

Free market farce

By Radical Randy

Having problems keeping up with the rent lately? Struggling Albertans may at least take pride in their provincial government's principled stand for free market economics. Premier Ed Stelmach is committed to preserving our free market by not interfering in the markets with rent controls. Meanwhile, the tar sands cycle of boom-and-bust development continues to produce an unregulated mess. This is largely the product of former premier Ralph Klein's refusal to interfere in the operation of the free market, a policy Stelmach has continued. Klein deregulated Alberta's electricity rates to allow the free market to work its magic and Albertans suffered soaring prices as a result.

Our economic system is supposedly underpinned by economist Adam Smith's supply-and-demand principles. Under this 18th Century model, the price of goods and services would be determined by "the invisible hand of the marketplace" with a multitude of independent buyers and sellers competing, producing fair prices for all. The myth of free markets is used to legitimate capitalism in the public mind, but reality often intrudes on this neoliberal fantasy. Capitalism involves the investment of money (capital) in a business, often with absentee owners and the labour of others to generate profits. The modern incarnation of this philosophy is the corporation, which is relentlessly promoted by our political, economic, and media elites as the embodiment of the free market. Any critique of it is equated with an assault on the very concept of free choice.

Competition: who needs it?

The reality is far different. Unfettered capitalism leads inexorably to the concentration of ownership and the end of real free market competition. Almost every sector of our economy suffers from monopoly or oligopoly (control by a few businesses), with a handful of transnational corporations dominating a given industry and its markets. The oil companies serve as a blatantly obvious example, as does Microsoft. Some companies such as Wal-Mart are so huge that they can dictate prices and terms to their suppliers, virtually guaranteeing sweatshop production. Our family farmers are going bankrupt by being squeezed between giant profiteering suppliers like Monsanto and Cargill and the low prices they get for their harvest, often from the same companies supplying their farms. Meanwhile, huge U.S. agribusiness operations receive billions yearly in government aid, allowing them to dump their produce in developing countries and drive local farmers off the land. Across North America, Coca-Cola has exclusive contracts for beverage sales on many college campuses, including the University of Alberta, precluding any possibility of choice.

The ongoing mania for mergers and acquisitions, accelerated by NAFTA and promoted by business observers as improving efficiency, further consolidates control of a given economic sector. Legislation designed to prevent this has been gutted, eliminated, or ignored by governments to create a "business-friendly" investment environment. Canadians are only too familiar with concentration of ownership in banking. Our mass

media too is dominated by a few huge conglomerates such as Rogers, Quebecor, CTVglobemedia/CHUM, Shaw, and CanWest Global, often with cross-ownership by a company in several different media in the same market. Far from relishing the rough-and-tumble of real bare-knuckle competition, capitalists loathe it and they and their political allies will do everything in their power to prevent it. Adam Smith condemned corporations as a distorting force on his supply and demand ideal. In many ways the noncompetitive natures of these businesses seem about as close to true free markets as the former Soviet command economy.

Reality check

Pundits attempting to equate capitalism with a real free market invariably stress the supposed competitive nature of our economic system, but this may be easily dismissed. Patents, a profoundly anticompetitive device, give a company exclusive control over an innovation for years, allowing price gouging, as pharmaceutical companies illustrate. This control has been extended globally through the World Trade Organization's coercive American-style patent protection. In the idealized supply and demand model consumers, somehow possessing perfect information about all aspects of the market, would make their choices based on a logical, knowledgeable analysis of the products available and their needs. In the real world, hundreds of billions of dollars are spent worldwide each year on the all-pervasive advertising industry to override and disrupt these rational choices with shallow, gaudy emotional appeals, especially those ads targeting children. In North America, biotech companies campaign relentlessly to prevent mandatory labeling of genetically modified foods, eliminating informed consumer choice.

Regardless of the wishful thinking of neoliberalism's boosters, many economic success stories have been underwritten or organized by government. Computers and the Internet had their start with government and university research. It was only after these had first been publicly developed that private enterprise was able to take over with a commercially viable business. Much of the primary medical research leading to new drugs is carried out at public expense in universities or government-supported labs such as the National Institutes of Health. And, as writer/activist Noam Chomsky has observed, the American civilian aviation industry would not exist without subsidization by the massive government funding of the military aerospace sector.

Relocalizing

For true competition to exist in the marketplace, new competitors must be able to enter a business sector. Technological and financial barriers, as well as the difficulty of breaking into established distribution networks, may make this virtually impossible even for a company, let alone an individual. Corporations, while extolling the virtues of the nonexistent free marketplace, have no problem lobbying for and happily accepting huge government subsidies and handouts, on the order of one trillion dollars every year worldwide even before the market meltdown began, all in the name of free enterprise.

Meanwhile, neoliberal economists dismiss any suggestions of government intervention designed to help the general public as distortions that would undermine free-market price signals.

The effects of this dichotomy between the ideal and actual economy are more than academic. Domination of an industry by a few companies results in a boring uniformity of products with little real variety. Local cultural traditions are crushed in the resulting drive toward worldwide homogenization. “Natural monopolies” such as utilities may exist but at the very least, if privately owned, their prices and quality of service must be tightly regulated. Medicare, education, social services, and access to clean water should, of course, be publicly funded and publicly delivered to all, but many consumer goods and services would benefit from real free markets. This would allow numerous small enterprises, family businesses, worker owned firms, cooperatives, and inventor/innovator mavericks to flourish, resulting in a much more equitable distribution of wealth. Instead, we have corporate oligopolies dominating the economy with cloned chain stores and monopolistic industries, sucking profits out of communities back to their head offices and their mainly wealthy shareholders, enriching a few and impoverishing many more. Additionally, inventory and supplies for the chains are often imported from outside the locality, further draining capital from the region. If this money had been left in the neighbourhood, it would have had a multiplier effect as it circulated, generating more benefit within the community. This concentration of money in corporate hands not only distorts marketplace economics, but also gives big business the power to dominate our governments, resulting in policies that favour the rich while perpetuating poverty and inequality here and around the world.

The absurd pretense that free markets form the basis for our economic system was drowned in the colossal waves of government bailouts lavished on rescuing the global capitalist financial system from itself. Of course this is presented to the public as saving the economy, not the big investors, and therefore done for the benefit of the workers. Oddly, there have been no reports of workers doing cartwheels in the street at the news of the bailouts. When considering the true state of “independent competition” in our economy, it becomes increasingly obvious that the myth of the free markets is primarily perpetuated to support the status quo. It serves more as an excuse by right-wing governments to avoid initiating any measures or programs that might benefit ordinary citizens than as an accurate reflection of our real economy.

More information on corporate monopolies and oligopolies may be found in *The Truth About the Drug Companies* by Marcia Angell, *It's the Crude, Dude* by Linda McQuaig, *The Microsoft File* by Wendy Goldman Rohm, and *The Media In Canada* chapter of Mel Hurtig's *The Truth About Canada*