

## **The market must not become an end in itself**

*di Larry Kramer*

The failings of the political and economic paradigm known as “neoliberalism” are now familiar. However well suited it may have been to addressing stagflation in the 1970s, neoliberal policy has since then fostered grotesque inequality, fuelled the rise of populist demagogues, exacerbated racial disparities and hamstrung our ability to deal with crises like climate change. The 2008 financial crash exposed these flaws and inspired a reassessment of how government and markets relate to society — an effort given fresh energy by the pandemic, which elicited a range of (successful) public actions at odds with neoliberal bromides.

But powerful interests remain attached to neoliberalism, which has served them well. Regrettably, the reemergence of inflation has given them a hook not merely to criticise US President Joe Biden’s spending, but to condemn efforts to change the prevailing paradigm as “socialistic” moves to destroy capitalism. Though the causes of today’s inflation are complex, we have tools to deal with it and have begun to apply them. Managing the economic fallout from Covid-19 and the war in Ukraine must not be allowed to derail a long-overdue process of adapting governance for a 21st century economy and society.

Neoliberals accomplished many things in the 50 years their ideology has been dominant, but none is more impressive than their success in equating a very particular, very narrow conception of capitalism with capitalism itself — as if any deviation from their approach to government and markets is perforce *not* capitalism or *against* capitalism.

But capitalism, properly understood, requires only that trade and industry are left primarily in the hands of private actors, something no one today seeks to overthrow. This allows room for countless different relationships among private business, government and civil society — possibilities limited only by imagination and choice. Mercantilism, laissez-faire and Keynesianism were all forms of capitalism, as was FDR’s New Deal. As, for that matter, are the social democracies of northern Europe.

In all these systems, production remains in private hands and market exchanges are the dominant form of economic activity. Since markets are created and bounded by law, there is no such thing as a market free from government. Neoliberalism limits government regulation to securing markets that operate efficiently as to price. Which is *a* conception of capitalism, but certainly not the only one.

The genius of capitalism has been in finding new ways to capture the energy, innovation and opportunity that private enterprise can offer, while adapting to changing circumstances. Mercantilism gave way to laissez-faire, which gave way to Keynesianism, which gave way to neoliberalism — each a capitalistic system that served for a time before yielding in the face of material and ideological changes to something more suited to the context.

We are in the midst of such a transformation today — driven by vastly increased wealth inequality, global warming, demands to address racial disparities, the rise of populism and new technologies. These developments have been accompanied by alarming political and social disruption. As faith in neoliberalism crumbles, we observe leaders — from Donald Trump to Jair Bolsonaro, Viktor Orbán and Vladimir Putin — embracing ethno-nationalism, with China’s vision of state capitalism looming in the wings as an alternative. These are terrible options, but we’re not going to forestall them by exhorting people to stick with a neoliberal system in which they have already lost faith. Change is happening; the question is whether it will be change for the better.

If capitalism is to survive, it will need to adapt, as it has done in the past. We need to acknowledge how neoliberalism has failed and address the legitimate demands of those it has failed. Alternative possibilities abound: *how* capitalism should change is something we must debate. The only position that makes no sense is protesting that any change is “anti-capitalism”, as if Milton Friedman and friends achieved some perfect, timeless wisdom in the 1970s.

In the end, markets and governments are devices to provide citizens with the physical environment and opportunities for the material success needed to flourish and live with dignity. Neoliberals lost sight of this and began treating the market as an end in itself. They failed to see how their version of markets was not working for the majority of people. We’re now living with the consequences of their blindness, and we need to rebuild and reimagine, before it’s too late.