

Don't Blame the Market

DR. FERNANDO SCORNIK (Argentina)*

"The existence of a market mechanism is not incompatible with a deep structural change in society."

FROM a theoretical point of view the first problem to deal with is the dogmatism of the majority of leftist sectors in developing countries — which look on the market as an instrument of the bourgeoisie used to dominate the workers.

This position is quite comprehensible. The mechanism of the market in a society based on the monopoly of land and natural opportunities in the hands of few people, together with the presence of industrial monopolies protected by extremely high customs barriers and restrictions on importation, will necessarily be unfair to the poor. But this is a matter where the market itself is not responsible. The responsibility lies with the general structure of the society in which the market exists. Landlords and monopolists are constantly expropriating from circulation values which have neither been earned or created by them: the economic rent of land by the first, the monopolistic price of goods by the second.

The permanent appropriation of non-earned values perpetuates the existence of sectors of the community with a complete lack of marketing power, and the existence of a minority which has not only the economic power but also the monopoly of economic and natural opportunities.

In these conditions the great majority will think — very logically — that the market is not only unfair but a terrible disgrace. Nevertheless it is possible to understand — at least theoretically — that once the rent of land has been socialised and industrial monopoly is under control, the introduction or preservation of a market mechanism will not be unfair. The "new" market will be based in a greater equality of purchasing power and opportunities and — as a major advantage — will be a more secure way of distribution than the whims of any unknown public official.

There is some evidence on this point: labour sectors in well-developed countries do not usually fight against the market itself as has been done in underdeveloped countries; the logical presumption is that they do not feel that it is really unfair. The existence of a market mechanism is not incompatible with a deep structural change in society, simply because the unjust distribution of wealth does not "depend" on the market. It is fulfilled in the market, but it de-

pends basically on the distribution and legal status of economic factors — land, labour and capital.

It is true that this is a very theoretical way of thinking, but it is not much more theoretical than the usual leftist criteria that the suppression of the market will bring more justice and welfare for the people.

From the practical point of view the question of preserving market methods in a process of change is extremely difficult in an undeveloped country. In the first place, there is a great lack of popular support for liberalism as a whole. Liberalism — at least in Latin America — was always a 'landlord's liberalism', based on the blockade of natural opportunities. Free exchange and a free market give cheap goods to the country, but the only sector with purchasing power is the landlord's sector. For the rest, unemployment, misery and hunger is the certain destiny.

In the second place, structural changes in many undeveloped countries — especially agrarian reform (or, as in Argentina, agrarian taxation) — are supported by the urban and industrial "bourgeoisie", which is not at all interested in the implementation of a free market, but rather in preserving monopolies and protectionism.

The popular sectors do not distinguish between a 'free market' and a 'monopolistic market' — they see only the 'market' and their intention is to abolish it and not change it.

As a consequence, the implementation of market methods in a process of structural change — even in a theoretical scheme — is an extremely difficult task. The risks are that if the market is preserved it will tend to be controlled by the industrial and urban monopolist and the alternative is that the market will be completely destroyed. The medium way — the preservation of a free market as an instrument of the majority in favour of a just and objective distribution of wealth, seems still to be a very distant goal.

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*Extract from *Market v.s. Administrative Methods in a Process of Change*, paper presented at Seminar of Institute of Development Studies 1973.