Unmasking the Myth of the 'Free Market'

What if property rights, rather than labor rights, were left to the invisible hand?

BY MARJORIE KELLY

The "free market" is very nearly a state religion in the United States today. "Free trade" is nearly as sacrosanct. Supposedly everyone is "free" to compete equally in the free market. But what's quietly ignored is a little thing called "property rights," which might more properly be called the "rights of wealth holders." These are the only human rights the free market respects. We see these rights protected in trade agreements, for example, when Mexico is told to stop nationalizing industries, before it is considered a fit partner for trade. Or we see the World Trade Association insisting nations change intellectual property laws, to protect corporate patents. The free-trade regime insists wealth be protected. But it equally insists the environment *not* be protected. That jobs not be protected, nor worker health, nor the right to organize. When labor and environmental concerns seek equal protection, it's called "interference" in the free market. These rights are supposedly protected by the "invisible hand," which leads free markets to work out to the benefit of all.

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Yes, well. Perhaps it's time to notice how deeply wealth rights are integrated into free market thinking, so that these special privileges have become nearly invisible. We might make them more visible with a little exercise—a small flight of fancy. We might imagine a different arrangement of institutional power, in which labor and environmental rights are enthroned in law, and the rights of the wealthy are left to the invisible hand.

Today we imagine stockholders *are* the corporation. When we say "the corporation did well," we mean its shareholders did well. In our imaginary world, we might believe employees are the corporation. They are, after all, running the place. Hence only employees could vote for the board, and the purpose would be to maximize gains for employees. In theory, stockholders would receive income negotiated through contracts. In practice, the corporation would dictate contracts with little negotiation—and stockholders could accept the terms, or go elsewhere, where they would find other corporations offering identical terms.

In this world, stock would be sold in a manner controlled entirely by the corporation, much as wages are set today. Stockholders wishing to buy or sell stock would appear, alone, at the company, where they would be taken into a room and made an offer. They could accept or decline. There would be no reliable way to compare current stock price to past price, to compare the price one person gets to what others get, or to compare prices from one corporation to another. Wage data would be published daily in the *Main Street Journal*, and the movement of the Dow Jones Wage Index would be tracked nightly on the news. But returns to shareholders would be considered "proprietary" information, and would be secret.

When stockholders might try to improve their position by organizing into mutual funds, corporations would threaten to cut off payments. The companies would threaten to replace stockholder money with funds from overseas, willing to accept lower returns. Of course overseas, stockholders would have even less power. For while free trade agreements would provide intricate protections for labor and environmental rights, they would offer capital no protections. "What does capital have to do with trade?" pundits might ask. "Trade is about goods and services and the people who create them, it's not about capital."

When newspapers say "the corporation did well," they would mean employees did well. Stockholders might have seen dividends languish. Some might have seen income terminated in "capital layoffs." But when anyone suggested changes, they would be said to be "tampering with the free market."

That's what we're told today. But we don't have to buy it. For we can begin to see through the sleight-of-hand of the "free market," begin to see how it serves as an apology for existing institutional and legal arrangements. The truth is, free market ideology has imbedded within it two separate assertions, which are worth unpacking.

First, there is an assertion that *natural processes are self-regulating*. And this is a valid truth. We see it at work in nature, for example, where the renewal of life in spring comes on its own. Where we mate for our own pleasure—and in so doing help in the rebirth of the world. In like manner, we serve the economic polity best by serving ourselves. The drive to make money is what gets us out of bed in the morning, and brings us to do our part in holding the world together. Our economic drives are part of the natural order, and are trustworthy. We do well to take comfort in this assertion.

But invisibly imbedded in free market ideology is a second assertion: that *corporate and trade governance structures embody the natural order*. And this assertion does not follow logically from the first. For it glosses over the institutionalized power of corporations, and of wealth. To call the stockholder-centered corporate structure "natural" is reminiscent of the ancient claim that the monarchy was the only "natural" way to structure government.

A truly natural free market would free all groups to compete equally, to have a chance to pursue their own self-interest, to have an opportunity for their voices to be heard and their needs considered. Real free markets are not about enshrining the self-interest of one group alone in law. Privilege like that has no place in a free market. Even in an imaginary one.