

{ Business Book Review }

What if Kathleen Battle Were a Market Economy?

By Constance DeVereaux
Flagstaff Business News

When it comes to the market (one is tempted to write *The Market*), we speak as if it is an entity with "a mind and a morality of its own," writes Bernhard E. Harcourt in *The Illusion of Free Markets*. Philosophers call this a category mistake – that is talking about a thing in one category as if it belongs to another. Even if we know the market isn't a person or a thing you could meet walking on the street, we have the unfortunate tendency to talk as if we might. The market has "needs" (don't we all?) and we worry about how the market behaves (rather badly of late). The market must be free or it won't perform, we might say, as if "the market" is an opera diva swishing her hair and slamming the door on her manager – not

Instead, our "free markets are far from free," Harcourt notes, though this isn't the central problem. It is the rhetoric about markets and their regulation, about the popularity of a particular idea (the rationality of free markets) and its consequences. But, given the illusion (or delusion) that markets are free, Harcourt asks us to consider "not whether to regulate. Instead, the only question is how the existing and prospective kinds of regulation distribute wealth."

Harcourt traces the genealogy of attitudes; the way that the "rationality of free markets," became a believable idea. He sees a close connection between free market capitalism and the United States system of incarceration. Some critics – *The Wall Street Journal*, for example – scoff, saying that the connection is too much of a stretch. Considering that U.S.-style lock 'em up justice has led to

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to mention mood swings that go from calm to raging fit on the turn of a dime. Trampling the hoi polloi to frolic with the glitterati, the market cares little about economic equality. Fans take this as a given – a part of the rational and natural order of things.

We are in the habit of forgetting, therefore, that what happens in the market has a lot to do with how we behave and what we need, not the other way around. The tendency also leads us to see the market as sacrosanct, our faith in it unshakeable, despite the shake-fest we've endured over the last couple of years. Quoting the economist Richard Nelson, Harcourt observes that the end of the twentieth century "saw a virtual canonization of market organization as the best, indeed the only effective, way to structure an economic system. This dominant view "has had a powerful influence," he writes. But, the common understanding of for-profit firms as vehicles of production, competition as the root of efficiency and choice, and government as sideline protector of free-market rules relegated to maintaining the infrastructure is – let's say – just a bit of "folk theory;" a rather simplified version of "the standard textbook model in economics."

the highest incarceration rate in the Western world, however (1.6 million as of 2008), Harcourt's book deserves a fair read.

The Illusion of Free Markets is well researched, with plenty of backstory and enough historical heft to sink your teeth into. Harcourt traces the regulation of markets from 17th century France, where bakers might be arrested for selling underweight bread, to the influences of Adam Smith, an early rhetoric producer who saw "policing as a prerequisite," rather than a hindrance to the economy. Next stop: Chicago (with a lot of intellectual connecting the dots in between) where the Board of Trade "is the free market." To our modern eyes "at least, the epitome of the free market in the Western world."

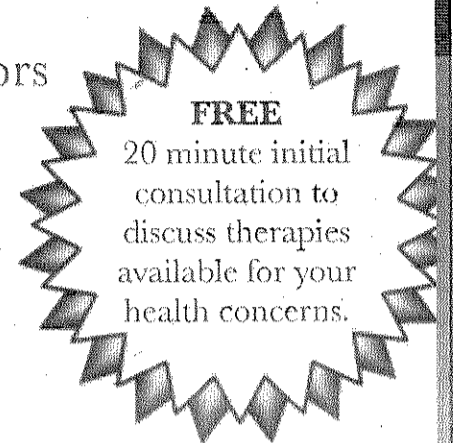
Harcourt's book is no summertime read. It may take you *until* summer to wrap your mind around the complexities of his claims. For those willing to make the intellectual effort, it is time well spent. Even if you disagree with the core argument, knowing the roots of our fascination with the market pays off. If there is anything we can be sure of, the caprices of the market will continue for some time. It ain't over until the fat lady sings. **FBN**

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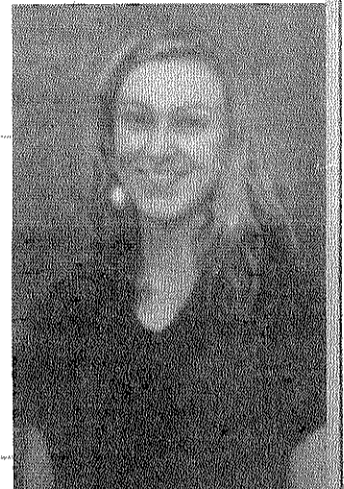
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