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‘Free Markets’: Public Good or Private Greed?
by
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Free Markets: Public Good or Private Greed?

Flora Gill

1. Introduction

The fundamental question addressed in this paper is this: does the rise of free market orthodoxy indicate the triumph of ‘efficiency’ at the expense of ‘equity’? Or does it also, and possibly even primarily, reflect an attempt to capitalise on the distributive opportunities that have been created by the deteriorating macroeconomic environment and the conservative political climate of the late ‘80s and ‘90s? And if the goal of allocative efficiency is genuine, are the chosen strategies hostage to a tunnel vision?

The demand for ‘free markets’ has well defined ideological roots, most notably in the labour market. Ideological commitment can lead its bearers astray, and so it is possible that the zealots of ‘free markets’ have been blinded to the destructive aspects of untrammeled markets. Yet, radical political changes and poor macroeconomic conditions place some socio-economic groups in a strategic position which sharply increases their prospects of winning redistribution battles. With a sufficiently short time horizon, a strategy focused on redistribution (zero sum games) may indeed be more profitable than a strategy focused on genuine augmentation of efficiency (positive sum games). Distributive motives, therefore, can play an important role in fuelling the demands for ‘de-regulation’ of the labour market and removal of all restriction on short-term mobility of capital between countries. The rhetoric may appeal to wide communal support in the name of ‘efficiency’ (often referred to as a ‘win-win’ outcome), but the driving force would in this case be the lure of achieving a favourable redistribution. This paper argues that distributive motives must be recognised as serious contenders for the role of major determinant of the zeal for ‘de-regulation’ of the labour and capital markets.

In addition, this paper challenges the two-pronged propositions that (a) untrammeled (free) markets are efficient in the standard sense of maximising the

\[1\] Strictly speaking the term ‘de-regulation’ is a misnomer, a ‘transformed regulatory regime’ would be a more accurate term than de-regulation, and this is particularly true in the case of the labour market. However, in this paper I am adhering to convention by using the term ‘de-regulation’ as a label identifying the concrete real world issue that I am addressing (and not as a term that defines its essence).
aggregate of individual incomes (or more pedantically, the aggregate of individual 'utilities'), and (b) this conclusion is supported by economic theory. It also questions the wisdom of adhering to the standard definition of efficiency, which equates it with maximisation of national income (or again, more pedantically, a notional aggregate of individual utilities).

Finally, this paper notes that the distributive motive might dominate business conduct to the point of undermining the efficiency of production within the individual firm.

The structure of the paper is as follows: section II challenges the proposition that free markets are 'efficient'; section III examines the intricate relationship between equity, laissez-faire and efficiency, and notes some problematic aspects of the standard notion of efficiency; section IV addresses the question of whether the drive to laissez-faire primarily reflects distributive aspirations, and if so, whether this might have undesirable repercussions for productive efficiency at the micro level. Section V concludes.

II. "Free markets are efficient" – Are they?

Advocates of radical de-regulation of a significant segment of the economy have invoked the virtues of 'free markets' in their attempt to muster public opinion behind their cause. They have argued that free markets are essential to the attainment of 'efficiency', both at the micro and macro levels.

Thus far it appears that they have been remarkably successful in gaining support with these arguments. Nobody disputes the proposition that markets serve many positive functions. Yet, neither economic theory nor 20th century economic history compel us to embrace the free market nostrum. This is true even when the analytical perspective is confined to mainstream theory. In other words, although the dominant belief is that mainstream economic theory endorses the neo-liberal agenda of 'de-regulation' and privatisation of those services hitherto in the domain of the public sector, it is well known that departure from a pure laissez-faire regime can readily be supported even in terms of the standard neo-classical notion of efficiency.

Economic theorists have steadily expanded the list of economic activities that are poorly served by private 'atomistic' conduct. Earlier generations of economists restricted their recommendations for a departure from pure laissez-faire to areas of economic activity affected by externalities, public goods and a significant level of market power. More recently, the theoretical literature has added yet another major concern – the potential for co-ordination failure under pure laissez-faire regimes. This literature involves game theory, path-dependence theory and network externalities. All of these share a well-defined choice-theoretic core, yet with a remarkable Keynesian ring they conclude that markets left on their own can suffer co-ordination failure. In terms of standard neo-classical jargon, this means that both 'free' individual markets and the whole macroeconomy can settle into 'Pareto inferior equilibria' (Arthur 1986, Cooper and John 1991; David 1988; Silvestre 1993).

In addition, we should note that the concept of co-ordination failure challenges not only the principle of atomistic conduct underpinning the ideal laissez-faire regime, but also the standard view that systemic failure as a rule has its roots in a 'wrong' set of prices. The standard view is that economic phenomena such as national unemployment fundamentally reflect a constraint imposed by the 'wrong set of prices'. Once the 'right' set of prices is put in place, so the proposition goes, our economic ills will be solved. Similarly, when the need for regulation is accepted, as in the case of environmental control for example, the role of government is often seen simply as that of setting the 'right' set of prices. However, the notion of co-ordination failure that is advanced by game theory challenges this view – it suggests that systemic failure does not necessarily have its roots in 'wrong' prices, and the solution does not necessarily involve simply tinkering with prices. Solving co-ordination failure often entails a more sophisticated strategy than the fine-tuning of prices.

1 Putting this somewhat differently, these are instances where private exchange fails to establish contracts that internalise all costs and benefits.
2 See Gib (1996) and 965 for a more detailed discussion of this issue in the context of persistently high levels of national unemployment.
3 A concise example where regulation cannot achieve its aim simply by tinkering with relative prices is presented in Ayres (1998). He provides an excellent illustration of the weakness of environmental measures based simply on making environmental degradation more costly for the offender. He argues at length that the problem is not one of too low prices, but rather of the poverty of the price mechanism itself and its limited capacity to affect the desired collective response.
The above analysis does not exhaust the list of factors that render laissez-faire structures grossly inefficient. My purpose is simply to emphasise that advocates of laissez-faire falsely give the impression that their agenda is readily supported by mainstream economic theory. Neither does the above analysis intend to uphold the standard concept of Pareto-efficiency; it is not only a very weak concept, as Kenneth Arrow (1974: 178) observed, but also inappropriate for any society which cares for more than just the average per capita level of national income (Gill 1980: 485-489; 1996b). What matters here is that even a nation that is exceedingly narrow from a social justice perspective, such as the neo-classical notion of efficiency, is poorly served by unfettered market forces (Kuttner 1997).

III. Efficiency and equity – always at loggerheads?

Does the pursuit of efficiency inevitably compromise equity? If we accept the neo-liberal identity between laissez-faire and efficiency then the answer is ‘yes’. There is mounting evidence that de-regulation and privatisation of those areas of economic activity historically the domain of public provision increases economic inequality. This is not at all surprising. Firstly, privatisation and the adoption of the user pay principle function like a regressive tax scheme. Secondly, de-regulation of labour markets and progressive restriction of the scope for collective bargaining have direct repercussions for the levels of pay and work conditions (Gill 1997).

True, poor macroeconomic conditions themselves undoubtedly would have taken their toll on equality. However, it is highly unlikely that these conditions can explain the magnitude of the recent increase in economic inequality. In a recent issue of the Journal of Economic Perspective, Gottschalk (1997) draws a clear-cut picture of rapidly rising levels of inequality across most OECD countries. Perhaps the most striking conclusion of his study relates to the role played by the political climate and social outlook of the individual countries – the rise in inequality is highest in countries whose political and social outlook is the least sensitive to inequality. The United States leads the league in the rise in income inequality (Gottschalk: 1997: 34-35). Furthermore, the United States is the “only country to experience increases in inequality both between education and experience groups and within groups” (Gottschalk: 1997: 34). Ayres (1998: 115-133) devotes a whole chapter to the relationship between the growth of national income and the distribution of wealth and income across the various deciles of the population. Ayres shows that while inequality decreased in the US over the period 1929-1969, it has increased considerably since (Ayres 1998: 116). He also observes that “Adjusted for inflation, the average income in the US rose by 10 per cent from 1979 through 1994. But nearly all — 97 per cent — of this gain went to the top 20 per cent of earners.” (Ayres 1998: 116). Like Gottschalk, Ayres explicitly links these distributional trends to the extent of de-regulation, and to tax and social welfare policies (Ayres 1998: 117-122).

In summary, although advocates of wide reaching de-regulation have attempted to ally concerns about equity with concepts such as the ‘trickle down effect’ and ‘a rising tide lifts all ships’, empirical data reveal that the narrowing in inequality was a phenomenon confined to the period 1929-1969. Thereafter, aggregate growth has been associated with a trend of polarisation of incomes, not reduction in inequality. The smaller ships have run aground, the trickle down has become a trickle (or perhaps a torrent) up.

Scholars are also increasingly warning that untrammeled laissez-faire has dire social, political and environmental consequences. For instance, Ayres (1998: 124) and Gray (1998: 2) both cite the exceptionally high percentage of US citizens in jail, describing it as a social pathology. Nickell (1996) describes it as hidden unemployment.
while Mant (1997: 3) observes that the “United States, for the first time, now has more of its citizens in jail or on remand than in college.” Mant, a management guru with extensive personal experience in business, is also concerned about the (economic) efficiency consequences for a society characterised by extreme inequalities of income:

"... the top few per cent of the American wealthy now account for nearly half of the disposable wealth each year. This is not only morally debased: it is also inefficient because it makes society very expensive to manage." [Emphasis in original] Mant 1997, p. 6.

Ayres and Gray argue at length that further social disintegration is inevitable if current trends in social and economic policies continue. Gray (1998) challenges neoliberalism to face the historical record, specifically pointing to the United States as a country that reveals the social cost of laissez-faire. He further warns that the inequities created by untrammelled market forces with limited public sector involvement are fundamentally incompatible with (and therefore non-viable in) democracy (Gray 1998: 20).

Economic theory, in contrast, has consistently avoided the issue of equity. Analytical convention has persistently adopted the proposition that the two entities are wholly separable, and that therefore economists are, and [sic] should focus on maximising the aggregate value of ‘utilities’. The task of deciding how unequal the individual slices should be allowed to be should be left to the politicians; presumably this division of labour can be maintained without jeopardising the economist’s task of maximising the size of pie.

Elsewhere I argue that efficiency and equity cannot be so neatly separated (Gill 1989: 458-459; 1996b). That work can be briefly summed up by the following

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propositions: (i) we have neither the fiscal instruments nor political will to distribute the national income without simultaneously changing its size; (ii) if as a society we care for equity then we cannot possibly claim that a reallocation of resources that results in an increase of the GDP per capita is ipso facto an improvement in efficiency; a lower level of GDP per capita with a more even distribution of income may well represent a more efficient allocation, given our concern for equity. The second proposition simply says that the concept of efficiency entails an allocation of resources that best serves our social/moral/cultural objectives as a society.

Note, however, that this proposition does away with the equity-efficiency dichotomy. Maximisation of the market value of all locally consumed goods and services (per capita), in complete disregard to how these commodities are produced and how they are distributed across the population, simply cannot be described as efficient except by the most callous of societies. The kind of society we wish to live in defines what we consider an efficient economy. If it is a moral society, then it is efficient to pay heed to equity. In this case, to strive for the largest possible level of national income disregarding the consequences for equity, as the popular use of the notion of efficiency implies, is not efficient. There is nothing radical about this proposition; it is suggested by the fundamental definition of ‘efficiency’ in economic theory itself, which tells us that what is efficient to do varies with our individual or social ‘objective function’.

Note, that if we strive merely to maximisation of ‘aggregate utilities’, even then, as Gray (1998) and others have warned, the callous concept of efficiency is inherently myopic, since it risks the very viability of the economic system itself. In other words, they argue that equity and efficiency (as commonly understood) are not separable, and neither are they strict alternatives, since beyond a certain point to pay heed to equity undermines efficiency.

In summary, if the pursuit of efficiency is subsumed under the pursuit of untrammelled markets, then the pursuit of efficiency indeed compromises equity. If, however, we are willing to consider a broader definition of efficiency that recognises social goals other than the maximisation of income, then our description of what...
represents an efficient allocation of resources is altered. In this case, it is efficient to allocate our resources and to structure the economy in a manner that pays heed not only to per capita income (or ‘utility’) but also to its distribution and any other equity concerns we might have. There is nothing radical about this proposition; it is suggested by the fundamental definition of ‘efficiency’ in economic theory itself, which tells us that what is efficient to do varies with our individual or social ‘objective function’.

My discussion has not addressed the large body of literature that suggests that improving equity can augment, rather than reduce, productive efficiency within the individual enterprise. Broadly speaking, this literature is characterised by two major themes. The first is that when the enterprise pays no heed to equity, the morale of its employees is low, and this undermines the enterprise’s productivity. This theme recurs in the Industrial Relations literature, and is the core of the Akerlof’s (1982) efficiency wage model. The second theme is that highly hierarchical organisations, where management jealously guards ‘managerial prerogatives’ and is hostile to worker participation in management, cannot reach their full productive potential since they block vital feedback from their employees.

The proposition that equity and efficiency have important positive links is of course not confined to the issue of productive efficiency within the enterprise. Here I refer to the large body of literature which argues that growing inequality, and the social alienation that comes in its wake, are not only offensive to our sense of justice, but that they also undermine our material welfare by diverting an ever-growing share of economic resources to the task of dealing with social problems arising from increasing inequality.

IV. Laissez-faire – is there a distributive motive; is efficiency compromised?

Libertarians, among them Friedrich Hayek, see laissez-faire as the natural order to which an economy gravitates when it is allowed to evolve autonomously through time. Yet, as Gray (1998:7-21) argues, this view fails to be supported by history – laissez-faire was not

brought about by spontaneous economic evolution. Rather, everywhere as in 19th century Britain, state power has played a decisive role in the rise of laissez-faire:

"Indeed, even in nineteenth-century England, state intervention on a most ambitious scale was indispensable prerequisite of a laissez-faire economy.”


Within the national economy, the 19th century push for laissez-faire was underpinned by well defined distributional aspirations of specific segments of the British society. As David Ricardo emphasised in his writings, the battle for the repeal of these laws was a battle to redistribute income from landlords to the owners of capital invested in manufacturing and commercial ventures. It is doubtful that the Anti Corn Laws League would have achieved its victory in 1846 in the absence of this professed aim.

Let me now turn to the more recent tide of de-regulation, beginning with the deregulation of financial markets in the late ‘70s and early ‘80s. Certainly, the strains inevitably faced by the Bretton Woods system as the world economy kept changing through time helped the process. As the Bretton Woods system progressively fell out of killer, it was much easier to cast sight for the Luddite solution of all-out de-regulation, rather than braving the challenging task of a major overhaul (for instance maintaining old or devising new, types of restrictions on the scope for short term movements of capital between countries). But it is equally true that the financial sector was keen to take advantage of the prospect of making short term gains in a world were exchange rates are no longer fixed. Large owners of financial assets were also keen to take advantage of the lucrative investment opportunities that had opened up for them in the Far East. They were lured, of course, not only by the abundance of cheap labour available for hire at pre-industrial real wage rates, but also (and perhaps primarily) by the lavish gifts offered to them by the Asian states - tax free land, tax free production and, by state decree, union free labour.

Whereas the nineteenth century drive for laissez-faire centred on the demand for freer mobility of goods across national boundaries, the de-regulation of the financial markets in the late ‘70s and early ‘80s, was aimed at securing freer mobility of financial capital assets across national borders. This difference has a number of important implications.
Firstly, unlike flows of goods, flows of financial assets across national and continental boundaries vary immensely, and frequently, in both size and direction. Recent global events have made it only too apparent that the ease with which financial capital can move around can have a severe destabilising impact on national currencies and interest rates, with dire consequences for production and employment.16 Secondly, the economic features of financial capital are such that its legal freedom to move is readily translated into actual freedom to move around the globe, as owners of these assets see fit.17 In contrast, the position of labour is markedly different. Even if the legal restrictions on entry into foreign national labour markets were all removed, the unique features of human, as distinct from financial, capital are such that the actual freedom to move back and forth between countries is minuscule when compared to capital’s.18 This difference alone would imply that capital stands to reap benefits of comparative advantage over labour in a world where free trade, first and foremost, means an untrammelled global financial market. But there is more to it.

The legal freedom granted to financial capital means that, as a consequence of structural factors alone, capital now has in place a Damocles’ Sword hanging over the head of organised labour. There is no need to actually shift capital offshore – the mere threat of activating this option has significantly reduced the scope for trade unions to manoeuvre.

Finally, coupled with the de-regulation of international foreign exchange transfers has been a sharp rise in the role played by the stock market in determining managerial strategy in incorporated enterprises. Financial asset markets are inherently myopic; their time horizon is much shorter than that of owner-managed enterprises. This inherent myopia, and the spell that the stock market has cast on management, are at the root of the thus far unabated trend to downsize. The far-sighted manager who undertakes a long term strategy that refrains from downsizing, and thus sacrifices short-term profit margins for higher long-term profits, will invite the wrath of the stock market.19 Indeed, we know, inter alia from numerous articles published in the local press, that in North America, Europe and Australia there has been much lament among management professionals and even in some management circles about the harmful consequences of the downsizing fad, but to no avail.

The stock market is responsible for the propagation of the downsizing wave. However, in Australia, for instance, large-scale downsizing has been made feasible only through the progressive ‘de-regulation’ of the labour market, since the late ’80s, with a series of changes to the Industrial Relations Act initiated by the Labour Government. While these changes represent a genuine attempt to address the poor macroeconomic economic conditions prevailing since the late ’70s, pressures from the business sector have played a decisive role in determining their nature and direction. This is reflected in the major shift away from centralised wage fixing, and also in the shift from collective bargaining to individual employment contracts, entirely bypassing the trade unions.

The underlying motive has been double-pronged. On the one side is an ideological aversion to trade unions and institutions such as the Australian Industrial Relations Commission. The new legislation, changes in the way management relates to trade unions, and the support given by the Coalition government to managers who seek to replace unionised workers with a non-unionised workforce all bear witness to this motive. The second motive is what I have described as the distributive aspiration20 - the determination to gain the institutional freedom required to bring about an increase profit margins by cutting pay and other remuneration standards.

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16 This freedom of movement has also had unfortunate repercussions for the advanced Western industrial countries, as it has radically reduced their capacity to pursue national macroeconomic agendas such as an expansionary monetary policy.

17 Two additional factors account for this capacity to destabilise production and exchange: (i) the market power enjoyed by large players (such as Long Term Capital Management, or Nomura Holdings); and (ii) the fact that the economic agents participating in this market form their expectations about future price movement in an interdependent manner. They influence each other in the process of forming their individual assessments of the future.

18 Mobility costs faced in the labour market and adjustment costs in general are habitually abstracted from standard mainstream analyses. Consequently, the economic freedom of workers tends to be overstated in these analyses. Hirschman (1972) and Gill (1984) focus on these costs.

19 Research by the Australian Centre for Industrial Relations Research and Teaching reveals a clear-cut pattern of management strategies heavily tilted towards short-term cost cutting strategy, with productivity enhancing strategies that allow workers to work "smarter rather than harder" being selected by only a fraction of enterprises.

20 See Gill (1989: 46) for an earlier discussion of the distributive motive underpinning demands for labour market flexibility.
**Mutual Gains?**

The proponents of enterprise bargaining have claimed that the flexibility permitted by enterprise bargaining will not only improve productive efficiency but also grant workers a share in this gain.\(^2\) We might expect, therefore, that workers who surrender employment conditions will receive higher wages in return. We might, for instance, believe that workers who accept a reduction in penalty rates, or the complete elimination of paid public holidays, or an increase in the span of hours for which standard time pay rates apply, would increase their chances of receiving a wage increase. The pattern displayed in a large sample of enterprise bargains in NSW paints a remarkably different picture (Gill 1997). It reveals that workers who made such concessions had a lower, not higher, probability of gaining a wage increase in their Enterprise Bargaining Agreements.

An identical pattern is revealed when we analyse the magnitude of any wage increase. Enterprise Bargaining Agreements which reduced or completely eliminated penalty rates, deleted public holidays and leave loading were found, on average, to have granted a lower wage increase than Agreements in which a loss of conditions had not occurred.

A different pattern emerges when we examine the impact of unions. The data reveal that, when a union was involved in the bargaining process, the pattern I have just described was reversed - loss of work conditions increased the probability of gaining a wage increase. Similarly, the magnitude of any wage increase was higher in the agreements which allowed a loss of conditions, provided a union was involved in the bargaining process.

So, when individual workers have to fend for themselves, or even when they bargain as a group but without the involvement of a union, it is less likely that any loss of conditions will be offset by a wage increase.

Has efficiency been compromised? My answer is “yes”. Enterprise profits can be increased in two different ways. In one of these, overall management practices and the design of jobs are both improved - the productivity of the enterprise is augmented by working ‘smarter rather than harder’, and wages and profits can be simultaneously increased. The alternative route to higher profits simply consists of downsizing, intensifying the pace of work, extending the number of standard working hours and reducing pay rates.

When unemployment rates are as high as they are now, and have been for the last decade, the political climate is conservative, and new legislation undermines the scope for collective bargaining, the rewards for trying to increase the share of profits simply by intensifying the pace of work, and by reducing workers’ hourly pay rates, seem particularly high.

Working smarter demands ingenuity and an investment of time, money and effort. This requires a very different time perspective. It entails vision, patience and a sound ideological perspective.

Sadly, the evidence to date does little to undermine the gloomy view these qualities are in short supply. Studies by Callus and Short (1995), Callus (1997) and Charlesworth (1996) suggest that the vast majority of Australian enterprises focus on cost-cutting through immediate distributive initiatives such as the dismissal of workers, pay cuts and the removal of favorable wage conditions. Only a small minority follow a strategy where cost-cutting is seen as the ultimate outcome of a strategy aimed at improving productive efficiency.\(^2\)

Research also suggests that an important aspect of industrial relations reform at the enterprise level has been a determination on the part of management to expand the realm of issues that fall under the category of ‘management prerogative’ (Callus (1997)). Callus concludes that workplace reforms have frequently been driven by management seeking to establish its singular right to manage.\(^2\)

The observations of the various studies cited above suggest that managerial strategies within the workplace have not centred on augmenting productive efficiency.

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\(^2\)This is often referred to as a ‘win-win’ outcome.

\(^2\)This conclusion is supported by Bamber and Larrabure (1998) who have recently studied labour costs and conditions across ten leading economies. They found that “Australian workers are among the lowest paid, despite long working hours.” (Cited in the Sydney Morning Herald – 7.9.98).


\(^2\)He also notes that this has occurred even where unions were intimately involved in initiating higher levels of flexibility.
Why? Because efficiency is genuinely augmented only when a larger output is derived from given resources by working ‘smarter’, not harder. In other words, we can talk about improved efficiency only when there is a gain that enables both sides to become better off. In contrast, when one side can improve its lot only at the expense of the other, there is no efficiency gain to be made; we describe this as a zero sum game. Thus, if profits can go up by increasing the intensity of work and hours of work, and reducing pay, there are no efficiency gains to be made, and any increase in profits represents redistribution of income.26

Last, but not least, the professed goal of efficiency is being undermined in yet another way. As Argy (1998) has recently pointed out, the removal of any restrictions on capital (particularly short term) movements across country borders has greatly undermined the capacity of individual countries to effectively engage in expansive macroeconomic policy. The diminished capacity to fight against unemployment has well defined direct implications for efficiency, because production is below capacity. In addition, as is only too well known, sustained levels of unemployment enhance inequality and undermine the social fabric. As argued earlier in this paper, this is inconsistent with the ‘less narrow’ definition of efficiency. Furthermore, as a significant number of observers have argued, a deterioration of the social fabric ultimately takes its toll on the productive health of the economy.

V. Conclusion

The question that this paper sets out to address is whether some of the major claims made for laissez-faire stand up to scrutiny. Specifically, that free markets are essential to efficiency, that they secure benefits for all and that they represent a natural evolutionary state which it would be wrong to restrict.

The paper points out that the widespread belief that mainstream theory says that a laissez-faire regime guarantees maximum efficiency is false. It draws on empirical

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26 The reader will note that my description of the concepts of ‘efficiency augmenting change’ and a change that can be described as a ‘pure income redistribution’ is fully in accord with mainstream theory. In other words, there is nothing radical in this.

literature and the historical record to challenge the promise that unregulated markets benefit all. Historical evidence is also employed to dispel the notion that laissez-faire is a natural result of economic evolution. Rather, everywhere as in nineteenth-century Britain, government intervention was, to quote Gray again “an indispensable pre-requisite of a laissez-faire economy.” (Gray 1998: 7-8.)

The push for laissez-faire in both the nineteenth century and more recently was driven by clear distributive aspirations of specific social segments of the population. In the more recent push these include the large owners of capital assets and a substantial number of employers who sought to reap the benefits of a weak macroeconomic environment and the conservative political climate by demanding untrammelled capital mobility and de-regulation of the labour market.

One consequence of these changes has been an obsessive focus on downsizing and the erosion of pay and work conditions in place of a more far-sighted strategy capable of generating high productivity through ‘working smarter’. These new ‘freedoms’ have given employers the greater flexibility they sought at the expense of unemployment, underemployment, insecurity, lower pay and degraded work conditions.

At the same time, to quote Mant again, “the chief executives of Australia’s top fifty companies had, in the space of a decade, increased their average salary from thirty-six times the average salary of employees in their own firms to forty-nine times the average.” (Mant 1997: 3). This pattern has been even more pronounced in the US. This is not just a short-term adjustment. As Ayres (1998: 116) observed, inequality has been increasing steadily in the US since 1969, with 97 per cent of the total increase in real national income between 1979 and 1997 going to the top 20 per cent of earners. Can we really believe that the fruits of these new ‘freedoms’ are shared by all?

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