A SYSTEMATIC CRITIQUE OF MARKET ECONOMIES - Postliterate - Medium

By Postliterate

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This essay presents a systematic critique of market economies. The word "market economy" here refers to the dominant way people have coordinated their economic activity since the emergence of capitalism, and even in places before then. Market economies are characterized by production undertaken by private enterprises, coordinated through the process of exchange.

This essay will overturn the notion that market economies are at all the best form of economic coordination which could be undertaken by society to satisfy its needs. For the sake of brevity, this essay will not discuss at length possible alternatives to the market structure (of which there are many), but it will outline what any alternative to the market structure *must* look like, regardless of specifics. Overall, this essay will focus primarily on critiquing market economies alone.

This critique will not concern itself with any particular market economy, but with the most fundamental mannerisms common to *all* market economies. This critique will also make no outside assumptions about the nature of market economies other than those basic ones accepted and advocated for by defenders of them — namely, that market economies are characterized by production engaged by private enterprises and coordinated by exchange through money.

Ultimately, this critique will present the thesis that market economies, by their own nature, are a direct impediment to human freedom and self-determination. This critique will demonstrate that market economies fundamentally operate on the continual subjugation and social domination of people. This form of social domination will *not* be demonstrated to be the result of "the rich," nor of any particular individuals at all, but the result of the market *itself* and its mannerisms. This critique will be demonstrated even while assuming a consistent, perfectly "free market" functioning at its most efficient and competitive level in an optimal environment. Moreover, the critique will be demonstrated even while assuming optimal human beings who are consistently rational and altruistic; for this reason, the critique will not make any moralistic declarations about wealth inequality or "greed."

This essay is divided into three portions: (1) analyzing the process of production in a market economy; (2) analyzing the process of exchange; (3) analyzing the relation of exchange to the market as a whole, and the negative social implications of this relation.

1 — Production in a Market Economy

In any society, production of goods and services must be undertaken in some form or another in order to satisfy the needs and wants of the society as a whole.

In a market economy, this production is carried out by competitive private enterprises. It is not relevant how these private enterprises are internally organized — for example, whether they are organized in an egalitarian or hierarchical manner. It is also not relevant whether or not these private enterprises each produce different products, or if some produce the same products as another. What is relevant is the fact that these private enterprises must somehow coordinate all of their private acts of production to the society-wide scale in order to satisfy its needs and wants.

The issue with markets is that this necessary coordination of production to the society-wide scale cannot actually occur at the point of production, because such acts are determined by the private enterprises themselves. Each enterprise produces what they want, how they want, and how much they want — yet somehow they all must come together and satisfy society's needs as a whole.

The only way, then, that such coordination can take place, if not in the realm of production, is in the realm of *exchange*. Markets typically achieve a degree of success in satisfying the needs of society as a whole, but only through the process of private enterprises taking their privately produced products to a *market* in order to exchange them for other products (or for money, which will be discussed later.) This process is the market's form of "economic communication," so to speak. What society wants or doesn't want is determined here and *here alone*. Producers in the market encounter each other as depersonalized private owners of products, and it is *only* in this realm of exchange that private economic activities can be compared against the rest of society and valued in particular ways.

From this premise alone, it is not clear how markets negatively impact society. However, it will become clear once exchange as a process is analyzed more closely. The analysis of exchange will be important in any case, for exchange underpins the regulation of all market relations.

2 — Exchange

An individual act of product exchange in a market may occur between producers and consumers, or between different producers — it makes no difference. For the sake of explanation, this analysis will begin with barter exchange between different products before progressing to exchange with money which characterizes market relations.

On the face of it, an individual act of exchange between two different products appears as something quite simple — a certain quantity of the first product is exchanged for a certain quantity of the second. However, products on a market must be able to be exchanged for any other product in order to maximize the potential for exchange, and only the quantity of this product in relation to the others can be altered in an individual exchange. For example, potatoes must be able to be exchanged for carrots, beets, or any other product, and only the ratio of the quantity of potatoes to the other product can be altered in the individual exchange — e.g., one potato for two carrots, two potatoes for three beets, etc.

To express products in these purely quantitative relations, there must be a *qualitative* relation which is already common to all of these products. Without a common qualitative feature, these products could not be expressed purely quantitatively and thus could not be exchangeable for each other. In other words, every act of exchange implies that the products involved can actually be made commensurate with each other, and therefore have a common property between them.

There are many factors that go into the production of a given product, but the most common property which is found in these products is the fact that they are products of *labor*. Anything that is not immediately able to be acquired without effort by people (air is one such thing), requires labor to acquire. Thus, regardless of all the many differences in exchangeable products, they all require a degree of labor to produce, with but few exceptions.

Yet, there are many different forms and quantities of labor which are used in the production of different products — it is thus necessary to reduce labor itself to an even more common property. This more common property of labor is called *abstract labor*. Abstract labor is the raw expenditure of human effort over time, reducing all of the many forms and quantities of labor used in the production of different products to a most common abstract element. It is *this* most common element which allows nearly all products to be made exchangeable with each other.

This is where money comes in. Money has no value in and of itself if it has no ability to purchase real products which are of use to a person. Therefore, money is merely a mediator between products and is therefore only a universal *medium* for exchange.

Money only works as this universal medium between products because it is just a representation of the most common property already present in products**:** *abstract labor*. The existence of abstract labor is what enables money to allow all products to be represented in it, and enables money to unite all products to a common reference which they are all exchangeable to. $2 can buy many different things only because these many things already contain the common property of *abstract labor*. This is not to say that a given quantity of money directly equals a given quantity of abstract labor, but rather that money can operate as a universal medium only because of abstract labor.

The problem with money is that it is an abstraction. People speak and think in abstractions all of the time, but rarely do they *act* in abstractions — money, however, does so. Money can only represent an abstracted form of direct human activity (labor), and cannot directly represent the specifics of our activities that go into the production of a given thing.

Yet, money is what dominates the realm of exchange, and it is the exchange process which governs production in a market economy. Because of this, the laws of money appear as a regulator of human labor based on dictates which are *alien* to us. The laws of money can only deal with *abstract* labor, and as such they appear as an abstract force which develops into its own logic, separated from us. Rather than clearly reflecting human activity, the laws of money dirty up the reflection in their own way until it appears as something else entirely.

This is how the movement of money, and by extension the market as a whole, appears as something which functions outside of us and our own personal dictates — yet it then compels us to act according to *its* dictates, coordinated in the realm of exchange. As producers, no matter the control we exercise over our private enterprises, we are ultimately at the mercy of something beyond our control — the laws of the market.

3 — Social Implications of the Market

These “laws of the market” are not laws which were consciously conceived by people. They are the laws of *things*, i.e. products, and not of people directly. Moreover, these “things” as exchangeable products are only representations of the human activity that went into their production in *abstracted* form.

Because it is only in the process of exchange that private enterprises can coordinate society-wide production, it is only this abstracted human labor in the form of money that dictates production. For this reason, a market economy can be characterized as a system of production mediated by *things*, i.e. products — and these *things* embody only abstract labor because of exchange.

The result of this is that the flow of *things* dictates what production may or may not take place, and not humans directly. As these *things* take a dictatorial power over our production, our economic activity becomes no longer regulated by humans themselves, but by *things*. Rather than being conscious actors, determining production immediately based on conscious and reasoned decisions for the direct satisfaction of our needs and desires, people are reduced to unconscious executors of commands already decided, incentivized, or forced upon us by the market. It is a world which is really upside-down.

The proper word to describe this condition is *alienation*. Human economic activity is not undertaken consciously, but for the sake of an external alien force.

The consequences of this fact are far too great in number to discuss in full. What is sure is that this fact exists and plays a large role in shaping the rest of society as a whole. As a direct impediment to human freedom and self-determination, it has not only severely negative sociological implications, but cultural, psychological — and crucially — *ecological* implications that can be seen today.

Thus, while defenders of market economies often claim that only their system allows individual freedom, it is individual freedom which is always *driven out* by market relations. No matter the efficiency, no matter the regulation, and no matter the expansion of trade which is granted to market economies, it will always serve as a real inhibitor of social freedom. This fact does not merely have theoretical implications, but material ones. Market economies will function in ways that are counterintuitive to the conscious needs of humans and their environment — but it is in the nature of market economies that such issues are unable to be directly resolved by the actions of any particular individuals or groups within the economy. No person or group who participates in the market can be held directly responsible for its misconduct, as they themselves do not determine the general movement of the market. "The market" thus appears as an abstract force of social domination, a form of material control to which people are compelled to submit and to which no person within it can trace misconduct directly back to.

Any reasonable solution to these problems must involve complete abolition of market economies in favor of direct coordination of society's needs immediately in the process of production, and not merely exchange. This would entail that economic coordination would be undertaken by people themselves and not by the forces of things. There are no guarantees for the success of such a system, but it is clear that only it has the potential for real human freedom because only it is able to grant autonomy to all people affected by economic activity, which is to say, everyone.