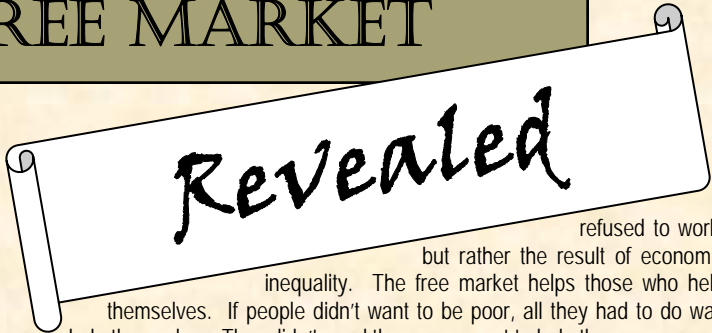


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MYTHS OF THE FREE MARKET



After taxpayers have put up the \$700 billion to bail out irresponsible banks, something that no bank would do for "irresponsible" taxpayers, it is now time to call the so called free market experiment over. The irrefutable conclusion: Economic policy that favors the wealthy and allows corporations to become too big to fail ends only in graft, undo corporate influence in politics and, yes, failure. It turns out that the free market is not at all free, especially if you don't happen to own a major corporation.

No matter what you call it, supply side economics, trickle down theory, Reaganomics, neoliberalism, what is known as the free market economy is nothing but a burden on working Americans. In carrying this burden, however, every day Americans do not derive any of the benefits of a delusional economic principle. Instead, when the system collapses, as it always does, working and middle class Americans are expected to shoulder even more of the burden to keep a system going that does nothing to benefit them.

There is a lesson in this experience for Americans. In fact, if the bailout does nothing for the economy, it does serve an educational purpose. It pulls the curtain on the free market variety show that has been distracting us since the Reagan administration. The litany of lies perpetuated by the corporate class can no longer be sustained in the face of such colossal failure. One doesn't need a degree in economics to understand that the myth of the free market has no more substance than any other hallucination. Now it's time for the American people to stop listening to the Milton Friedman wannabes like Phil Gramm, Alan Greenspan, Hank Paulson et.al It's time Americans, workaday Americans, demand that economic policies reflect their interests. After all, it's our money they are using.

Below are five free market myths that exploded in the face of the recent banking crisis and government bailout. Recall that this is not the first time such myths have been debunked. In the 1930's the Great Depression destroyed the free market hocus pocus of the early years of the 20th century. It took over fifty years for the power elite to re-establish these myths at the expense of working men and women. Of course it was only a matter of time before this system collapsed (again). Free markets are unsustainable. This month we are reminded of the economic fallacies of the ruling class. Let's hope that it doesn't take another depression to lay these lies to rest for good.

Myth 1: Socialism is Evil

In a commentary for the Nation, presidential candidate Ralph Nader offered a story from his youth. His father asked him, "why will capitalism always survive?" The answer: "Because socialism will always be used to save it." (Nader)

All of my life I've been socialized with the certainty that socialism is bad, that socialism and socialists should be feared. It was a locus of our social studies curriculum in school; it was an unquestioned truism. The fall of the Soviet Union was offered as an example of discredited socialist policies. If we didn't want this to happen to us then we had to embrace free market principles. The free market was the only demonstrated means of maintaining economic vitality and democratic society.

Any attempt to suggest that maybe, just maybe, some resources should be used for the greater good was derided as socialism, communism, Marxism. It was un-American to claim that anything but the free market could benefit our society. It was un-American to suggest that poverty was not the natural consequence of lazy individuals who

refused to work, but rather the result of economic inequality. The free market helps those who help themselves. If people didn't want to be poor, all they had to do was help themselves. They didn't need the government to help them.

All along, however, the corporate elite never had a problem with socialism—so long as socialism benefited them. Welfare for the poor was enabling dependency and a drain on the economy. Corporate welfare, at over three times the cost of TANF...well, we just don't talk about that. William Greider had it right when he labeled this phenomenon Goldman Sachs socialism. (Greider) Count up all of the bailouts, low interest loans, subsidies, favorable tax policies, no-bid contracts and you see socialism at the highest levels.

Well, if socialism is great for the corporate class, in fact is the default option when things go wrong, then why can't I get in on some of that socialist action? I don't need a bailout—that's why I work three jobs. I'd just like a little socialized medicine, maybe some access to secondary education for my children. I have friends who could use some unemployment because keeping employees is never a requirement for corporations to receive welfare.

Myth 2: The Free Market is the Answer

Just this morning I was reading a letter from Congressman Connie Mack's office. Congressman Mack is my representative (so to speak) and the letter was in response to my request that he vote against the bailout. Congressman Mack is certainly no friend of progressives; he has always voted against any measure that might, conceivably benefit working Americans. He did vote against the bailout, but his reasoning included a criticism of socialism and the fact that "free market" alternatives weren't tried first.

Amazing! Free market alternatives were what caused this mess to begin with! Right wingnuts like Mack echo the meaningless mantra of Milton Friedman and his ilk. Friedman was this century's most ardent proponent of free market capitalism. He advised national leaders like Chile's tyrannical Augusto Pinochet on how to set up free market economies in their struggling nations. Friedman's policies in Chile were touted as miraculous, despite the fact that they resulted in nothing more than profound economic inequality and did nothing to alleviate poverty nor injustice.

Chile's economy ultimately collapsed like a house of cards in an earthquake.

Friedman's policies in America have fared only quantitatively better due to our global market power. The qualitative end result is the same, a top-heavy accumulation of wealth at the expense of the working class, rampant corporate corruption and a weakening of all aspects of the general welfare. Now we face a mired economy where working families suffer despite the quality of their decisions while incompetent banks are kept afloat be-

A note on socialism: Any publication that suggests that socialism is not an "evil" runs the risk of being labeled a "socialist rag" and thus discredited. To avoid this I want to clarify the position of the Mad Sociologist and Agitate with regard to socialism. The Journal of a Mad Sociologist is inspired by sociological theory, not socialism or Marxism. It is the position of this project that no economic or social theory, in and of itself, is adequate to recommend policy. Each theory has something to offer, but blind pursuit of any single socio-economic concept has no more validity than using religious orthodoxy to shape social policy. The benefits of capitalism are undeniable, but so are the deficits. Human ingenuity and innovation, liberated from dogma, can solve these problems.

cause they are "too big to fail."

Trickle down theory has never worked and will not work in the future, at least not the way it's billed. In economics, rising waters do not lift all ships. A deluge of wealth at the highest levels does not produce wealth for all. Working men and women, who bear the burden of producing the nation's wealth end up with only a trickle of that wealth for themselves.

Even if the economic principles of supply side economics are sound, banks and corporations are not just economic entities, they are social entities driven by power dynamics as well as groups of individuals motivated by greed and empowered by bureaucracy. They function not on principles of theoretical economics, but rather functional and conflict sociology. An economic policy must take sociological contingencies into account. When everything is added up, the free market economy is a fraud.

Myth 3: We Don't have the Money for Progressive Social Programs

Isn't it interesting how there's always money to go to war? When it comes to making bombs the sky's the limit. And there's always money to dump into corporate welfare. When big business needs a stimulus (bailout) our politicians find the money to make it happen. Ninety billion dollars for corporate welfare is a drop in the bucket, but relief for the poor, investment in education, cleaning up the environment...sorry, there's just no money for these wasteful, liberal programs.

Sadly, funding corporate corruption and incompetence offers only negative return for the society. Funding progressive initiatives that help the common man and woman pays huge dividends in the end.

After finding \$700 billion for incompetent banks, there's no longer an excuse to let other needed social programs disintegrate, or allow pressing social issues stand neglected. Politicians have demonstrated that when the issue is important to them, ergo it is important to their lobbying concerns, they can and will find the money. It's time we demand that our so called representatives actually *represent us* and call for full funding of progressive social programs.

Myth 4: Companies Will Self Regulate

I have an idea. I'm going to give my seven year old a brick of cash and put him in a candy store. Don't worry, he'll self regulate. Sure, he'll self regulate... once he's too sick to stand. Corporate executives are analogous to overindulged children. When free from regulation, oversight and enforcement they go crazy and glut themselves on every form of junk food wealth they can find, such as derivatives and speculation. By the time they decide it's time to "self" regulate it's too late. The economy is already sick.

Sure, there are some economic theories suggesting that corporations will self regulate for their long term best interest. These theories are intricate, logical and wrong. What's more, they fly in the face of experience. Unregulated business will serve the interests of their bottom line at the expense of society. Without oversight, greed and corruption rule.

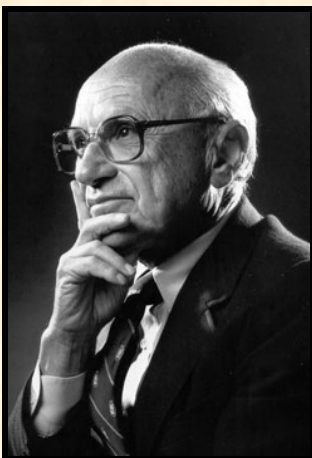
Corporations have, during the last generation, negated the influence of public oversight. They have had eight years to self regulate in a free marketplace. They've not done it. There's no reason to think they ever will.

Myth 4: The Federal Reserve System Works

The idea behind the Federal Reserve System is really very similar to the false assumption that corporations will self regulate. The idea is to centralize banking interests to make decisions as to how much money gets into the market. Banks maximize their stability by ensuring the stability of the economy, ensuring that everything is just right. If there's an inflationary trend, reduce the amount of money in the market. If there's a recessionary trend, increase the amount of money. There. Simple.

Except that it doesn't work. Part of the problem is that we assume that everyone benefits from a stable economy. But there's money to be made in fluctuations of the market. So stability is only of secondary interest to investors.

Secondly, the people in charge of the Fed may be driven by a faulty ideology.



Milton Friedman: Despite his status as an economic icon, his principles have only ever lead to ruin.

In this case, self destructive policy is the result. This month, before Rep. Henry Waxman's House Committee, the Maestro himself, Alan Greenspan, admitted that his policy decisions were ideologically driven. What's more, he also admitted that his ideology was mistaken, resulting in catastrophe. (Andrews)

The Federal Reserve is no better (and certainly no worse) than any other institution. Its main focus is the perpetuation of the institution itself. It is subject to the caprices of power and the entrenched biases of its bureaucracy. An institution, especially one guided by dogmatic principles, does not have the flexibility to respond to all social contingencies. It is, therefore, too much to expect such an institution to stabilize something as dynamic as a national/global economy. So why has the Fed been charged with so much power? Could it have more to do with the power of bank lobbying interests than the balanced wellbeing of the economy?

Myth 5: There is no Class Warfare in America

When progressives bring up the huge discrepancies between the rich and the commons and the gross injustice of an uneven economic playing field we're accused of pandering to false concepts of class warfare. But class warfare is very real; what's more, it's a covert war. Working America is losing this war. Today the market for working Americans is treacherous. Fearing for our jobs we work harder than we should be expected. The productivity of American workers is 20% higher than at the beginning of the decade. Wages, however, have not kept up. In fact, wages have been stagnant since the late seventies, and have even gone down during many of the intervening years. (IRLE)

This war has very real casualties. Over 50,000 job related deaths occur every year. Eighteen thousand people die every year because they don't have health coverage. The stats are not out there to quantify the physiological and psychological costs of living under such conditions, or the impact of corporate pollution on working people. But certainly these numbers are significant.

If war can be categorized by its casualty numbers, it is beyond doubt that what we are seeing in America is class warfare. It's safe to estimate that more Americans die in one year due to class based distinctions than died during the Vietnam War. If what we are experiencing isn't class warfare, then what is it? And if working men and women do not fight back then our fate is left in the hands of our conquerors, in this case the corporate elite.

Since the New Deal conservative elements in our society struggled to resuscitate free market capitalism. Capitalism had choked on its own greed and excess and brought down the hopes of a whole generation of Americans as it fell. In the late 60's a faint heartbeat could be heard over thin, gasping breaths. After the economically tumultuous seventies the new conservatives under Ronald Reagan were able to bring the beast back to life. Clinton neoliberalism re-invigorated free market principles and started the process of unraveling progressive America. It didn't take long for the beast to bite off more than it could chew...again.

NAFTA was passed, followed shortly thereafter by the sucking sound of jobs leaving the country as predicted by Ross Perot. The Glass Steagall Act was repealed. The nation appeared to be economically healthy in the lap of the IT bubble of the nineties, but this was a false calm. The underlying foundations of the economy were further corroded under the Bush Administration, when the government turned its back on business and gave it free reign, bringing the corruption of the Gilded Age back to life.

There should be no doubt in anyone's mind at this point that free market principles fail in the long run. The most we've ever gained from such principles is short term prosperity followed by vast accumulation of wealth at the top of the social ladder. September 2008 should be a revelation to us all that free markets are not free, and they cannot be sustained without social investment and oversight. Corporations must be guided by the public to operate in the public interest. Free market shamans are wrong when they suggest that corporate best interest and public best interest are one and the same.

It's cost us more than \$700 billion dollars to learn this lesson.

Take Action!

Get informed about real world economics. An informed public can motivate their representatives to promote rational economic policies that encourage the kind of innovation inspired by free market principles while serving the public welfare as espoused by socialism.

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