Financial Faqs
THE TYRANNY OF THE MARKETS

The 'tyranny of the markets' means more than consumers being at the mercy of all-powerful multinational corporations that control prices and markets (such as oil), or recently deregulated financial markets and banks that leave investors at the mercy—and risk—of so-called 'market forces'.

It is also a paradigm for what has happened to America's social safety net—leaving social welfare to the vagaries of market forces has led to worsening health care, killers like Virginia Tech's falling through the mental health cracks, the largest prison system per capita in the world, degraded social security and Medicare prospects, and increasing income inequality.

This is a deeper, more subtle market tyranny discussed mainly among economists that doesn't reach the public sphere. It is the argument advocated by so-called 'free-marketers' who dislike regulation or public ownership of any form. They maintain that private 'markets' (defined here as any entity that brings together the provider and user of a service or product) should be a clearing house for all aspects of our life—the less regulation, the more efficiently markets will be able to products and services. It has become a synonym for less publicly provided (i.e., government) services and the greater privatization of all services, in other words.

Yet by leaving social problems—such as inadequate educational and healthcare systems—to the private sphere, we have replaced any real public accountability with private liability. Responsibility for success then rests on profitability—yet profitability does not breed responsibility. The penalty for failure falls to lawsuits without examining the system that knows only how to pass the buck. This is truly a tyranny of the markets. Success is measured in individual achievement rather than society's welfare, in other words.

Mental health care is one example. "One in five American children and adolescents has a serious, diagnosable emotional or behavioral disorder, yet today in this country 60 percent of them do not receive the services that they need," said Nelba Chavez, Ph.D., administrator of the Substance Abuse and Mental Health Services Administration (SAMHSA).

The climbing U.S. prison population is another example. With more than 2 million incarcerated, many for non-violent drug and mental health problems, America has the highest per capital incarceration rate by a factor of 10 over Russian, a country just now climbing into the twenty-first century. Many of these are being imprisoned rather than treated and so the rate of recidivism is as high as 90 percent in California, known for its three-strikes law.

And the 11,000 plus gun-deaths per year, first brought out in the Michael Moore film, "Bowling for Columbine", is eight to ten times that of other industrialized countries per capita.

A much discussed study published by the AMA's Lancet Journal highlighted the deficiencies of our health care system and speculated at its causes—among them the lack of a good social safety net. The rates of diabetes, cancer, occurred with as much as 20 percent more frequency in British adults in the 50 to 60 years than Americans of the same age.

While financial markets provide a useful purpose in setting market prices, there is no evidence of their superiority in either pricing or providing services. Private healthcare can do a better job for the affluent with the means to pay for a wider range of services, for example, but not for the majority with moderate incomes. In fact, Medicare overhead for seniors costs just 3 percent of premiums paid, whereas private, ‘market place’, plans’ overhead costs range up to 25 percent of premiums, according to many studies.

“Let the markets decide” has become such a common term that it tends to escape scrutiny, unless such a basic necessity as gas prices soar, for example. There certainly is wisdom in the markets’ ability to set prices, since it ensures that resources are allocated efficiently. But markets are only as wise as the individuals who control them.

The question is how long the Federal Reserve will allow the economy to slow in the name of fighting inflation, before intervening. It really has 3 mandates: control inflation, while maximizing employment and economic growth. Historically, it has been more successful at controlling inflation in the past 2 decades, claiming that this is the best way to sustain long-term employment and economic growth. But employment and economic growth tend to suffer when not given the same priority.