The Political Economy of Markets: Interrelationships Among Individuals, Government & Public Policy

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市場の政治経済学：個人間の相互関係、政府および公共政策

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Abstract

The study of economics is a driving force in all modern economies. With government policy affecting all areas of society, it is important to not discount various ways of observing how societies function. The trend in the decades of the new century has ensured that the focus of most government policy continues to follow a singular track, close observations at how markets function endures. This research note seeks to advance an established idea that within the context of greater government interventions are put forth via overwhelmingly popular theories regardless of their aggregate effectiveness.

Keywords: Policy, Economics, Political Economy, Markets

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経済学の研究は、すべての現代経済における原動力です。政府の政策は社会のあらゆる分野に影響を及ぼしているため、社会がどのように機能するかを観察するさまざまな方法を軽視しないことが重要です。新世紀の数十年の傾向は、ほとんどの政府の政策の焦点が、市場の機能がどのように持続するかについての単一の道をたどり、綿密な観察を続けることを確実にしました。この研究ノートは、圧倒的な既存の理論を介して出されたより大きな政府の介入の文脈の中で確立されたアイデアを前進させることを目指しています。

キーワード：政策、経済学、政治経済学、市場

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Introduction

The political economy of markets is a broader notion for which to understand in depth, it is crucial to catch the concept of markets, which can be difficult to define, even though they are ubiquitous in modern societies. Economist Darren Prokop (2014) uses three ways to define market, with the first from the past: "a regular gathering of people for the purchase and sale of provisions, livestock, and other commodities"; and the second, "an arena or area in which commercial dealings are conducted"; while the third (more modern) "a demand for a particular commodity or service" (p. 140).

However, the science of modern economics, along with other social sciences, is only as old as the modern market economies themselves, and is therefore only two and a half centuries old. As a starting point, the seminal Adam Smith work, *The Wealth of Nations* in 1776 was the most important start to the discipline that tried to explain the rapid changes that were taking place (Funsfeld 1972; Lipsey, Purvis, Steiner 1988; Smith 2003 ed.). It was also the age of the hydrocarbon that brought the industrial revolution and dramatic social changes that created much larger and markets that were inclusive of more of the population (Freese, 2003; Rhodes, 2018). As with many social sciences, economics has been influenced by hard science expectations (such as positivist philosophy and econometric models (Boland, 2012) along with other social sciences (such as behaviorist (Thaler, 2016)). These expectations are affecting the epistemology and have allowed distorted assumptions being commandeered by special interest groups who tend to disavow alternative views.

Accordingly, this paper aimed to comprehensively discuss and analyze the narratives of how markets work in its historical perspective. It is then followed by the role of the governments of different countries in the making of the economy where the theories of social sciences are reviewed. After reviewing the social sciences theories, the market competition is discussed which is then followed by the market monopoly where a number of monopolistic situations of the market are assessed purely on the basis of social sciences theories. It is then followed by the comprehensive discussion over the topic of the consequences of economic policies on prices, wages and interest rates. Lastly, market & governmental poverty centric policies & its application on different countries are discussed to provide complete insight of the political economy of markets to the readers.

How Markets Work-The Historical Narrative

From an historical narrative, it has long been debated about the very first of humans and the timeframe that they diverged from other primates, but Jared Diamond (1991) establishes that the first humanoid was a few million years ago (p. 27). The cognitive development possibly took place 120-130,000 years ago, but development has been much

sooner-because Diamond continues, "as recently as 40,000 years ago, Western Europe was still occupied by Neanderthals" (p. 27). Afterwards humans evolved into the most successful (and by far dominant) of all life forms through the ability to cooperate in groups, and to trade (p. 41).

As humans organized themselves and developed into larger social entities, there were opportunities to expand, but this required further cooperation of other groups. As Matt Ridley (2010) explains the trade within the group, and without ensuring the variety of goods were expanded, and exchanged with innovation (pp. 71-73). He goes on to assert that "trade is prehistoric and ubiquitous" (p. 92) which led humans to develop. Eventually there were expanded markets that developed-in other words any place where goods, services and ideas are traded.

Therefore, in order to study modern societies, economists start with the premise that "Markets are well-established and operate at all levels of human interaction." as they form the cornerstone to the conventional theory of supply and demand (McGee 2004). According to textbook author Matt McGee (2004), the concepts were most influenced by the same person to use the term 'political economy' Alfred Marshal (p. 6).

In order to explain how markets work, the traditional definition of economics (the allocation of scarce resources) is used to view markets. That requires supply and demand being explained, and thus "... the Marshallian cross to depict competitive supply and demand, and then go on to explain how the market is cleared only at the price corresponding to the intersection of the curves" (Israel 1976). The explanation that follows is that as demand rises, the corresponding graph line is raised until supply can fill that demand. Conversely, when there are changes in supply the resulting equilibrium is reached when demand either rises or falls according to the prices that people are willing to spend. The resulting cross is where the price is struck and the expectations for the market.

Anything that is traded can be made as an example of the market in action, and to attempt to explain the markets through the prism of the Marshallian cross. The most valuable physical commodity in the global marketplace in terms of volume and value turnover is oil (Kaletsky 2010). Therefore, when there are greater demands for oil, the price will rise-such as a particularly cold winter in the Northern Hemisphere. The price also rises until enough customers switch to alternative energy sources and the price stabilizes. Conversely, with newer technologies (such as fracking) the prices will tend to drop as the supply is increased. With more supply and lower prices demand will tend to rise with consumers being less incentive to be energy conservative and buying larger vehicles (as an example) until there is once again an equilibrium with price between and supply (Kaletsky, 2010; McGee, 2005).

However, how the resources are allocated are a conundrum that is not easily explained if free will is allowed to occur. In order to explain the system in a traditional term, there needs to be a suspension of beliefs and that the consumer is a rational being who is interested in value. This raises problems, as William Stanley Jevons, writing in 1871 cautioned, that the term ‘value’ was both ambiguous and unscientific. He then states that “Adam Smith noticed the extreme difference of meaning between value in use and value in exchange” (p. 81). He goes on to explain that “If a ton of pig-iron exchanges in a market for an ounce of standard gold neither the iron is value, nor gold” (p. 82). Further, in *Human Action*, Mises stated that “Each party attaches a higher value to the good he receives than to that he gives away. The exchange ratio, the price, is not the product of an equality of valuation, but, on the contrary, the product of a discrepancy in valuation” (p. 331).

Free will within a population is to allow individuals the opportunity to do what they choose to do so while participating in the marketplace. That means that there may be more resources spent on one endeavor than another may with prices not always clearly chosen. The markets are, accordingly, not predictable due to humans acting on their own behalf (p. 257), making the prediction of the traditional Marshallian cross (in the words of De Soto) … “fundamentally erroneous in a descriptive sense” (p. 272). Israel prefers … “to have the market as a process, rather than as a configuration of prices, quantities, and quantities that are consistent with each other in that they produce a market equilibrium situation” (1976).

Thus, the markets depend on deeply personal areas, as Mises stated, “Value is not intrinsic, and it is not in things. It is within us; it is in the way in which men react to the conditions of his environment” (p. 96). Value is not in things, but how people think of things, or “how they act” (p. 96). Thus, markets are dependent on what people value-and that creates various possibilities for things like pencils-complex trades creating products, such as Leonard Read’s (1958) example of the making of a pencil where it would almost be impossible for a central planning committee to organize the production of a simple pencil because of its complexity. His conclusion is that it takes a market economy to create one.

Thus, Mises wrote in *The Anti-Capitalistic Mentality* “There is no yardstick to measure the aesthetic worth of a poem or building” (p. 75), which the 45th president of the United States capitalized on when he turned his brand into a value that was unmeasurable. The Trump brand, attached to various building are constantly appraised with extreme valuations, even though he may or may not be an equity holder-just adding value through the brand (which he valued in the billions of dollars) being attached to the properties (O’Brian 2005; D’Antonio 2015).

Government's Role in Economy

One idea is that within efficient free markets, due to the complexity of economies, government should have its role minimalized in the economy, because active roles make it all but impossible to not to be an impediment to the markets. In other words, governments' role in an economy should remain as an enforcer to protect the individual rights of its citizens: to be kept limited to acting "as a self-defense against outside forces" (Mises 1979, p. 37). Therefore, limited government has a role to ensure freedom, and intervention (through regulation) requires coercion, which goes against freedom (Hayek 1948; 1960; Rothbard 2009; Mises 1979; 1963). As Mises further states in 'Human Action,' "no government and no civil law can guarantee and bring about freedom otherwise than by supporting and defending the fundamental institutions of the market economy" (p. 285).

Impossibility of Economic Calculation under Socialism

Experiments with different forms of government in markets have ranged in various forms, with socialism as a one. While there are several definitions of "socialism", as Walter Block showed in his provocative 2013 paper "Was Milton Friedman a Socialist? Yes", where the author describes a continuum of socialism, with any government ownership being somewhat socialist. It is the definition that Block uses by quoting Mises that is "... a policy which aims at constructing a society in which the means of production are socialized" that best describes the traditional interpretation.

Accounting and trying to determine where to allocate resources is an impossible job to do with any kind of success. This is because the economic models that are utilized for government policy are developed mostly in the assumed world (Kirzner 1960), which are far too simple to effectively apply to the real world. Further examples include the writer de Jasay (1998) who also found that the amount of information to process and to effectively make decisions renders the possibilities for effective socialist decisions impossible beginning with the pricing. F.A. Hayek defined the basic issue of attempts at proper pricing for socialist distribution in 1935 by citing Professor Mises' 1920, calling it "the central problem" (1980 ed. p. 143).

The problems of socialist economic accounting eventually fails, as seen with the fall of the Soviet Union and Liberal Democracy that prevailed over the alternative to where it was, as Francis Fukuyama (1992) put it as the title of his book "The End of History", whereby liberal democracy and the concept of free markets prevailed over communism. The complexity of planning an economy was proven to simply not be viable as shown with the failed Soviet planned economies. The reasons for the Soviet failures were quite clear: De Soto explains that the "... system of thousands or more simultaneous equations was, in practice, impossible, and consequently the practical problem of economic accounting

under socialism remained unsolvable" (p. 266).

One specific example of complexity getting in the way of planned government interventions explains Brownstein (1980) is the Pareto optimality, which is one of the cornerstone theories of government intervention, including welfare economics, which argues for government intervention to ensure that there is better efficiency in the marketplace. However, the concept is flawed, as Brownstein (1980) proves that because either not all the costs are all considered, or the incorrect ones are. He goes on to explain that the argument of external benefits to justify government intervention is not appropriate due to the impossibility of objective measurements of costs/benefits by those outside of the transaction can measure it. Often the argument is that it is important to have optimality with benefits for all, particularly when there are no perceived costs from intervention-and, when the perceived benefit fits, the "Pareto Optimality" there is often the excuse for intervention (welfare government). As it is further pointed out, there are arguments for more government intervention in the economy, largely because of the belief that government intervention can help an economy achieve economic efficiency. He asserts that the Pareto Optimality was falsely used because external benefits arising from interventions that did not negatively affect an outside group were false. This is largely because of the impossibility of measurement, and what he refers to as an 'essential feature of the Austrian School... cost is directly related to the act of choice' (p. 95). Further, "the subjective nature of costs leads to the inescapable conclusion that there can never be objectively measurable external benefits" (p. 96).

When governments start to play roles in the economy the results are unfortunate. Examples of government interventions in economies with harmful unintended consequences are prevalent throughout, and a recent G7 example is Japan over the past few decades. Government manipulation of interest rates can have dramatic effects on markets, Rothbard (2009) warns which is what happened during the 1980's when the country had a very loose monetary policy with artificially low interest rates that resulted in an economic bubble with disastrous results that resulted in decades (referred to as "the lost decades") of stagnation. The economy that was once 'set to overtake America' began a slide into almost zero growth for decades all the while moving from the number two economy in the world to number three (Greenspan 2008; Kaletsky 2010; Ferguson 2009; 2013).

To be precise, without free markets, and with government meddling, the forces of the free markets are not able to do what they do best: to develop. As Niall Ferguson (2013) pointed out, this was exemplified with the dichotomy of East and West Germany-one that was well developed, and the other a weak and sick economy when the Berlin Wall fell in 1989. Two peoples were divided by a political boundary drawn on a map but the

results were dramatically different. A very similar human experiment continues with the two Koreas-with South Korea having a vastly superior economy than that of North Korea, having achieved those drastic improvements in just a few decades, with a dramatic divergence continuing. These experiments were much to the detriment of those subjected to the socialist policies of one government over another.

Economic Science–The Current State

"*A question that sometimes drives me hazy: Am I or the others crazy?*" Albert Einstein

Two centuries ago, Thomas Malthus referred to economics as "the dismal science," though he was likely referring to his hypothesis of diminishing return, where growth continues until it could no longer continue. (Lipsey, Purvis & Steiner 1988). While the assigned name for the social science might be constructed as accurately dismal, the description of "Malthusian" has become an adjective for negative approaches to theories (McGee 2005, Dolan 2000).

Political meddling in markets is empowered by reframing theories to suit agendas, and this has shifted most mainstream economics into that which encourages heavy interventionist policies, with labels that often do not accurately reflect reality. Democracy may or may not be at fault, but regulation and meddling by politicians has thus far been winning economic debates and policymaking as well as changing expectations by the public to 'fix the economy' (Thaler 2016). Consequently, this has led to the marginalization of what is considered not mainstream, (or orthodox 'supply-side') economics to the point of being discounted and dismissed. Classical economics has been largely marginalized in the mainstream media, with the example of how free market 'neoliberalism' has been used as a scapegoat for recent social unrest (touted as a "failure") in Chile by Al Jazeera (Vilches & Pizarro 2019). A further recent example of disdain for any alternative views was with the most prominent news outlet for post-secondary educators in America, *The Chronicle of Higher Education,* calling the study of the economics in the Austrian School tradition at the University of Missouri a "far-right economic ideology" (Knox 2019). Another example was comparing Austrian economics as a theory "as archaic as phlogiston" by Nobel Prize winner Paul Krugmen (1998). In effect, anything not 'mainstream' in economic science (as in supply-side economics) the term that is used is heterodox, which as a description for anything that is not orthodox, closes off alternative options and debate (Keen 2001).

The results of reframing economic theories have created ways that ensured special interests were rewarded, skewing laws that favor political and corporate lobby groups

into what Sheldon Wolin (2008) called "the inverted totalitarian state." While heterodox economists argue that economics are on the wrong path, policies that have led to runaway deficits and inequality that have many pointing blame towards capitalistic systems, Chile, for example (Vilches & Pizarro, 2019) that are not what the original philosophers meant.

The politicizing of economic theories means that in many cases this has led to confusion with the original meanings (Galbraith 1973). Karl Marx has been infamously quoted as stating "I am not a Marxist" in a letter (libcom.org, isocracy.org) and it is doubtful that Keynes would consider himself a Keynesian in the era of the Trump administration's pushing interest rates lower and lower. During 2019, the US interest rates have continued to be subjected to three decreases during times of economic expansion, under pressure by President Trump. The presidential tweet: "Jay Powell and the Federal Reserve Fail Again. No 'guts', no sense, no vision! A terrible communicator" on September 18, 2019 was a clear intervention with the interest rate system.

Recent Example from the 45TH POTUS

Slogans by the politician Donald Trump with promises of *Make America Great Again*, (spawning a new acronym MAGA) are largely based on fallacies built on protectionism are results of misguided assumptions. While further government interventions likely create further exacerbations within the economic system Paul Krugman (1998) referred mockingly to the Austrian school as the "Hangover Theory", because the premise is that - the cure (further stimulus) is not another drink. Yet over a decade after the last economic crisis of 2008, quantitative easing (QE) has produced the largest debt, and worst deficit in American history (which continues). Though market intervention is applauded by the president and mainstream economists, even, as stated in Human Action, Mises critically stated that "The essence of the interventionist policy is to take from one group to give to another. It is confiscation and distribution" (p. 855).

Expectations of outcomes are rooted in hard sciences, such as the positivist approach to scientific data collection is the only way that science is able to defend and prove or disprove hypotheses since the Enlightenment. Darwinian science has been the cornerstone for science and has become an expectation for modern society. There is the expectation that the weather forecasts are accurate, and ergo trying to explain past actions can be challenging, as human behavior is not straightforward. As Kirzner (1971) points out "much economic analysis was developed against the backdrop of an assumed world of perfect knowledge." Reframed, economic policies give the false promise of extrapolating human behavior and quantifying its future outcomes so that unrealistic or deceitful assurances become a way to score political points.

The economic backdrop to the scientific approach was during the Great Depression, Keynes hypothesized that government intervention was the way to break the cycle of the depression (Fusfeld 1972, Lipsey, Purvis, Steiner 1988). Even well, (and still) after the depression, market intervention remains controversial, yet largely ignored in mainstream studies. In his extensive study of the history of financial crises', Kindleberger (1978) explains when referring to the orthodoxy of market intervention in the great depression, "the heart of (it) is that Keynesian theory is incomplete" (p. 23). In his textbook on heterodox economics, Van den Berg goes further when he explains that Keynes' theories, through *General Theory of Employment,* have dominated policymakers, leading re-interpretation and assumptions leading to the 2008 financial crisis (pp. 36-37). Therefore, continued promises of omniscience that will lead to inevitable prosperity for all are at the heart of the acceptance of the system that prevails over reason. This has meant the buy-in by the population-allowing the unimplemented exponential expansion of deficit that has led to debts that are larger than anything ever seen previously.

In recent policy debates 'modern monetary theory' (MMT) is bantered around in the public discourse as a "new way" of demand side economics, but essentially, the same failed policies that were tried, over and over again. Zimbabwe was just a recent example of political policy destroying an economy, when from independence to 2008 end the economy hit 89.7 sextillion percent hyperinflation. (Hanke & Kwok 2009, Gono 2008). The Romans had, however, beaten that by thousands of years, when the debasing of the coins created one of the first issues of the shaved sides that, over time, destroyed the intrinsic value (Galbraith 1973).

Policy debates are not new, as a century and a half ago precisely. William Jevons (1871) on the value of money, with warnings against the arguments of David Ricardo (who wanted to expand the money supply) of there not being a danger of over issuing notes-with the example of Roman coinage and a warning of inflation, calling them "currency theorists." The economists want "not more gold, but the promises to pay gold" (p. 314). While debates are not new, the results moved away from Jevon's warnings. His warnings were at the time when the world was on the gold standard, it was under threat towards a fiat currency world, which it ultimately became-enabling policy to quickly and easily manipulate the markets.

Precisely, temptations and desire for 'free goods and services', often lead to further public will to avoid bad times. The problem with democracy is that there has been a tendency to "buy" votes through promises, and that has had an impact where there are votes for those politicians follow through with interventions to appease the electorate, though Bertrand Russell warned that, "dread of disaster makes everybody act in the very way that increases the disaster" (azquotes.com n.d.). This has the unfortunate

result of democracies-proving what Thomas Jefferson said over two centuries ago "the government you elect is the government you deserve" (Brainy Quotes.com n.d.).While politicians are ultimately elected officials, voters therefore need to better educate themselves, and change their understanding of economics. Over 7 decades ago Ayn Rand (1995) wrote in her authors forward to 'Anthem': "The greatest guilt today is that of people who accept collectivism by moral default; the people who seek protection from the necessity of taking a stand, by refusing to admit to themselves the nature of that which they are accepting" (pp. 15-26). The politicizing of economic science to a gullible public has been the biggest challenge for the discipline. In the modern world where it is easy to imagine that things are controllable, such as distorted supply-side economics, lead to ideas such as MMT making it easy to forget the purpose of science. F.A. Hayek (1988) explained it well when he wrote: "The curious task of economics is to demonstrate to men how little they really know about what they imagine they can design".

Market Competition–Cases of Monopolies that can Emerge & Economic Policies Implications

Within markets, there are a variety of different ways for transactions to take place, with the amount of competition varying, depending on the situation. Most orthodox textbooks extrapolate that these range on a continuum from perfect competition to monopoly (Sloman & Sutcliffe 2004; McGee 2005, Lipsey, Purvis & Steiner 1988). Along the continuum, there are processes used to traditionally explain economic models (namely Marshals equilibrium graph) that have been utilized by policymakers in what Hayek (1945) referred to as "construct(ing) a rational economic order" . However, the real competition process, as defined by Hayek, and the underlying reasons for monopolies differ, thereby affecting economic policy as decision makers draw from traditional philosophy, and that creates problems if, and when implemented as policy.

Competition–Theoretical Perspective

At the far end of the traditional continuum, perfect competition is explained through post-event analysis, with assumptions of complete knowledge (Hayek 1944, 2002). The Marshallian graph shows the prices from supply/demand analysis with the price process that preceded the transaction. However, when it is explained through the real competition process - from which evolves a process that determines price and the market with the entrepreneurial growth for filling the wants and the needs of consumers (Hayek 2002, Gurak 2012, Shaikh 2016). In this process if competition is unhindered by regulatory bodies and intervention within the marketplace it allows the market to efficiently evolve with new entrants when actors view the timing to be correct, and determine prices as

they take place. This is a result, in the words of Mises, “competitors aim at excellence in preeminence in accomplishments within a system of mutual cooperation” (p. 117). This does not always mean with harmony. According to Anwar Shaikh (2016) real competition is “turbulent” whether within an industry or between industries with a form of violence (pp. 261-264).

Market Monopoly-An Opposition to Market Competition

At the other end of the competition spectrum is the non-competitive market, in which Milton Friedman (2002) defined the existence of a monopoly when a specific person or enterprise is the only supplier of a specific good or service (p. 208). This means that there is only one supplier of the good or service and has been the subject of numerous studies. There are numerous definitions of what a monopoly is, and a sample list from textbooks list, The Perfect monopoly, with no chance of being supplanted by competition. It is then followed by the Imperfect monopoly, with some substitutes (alternatives) that are possible for consumers; the next two refer to the type of ownership: private and public. However, the Discriminating monopoly refers to the monopoly that applies different prices for the same good or service to different buyers sometimes depending on situations; legislated into law is the legal monopoly, where it is illegal to enter the market to compete; with limited resources, the natural monopoly is formed. The technological monopolies arise when there are advantages that one supplier has with the advantage over others; finally, when duopolies or oligarchy’s join to create a single supplier creates a joint monopoly (Sloman & Sutcliffe 2004, McGee 2005; Lipsey, Purvis & Steiner 1988). Each of which have various explanations and reasons for their creation. However, while there are other types and definitions of monopolies, as the list is not exhaustive, accordingly Ludwig Von Mises (1949) states that in the long run the monopolies cannot be preserved if there are markets that are open free competition of “newcomers” (p. 366). With the definitions articulated, a major issue is that monopolies are formed when there are problems with government intervention in the market, and the issues that arise are out of government policy that creates the opportunities to allow for the growth of that type of market domination (Mises 1963, Rothbard 2009).

Having government intrusions include those regulations of patents, creating barriers to entry. The argument that Gurak (2015) puts forward is these are artificial because anything that has been invented was done on the shoulders of generations and generations of accumulated knowledge, therefore inappropriate to create legal monopolies, this is because “.... the patented knowledge is culled from a pool of human knowledge accumulated over a period of thousands of years” (p. 45). Von Mises states that the problem that “the monopoly problem mankind has to face today is not an outgrowth of

the operation of the market economy.... It is, on the contrary, the fruit of policies hostile to capitalism and intent upon sabotaging and destroying its operation" (p. 366).

Yet, major movements towards regulations that attack monopolies are nothing new, and an example more than a century ago in 1911, was when the government broke up Standard Oil Trust, forcing it into smaller units. The debate as to its effectiveness and reasoning was largely started with journalistic profiles that turned public opinion against the company, thus politicizing it (Pratt 2012, Chernow 1998).

Another recent example was in 1998 when there was the case against Microsoft, as the American government "initiated its biggest competition case for 20 years" with the verdict two years later that the company be split into two. This was later repealed and was, in the end, not required to be split up, though it was generally thought by the courts that the company was a monopoly (Sloman & Sutcliffe 2004, pp. 226-227). This took place against the backdrop of Microsoft having 60,000 patents and an additional 30,000 pending as of late 2018, according to Stephen Vaughan-Nichols (2018).

This type of government intervention continues, however, as seen with the current calls for having Facebook dismantled (Roache 2019). In a New York Times Op-Ed, Facebook co-founder Chris Hughes referred to the company as "un-American", with the inference being that the monopoly and its practices being examples of anti-American (Hughes 2019). Presidential hopefuls are also jumping on the issue with Elizabeth Warren leading the calls for antitrust actions (Roache 2019). This familiar contradictory government policy of enabling monopolies while at the same attacking those that are formed comes (again) with the government calling for further regulation to protect the American people.

However, the definition of monopoly offered by Rothbard (2009) would not in any way resemble the most recent example Facebook today, as there are numerous alternatives to its products that consumers may choose. After all, he continues, it is up to the consumer to decide "in each case" of the product and service being offered as to whether there are alternatives for the good or service on offer at any given time (p. 667).

These are examples of political conditions affecting economic policy towards the term and ideas of monopoly while at the same time lobby groups continue to push forward laws that create those very conditions. Ludwig Von Mises challenges that the "political bias which has obfuscated the discussion of the monopoly problem has neglected to pay attention to the essential issues involved" (p. 317). The current climate is articulated by Hughes (2019), who states "We are a nation with a tradition of reining in monopolies, no matter how well intentioned the leaders may be." This prevailing wisdom becomes a policy driver as it is politicized. The very term monopoly was, according to Rothbard (2009), goes back to the libertarian vs the monarchy where it..." acquired great political

importance" (p. 669). Which is evidently still true today as seen in the election debates and discussions by candidates to the office of the US presidency.

The risk is a society that has economic policies that create situations where monopolies have been regulated into their positions. Sheldon Wolin (2008) called the current situation in the United States inverted totalitarianism where "... politically organized interest groups with vast resources operate continuously" (p. 59). Those dangers have been recognized for centuries, as Niall Ferguson (2013) pointed out when Adam Smith had a little quoted passage which explains, "the second hallmark of the stationary state was the ability of a corrupt and monopolistic elite to exploit the system of law and administer to their own advantage. In a country too, where, though the rich or owners of large capitals enjoy a good deal of security" (Smith 2004, p. 102) while the poor do not. Until there are better definitions and understanding of the contradiction of too many regulations and the effects of government interventions creating conditions for the monopolies that later need reigning in, it will be difficult to positively influence economic policies.

The Consequences of Economic Policies on Prices, Wages and Interest Rates

Effects of governments trying to steer markets through policy has both developing and developed, and it is creating problems all over the globe. "Interference with the structure of the market means that the authority aims at fixing prices for commodities and interest rates at a height different from what the unhampered market would have determined" (p. 758), begins Von Mises chapter on interference with the structure of prices in his book "Human Action". In his 1976 Nobel Prize Speech, Milton Freedman uses the aphorism "The road to Hell is paved with good intentions" to try to explain, in part, unintended consequences that occur from policy that is implemented. While politically popular throughout the world's largest economies, economic policies that are intrusive can have dramatic fallout on prices, wages, and interest rates.

Much of the present-day political intervention goes back nearly a century, when during the 1930's there was the major economic downturn, commonly known as the Great Depression (Galbraith 1977). This was at a time that governments of major economies started to employ more and more government policy intervening within markets in major ways. This was largely a result of the widespread acceptance of the economic theories by JM Keynes (Hayek 1945). These led to further policies throughout the most advanced economies, and continues to this day (Galbraith 1977; Greenspan 2008). So, one of the biggest fallacies that is facing societies in liberal democracies throughout the world has been a constant movement for government intervention in the economy for well over

a century, with much of that as a hangover from J.M. Keynes, and the depression era policies (Galbraith 1977).

An example is the problematic area is wages, which tend to be affected by government policy as supply and demand no longer work toward what Von Mises calls the tendency towards full employment (p. 770). The American worker has not benefited from government intervention, as Bonner and Rajiva point out that despite the appearance that wages have gone up due to inflation, the fact is that real wages in the US, adjusted for inflation, actually dropped from 1970-2005 (p. 261).

The consequences of government intervention and meddling through policies can have profound effects on prices, intended or not. Attempts in developing countries have proven to be even more disastrous. In Venezuela the government has subsidized the price of gas to where it is the cheapest in the world-pennies a gallon. The result is rampant smuggling into neighboring countries. Price manipulation and regulation leaves markets without proper mechanisms and this then becomes a market with distortions. These distortions are seen with gas shortages in Venezuela, the country that is awash in gas reserves-the second largest in the world after Saudi Arabia. The result is a constant shortage of supply with lineups lasting hours to fill a gas tank (Duggan 2019). Other experiments with planned economies and government interventions have had a history of disastrous results including poverty. This has included tens of millions in Russia and China just under a century ago (Hazlitt 1996, pp. 17-18).

It is not new that nations that have had very skewed results, even developed ones as Japan is an example of economic policy that, according to Porter, Takeuchi and Sakakibara (2000) was misguided. While it was at one time lauded as the example of government support leading to success, called "The Japanese Model of Political Economy" (Yamamura & Yasuba 1987, pp. 3-7), but historical studies have shown those industries have proven costly (Porter, Takeuchi & Sakakibara 2000, pp. 32-36). Low interest rates, and government support of domestic policies leading to the bubble economy in the early 1990's have resulted in decades of slow growth and even referred to as "Japanese-style deflation" (Greenspan 2008, pp. 228-229, Fischer p. 232). This was largely Japanese policy decisions that were created through misguided market manipulation.

Politicizing economic policy continues to create problems, as Neal Kimberely explains in the South China Morning Post. As occurred with Nixon in 1972, manipulation of interest rates is a dangerous path that threatens the US financial system, and dollar. In his piece, he quotes the US hegemonic dollar position as 'that "exorbitant privilege', ... the term coined in 1965 by Valery Giscard d'Estaing' which is now no longer certain as the president wants artificially low interest rates (Kimberely 2019).

The current issues are government intervention within credit markets and keeping

interest rates artificially low through intervention (Kimberely 2019). The fiat currencies that are currently prevalent allow and create credit bubbles that ensure markets become overvalued (Ebeling 1978). The Keynesian approach of consistent government intervention has assured that there will be future problems. In addition, the resulting crashes attempted at being managed are similar to a socialistic approach to ensure that there is as little creative destruction as possible. This approach is, as Mises in Human Action, likens societies who choose socialism over capitalism to a person who chooses a glass of potassium cyanide over a glass of milk: life and death (p. 680). This is summarized by Kaletsky (2010) "... extreme investment swings caused by interest rates that are first below and then above some natural rate... blamed on the meddling of incompetent governments and central banks. often for political reasons" (p. 113).

Mises (1972) states that, there is a possibility of a growth of "total complex of economic activities directed and controlled by the government", which he described using the German 'Volkswirtchaft' (p. 323). This reliance on government intervention in the markets creates problems when it tries as "over-complicated regulation can indeed be the disease of which it purports to be the cure", points out Niall Ferguson (2016) (p. 69). A simplified example of the complexity of how free markets expand and the impossibility of economic policy is through a pencil parable (Read 1959), which explains that the simple pencil needs to be created through market forces and that would not be possible if left to planners-something bureaucrats might learn.

Complexity in human action and behavior make decisions by bureaucrats extremely difficult to occur without problems that no one can anticipate (Hayek 1945; von Mises 1963; 1972). These unintended consequences are often complex and difficult to comprehend (Campbell 1975), with several studies that have been cited including what was aptly coined the *Rat Effect* where the French colonial power was interested in reducing the Hanoi population rat population. The bounty was based on tails and after a while, the number of tailless rats had increased, and so had the actual number of rats. This was because the residents of the city had the economic advantage of cutting the tails before releasing and not killing the rats-thereby ensuring the exact opposite of the initial goal (Vann 2003).

Market & Governmental Poverty Centric Policies & its Application on Different Countries *Poverty*

Poverty, as Henry Hazlitt (1996) pointed out at the start of his book *The Conquest of Poverty* is "almost the history of mankind". Greek society had to contend with poverty (Finley, 1974; Hazlitt 1996). As a human condition, it has been around at least as long as written history. Dealing with poverty requires finding 'solutions', and therefore giving

opportunities to the impoverished to alleviate their destitute situation. Opportunities can come in many forms with governments getting less involved in decision-making, or less. The former allows the markets to find equilibrium and therefore gives those poverty-stricken chances to relieve their plight, while the latter often creates unintended consequences.

Markets

The free-market economy has unlimited potential for participants as they compete at the various endeavors that are in the economy. This means that those with the better product or service (through either price or differentiation) can then create wealth within an expanding economic system. This eradication of poverty becomes the free responsibility of the individual, and therefore subject to the success and failure of those actors. As Mises (1949) states "There is no kind of freedom and liberty than the kind which the market economy brings" (p. 283), and if that freedom is removed all else is "humbug" (p. 322).

Within free markets, poverty becomes as much an individual choice as possible, and will naturally become reduced as participants create wealth, and drive their own personal circumstances forward-the social system no longer allows those willing to work not to (Mises 1949, p. 836). Therefore, behavior and actions are now up to free individuals to pursue as they wish. At the beginning of his book, Human action (2009), Murray Rothbard defined as "purposeful behavior" (p. 1), and that drives the philosophy that there may still be poverty, but that is by choice, and that gives better opportunities for all participants. With collective free will, markets are bound to grow as quickly as they can, thereby further creating wealth and further opportunities for all.

Creating opportunities is because, when considering markets, heterodox economist Hasan Gurak refers to them as "institutions", closely tied to everything else and results of diverse interactions, therefore free markets are best reflected as institutions (Hasan 2012, p. 182). That means that the institutions allow development ensuring wealth creation that can enable all to participate. There are then opportunities for entrepreneurship, which is critical for the elevation of all within the economy (Mises 1949). As wealth is created, the market creates the social system that is critical for the elimination of poverty.

Conclusion: Government Policy

Conversely, government policies that attempt to deal with poverty range from redistribution of wealth through increased taxation through to confiscation of assets by those in power to more radical complete 'wealth redistribution'. Nevertheless, all policy means free market interference.

This is exemplified by the current political will of the G7 countries, to advocate more government intervention in order to "eradicate poverty" as part of recent communiques (Mofa 2018). Traditionally a popular theme, from Roosevelt through Kennedy, and continues-through now the wealthiest time in the history of humankind. The policies range from what Canadians have termed "Social Safety Net" (Ismael 2006) through to more radical approaches creating issues as severely as the proposals. This is because, even the least intrusive becomes problematic as the unintended consequences reflected in the results in greater inequality and problems that are created as the market gets distorted (Mises 1947).

This has meant that the social programs have been extensive and the "social safety net" a pillar of governmental policy for decades. It was originally modeled on the British system but was greatly expanded in the 1930's (Lipsey et. al. 1988, pp. 532-535, Ismael 2006). Canada is an example of a country that has a long history of buying government intervention in markets through Robert Bryce, "even before the United States or Britain, a pillar of the Keynesian faith" (Galbraith 1977, p. 217). However, Drucker (1993) credits Bismarcks with his "social legislation that ultimately produced the twentieth-century Welfare State" (p. 32). Since the experiments have begun, the resulting policies have ranged from mildly to very bad.

During the 20th century, the more radical experiments were the command economies that was most infamously attempted with disastrous results by the Soviet Union (USSR) (Goldman 1983) and Communist Chinese Party (CPP) (Dikotter 2010). Both of those systems went through radical transformations, but not until hundreds of millions being placed into poverty that was so bad it killed tens of millions. During the times that the worst took place, there were famines and economic stagnation. (Goldman 1983, Dikotter 2010).

A more recent example, and one of the more disastrous results, was seen with Zimbabwe's Mugabe Government programs of redistribution to help with the country's poverty in the 1990's and 2000's (Gono 2008). The resulting acts of mismanagements such as property confiscation destroyed the economy (with hyperinflation and a crashed market), leading to "a once prosperous country laid waste" (Meredith p. 645).

The calls for greater government assistance and fixes to poverty are ultimately asking for interference in the marketplace, a very dangerous road towards less freedom, more unintended consequences, including more, and more wanting something for nothing. The issue with the system of welfare, as von Mises (1949) explains, is what he calls the "Santa Clause Principal" (p. 858); everyone entitled to free goods and services.

Poverty is a problem that is quite striking when confronted with firsthand. It tends to rob those who are poverty-stricken of many of the positive aspects of life. Canadian

Native lawyer Calvin Helin called the results of reliance on government intervention as a "dependency trap", with individuals losing their will to create their own wealth and becoming permanently stuck in the mode of requiring assistance. Therefore, even "successful" government policies towards poverty have not been as successful as many would argue.

Specifically, the most progressive government policy for markets is with minimal interference and the allowance for the free market to dictate prices that pay and opportunities to develop the goods and services sold. That ideal situation is not one that democracies thrive on, however, as there are always political promises that get politicians elected to offices with the promises of socialist solutions towards utopia-what Hayek (1960) referred to as the 'Road to Serfdom'. As Von Mises points out: "Those who are asking for more government interference are asking ultimately for more compulsion and less freedom" (p. 719). However, with individual responsibility and growth, more opportunities arise for the individual and prosperity becomes self-fulfilling. Two and a half centuries ago Adam Smith wrote "It is not because one man keeps a coach while his neighbor walks a-foot, that one is rich and the other poor; but because one is rich he keeps a coach, and because the other poor he walks a-foot" (p. 107).

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