23 things we're telling you about capitalism I [1]

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Ha-Joon Chang tells us, in his book "23 Things They Don't Tell You About Capitalism" a number of things: 23 in fact. Over the next few weeks I'll be examining the core of each of these things and showing, where necessary, why the wrong end of the stick is being waved around so excitedly.

Our first shocker is that there is no such thing as a free market. Given that this is so we should therefore succumb to whatever limitations on our actions All Right Thinking People wish to impose upon them. Without complaint at all of course.

No, that's not a satire of Chang's views here, that's the distilled essence of it.

It is of course true that there is no such thing as a truly free market. Even in anarcho-capitalism (in fact especially there, as there would be no other limits) there are restrictions on what happens in a market. At the most simple, there is societal expectation: if we agree to swap apples for pears than I am indeed expecting you to hand over the apples as I deliver the pears. That in this sense no market is ever truly free does not therefore mean that we should accept any and every restriction upon them. One example of how Chang leaps from the first to the second positions is that he tells it is "obvious" that such things as trade in narcotics or transplant organs should be banned: two things that I most certainly, if not the ASI itself, have long argued should have legal trade in them.

A certain nuance in his argument becomes apparent when he claims that what is the proper limit to market activity is inevitably a political question. For what should or should not be traded is an ambiguous thing. Thus there can be no hard and fast rules and it will depend upon opinion at any one time: thus it is politics. Which, if you believe that there are no hard and fast rules would be true. Whether people can choose their own pint or working hours or narcotic of choice does become just an opinion to be settled by political means. If, and only if, you do already believe that politics, not logic, or rights, or civil liberty, should settle such matters.

We free marketeers do though have a set of hard and fast rules. They're at the heart of what classical liberalism is all about. Best summed up in Mill's freedom to swing the fist ending where the nose of another begins. This does give is hard rules. Subject to one exception, markets are the default: except where the exercise of a market right interferes with the rights of another. I cannot claim a free market in someone else's boots but I most certainly can in my own. I cannot insist that someone else work a certain set of hours: but I can indeed insist that he be free to determine his own.

This gives us our framework to decide upon the regulations he sees as just being political. That "obvious" ban on trade in narcotics not only causes deaths through the violence of the illegal trade, deaths through the impurity of the drugs themselves, gross corruption by the illegal money: it's actually a restiction of my own civil rights to do what the hell I want with my own body. Which may or may not include ingesting things Chang assumes should be banned.

The exception of course is externalities but these are a form of indirect harm and so come under our general rubric. Markets in everything except where the civil liberties of another are being harmed.

Chang further makes the mistake that said regulation of markets needs to be done by the authorities. Laws must be passed to govern behaviour: whereas we all see around us, all the time, markets that are governed by convention, accepted behaviour and just general expectations of how people are going to behave. There is no law that says that one should stand their round: yet social pressure is pretty good at ensuring that people who do not know about the displeasure at their actions. To the point of vehement corrections of said behaviour.

So it is with much of the regulation of markets. To show that norms are required, behaviours expected, is insufficient to make the leap to the insistence that the law must define all of these.

And finally, for this chapter, there is the laughable use of working hour and child labour laws to show that markets and thus capitalism, need to be regulated. For of course it is capitalism and markets, that strange duo, that made restrictions on child labour and working hours even possible.

When we all lived in the abject penury of peasant agriculture there were no possible limits on such working hours. All hands on deck all the time was the minimum needed to keep the family fed. This included children of course: indeed, the way in which small children rapidly become earners in peasant agriculture is used as a reason to explain the high fertility of such families. It's only with increasing urbanisation (capitalism there, with the factories) that fertility rates drop as young children are no longer economic assets but costs. It is only after we start to see the first rising in living standards from that combination of markets and capitalism that we can indeed labour only 10 or 12 hours a day, that we can leave children to have a childhood rather than their grubbing for the pennies that aid in keeping their families alive.

You'd think that a Korean would know this. For of course, the time when Britain was rich enough to be able to do this was some century, century and a half, before Korea was. We don't have to be rich as Croesus to be able to limit, say, child labour. But we do have to have at least started the climb out of abject destitution: you know, that climb that only markets and capitalism has ever managed for anyone?

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