor Laws of England tend to depress the general condition of the poor in these ... ways. Their first obvious tendency is to increase population without increasing the food for its support. A poor man may marry with little or no prospect of being able to support a family. *They may be said, therefore, to create the poor which they maintain*; and as the provisions of the country must, in consequence of the increased population, be distributed to every man in smaller proportions, it is evident that the labour of those who are not supported by parish assistance will purchase a smaller of than before, and consequently more of the must be driven to apply for assistance.” (1992 [1803], 100, italics added).

In this famous formulation, Malthus argues that the very measures intended to help the poor inevitably make them poorer. Scarcity alone creates a balance between available resources and the number of people competing to consume them. Try to cure poverty by alleviating scarcity

and nature's disciplinary power over population growth will dissolve. With the Poor Laws' perverse incentives to depend on the parish for family allowances, the self-interested poor marry younger and have more children. Most destructive of all, what should be a scarcity-driven incentive to self-sufficiency through labor instead turns into a culture of entitlement. Morality is corrupted as the poor are robbed of their own independence. Dependence sets in as a permanent feature of life, and with it ever-expanding levels of irresponsible sexuality, sloth, and moral degradation. Ultimately, there is no choice but to recognize that individual behavior is to blame for its own distress.¹¹

The result was a clash of warring principles—pragmatic institutionalism versus Malthus's perversity thesis. One was the prevailing ideational regime, the other aspired for the position. It is today hard to comprehend the infamy, notoriety, and contempt that Malthus inspired not only in the first decades of the nineteenth century but for generations to come (Himmelfarb 1984; Winch 1996). The fierceness, rancor, and breadth of the controversy initiated by Malthus's *Essay* are equally remarkable. Looking back from the 1880s, Arnold Toynbee called it a “bitter argument between economists and human beings” (Winch 1996, 6). The depth and breadth of the controversy underlines just how much ideas matter. What it does not do is explain why all ideas are not created equal; only some have the capacity to drive ideational regime change.

Fundamental ideational regime changes are rare. To convert one ideational regime to another, the challenger must meet three difficult requirements. The new theory must, by means of its own logic, be able to demonstrate why the currently dominant ideas cannot possibly solve society's problems. It must be able to explain how intelligent people could have been so misled. And it must be able to provide an alternative view of social reality by means of a more compelling public narrative. Understanding how Malthus's perversity thesis made it possible for market fundamentalism to meet these criteria requires turning to the three components of its

epistemological infrastructure—social naturalism, theoretical realism, and the conversion narrative.

<A>Social Naturalism

In using biology to explain society, Malthus was engaged in the project of *social naturalism*.

Social naturalism is the claim that the laws of nature govern human society. As we stressed in Chapter 1, it is not just an epistemological stance. It is also an ontology—a theory of being—in which the characteristics of the natural order are mapped onto those of the social order (Somers 1999, 2008). It is an ontology that should not be confused with the more familiar methodology of naturalism. Common to Marx and modern positivism, naturalism is the methodological postulate that because nature and society exhibit the same kinds of regularities, there should be a unified method applicable to both. Social naturalism, by contrast, conflates nature and society. Society is not *like*, but *is* a biological entity, and it is thus subject to biological laws of nature rather than to institutional rules and social rationality. Society, like nature, is defined as a self-regulating system that, when untouched by political intervention, will tend toward equilibrium and order. Society, like nature, is fundamentally constrained by the scarcity postulate—the constitutive and inevitable reality of material scarcity. Social naturalism in turn makes human nature the same as animal nature and thus constitutively defines it by the immutable biological instincts for food and sex: “These two laws, ever since we have had any knowledge of mankind, appear to have *been fixed laws of our nature*, and, as we have not hitherto seen any alteration in them, we have no right to conclude that they will ever cease to be what they now are, without an immediate act of power in that Being who first arranged the system of the universe, and for the advantage of his creatures, still executes, according to fixed laws, all its various operations.” (Malthus 1985 [1798], 70–71, italics added).

The line between humans and animals is thus blurred since human nature is defined as biologically driven by the instinctual need for food and reproduction. From this axiom of social naturalism, Malthus calls into question the entire Enlightenment distinction between mind and body, between reason and instinct. Much of this he lifts directly from Joseph Townsend author of one of the most influential political tracts against the Poor Laws (1971 [1786]).¹² Townsend, as we have recounted already, explained the situation of the English poor by telling an apocryphal story of goats and dogs said to have been introduced onto a previously deserted island in the South Pacific by the Spanish in the seventeenth century. The relentless struggle for survival between the two species brought on by the island's scarcity eventually became a harmonious equilibrium: "The weakest of both species were among the first to pay the debt of nature; the most active and vigorous preserved their lives." (Cited in GT, 118).

In Townsend's 1786 biological fantasy, Malthus found ample foundations for his social naturalism. The island's harmony was possible only because there was no human interference with the natural state of scarcity. Because the human poor are ontologically indistinguishable from the goats and the dogs, and thus subject to the same biological dynamics, their population should likewise be left to self-regulation by the scarcity of the food supply without the perversity of the Poor Law. "Hobbes had argued the need for a despot because men were *like* beasts; Townsend insisted that they were *actually* beasts and that, precisely for that reason ... [n]o government was needed to maintain this balance; it was restored by the pangs of hunger on the one hand, the scarcity of food on the other." (GT, 119, italics in original).

Townsend's social naturalism divided the world by a binary logic between the natural—which was morally and epistemologically privileged—and the much demeaned unnatural. It then maps this hierarchical divide onto the Lockean dichotomy between state and (market) society to create a new social and political ontology, one with a parallel dichotomy of epistemological privilege and moral judgment. On the one side, civil society and the private sphere of market

exchange are natural phenomena subject to the certainty, immutability, uncoerced, spontaneous, and scientifically predictable laws of nature. On the other, society's political institutions and rule-driven state policies are perverse: Based on unnatural powers, they are arbitrary, coercive, hierarchical, and a continuing threat to the "system of natural liberty" (Smith 1976 [1776]). By this logic, state intervention into civil society poses a clear and unending danger. It was this Lockean-inspired political gloss on social naturalism that Malthus most appreciated in Townsend and that today still distinguishes Anglo-American political culture from Continental versions of political theory (Somers 1999, 2008).

Malthus's perversity thesis also had to explain the failures of the old regime using his own social naturalist principles. By pointing to the counterintuitive paradox that the greater the poor relief, the greater the poverty, Malthus undermined institutionalism's foundational precept that reason and political judgment were solutions to poverty. Appealing to the laws of nature, Malthus invoked the prestige of the scientific revolution to support his claim that poverty was caused by the conflict between the natural laws of scarcity and the immutable drive for sex and food. He also gained great leverage by attributing much of his scientific learning to the esteemed *Wealth of Nations* ([1976[1776]). It was there that Malthus first read that society was "*natural system*" and absorbed Smith's self-proclaimed "very violent attack" upon the entire mercantile system of political and economic regulations (Winch 1996:3).¹³

But it was Newton who was the real power behind Malthus's skillful use of social naturalism (Redman 1997). Just as the abstract laws of physics allowed Newton to explain the harmonious motion of the planets, so did Malthus explain the follies of institutionalism using the same natural laws of society (see especially Malthus 1992 [1803], 51). The *Essay* is full of mathematical allusions allegedly provided by Newton's scientific discoveries, and it abounds with images of ballistics, weight springs, and countervailing forces. With this intellectual ammunition, Malthus succeeded in making self-evident that the crisis was beyond the reach of

political artifice. The laws of nature could explain what mercantilism could no longer. The stability and order promised by obedience to nature was an irresistible alternative to the failures of human artifice, political will, social institutions, and positive law.

<A>Theoretical Realism

It has been observed by Hume that, of all sciences, there is none where *first appearances* are more deceitful than in politics. The remark is undoubtedly very just, and is most peculiarly applicable to that department of the science which relates to the modes of improving the conditions of the lower classes of society.

—Malthus 1992 [1803] , 312, (italics added)

With this observation, Malthus makes clear his intention to uncover the real truth of the politics of poverty and to explain how intelligent and well-meaning people could have been so deceived by pragmatic institutionalism. For these tasks he turned to the Enlightenment project of piercing the “deceit” of “first appearances” and using the light of reason to find the truth of an underlying rational order. This is “theoretical realism” (also called Cartesian rationalism)—a militantly anti-positivist theory of causality for which unobservable or “theoretical entities,” such as laws of human nature and the regulative principles governing the relationship between population and food supply are the *real* (hidden) causal forces behind the appearances of experience. It is termed theoretical realism because even though the underlying causal mechanisms cannot be observed, they are more *causally* real than the misleading illusions of empirical observations (Somers 1998). Theoretical realism shares some elements of the epistemic privilege of religious belief. While it does not depend literally on revelation, like religion, it posits the divide between appearance and reality.

The broken clock is the classic metaphor of this Enlightenment project. If we have a clock that does not run, it is futile to try to fix it by fiddling with the face of the clock. Shattering the

illusion that the clock's causal mechanisms are empirically observable is a precondition for making the clock's inner workings accessible to science. Malthus knew that the secrets of the social world are not as easily accessible as the gears inside of a clock. To discover these social secrets he found inspiration in the “thought experiment” that Newton had used to discover gravity.¹⁴ Newton had theorized that the only way to access causal powers that we cannot observe is to use logic to “think” our way from empirical effects—the apple falling from the tree—to the hidden causal forces. The thought experiment made the law of gravity the only logical cause for the empirically observable effects—the falling apple (Somers 1998).

From Newton's methodology, Malthus took the lesson that the greatest errors in social knowledge derive from the confusion of cause and effect. Those who imagined that people turned to poor relief only when driven by severe poverty manifested this confusion. The truth was that *poor relief causes poverty*, and not vice versa. Poverty was the *effect* not the cause; it was not the “real” problem, but only the “apparent” one. Malthus reasoned through the logic of the thought experiment that the real causal mechanisms behind poverty were the perverse incentives set up by the Poor Law's violation of nature's law of permanent scarcity. This is the perversity thesis at its best: Instead of ending poverty, child allowances perversely exacerbated it by encouraging childbearing among the poor and thus inducing overpopulation.

But how can this theoretical realist be the same Malthus who so deplored mercantilism's Enlightenment faith in human rationality? His answer would be that using reason in the effort to control nature and mitigate its harsh laws is perversity of the worst kind. By contrast, his use of reason to reveal nature's secrets does not challenge but pays homage to nature's sovereign role in human destiny. Precisely because they are hidden, it is all the more important to bring nature's true causal laws to light for all to see and obey. Malthus saw himself as the spokesman for nature, and in that effort reason ruled.

Nonetheless, the abstractions of theoretical entities and thought experiments still seem at odds with Malthus's reputation as a hard-hitting inductivist and empiricist critic of abstract theory, a reputation he earned from his famous debates with Ricardo (Hollander 1997; Redman 1997). Indeed, there are parts of *The Essay* that present a veritable encyclopedia of facts on bestial life, sickness, weakness, poor food, lack of ability to care for young, scant resources, famine, infanticide, war, massacre, plunder, slavery—to name just a few of nature's checks on population. But these should not deceive: Malthus's theoretical realism prohibited proving causal propositions with empirical evidence. Instead, following the Newtonian strategy of moving from empirical effects to imputed causes, Malthus's list of natural horrors were really just effects, or demonstrative illustrations, designed to “prove” the cause that he by necessity used logic to identify. By reasoning from (observable) effects to causal (imputed) theoretical entities, theoretical realism gave the misleading impression that his causal claims were based on massive empirical substantiation, rather than what they were—entirely theory driven. Lest we appear to be over-interpreting Malthus's method, in the first edition of the *Essay* Malthus makes explicit his low regard for “facts” in favor of self-evident visionary “plain statement.” “The *Essay* might, undoubtedly, have been rendered much more complete by a collection of a greater number of facts in elucidation of the general argument. [The Author] presumes, however, that the facts which he has *adduced* will be found *to form no inconsiderable evidence / or the truth* of his *opinion* respecting the future improvement of mankind. As the Author contemplates this opinion at present, *little more appears to him to be necessary than a plain statement*, in addition to the most cursory view of society, to establish it.” (Malthus 1985 [1798], 61, italics added).

<A>The Poverty to Perversity Conversion Narrative

The final dimension of the perversity thesis's epistemological infrastructure is what we call a “conversion narrative.” It is characteristic of all epistemically privileged ideas, especially

religious ones, that they use narratives to “teach” people how to see the world differently (Barthes 1977; MacIntyre 1980; Ricoeur 1989; Somers 1999, 2008; White 1987). Narrative makes sense of our world by explaining cause and effect as we experience it, over time, in place, and through agency (Barthes 1977; Somers 1992, 1994, 1997; Steinmetz 1992; White 1987). A conversion narrative differs from standard narrative in that it has only one goal—to convert a person, a culture, a people, a nation from one ideational regime to another by telling causal stories that change perceptions of reality. Its task is to *neutralize* and *delegitimize* the prevailing narrative by using its own alternative story to reveal the illusion and the reality of the true but hidden causal mechanisms of the social order. By identifying the now maligned ideational regime as something people have been fooled into believing by empirical trickery, it becomes easier to convert people to an alternative understanding of the causes and cures for poverty.

While it is well accepted that social movements must consciously frame their public discourse, the term “frame” invokes a static discursive image contained and enclosed inside a solid, immobile, airtight picture frame. But it takes the causal temporality of narrative to convert the intended audience from one ideational regime to another. A conversion narrative, therefore, begins with a present crisis, and then moves backward in time to a more harmonious past before the onset of the crisis, then forward again to the problematic present. Here again the conversion narrative differs from the standard form. Rather than automatically moving to a resolution, it uses the thought experiment to forecast two possible futures—one promising only more of the same strife, the second promising a future restored to an original state of harmony.

True to narrative form; Malthus begins his story at the moment of crisis and paradox—a crisis of ever-worsening poverty despite ever-increasing levels of poor relief: “It is a subject often started in conversation, and mentioned always as a matter of great surprise; that, notwithstanding the immense sum that is annually collected for the poor in England, there is still so much distress among them.” (Malthus 1985[1798], 94).

After running through a standard catalog of all the other apparent causes of distress, Malthus argues that none is the culprit. Instead he insists in true theoretical realist intonations that a “man who looks a little *below the surface of things*” can readily perceive that is not poverty that causes increasing poor relief but—now introducing the shock effect of the perversity thesis it is *poor relief that causes poverty*. To make the case, Malthus uses causal narrativity (Somers 1998). He takes us backward to the story’s “beginning,” before political meddling with the laws of nature eroded the peasantry’s “spirit of independence” (Malthus 1985 [1798], 98). In this pre-political Lockean state of nature (one readily recognizable as inspired by Townsend’s island and dogs), scarcity creates a perfect equilibrium of food and population. As an historical claim this lacks empirical foundations; Malthus could present no evidence that this harmonious past ever existed. His was a theory-driven logic, based on imputed theoretical entities. But it worked brilliantly as an axiomatic point of departure to develop, step-by-step, his poverty to perversion conversion narrative.

Malthus then returns us to the crisis-ridden present. Equilibrium has turned into chaos as population growth has far outpaced available resources. The reason is all too evident: By guaranteeing food and resources, the Poor Laws have dissolved the discipline that only scarcity can impose; they have distorted labor market signals and created perverse incentives to produce children doomed to live off parish relief. The only solution is total abolition. In response to the skeptics, Malthus tells his audience that they have been captive to a worldview that for three centuries has been deceiving the English into believing that laws and institutions are stronger than the laws of nature—a case of deeply duplicitous reasoning used on unknowing but well-intentioned taxpayers. Unable to see deeper than the appearance of poverty, the empiricism of institutional pragmatism applies a pragmatic band aid that only fiddles with the “hands of the clock.” The Poor Laws will never work because they are trying to solve through political means what is in fact a natural phenomena: “What is this [the Poor Law requirement to provide work]

but saying that the funds for the maintenance of labour in this country may be increased at will, and without limit by a fiat of government or an assessment of the overseers? Strictly speaking, this clause is as arrogant and as absurd as if it had enacted that two ears of wheat should in future grow where one only had grown before. *Canute, when he commanded the waves not to wet his princely foot, did not in reality assume a greater power over the laws of nature ...* it is expected that a miraculous increase of these funds should immediately follow an edict of the government, used at the discretion of some ignorant parish officers.” (Malthus 1992 [1803], 103–4, emphasis added).

Pragmatic institutionalism cannot solve the crisis because it does not even understand that it is the result of natural laws. By showing how only social naturalism’s laws of nature can explain why the Poor Laws not only have not but *cannot* solve the problem of poverty, Malthus is well on his way to making his own alternative ideational program the only viable definition of reality.

In a dazzling display of the powers of the thought experiment, Malthus uses a conversion narrative to project two possible futures. In the first, the Old Poor Laws remain untouched. As there has been neither the will nor the wisdom to adopt the practical implications of the perversity thesis, this future portends ever-darkening social ills. In this bleak outlook, misplaced compassion relentlessly induces more and more avoidance of market appropriate behavior. There will be only more poverty, higher taxes, more beggary and vagrancy, and ever-multiplying numbers of poor people demanding their “right” to assistance that the country can no longer provide. With generational continuity, the parasitic culture of dependence will only continue.

But Malthus presents an alternative future that people can choose. In this second one, the Poor Laws have been abolished and the state has converted to a new regime of free-market fundamentalism based on obedience to the laws of nature. New policy mandates would establish a definite time limit on the meager benefits that might still be bestowed under special circumstances: “[A] regulation [shall] be made, declaring that no child born from any marriage

taking place after the expiration of a year from the date of the law, and no illegitimate child born two years from the same date, should ever be entitled to parish assistance.”(Malthus 1992 [1803], 261)¹⁵ And should any child be born in violation of these laws of state and nature, then the consequences be damned: “To the punishment, therefore, of nature he should be left, the punishment of severe want. He has erred in the face of a most clear and precise warning, and can have no just reason to complain of any person but himself when he feels the consequence of his error.” (Malthus 1992 [1803], 262–63).

His Procrustean interpretation of scientific logic gives Malthus complete confidence to predict that when the poor are no longer protected from the consequences of their folly, their behavior will change. Absent the perverse incentives of the Poor Laws in his Utopian projection, the poor will inevitably confront and anticipate the consequences of their own actions: “If this system were pursued, we need be under no apprehensions whatever that the number of persons in extreme want would be beyond the power and will of the benevolent [through private charity] to supply.” (Malthus [1803] 1992, 263). While eliminating relief and letting children die of hunger might appear to be cruel, it is simply restoring the regulative laws of nature that have always kept population and food supply in balance.¹⁶ This balance promises to be the foundation of Polanyi’s “stark utopia.”

<A>Ideational Re-Embedding

Malthus understood well the power of narrative to convert elite opinion to the truth of the perversity thesis, and in his invention of the poverty to perversity conversion narrative he displayed real genius. With a parsimonious elegance and logic, he uses both theoretical realism and social naturalism to move us from an initial focus on the “illusory” causes of poverty to an endpoint that reveals the “real” causes to be reckless and perverse violations of the laws of nature and population. Point by point, Malthus refutes the entire canon of institutional pragmatism. He

fills the alleged benefits of a large and healthy population of working people. He demolishes the institutionalist belief in the social and political causes of unemployment. He ridicules the capacity of reason to alleviate suffering and improve humanity. And thanks to his adept use of theoretical realism, he has provided an explanation for how intelligent and well-meaning people could have been so misled by pragmatic institutionalism. The blame is placed squarely on the mystifying powers of wrongheaded *ideas*, not on those whom they deceived. It follows then that institutional pragmatism is an illegitimate regime whose policies are not solutions to problems; they are actually themselves the problem.¹⁷

Inventing the “Undeserving” Poor

Of all Malthus’s accomplishments, however, none was more portentous than his radically converting poverty from a structural status in society to a behavioral choice. Recall that “the poor” did not originally refer to a condition of want, indigence, or dependence on poor relief. Rather, the poor were a *class* of people whose lack of *property* compelled them to labor to survive—hence they were also called the “labouring” or the “working” poor. Extreme labor market volatility put them continually at risk of losing their livelihoods and being forced to seek temporary poor relief. But falling in and out of poverty was not due to changes in behavior; rather, it was the precariousness of the poor’s propertyless status in the class structure.

Breaking centuries of tradition, Malthus tears apart this structural definition and transforms the poor from a class location to a moral condition based on personal behavior and lack of biological restraint. This allows him to bifurcate a once unified status into what later became codified as the “deserving” and the “undeserving” poor. The state of one’s livelihood now became a matter of moral character, with independence and employment privileged as the highest moral achievements. Only those destitute through no “fault” of their own—the old, the crippled, the sick, the disabled—were deserving of charity, and even then not in the form of

parish relief but of private (discretionary) alms. But *able-bodied* workers without work and in need exhibited failures of moral character—they were the *undeserving* poor. In this newly moralized taxonomy, the amalgam of being able-bodied, penniless, and seeking assistance (however temporary) made one a moral outlaw, newly condemned as a pauper. And if beseeched for aid by these morally undeserving, Malthus enjoined the authorities not to eliminate their poverty and provide relief, but to coerce them into suffering the consequences of their perverse and blameworthy behavior. Shame and disgrace were to be the means: “Hard as it may appear in individual instances, dependent poverty ought to be held disgraceful. Such a stimulus seems to be absolutely necessary to promote the happiness of the great mass of mankind; and every general attempt to weaken this stimulus, however benevolent its apparent intention, will always defeat its own purpose. If men be induced to marry from the mere prospect of parish provision, they are not only unjustly tempted to bring unhappiness and dependence upon themselves and but are tempted, without knowing it, to injure all in the same class with themselves .” (Malthus 1992[1803] , 101).

Malthus thus ideationally re-embeds the labor market. For 500 years the poor had been a sociological classification of the propertyless that carried no moral judgment. Because the labor market was an institution over which people had no control, poverty and unemployment were also beyond control, and thus conditions with no shame attached. By grafting the moral categories of desert, merit, and self-sufficiency onto the structural condition of poverty and a volatile labor market, Malthus broke the pragmatic institutionalist social compact and replaced it with a market-based one. The ideational change from poverty to perversity was all but triumphant.

It was the 1834 Report of the Royal Commission that was the necessary last link before legislative change could be achieved. The commissioners—ardent converts all—made no attempt to interview the recipients of relief. Instead, they accumulated anecdotes from

“reformed” parish authorities to prove that their Malthusian model of human behavior was correct (Royal Commission 1834, 227–61). In a skillful Malthusian maneuver, the commissioners claimed that they had scientifically tested their hypothesis of Poor Law reform and had real statistical evidence for their causal claims. Their report exemplifies the use of facts as ornaments in a model-driven thought experiment rather than as data in a genuine causal theory. And despite the implausibility of its findings, the report was hugely influential in both England and the United States for decades.

Delegitimizing the old Poor Laws was quickened by the work of numerous Malthusian converts. It was often these zealous followers who took on the task of influencing opinion against the Poor Laws through rancorous public debate. Thomas Chalmers, a political economist who exerted great sway over public opinion, was one of the most significant of these. In 1811, Chalmers warns that a future with the Poor Laws still in place “would unhinge the constitution of society.” It would be hard to find a more exacting representation of the poverty to perversity conversion narrative: “It is in the *power of charity to corrupt its object*; it may tempt him to indolence—it may lead him to *renounce all dependence on himself*—it may *nourish the meanness and depravity of his character*—it may lead him to *hate exertion*, and *resign without a sigh the dignity of independence* ... Every man would *repose on the beneficence of another*; every *incitement to diligence would be destroyed*. The *evils of poverty would multiply* to such an extent as to be beyond the power of the most unbounded charity to redress them; and instead of an Elysium of love and plenty, the country would present the nauseating spectacle of sloth *and beggary and corruption*.” (cited in Young 1969, 120, italics in original).

With the 1834 New Poor Law, the poverty to perversity ideational regime change triumphed.¹⁸ The able-bodied but now undeserving poor would no longer be provided assistance unless they succumbed to the humiliation, degradation, and discipline of the work house (Driver 1993; Poynter 1969). The English labor market was restructured within a new ideational and

institutional framework, one that overthrew the perversity of political meddling and reinstated the natural order in which degradation and scarcity would again teach the poor to respond appropriately to labor market signals. Labor market re-embedding, not its disembedding and setting free, was the perversity thesis's crowning achievement.

<A>The Recycling of Malthus in the United States

As with the English Poor Law, Aid for Dependent Children from its inception was ideationally embedded in the institutional pragmatism of Roosevelt's New Deal. While the New Deal coalition was energized by the moral fervor of radical and socialist critics of capitalism, its architects did not set forth a full-fledged public narrative based on social democratic or other systematic principles (Brinkley 1996; Plotke 1996). Instead, not unlike mercantilism, most of the key policymakers responded on a piecemeal basis to particular problems believing that pragmatic government policies could overcome market failures. In the case of Aid to Dependent Children (the initial name for the program), the idea was to federalize the Widow's Pension laws, which had been funded at inadequate levels by the states (Katz 1986; Skocpol 1992). And when government programs—including Aid to Families with Dependent Children—were further expanded in the Great Society, the justifications were also pragmatic. But just as England's pragmatic but inchoate approach to poverty suffered when confronted with the overarching narrative and utopian coherence of the perversity thesis, so too, the New Deal / Great Society regime was equally vulnerable against the appeal of market fundamentalism's coherent, naturalistic, and visionary narrative.

As the U.S. welfare rolls expanded dramatically in the 1960s, there was talk of replacing AFDC with a more effective set of policies to reduce poverty. By the mid-1970s, however, the failure of reform efforts provided an opportunity for conservatives to launch an attack on welfare dependency. Although Martin Anderson (1978) was the first of the conservative intellectuals to

revive the perversity thesis, the turning point was Charles Murray's *Losing Ground* (1984). Murray's role in shifting the welfare debate has been well recognized (Harpham and Scotch 1988; Katz 1989; O'Connor 2001; Schram 1995). That his arguments replicate those of Malthus has not.¹⁹ Just as Malthus used the paradoxical conceit of ever-growing poverty in the midst of ever-increasing poor relief, so too Murray begins: "[Thirteen] percent of Americans were poor, using the official definition. Over the next twelve years, our expenditures on social welfare quadrupled. And, in 1980, the percentage of poor Americans was 13 percent." (Murray 1984,8) By the next page, Murray shifts from the idea that the poverty rate had remained unchanged to the Malthusian reprise that: "We tried to provide more for the poor and produced more poor instead" (Murray 1984, 8–9).

Although he provides no textual or bibliographic reference, Murray's opening salvo against Great Society social policy recycles Malthus almost to the letter. Great Society programs failed because of their perverse behavioral inducements; instead of work discipline and sexual restraint, wrongheaded perverse incentives increased childbearing, female-headed households, and labor force withdrawal. Inevitably, the poor made themselves poorer in direct proportion to society's increasingly expenditures.²⁰ Once declaring the causal agent of poverty to be the perversity of welfare itself, Murray adopts the poverty to perversity conversion narrative in his efforts to change public opinion. As with Malthus before him, he invokes the social naturalism of a harmonious utopian existence before welfare created a culture of dependence, personal shame, and sexual irresponsibility (1984, 229). He proves his argument by directly replicating Malthus's thought experiment about two possible futures—one, a bleak culture of dependency and parasitism; the other a utopian restoration of character and moral redemption: "The proposed program, *our final and most ambitious thought experiment*, consists of scrapping the entire federal welfare and income-support structure for working-aged persons.... It would leave the

person with no recourse whatsoever except the job market, family members, friends, and public or private locally funded services.” (Murray 1984, 227–228, emphasis added).

The discipline of scarcity would induce parents to “become quite insistent about their children learning skills and getting jobs” and to exercise appropriate parenting by preventing “a daughter’s bringing home a baby that must be entirely supported on an already inadequate income” (Murray 1984, 228). He invokes the natural harmony of a pre-welfare order when he predicts that the withdrawal of poor relief will lead to the moral redemption of the poor: “I am hypothesizing ... that the lives of large numbers of poor people would be radically changed for the better” (Murray 1984, 229). He also reveals his affinity with Malthus in his derision of those who would be held back by lack of data: “Data are not essential to certain arguments about social policy and indeed can get in the way. The terms of debate can be grounded wholly in preferences about how the world ought to be, not how it is” (Murray 1984, 53). He continued to be unrepentant about his disdain for data: “[It is not] necessary to treat the hypotheses raised here as ones to be abruptly tested and accepted or discarded. They will not statistically test the validity of antipoverty programs. They deal with the complicated side of the welfare problem: human behavior. These hypotheses, rather, are more useful for the perspectives they provide. When ways to shrink the underclass are found, they will grow from a strategic understanding of how social policy shapes behavior ... analysts of social policy badly need a place to stand” (Murray 1986b, 11).

Just as Malthus’s success was reflected in his many converts who joined the battle for Poor Law repeal, so too Murray’s arguments were reprised by other writers who were even more explicit in recycling the perversity framework of the early nineteenth century. In 1984 the conservative intellectual historian Gertrude Himmelfarb published *The Idea of Poverty*, in which she passionately revives the anti-Poor Law arguments of Malthus, Burke, de Tocqueville, and others. With much fanfare and acclaim, she also republished de Tocqueville’s (1983 [1835])

attack on the English Poor Laws, itself a stunningly Malthusian artifact. Marvin Olasky (1992), mentor to Newt Gingrich and G. W. Bush, celebrated the thinking of Thomas Chalmers, the same enthusiastic Malthusian convert who was so influential in the passage of the New Poor Law almost two hundred years earlier (see above). And throughout the 1980s and 1990s, conservative think tanks mobilized the perversity thesis to criticize the welfare system with ever-greater intensity (George 1997; O'Connor 2001; Rich 2004; Schram 1995; Williams 1996).

Only shortly before the PRWORA passed into law, Murray himself returned to the Malthusian theme of runaway population growth with his influential essay, “The Coming White Underclass” (1993). Exploiting the widespread moral panic over the alleged epidemic of teenage pregnancy, Murray argued that the out-of-wedlock birthrate among whites was poised to replicate the spectacular increase that had already occurred among African American women—a direct consequence of welfare’s perverse incentives for illegitimate childbearing. His solution: “To restore the rewards and penalties of marriage does not require social engineering. Rather, it requires that the state stop interfering with the natural forces that have done the job quite effectively for millennia.... Restoring economic penalties translates into the first and central policy prescription: to end all economic support for single mothers. The AFDC (Aid to Families with Dependent Children) payment goes to zero” (Murray 1993). And despite Luker’s (1996) path-breaking discovery that the alleged epidemic of teenage pregnancy was illusory, Murray’s naturalistic abstractions overwhelmed social science evidence and shaped the terms of the debate in public discourse and hastened the 1996 legislation (Weaver 2000, 150–151).

<A>Ideational Re-Embedding Again

The U.S. transformation from a culture that supported AFDC to one that easily instituted the PWROA was an ideational achievement. Weaver (2000, 104–105) writes, “Conservative ideas, including those on welfare, moved from the margins of public debate to the mainstream, while

liberal ideas appeared increasingly bankrupt.” There is little doubt that this can in large part be attributed to Murray (and others) recycling the discursive powers of the perversity thesis. Thanks especially to the highly favorable treatment of his work by influential publications, Murray’s channeling of Malthus had a significant impact on both elite and public opinion. *Business Week* claimed that *Losing Ground* “lays out a stark truth that must be faced,” while the *Wall Street Journal* wrote that Murray’s “tone is steadfastly non-partisan; he marshals an immense amount of data in support of his views ... and never ventures a conclusion for which he has not laid the most elaborate and convincing groundwork” (cited in Harpham and Scotch 1998, 199)—a stunningly Malthusian demonstration of how to use theoretical realism to convince readers that what are only voluminous illustrations are in fact genuine causal arguments.

It is hardly surprising that by 1994, 71% of respondents in a public opinion survey agreed with the following statement: “The welfare system does more harm than good, because it encourages the breakup of the family and discourages the work ethic” (Weaver, Shapiro, and Jacobs 1995, 611). Surveys in earlier years did not ask this same question, but respondents had been significantly less inclined to blame government programs for increasing poverty. Between 1978 and 1986, the number of respondents who said that government programs generally made things worse for the poor fluctuated between 14% and 20% (Shapiro, Patterson, Russell, and Youngl. 1987).

By 1994, it was clear that ideational regime change had all but triumphed. The poverty to perversity conversion narrative had succeeded in delegitimizing AFDC; both elites and the public were persuaded that it was doing more harm than good. The path was open to radical policy transformation.

Still, two additional developments were critical before the ideational change was converted into a new policy regime. The first derived from Murray’s (1984) proposal that welfare benefits should be limited and recipients explicitly told that at a definite future time, all government

assistance would end. This idea of an across-the-board time limit transformed into the idea of tailored time limits that would limit the assistance that any particular recipient could receive. David Ellwood, a Kennedy School analyst, was one of the first prominent liberals to embrace this type of time limit, but only as part of a broader program to raise both the Earned Income Tax Credit and the minimum wage while guaranteeing a minimum wage job (Ellwood 1988). As routinely happens, when Bill Clinton campaigned in 1992 in support of a two-year time limit, the time limit idea was quickly severed from this broader program. Offering no promise of guaranteed employment, Clinton never explained how a young mother with few skills could quickly become self-sufficient in a labor market marked by chronically high unemployment (O'Connor 2001; Schram 2002). No one seemed to notice. Once prominent Democrats had signed on to this dramatic change in perspective, it became increasingly difficult to protect the older notion of welfare assistance as a necessary compensation for the unfairness of circumstances. Malthusian logic triumphed again.

A second important development was the mobilization of illustrative “evidence” about the state welfare waiver experiments that had begun under Ronald Reagan in 1986 (Rogers-Dillon 2004; Teles 1996). [In this program, states were allowed to experiment with different rules for welfare provision in specific localities. The research reports that emerged from these experiments played a role in the United States comparable to that of England’s 1834 [Royal Commission Report. The studies, principally written by the Manpower Development Research Corporation, found that programs designed to push welfare mothers into work could sharply cut the welfare rolls and government outlays without provoking protest. Hence, the studies appeared to confirm the perversity conversion story—that the poor would actually be better off without welfare (Gueron, Pauly, and Lougy 1991; Peck 2001; Weaver 2000).

Of course, the studies did not prove this at all. The data actually showed that most recipients who made the transition from welfare to work remained desperately poor, and a substantial

percentage of the caseload was unable to find or sustain employment. In fact, the waiver studies were consistent with decades of careful empirical findings that the AFDC rolls were divided between a mobile group with short spells on the rolls and a second group that remained on the rolls for years (Blank 1997). Legislators, however, ignored all of this earlier research. Their now deeply held Malthusian expectations blinded them or allowed them to overwrite undesirable or inconvenient data—a stark example of how epistemic privilege equips the perversity thesis with its own internal standards of veracity. As with their predecessor in 1834, the Reports justified a bill with rigid work requirements and strict time limits by relying on dubious scientific data and thought experiments about how repealing welfare transformed the poor into productive citizens.

The 1996 legislation effectively re-embedded low-wage labor markets within a new ideational and institutional regime. The new legislation led to a transformation of the culture and organization of welfare offices as a new discipline of “work first” policies, and time limits were imposed on recipients. The hallmark of this new infrastructure was a dramatic increase in the use of sanctions to punish recipients for lack of compliance with the new and complex structure of rules (Hays 2003; Handler 2004; Pavetti and Bloom 2001; Shipler 2004). The new policies pushed millions of single mothers off the welfare rolls, further expanding the number for whatever low-wage work employers are willing to provide and exacerbating the trend toward growing wage inequality in the United States (Kuttner 2007).

<A>Conclusion

Every nation has a story—a public narrative it tells to explain its place in the flow of history, to justify its normative principles, to delineate the boundaries of rational political decision-making, and to give legitimacy to its economic policies and practices. Under normal conditions, narratives that compete with the mainstream are marginalized beyond those boundaries; in crisis conditions, however, a contest over ideational hegemony is likely to erupt. Much is at stake in

these battles of ideas, as the victor will dramatically transform how markets and society interact. Debates over market policies are thus fought out as battles of contending narratives. History, rival ideas, even crises may conspire to destabilize the ruling ideational regime, but as long as there is no more powerful alternative story, it will be unthreatened. Ideational regime change in a society's reigning narrative is a rare event.

Our goal is to understand and bring theoretical clarity to one such rare event—market fundamentalism's rise to hegemony in the late twentieth century. Its very uncommonness signals its importance, but it also poses a methodological challenge for theorizing beyond a case study. To gain leverage, we have focused our detailed analysis on two of its greatest successes in two very different historical eras. The 1996 PRWORA and the 1834 NPL were divided by enormous contextual differences of time and place. Yet the centuries between them only deepen the mystery of how such dissimilar environments could produce such similar outcomes. In both cases, long-prevailing policy regimes of institutional pragmatism were felled and replaced by market fundamentalism in just a few short decades. Market fundamentalist views once seen as extremist rapidly achieved mainstream status and moved the spectrum of political discourse to the right. In both cases, a public discourse that reassigned blame for the poor's condition from poverty to perversity played the key role. Ideational change was the engine of new welfare legislation that dramatically restricted the access of the poor to assistance.

That ideas matter is readily confirmed by our findings: market fundamentalist ideas served as the causal drive in both episodes of ideational re-embeddedness. In this we concur with O'Connor (2001, 17–18): “[Most] important in determining the political meaning and policy consequences of poverty knowledge ... has been the power to establish the terms of debate—to contest, gain, and ultimately to exercise ideological hegemony over the boundaries of political discourse.” Market fundamentalist political discourse and ideational practices thus matter not just as descriptors or extra variables but as causal mechanisms that embed and shape markets. This in

turn highlights the significance of our concept of ideational embeddedness—it is a real force with real causal powers. It also corrects a common misunderstanding, namely that the victory of free market ideology is synonymous with market deregulation. Market fundamentalism, as stories of the NPL and the PWROA demonstrate, does not disembed markets. Rather, it simply imposes a different *kind* of embeddedness from that of institutional pragmatism, one that tells a different story about the urgency of liberating markets from the tyranny of policies that violate the autonomy of self-regulating natural entities. The struggle between institutional pragmatism and market fundamentalism was not over *whether* markets would be embedded, but *which* body of ideas would do the embedding.

That all ideas are not created equal has also been confirmed. Market fundamentalism is clearly a case of uncommon ideational powers, which we attribute to an epistemic privilege derived from its infrastructure of social naturalism, theoretical realism, and its use of the conversion narrative. Both Malthus and Murray used this epistemic clout not only to discredit structural explanations for poverty but also to create alternative definitions of reality and rationality. We also saw how market fundamentalism’s epistemic privilege equips it with its own internal claims to veracity—Bourdieu’s “means of making itself true” (1998, 95)—and, as the MDRC studies indicate, immunizes it against disconfirming evidence. Social scientists find themselves puzzled and frustrated that twenty years of high-quality research based on large empirical projects like the Panel Study of Income Dynamics changed public opinion so little on such basic facts as how long most people stay on welfare (Duncan 1984). That the PRWORA and the NPL were so similar despite their great contextual differences reveals another advantage market fundamentalism has over theories that lack their own epistemological bootstraps: its ideas do not have to be rooted in specific historical circumstances to exert powerful influence. This poses a challenge for a sociology of knowledge that assumes winning ideas are those that fit local circumstances. In fact, the very strength of the perversity thesis is that it is *not* so rooted,

but relies on abstract thought experiments and naturalistic models that have no empirical referents. Given the common assumption that, in the marketplace of ideas, successful theories are those that best confirm empirical data, these findings may be puzzling. But it seems inescapable that Malthus and Murray triumphed not despite but because they relied on arguments driven by the seemingly inevitable and timeless laws of nature and biology, rather than on empirical contextual referents.

This makes social naturalism perhaps the most potent weapon of market fundamentalism. Those who believe, even a little, in the sovereignty of nature cannot simultaneously accept the causal powers of human artifice, reason, and political institutions. If the laws of nature rule, then social and political laws cannot; there can only be one sovereign per ideational regime. Market fundamentalism achieves that status by taking control over what counts as reality. By defining the crises of the old regime as inevitable result of the failure to obey nature's laws, market fundamentalism establishes itself as the new gatekeeper of rational discourse and policy debate. While it is shocking, therefore, it is not surprising that when the House of Representatives was debating the PRWORA, a U.S. Congressperson biologized the poor as beasts who have been cheated of the natural order. The unconscious allusion to Townsend's island of the goats and the dogs that so influenced Malthus's vision of human nature is striking: "Mr. Chairman, I represent Florida where we have many lakes and natural reserves. If you visit these areas, you may see a sign that reads, 'do not feed the alligators.' We post these for several reasons. First, because if left in a natural state, alligators can fend for themselves. They work, gather food and care for their young. Second, we post these warnings because *unnatural feeding and artificial care creates dependency. When dependency sets in, these otherwise able-bodied alligators can no longer survive on their own.* Now, I know people are not alligators, but I submit to you that with our current handout, nonwork welfare system, *we have upset the natural order.* We have failed

to understand the simple warning signs. We have created a system of dependency” (Mica 1995, emphasis added).

Still, as impressive and necessary as they are, market fundamentalism’s internal causal powers are not sufficient to explain its triumph.²¹ Outside opportunities were also necessary. One of these was the common cultural heritage of Lockean liberalism. In most non-Anglo-American developed societies, similar efforts to delegitimize welfare programs have been less successful, achieving only minor retrenchments without visible impact on rates of poverty and inequality. The United States, England, and perhaps Australia and New Zealand are the only exceptions (Handler 2004; Hicks, 1999; Huber and Stephens 2001; Korpi and Palme 2003; Smeeding, Rainwater, and Burtless 2001; Solow 2000). These are all societies with a common Lockean ideational history—in which social naturalism has deep roots. (That the Canadian welfare state has been growing suggests that the Lockean legacy is necessary but not sufficient for a society to be at risk for welfare retrenchment). Social naturalism allowed Locke to make civil society and markets natural and self-regulating entities free from coercive governmental authority. Distrust of the state, high confidence in the freedom of the market’s natural laws, and the essential biologization of human nature are all part of this mix of social naturalism and the Lockean legacy.

Sequential patterns of external events also created openings and opportunities for market fundamentalism. In both cases, a cascade of problems became full-blown national political crises only when the old regimes could no longer absorb and neutralize them, making the government look unstable, weak, and floundering. The resulting policy vacuum created an opening for once-marginalized competing ideas to enter into public debates over what should be done, and in the ensuing battles of clashing ideational systems the persuasiveness of the perversity thesis accorded a new mainstream legitimacy to the once extreme challengers.

These patterns also reveal the vulnerability of institutional pragmatism. Its pragmatism pushes it toward technocratic fixes of immediate and urgent problems, rather than toward comprehensive moral visions. Mercantilism and the New Deal/Great Society were in many ways bricolages of problem-driven solutions that accumulated over time. When challenged by progressive social movements, pragmatic institutionalists often respond with reforms that morally strengthen the regime. But when challenged by market fundamentalism, the impulse to make concessions only serves to make these regimes appear incoherent relative to the moral purity of their opponents' proposals. *Pragmatic policy-making produces regime frailty*. When faced with problem overload, its very flexibility leaves it vulnerable to market fundamentalism's unbending visionary principles.

This points to another of market fundamentalism's advantages. Its leitmotif of a purely self-regulating market society cannot be achieved; it is a "stark utopia" (GT, 3). As we documented and explored in Chapter 1, market fundamentalism has for two centuries been telling a free-market utopian story in which it is simply a midwife to a "natural" future that has yet to come into being. If markets fail to perform as promised, the fault cannot lie with the theory, since free-market utopianism is simply a reflection of nature's design. Instead, the blame is placed on political interferences that must have imposed perverse incentives, and impaired its self-regulating laws by shielding some aspect of the social order from the market's logic. Hence, market fundamentalism engages in a double sleight of hand—using ideational and political powers to construct markets by means of draconian laws and policies, while simultaneously insisting that the process is entirely natural and apolitical.

<A>Afterword

The Personal Responsibility and Work Opportunities Reconciliation Act of 1996 represented a significant turning point in U.S. politics. When Bill Clinton signed the bill, the Democratic Party

had won only two out of the last six presidential elections. After he signed, the Democrats proceeded to win four out of the next five presidential elections, although George W. Bush was awarded the White House in 2000 by the Supreme Court without a recount of ballots in Florida. Victorious Republicans in the first period invariably tied their Democratic opponent to an unpopular program that much of the public perceived as providing benefits to an overwhelmingly minority population. From 1996 onward, Democrats could claim that their party had “ended welfare as we knew it” and thus render such Republican attacks impotent.²²

To be sure, Republicans have gone on to deploy the rhetoric of perversity against virtually all remaining government benefit program, including food stamps, unemployment insurance, the earned income tax credit, social security, Medicare, and Medicaid. But these rhetorical attacks have, thus far, failed to discredit programs that are perceived by much of the public as providing necessary support to deserving people. In fact, Republican proposals to “privatize” or “voucherize” Social Security and Medicare have proven politically unpopular and have contributed to public perceptions of the party as being out of touch and indifferent to the needs of the middle class.

This problem for the Republicans was exemplified in the 2012 campaign by Mitt Romney’s comments about the 47%. Speaking at a fundraiser at a private house with no press present, Romney was surreptitiously captured saying:

There are 47 percent of the people who will vote for the president no matter what. All right, there are 47 percent who are with him, who are dependent upon government, who believe that they are victims, who believe that government has a responsibility to care for them, who believe that they are entitled to health care, to food, to housing, to you name it. That[,] that’s an entitlement. And the government should give it to them. And they will vote for this president no matter what. And I mean, the president starts off with 48, 49, 48—he starts off with a huge number. These are people who pay no income tax.

Forty-seven percent of Americans pay no income tax. So our message of low taxes doesn't connect. (<http://www.motherjones.com/politics/2012/09/full-transcript-mitt-romney-secret-video#47percent>)

The irony was that Romney ended up the election with just a little more than 47% of the vote, suggesting that he was unable to hold the votes of a significant number of those who he defined as productive and independent citizens.

While it is hard to dispute that the 1996 welfare legislation had a major impact on electoral politics, this “success” has effectively frozen the new policies in place and has largely immunized them from criticism. The Temporary Aid to Needy Families (TANF) program was reauthorized in 2005, and another reauthorization has been pending since 2010. However, the delays in reauthorization have little to do with progressive criticisms of TANF; they come almost entirely from continuing Republican efforts to reduce spending to the poor even further. In fact, no major voices have been raised in the Democratic Party for expanding benefits or for reconsidering the logic of the program.

Bill and Hillary Clinton have very visibly reconsidered certain policies enacted during the Clinton presidency; they have both rejected the “don’t ask, don’t tell” policy on gays in the military and they have repudiated the Defense of Marriage Act that had been signed just a month after the PRWORA. But they continue to defend “welfare reform” as a great success despite considerable evidence to the contrary. Moreover, because of its electoral potency, the establishment of the Democratic Party—including, of course, President Obama—have enthusiastically embraced the Clintons’ position. The result is an ongoing conspiracy of silence in which even some progressive academics have continued to defend the 1996 legislation (Jencks 2005). But the shift from AFDC to TANF has cost poor families billions of dollars of assistance and the percentage of poor families receiving government assistance has fallen precipitously from 1996 to the present.²³ The United States has long been an outlier among developed nations

in terms of the percentage of families living in poverty before taxes and transfers. But with the shift from AFDC to TANF, the United States now does far less than other nations to redress the very uneven distribution of market-based income. The consequence is that the percentage of children living in poverty in the United States is significantly higher than in other developed nations (Gornick and Jantti 2011). Even the U.K., which historically kept the United States company in the percentage of children growing up in poverty, has implemented policies that have substantially improved its performance on this indicator.

But the critical test for any social program is how it performs when disaster strikes. In 2008–2009, the U.S. economy experienced the most severe economic downturn since the Great Depression of the 1930s. In earlier post-World War II recessions, AFDC worked as a safety net. As unemployment rose, so also did the AFDC rolls—supporting many children driven into poverty by their parents’ temporary economic distress. This was a vitally important part of the safety net because the system of unemployment insurance in the United States is deeply flawed. In 2010, only 32% of the unemployed were actually receiving unemployment benefits (National Employment Law Program 2010). First, states have allowed employers to exempt certain categories of employees from coverage. Second, coverage expires after fifty-two weeks or ninety-nine weeks, depending on Congressional action, even though joblessness in a severe recession can last much longer. The national unemployment rate remained above 8% four and a half years after the recession began.

TANF, however, was structured to give states strong incentives to make entry into the program difficult for new applicants. The consequence was that it was simply not available for many families that were either ineligible for unemployment insurance or who had exhausted their benefits. As Jason De Parle wrote in *The New York Times* in April 2012: “... much as overlooked critics of the restrictions once warned, a program that built its reputation when times were good offered little help when jobs disappeared. Despite the worst economy in decades, the

cash welfare rolls have barely budged. Faced with flat federal financing and rising need, Arizona is one of 16 states that have cut their welfare caseloads further since the start of the recession—in its case, by half. Even as it turned away the needy, Arizona spent most of its federal welfare dollars on other programs, using permissive rules to plug state budget gaps” (DeParle 2012).

In short, in many states of the union, when children faced hunger and homelessness because their parents had lost employment in a global economic downturn, the TANF program refused to provide assistance. It is difficult to exaggerate the magnitude of this as a policy failure. Moreover, it is a policy failure that could only be justified by the most extreme version of the perversity thesis; one which insists that individuals, including children, are personally responsible for meeting their own needs even when unemployment had reached catastrophic levels. And yet, there has been virtually no debate about this policy failure.

TANF’s massive inadequacies should not surprise, however; after all, they had already been revealed in an earlier disaster—Hurricane Katrina’s catastrophic impact on New Orleans in 2005. Here again, the storm and its aftermath received enormous media coverage, but almost no one connected the dots and showed that the scale of the disaster was also linked to the 1996 PRWORA. One critical exception has been Somers (2008), and it is worthwhile to briefly revisit her argument since she powerfully elaborates the Polanyian argument about the destructive consequences of market fundamentalist ideas.

Polanyi emphasizes that while the free market utopia cannot be achieved, the ideologically driven effort to impose it on society will nevertheless have disastrous consequences for vulnerable sectors of society. In his view, the whole idea of protective measures such as the Old Poor Laws is that they buffer people from rapid shifts in the market. In rural counties of England, for example, in the seventeenth and eighteenth centuries, there was a sudden collapse of long-established rural crafts that had provided a significant amount of employment. But Poor Law assistance gave families time to adjust and find replacement sources of income. Without such

buffering mechanisms, he stresses that the very survival of entire communities is put at risk (Somers 1993, 1995). But market fundamentalists have argued that citizenship should be treated as a contractual quid pro quo market relationship in which once-basic rights and government help are now only provided in exchange for citizens meeting certain obligations, such as making themselves ready for poorly paid employment and cooperating with the authorities to reveal the paternity of any offspring who are to be supported with public funds. However reasonable such requests for responsibility on the part of citizens might sound, this “contractualization of citizenship” is catastrophic for the significant numbers of people who have little of value to exchange. With few skills and a deficit of cultural capital, there is no demand for their services, and thus no right to full citizenship. They are, in effect, internally stateless.

This is exactly what happened in many inner city neighborhoods in the aftermath of the 1996 PRWORA. With a brief exception during the 1996–1999 economic expansion, unemployment rates in these communities have been at catastrophically high levels, particularly for young people of color. Without substantial job opportunities, young men in these communities drift towards the underground economy and have been incarcerated at astonishingly high rates (Alexander 2010; Wacquant 2009). Young women are left on their own to raise children, but time limits and other barriers make it extremely difficult for them to receive any forms of public assistance. Census data shows that the number of families living in extreme poverty—defined as incomes less than half of the federal poverty line—has been steadily increasing since the late 1990s.

This was the condition of the urban poor in New Orleans in 2005 when Hurricane Katrina devastated the city. New Orleans did not have an evacuation plan for those in impoverished African American neighborhoods who lacked their own means of transportation. As the waters rose, several thousand died in their homes or the streets, and more than 25,000 suffered for days in the Louisiana Superdome and Convention Center without food, water, or other supplies. All

the while, the world watched and wondered how this could occur in the world's only remaining superpower.

This tragic story was the logical result of the contractualization of citizenship. While the poor of New Orleans had nominally retained their formal rights as citizens, they had effectively lost the foundational capacity to make claims on their fellow citizens. Hannah Arendt analyzed what happened to Jews in Central Europe who were stripped of their citizenship rights by the Nazis and their allies in other countries; they were transformed into stateless people who had lost “the right to have rights.” From that condition, mass extermination in the death camps followed. While not as extreme, the fate of the poor of New Orleans can be analyzed in similar terms; even within their own nation, they had lost the right to have the rights of social inclusion and citizenship.

Two separate disasters—Hurricane Katrina and the global financial crisis—have revealed the failure of the welfare legislation passed in 1996. And yet, there is still no hint that the political system is willing to revisit that legislation and devise a more humane and just response to millions of people living in poverty. By every indicator, the United States has the highest percentage of religiously observant Christians of any of the world's developed societies. And in the Gospel of Matthew, Jesus told his followers with great clarity: “Truly I tell you, whatever you did for one of the least of these brothers and sisters of mine, you did for me” (Matthew 25:40). At some level, the gap between this New Testament injunction and the cruelty of poverty policies in the United States is impossible to fathom. But we have tried to show that the rhetoric of perversity is an important element in making sense of this abiding paradox.

Notes

¹ With the exception of Foucault (1970), social scientists have generally paid insufficient attention to ideational causal mechanisms. Other works that have closely engaged the causal influence of ideas include Bourdieu (1998); Dean (1991); Fraser and Gordon (1994, 1998); Glasman (1996); Hall (1989); Hirschman (1991); O'Connor (2001); Schram (1995, 2000); Steinmetz (1993, 2000).

² Pimpare (2004) argues persuasively that the attacks on local welfare provision in the United States in the 1880s and 1890s paralleled the impact and justification of the 1996 legislation. His case differs, however, from the ones we address because the anti-welfare initiative was decentralized.

³ Cases that differ along every parameter except the dependent variable are particularly suited for comparative sociology's method of agreement (Skocpol and Somers 1980)—a method that makes a robust causal argument for the one hypothesized independent variable common to both cases. To avoid the charge of selecting on the dependent variable, we will also be asking why significant changes in welfare legislation did not occur at earlier points in these periods.

⁴ The classic formulation of this idea was Weber's (1969 [1922]) use of the notion of "elective affinity" to explain how certain religious ideas were embraced by certain social groups because those ideas made sense of their lived experience.

⁵ While there are overlaps, the logic of the perversity thesis is distinct from arguments about the "unintended consequences" of social action (Merton 1936). While the latter emphasize the impossibility of predicting the outcome of social policies, the perversity thesis is unambiguous in predicting that outcomes will be the reverse of what was intended.

6 Outlays increased from .99 % of GDP in 1749 to 2.15% in 1801–1803 (Lindert 1998), with the highest per capita relief outlays largely in the rural wheat growing and rural industrial textile regions of the southeast (Blaug 1963; Snell 1985). See also Chapter 5.

⁷ It was referred to as an “Act,” but it was never made a Parliamentary statute, as we explain in Chapter 5.

⁸ Congress passed a major expansion of the Earned Income Tax Credit (EITC) in 1993 that substantially increased transfers to low income households. This partially offset the economic impact of the shift from AFDC to TANF.

⁹ See Polanyi’s essay, “Aristotle Discovers the Economy,” that is reprinted in Polanyi (1968) for a **[former, then other references in the text and the biblio need to be changed to “1968 [1957]”]** brilliant discussion of the invention of the “scarcity postulate” by classical and neoclassical economics.

¹⁰ It was not until the second edition that he adds “moral restraint” as a sop to his theological critics.

¹¹ The gendered character of Malthus’s argument is addressed by Gallagher (1987) and Valenze (1995).

¹² So significant was the role of Townsend’s fable and its influence on Malthus and free-market utopianism that we reprise some of our discussion from earlier chapters.

¹³ Malthus’s appropriation of Smith still does not define Smith himself as a market fundamentalist or free-market utopian.

¹⁴ The concept of the “thought experiment” dates to the end of the nineteenth century. Philosophers of science, however, have identified the use of thought experiments at least as far back as Galileo (Kuhn 1977).

¹⁵ Malthus is using “illegitimate” to cover any child born to parents who would turn to the parish for assistance.

¹⁶ In light of this, it is remarkable that Malthus's story professes to be sympathetic to the poor. To be sure, he does not attribute the behavioral shortcomings of relief recipients to any unique biological traits or deficiency. Rather, Malthus insists that all human beings are driven by the same overriding biological drive for sexual pleasure; it is just that the middle and upper classes have been able to control those drives.

¹⁷ In this we should hear echoes to come of President Ronald Reagan's famous paradigm-changing discourse of the 1980s: "Government is not the solution; government is the problem."

¹⁸ The literature on the legislative machinations involved in the bill's passage is enormous and would have to be explored in depth for a full-scale account of how the law made it through parliament. See especially Brundage (1978) [Poynter (1969); Winch (1996).

¹⁹ The major exception, of course, is Hirschman (1991). And although Malthus is not specifically identified, Harpham and Scotch (1988) attribute much of *Losing Ground's* popularity and influence "to the fact that it has put old wine into a new bottle ... In many ways, the policy proposal presented by Murray at the end of *Losing Ground* can be seen as an updating of the proposal for English Poor Law Reform in 1834" (201).

²⁰ For other critiques of Murray, see Katz (2001) Danziger and Gottschalk (1985); Danziger and Haveman (2001); O'Connor (2001).

²¹ In explaining these two pieces of legislation, our intention is to supplement rather than replace the scholarship that examines the role of partisanship, economic resources, and political institutions in shaping outcomes.

²² Early in the 2012 election cycle, the Republicans charged that Obama was undermining the welfare rules by granting waivers to the states. Bill Clinton refuted this charge in his speech at the Democratic National Convention—once again affirming that Obama was on board with the goals of the 1996 legislation.

²³ For recent studies that document negative long-term consequences of the 1996 legislation, see

Collins and Mayer 2010; Morgen, Acker, and Weigt 2010; Self 2012.