Do we have a capitalist economy? [1]

Written by **Whig** [2] | Thursday 27 October 2011

This last point particularly illustrates the fallacy of the protestors? position. Regulation drives up barriers to entry and helps to consolidate monopolies and oligopolies; hence we have so much of the ?big business? making excess profits against which the protestors rail.

The vast level of government interventions have resulted in a pseudo-capitalist system based on corporatism, not free markets. Under this system large institutions such as trade unions, large corporations, professional associations and so forth have a symbiotic relationship with big government ? they are both dependent upon each other to protect their positions of privilege all at the expense of non-members and consumers i.e. society at large. Corporatism was the particular evil of the 1970s ? a period we seem to which we have returned, although sadly we never truly escaped it. That few people actually observe and describe this system simply shows how pernicious and dangerous it is to liberty.

In the final analysis I do not base my argument on the sheer size of government. This is simply an arbitrary figure; if we had 10% of GDP as TME would we have capitalism (perhaps not, although we would doubtless have a flourishing economy, far less debt and much else besides!)? I would argue that to achieve capitalism we would have to eliminate government?s efforts ? clearly unsuccessful ? to manage the economy and plan the level of growth in the economy. Isn?t that what socialist governments do, after all?

Such planning takes two forms, fiscal and monetary, and although they may be tacit they are clearly evident. On the fiscal side, the government is clearly attempting to manage the level of GDP, otherwise it would simply have eliminated deficit spending without any concern for ?double-dip? recessions. The attempt of the state to manage the economy is more clearly reflected in the public discourse, where a government?s performance is judged on whether growth and employment figures rise. On the monetary side the Bank of England has clearly dropped any pretence at managing inflation - which is only a form of central planning anyway. Instead the Bank is pursuing forced dis-saving via effectively negative interest rates in an attempt to raise levels of consumption. At the same time, of course it is chasing GDP growth via expansion of the money supply termed ?Quantitative Easing?. I do not arguing that the state should or should not do these things - it should not, but that?s for another day ? but that we do not have a system correctly termed ?capitalist? when it does.

What we need instead of corporatism is what ought to be called ?consumerism?. Consumerism is usually a pejorative term for the mere accumulation of consumer goods and a desire for conspicuous consumption. I would argue that consumerism would actually be the best appellation for true ?free market? capitalism ? where government simply upholds private property rights and makes no attempt to manage or regulate the economy or provide non public goods*. This is the argument of von Mises? Liberalism [3]:

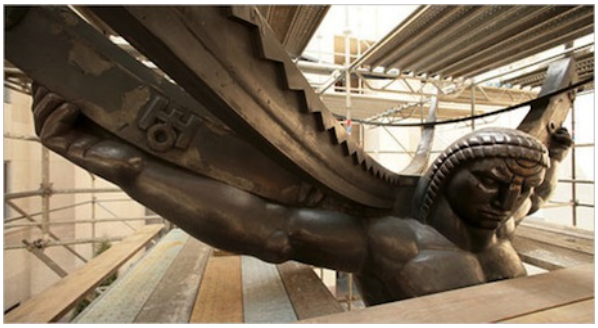
> ?The social order created by the philosophy of the Enlightenment assigned supremacy to the common man. In his capacity as a consumer, the ?regular fellow? was called upon to determine ultimately what should be produced, in what quantity and of what quality, by whom, how, and where... The much decried ?mechanism? of the free market leaves only one way open to the

> acquisition of wealth, viz., to succeed in serving the consumers in the best possible and cheapest way.?

Such a form of capitalism would represent a victory for the consumer, who is after all everyone as we must all consume to some degree, over narrower group interests which are favoured by government intervention.

If the protestors understood the distinction between corporatism and consumerism and were protesting against the former I would sympathise somewhat with them. In reality they are protesting against corporatism but at the same time arguing for more of it via state intervention. They do not appear to realise that they are protesting against something ? capitalism ? which does not actually exist in the UK. At the basic level, however, I would imagine that the protestors would object to free market consumerist capitalism simply because they hold objectives such as relative equality and the interests of particular groups above the general good. Surely no right-minded person could possibly sympathise with such a position?

Unfortunately, most of the public also appear to believe that the system we have can reasonably be called capitalism ? as such they are under the same delusion as the protestors. Given that here is much dissatisfaction, and rightly so, with the present system there is ? nominally ? much dissatisfaction with ?capitalism?.



I?m aware that this point has been raised before at the ASI [4] and elsewhere [5], but I think it?s worth reviewing, especially in light of the ?Occupy the London Stock Exchange? protest currently on-going. That the protesters have succeeded not a whit in occupying the LSE but have instead closed St Paul?s Cathedral is perhaps a sign that we shouldn?t take them too seriously ? for a start they clearly don?t understand the law of unintended consequences. However, if asked the question ?do we have capitalism in the UK?? most of the Clapham omnibus would respond in the affirmative.

I would suggest that the UK does not have capitalism because of the presence of government intervention in the economy. Clearly ? unless we believe in anarcho-capitalism ? there will always be some level of government intervention in the economy. However, I would argue that it is not only the great extent but also the nature of that intervention which lead to this conclusion.

We could quite easily ask the protestors whether they thought an economy in which circa 50% of GDP [6] is spent by the government could reasonably defined as capitalist? Where 20% of workers are government employees [7] and almost everyone in the economy is in receipt of state transfer payments or other forms of state aid is ?free market?? Where the top rate of income tax is 50%? Where government debt is 392% of GDP [8]? Where the remaining 50% of the ?free market? economy is heavily regulated by the multitude of statutes and statutory bodies across every sector? **[Continue reading]** **[9]**

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