Conclusion: The End of the Market?

Do we need new theories of Political Economy?
The political economies of Freedom and Equality undermine community; community undermines freedom

Freedom leaves out important social needs

- Private choices make community?
- Social darwinins
- insecurity

Equality
- Creating equality can cause Conflict
- Does not erase Alienation

Community
- Undermines freedom
- Can undermine equality
But We seem to be stuck with the market

• Markets bring growth; both equality and community depend on growth
• Markets are entrenched in our institutions, our beliefs, our values—From Market socialism to welfare states......
Could the Market end?

- Environmental crisis: The end of growth?
- The Market needs the state but globalization undermines state sovereignty
- Can the Market destroy morality or will morality destroy the market?
- Jihad as a new double movement—the backlash to McWorld
- New Technologies of Community and the destruction of the Market
1. Environmental Crisis: End of Growth?

- The market depends on Growth
- Earth is finite
- Growth on a finite planet = Tragedy of the Commons
Reverse Globalization? ➔ Localism

"Localism isn’t some romantic attachment to the past. It is essential to our economic, social and political future"
Or is localism this?
2. The Disappearance of Sovereignty
(first step: markets need states)

- The state created the market (Polanyi)
- Liberal states built institutions that guarded freedom through the "rule of law" (Hayek)
- Only if states protect their rights, can individuals realize their full potential, and participate in collective self-rule (Holmes)
- Governments protect property rights (Friedman)
- Governments coordinate economic activity when uncoordinated markets "fail"
- State institutions create trust and trust reduces our "transaction costs" in groups; reduction in transaction costs allows markets to function (Williamson, Vogel)
- Markets operate within the context of non-market institutions anyway. Firms, contract law, government, (Romer)
- Because markets create winners and losers, states create safety nets to prevent backlash against market destruction of social life. (Keynes)
- States represent national communities that protect society against destructive effects of markets
- Without states to protect society, markets would destroy them
- Developmental states create markets for Late Developers (Gerschenkron)
2. The Disappearance of Sovereignty (second step: globalization undermines state sovereignty)

- **Neo-liberalism**
  - International institutions tear down trade barriers
- **Golden straightjacket** → state shrinking
- **Globalization of unregulated finance** → privatization
2 The Disappearance of Sovereignty
(Third Step: without states, markets dissolve into anarchy)

– Casino economy
– Breakdown of trust
– Immorality
Elijah
Xtreme Double Movement: Jihad vs. Mac World

- A world divided by ethnic and sectarian nationalist states and the rise of extremist ethno-national and sectarian nationalist ideologies.
Fatal Flaws of the Market?

• Robs us of a sense of human solidarity
• Market information all contained in “price”
  – Does price give “true” information
  – What does “price” do to society and community?
  – Does price reflect real value?
“Nowadays, people know the price of everything and the value of nothing”

--Oscar Wilde
Does Price reflect true cost?

- If environmental damage, health care costs, and the like are factored in, the true cost of a typical $4.00 fast-food hamburger is actually $200. He compared this logic to what analysts say about shopping at Walmart (i.e. "the high cost of a low price").

- 20% of health care costs are to treat diabetes. Assuming that the animal was raised on pasture that was once rainforest, the ecological services provided by that rainforest, the loss of diversity, carbon sequestration, water cycling, fuel and tropical product sources, among many other things, the cost would come to $200.

- The U.S. food industry has huge hidden costs, from the agricultural runoff that causes a dead zone in the Gulf of Mexico to the cultural destruction wrought by the "Western" diet. There are also huge health costs associated with poor diet—in 2007, $174 billion was spent in the U.S. caring for people with diabetes—as well as the public funds that support the industrial food system.

- "Cheap food is "cheat food." There are all kinds of costs that are externalized from the price we pay at the checkout. We pay those costs one way or another—but the food companies don't. Merely having a system of free markets with accurate prices still doesn't address the underlying issues of poverty and disenfranchisement."
Does Price reflect value? Priceless!

What is the value of a redwood tree? Of Human Life?
Alternative to the market: Communal sharing

- **Communal Sharing (CS)** everyone is equivalent and undifferentiated

Marx:
“to each according to his need, from each according to his ability

Rousseau:
“Each of us puts his person and all his power in common under the supreme direction of the general will, and, in our corporate capacity, we receive each member as an indivisible part of the whole.”
What are the incentives to produce?

• Money? Profit? No.
• High compensation doesn’t attract the very best. It attracts the greediest.

• Truly great people strive for more than wealth.
What Rousseau’s General Will might look like.....Extreme community: the “gift economy”
Can “open source” end the market?

• Could a “gift economy” satisfy human needs and desires?
• What do we Really want?

Because online communities live in a situation of abundance, not scarcity, they develop “gift cultures” where social status depends on what you give away rather than on what you control.
Digital technology

- Radically different
- Mode of production
Web 2.0

• "We are enabling Internet users to author their own content. Think of it as empowering citizen media. We can help smash the elitism of the Hollywood studios and the big record labels. Our technology platform will radically democratize culture, build authentic community, create citizen media."
It creates both freedom
AND community.....
Digital goods are are ‘anti-rival’

- If I consume it, I don’t take it away from you
- But how does it get provided when there are free riders?
Incentives to contribute

• Open source benefits from free-riders and leechers
• Debugging incentive
• Incentive to speed up software development
Undermining “rationality”: the “gift economy”

- social status depends more on what you give away than what you keep
- gifts bind people together, encourage diffuse reciprocity, and support a concept of property that resembles “stewardship” more than ownership per se
- A Gift Economy may be emerging in the sub-culture of programmers
Is P2P a viable economic model along these lines?
What about property and property rights?
Communal sharing

Little need for markets

Value is not determined by price

Collective action/cooperation possible without authority

A New Political Economy?

Better life for all?
Embedded Liberalism

• Is it the best we can do?
• Ruggie’s thinking is now different
• But do we need more?
• Reduce the realm where money matters
Without the market how would goods be produced? What are the incentives?

- Realistically, We still need the market but we need to push it back.
- Could we restrict the sphere in which money matters? Could we circumscribe the power of wealth in society? Could we create a public sphere where money doesn't talk?