

Democracy and the Market



The great financial panic of 1873: Closing the doors of
New York's Stock Exchange on its members

THE MARKET is key to the life of capitalist or commercial society. Indeed, it is impossible to think of capitalism without the market in both, labour power, and in the goods and services produced by working

people. So, it is not surprising at all that respect for the market is axiomatic among democratic politicians of all stripes. Panic in the market – a run on the Bank – is greatly feared by all and sundry.

Consequently, the recent attempt by Liz Truss to ‘buck’ the market has astonished more or less everybody. Voluntarism of this sort might be expected from Jeremy Corbyn, but not from a Tory prime minister. Universal dismay, accompanied by much ridicule, has been the general response across the political spectrum. How was it that Liz Truss and Kwasi Kwarteng thought, for a minute, that they could get away with it?

The answer I fear is that the collapse of respect for democracy permitted this terrible pair to think that once, safely ensconced in Downing Street they could, like Xi Jinping or Vladimir Putin, do anything they liked. Now, they’ve been rudely awakened to the truth that voluntarism – thinking that you can do something – simply because it is in line with your heartfelt theories – is usually the road to ruin. This truth was experienced by Vladimir Lenin, Mao Zedong, and even George W. Bush. Now, this illustrious crew is joined by a (soon to be former), British prime minister.

Liz Truss did not merely attempt to trash the market, but also her own party’s manifesto. Placed in power by a fraction of Tory Party members she imagined that she had permission to ignore the manifesto of 2019, on which the government was elected, in favour of financial calculations got up on the back of a fag packet by her pal Kwasi.

The paradox here, is that democracy is being binned by two intrinsically anti-democratic forces, the market and the Tory leadership. People who attack Liz Truss for being unelected and attempting to implement policies without democratic legitimacy, simultaneously defer to the actions and opinions of stock brokers and fund managers. People elected by nobody at all.

The striking thing in all this is the manner in which politicians and journalists are troubled by

Trussonomics but not by the power of the financial markets to determine what governments, can, and cannot, be permitted to do. For them it is simply common sense that the market is paramount, and cannot be challenged without disaster following quickly in the wake of disobedience or disregard of the instructions of currency speculators, and ratings agencies.

This is because markets form the bedrock of democratic capitalist societies and, paradoxically, democracy must not be allowed to interfere in the operation of the market, even when we know that the market is absolutely injurious to our health and well-being. This is the case even when it's as plain as a pike-staff that a market is utterly dysfunctional.

We live on a planet of slums, millions endure life in foul and pestilential favela, and barrio – shanty town neighbourhoods – often without access to running water or proper sewage systems. Even in rich states like the United Kingdom and Northern Ireland, millions endure rents they can't afford, inflammable cladding, dodgy and dangerous electrical wiring, and damp peeling wallpaper in gently crumbling buildings, together with all the anxiety and ill-health that routinely accompany these conditions.

Clearly, the market in housing does not work – it needs to be trimmed, controlled, or abolished altogether by the state. The same might be said for rotten railways, lousy bus routes, poor educational provision, polluting water companies, and much else. Markets are not merely anti-democratic they are the source of chronic damage and material disasters of all sorts. Yet, it is the market in currencies, government debt, stocks, shares, and bonds that remain sacrosanct and apparently beyond criticism.

No major media outlet, or journalist, has questioned the role of financial markets in firmly ruling out the democratic capacity to determine our own future. It is simply unthinkable, out of the question, to challenge the power and right of the financial market to determine our fate. We are supposed to believe that

markets are, like earthquakes, tsunamis, hurricanes – forces of nature – about which little can be done.

This is broadly true. As long as capitalism persists ‘market forces’ will mimic ‘Acts of God’, and always trump the will of the people and our elected politicians.

The outstanding problem is that socialists, communists, and the left more generally have been completely unable to challenge the right-wing theory that markets are actually an expression of what the people want and that freedom, freedom of the individual, depends upon the defence of private property, and the information provided by markets, to determine the quality and quantity of what should be made or provided.

On the left we have never had a robust or thorough-going answer to the idea that the market – the operation of market forces – stand as a bulwark against tyranny and dictatorship. When F. A. Hayek, or Milton Friedman, made arguments of this sort very little informed criticism was forthcoming from the left. The reason for this relative silence on the left about freedom is that everywhere the market has been replaced with planned economies, dictatorship has been the result. When political decision-making has replaced strictly economic decisions, tyranny has characterised the socialist state.

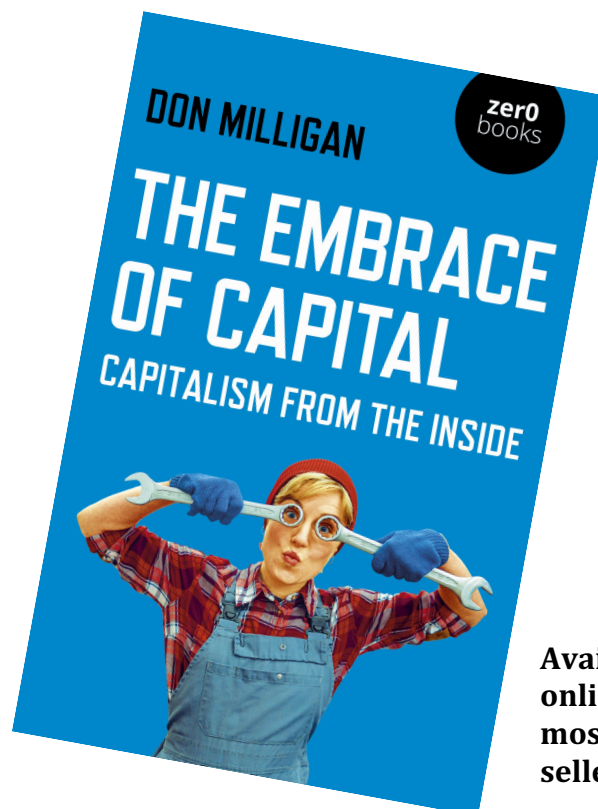
Yet, rigorous critique of socialist planning, began as early as 1922, on the foundation of the Soviet Union, with the publication in German of Ludwig von Mises’ book, *Socialism: An Economic and Sociological Analysis*. This pioneering thesis has never received an adequate answer from those of us who are enthusiasts for workers’ control and the abolition of the market. As opponents of the market, we have never faced up to our inability to guarantee the survival of democracy in the face of the planned economy.

It is of course true that bourgeois or capitalist democracy is seriously flawed. In Britain it is perpetually undermined by the fact that the Crown’s

powers are routinely employed by politicians to conduct much of the business of the state behind closed doors [See What's Wrong with the Monarchy? OffTheCuff No. 311, September 28, 2022]. It is also weakened further by the manner in which an oligarchy of wealth and power is able to control institutions in such a way as to undermine popular or democratic engagement and participation.

Bourgeois democracy has always been limited by the monied oligarchy, but it is being eroded still further by international investors and dealers in international financial markets.

An answer to this has to be found on the left – how can we challenge the market, promote economic planning, and yet guarantee democracy and the freedom of the individual? This question must now concentrate the minds of all of us who want an end to the domination of society by private property and the investing public.



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