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The origin of the market

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HERE I WILL only focus on market based development policy. However, since the Second World War there was a wide consensus that the state should play certain role to stimulate the economy, as welfare measures of the state does not work against the market. Rather it is complementary device which promotes the expansion of the market. But since the early 1980s, a remarkable shift has taken place and the market itself is increasingly viewed as the only means to promote development. Efficiency is preferred to social justice, as illustrated by the attempts of the World Bank and IMF to impose neo-liberalism throughout the Third World through process of Structural Adjustment. Thus, to quote a statement by American ambassador to UN, "We must also counter, both in UN and within the framework of the North-South dialogue, any discussion of global problems which questions the validity of the free market and of free enterprise in the countries of the Third World".

With the 1980s we entered the era of neo-liberalism. In this new era, the market is not considered merely as a technical device for the allocation of goods and services, but rather as the only possible way to regulate society. This is more than a little reminiscent of the dominant world view of 17th century, with its emphasis on the virtues of commerce. Undoubtedly, the current period is characterised by deep belief in the magic of markets to solve the world's problems. In the West, there is a broad consensus that the 'principle of free-markets' are positively linked with democracy and freedom and it is the best possible system for the whole humanity. In the Third World it is propagated and often imposed almost like religious ideology backed by blind faith in the absence of any logic and historical experience. In many ways, the impact of market on the whole of social life leads to a dramatic consequences. However, the market still appears the only possible path to development despite innumerable failures.

The common person recognises a market as the locus where buyers and sellers interact to exchange goods and services. It is widely defined that market 'represents an opporunity for buying and selling'. It implies no compulsion but freedom and choice. And it said that the freedom is guranteed by certain regulatory mechanisms which ensure a rational economy, where supply meets demand and offers services and good that consumers will freely choose. All this shows that capitalism is a peaceful society and no coercive acts are involved. Contrary to the present image of capitalism we find historically the development of market in the West has not been so peaceful as it is depicted by the present supporter of market.

The truth is that the compulsion of certain groups to sell their labour power while other were able to buy labour power were created by harsh measures which involved naked violence and displacing of certain groups from their livelihoods, while at the same time enlarging assets of certain groups have been the reality of the development market. The liberal ignore the commodification of labour power and class exploitation, which is the key to understand the development of market in the advanced capitalist countries. In fact, the dominant characteristic of the capitalist market is not opportunity or choice, but compulsion and coercoin. Under capitalism, people are forced to enter into market relations in order to gain access to means of life and experience the dictates of capitalist markets like, competition, accumulation, profit maximisation and increasing labour productivity. These factors not only regulate economic transactions but social relations in general. It would be important to understand historical account of capitalist market. We analyse the specific ways in which the market operates under capitalism. It adheres to specific laws of motion which uniquely compel people to enter the market and force producers to produce "efficiently" by improving labour productivity ie to increase accumulation.

LIBERAL assumes that people always behave according to rules of capitalist rationality pursuing profit and in its pursuit seeking ways to improve labour productivity and ultimately process of economic growth sustained by developing productive forces. Such explanation was refuted by Karl Polanyi in his book The Great Transformation. He noted that the motive of individual profit associated with market exchange was never until the industrial revolution in the West the dominant principle economic life. And even where market was well developed, various non-economic social relations like castes, kinship, communal and political relationships played

and prices for specifying what market is doing, but what it is. What purpose and motives do individual act? Ideally the individual is totally free to act in his own interests. Hence, individuals in the market place are no longer seen as social beings with particular rights and duties. They are supposed to be able to initiate utilitarian exchange with anyone they choose and are willing to exchange with each other for their mutual advantage.

IN FACT, the market is not simply the realm of purely voluntary transfers of free individuals, that is, the pure aggregate of maximising agents. However, this quite immediate and superficial way of viewing the general process of commodity exchange remains a highly persuasive ideology. Market system is not a natural but a coercive and man made insitutions rather than as portrayed self-creating and self-perpetuating order In fact, market is controlled by various traditional political, social and moral constraints and reinforced by a number of political and cultural innovations. In other words, the existence and expansion of the market is dependent on institutions and social-cultural values.

At present, the tendency is to give the market full freedom and power over the social institutions. In large number of the Third World countries, this transfer is purely disruptive. The market is viewed as an invitable force, and it, therefore, becomes increasingly difficult to limit its expansion. Neo-liberal argue that a country will have economic success in the sense of a least increasing growth rate if it liberalise its economy. That is completely wrong. We have no historical cases of countries that have gone onto rapid growth on the basis of solely of a free market. Moreover, neo-liberal economic theory pay no attention whatsoever to the distributional implications of policies that are being recommended. The theory says that you get allocate efficiency, essentially get prices right, then there will be a productivity increase and an output increase and it does not go any further than that.

It would be foolish to believe that the long historical process from the physical market-place to the ideal market as self-regulating process is a simple and spontaneous development. On the contrary, a radical change of values was necessary to move from the limited and controlled expression of the market principle found in numerious historical and cultural situations, to the present, with our more or less general acceptance of the boundless extension of the market.

Markets play important role in the development of a country

In the beginning of industrial revolution in England a large number of free labour was needed, which required to be forced-out from their land or other customary rights to subsistence. In various parts of the world, beginning immediately with the colonial era, the explicit objective was to impose practices like 'forced labour' or taxes or destruction of local handicrafts and industry to make ways for the new market for imperial goods, the necessary pre-conditions for introducing the 'natives' to market relationships such as 'free labour' and the voluntary sale of one's product for money. 'The tax..promotes circulation of currency with its attendant benefits to trade', proclaimed Lord Lugard, a British colonial official in Africa.

In most Third World countries, the development, from colonial times to the present day is thus fundamentally its concomitant values as the prerequisites for the dynamism of the market. For the greater part of the Third Wrold's population, capitalist development is the destruction of ethnic identities and solidarity networks in order to promote the

to other and historically we have noted above that such process has not been peaceful. Of, course those who view accumulation of wealth as natural tendency of the people, market-led development for them is just a push in the right direction.

Within the dominant market mentality, we can be but partially human at best. We stand on the verge of renouncing an essential part of our humanity. A 'good society' is thus made up of individuals related by way of technology and the market. This technology and market dependency is becoming the way to conceive of freedom.

To be free is to devote oneself to consumption; even people themselves are reduced to consumer goods. To build a society made up ideally of utilitarian exchanges between individuals and groups looking out for their own interests is to produce, in Marcuse's words, a 'one-dimensional man' in search of wealth as an end in itself. Contrary to it, the radical view is that human beings would be viewed as persons and not simply as pure individuals. Joseph Schumpeter, pointed out that neo-liberals proceed from 'the model of a Crusoe economy' in which atomistic, self-seeking individuals choose to exchange the products of their isolated labours. More than this they push the subjectivism and individualism of this model to the most absurd extremes. All economic life, they insist, is driven by consumer needs, thereby ignoring the role of labour in economic life.

Ludwig von Mises writes, in a market economy, 'man deals with other people's labour in the same way he deals with all scarce material factors of production'. And he continues, 'as far as there are wages, labour is dealt with like any material factor of production and bought and sold on the market'. Another, neo-liberal, Hayek argue that if marketization is the right direction of change, 'it must be pursued consistently' - which means accepting not just markets for consumer goods, but capital markets, unemployment and economic crises. And this he acknowledges, involves openly disowning any project of egalitarian transformation of society. Neo-liberal critique represents in Marxian terms as exterme case of 'vulgar economics' - a perspective which treats human labour as a mere technical factor of production, and the market as the only mechanism for rational allocation of goods and means of production among competing ends - and that this had profound implications for the very way economy is conceptualised.

IN ORDER TO understand the development of market, I think it would be interesting to look briefly the period of emergent of British capitalism. By exploring some of the crucial historical moments in the development of fully capitalist market relations, I argue here that the separation of labourers from their means of production is an important factor to the rise of capitalism. This separation was not harmonious process, but it involved forced and suffering. And the poor fought bitterly against the subjugation to the laws of the market. Marz's account of capitalism the essential nature of the system is defined by unique relationship of production - that between 'owners of money, means of production' on the one hand, and the other hand, 'free workers, the sellers of their own labour power'. The 'confrontation of, and contact between' these two different classes ie owners of means of production and owners of labour power, establishes the capital/wages relationship: 'with the polarisation of the commodity market into two classes, the fundamental conditions of capitalist produc-

goods and services. Relying on failure of state intervention in Soviet Union and eastern Europe, they will argue that non-market allocation of goods and services has proved grossly wasteful and inefficient. If the basic objectives of socialism are to be salvaged, one may conclude, this will require utilizing the rationality inherent in market regulation. Nove proposes a competitive market which will generate 'prices that balance supply and demand, that reflect cost and use value. He accepts the necessity of profit, interest and rent, and of a labour market that will determine wages. Moreover, the recent 'turn to market' within the radical economists is that the market has been adopted as a purely technical means of allocating goods and services without considering of its deeper social and economic implications.

The supporters of 'market socialism' assume that market is the most efficient way of locating goods and services because it sends signals to producers and consumers about changes in the supply and demand for goods. But the important point usually ignored here is that an economy governed by price signals is one in which market principles determine the value of all inputs and outputs within the economic process. The so-called positive aspects of markets known as "market socialism", which based on illusions about the nature of the market as a sphere of opportunity and choice. However, these radicals ignore the full consequences of treating market as an economic regulator. Market not only means availability of abundance of goods and a lot of choices but also unemployment, uncertainty, crisis, alienation, and poverty. The supporter of market socialism sought to reform the market without abolishing the social relations on which it was based.

THE IDEOLOGY of market holds that the market is mechanism for the expression of needs (which are reflected in prices) and that the level of demand for a given commodity is a reflection of the 'need' for it relative to other goods given existing supplies. The absurdity of this view is that if a shortage of some goods raises the prices and thus reduces the demand then it follows that the 'need' for that goods has diminished. According to this logic one could say, since human needs only exist in markets, it implies that raising prices thereby reduces human needs'. A simple example of famine proves absurdity of such logic. It is commonplace in a market-regulated economy for people to starve while food is being exported from famine region. This is a complete rational from market point of view. Since domestic demand for food is low, therefore, the food should be exported. Capitalist relations and classes are presented as natural laws. Thus, the ideology of market shows no respect to the plight of the poor. Poverty and hunger are suppose not to be the issues of social and political policy.

Market provides no rational criteria which could guide the construction of roads, sewers, schools, parks, child care centres, hospitals etc. The key variables in establishing the framework of the economy are the structure of social consumption and the rate and direction of investment. The structure of consumption determines the order of priority given to a whole range of needs and thus the allocation of productive resources to the provision of food, clothing, means of transportation and communication, housing, health care, education, employment etc. The structure of investment similarly prioritizes such things over time. Capitalism resolves these issues according to criterion of profitability. The structure of consumption is determined by capitalist decision as to the production of those goods, which are expected the highest rate of return. Here the public interests seem to be Irrelevant.

The present crusade of 'free market' is aimed to increase the process of capital accumulation and thus to enrich those who are already rich and powerful both at international levels and within the Third World countries. Central to any radical political economy is the attempt to establish democratic control over macroeconomic decisions which determine fundamental structure of consumption and the rate and structure of investment. Tryanny of the market has to end and the social control over market, capital and on spheres of investment is the only way to guarantee a better future for the lower classes. More than ever, the world is confronted with an alternative - should the market be contained by society or, on the contrary, should it be allowed to regulate the society? .

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a crucial role. Polanyi argued that only in modern society, there is a distinct economic motive and institutions and property relations, where human beings and nature are treated as mere commodities driven by price mechanism, where society itself becomes an "adjunct" of the market. In pre-industrial societies markets did exist and were extensive and important, but they remained subordinate feature of economic life and dominated by other principles of economic behaviour.

We find that the market acts not only as "impersonal" imperative but also as a direct instrument of class power manipulated by capital in its control of labour. The state assistance are openly used to expand new markets and impose new disciplines in the Third World. Capitalism is in desperate need for not only to oust their competitors, but also find new markets at any costs. The capitalist expansion historically shows that despite rapid expansion of productive forces, at this juncture capitalist market will not allow them to prosper without depressing the conditions of the large number of the population in the Third World and degrading environment.

In reality marketplace is more complex, in which different kinds of social interactions take place. Is the market in its most encompassing meaning a spontaneous natural order, as Friederich Hayek argued? Or rather according to Karl Polanyi view, is the market principle and the expression of the autonomy of economic sphere is artificially produced? Hayek reduces market relations to numerical values. With the price mechanism, the market appears to be composed of strangers connected only at the levels of appearances, with all signs of association, loyalty or relations put aside. If we really would like to understand the institution of the market its transformation through time and the development of the associated concept, we need not to look only on supply, demand legitimacy of self-interest as a motivation. Very often capitalist development means possibility for a small minority to make large profits at the expense of the majority. With money as a supreme value, life counts less. The social imperative is quite obviously to get money by any available means. The capitalist quest for profits and accumulation, not only have the products of labour taken the universal form the commodities, but human beings themselves are transferred into commodities. Social relations are thus increasingly viewed as relations among private owners, buying and selling of commodities.

The rich and powerful struggle for more material advantages. In difficult economic situations in the Third World, traders, very often with success, to create scarcities of basic commodities by temporarily withdrawing from the market. However, such profit-oriented activities might help someone to benefit, but endanger the very lives of many people. Also imported modern luxury goods become symobls of material success for some, but for poor such acts threaten his very life as the country cannot use the surplus to invest in the production basic necessities. Thus, the capitalist development in the Third World results in the making already rich more richer, who can accumulate additional wealth, but he poor are certainly excluded and marginalised further.

ACCORDING TO neo-liberal view of history right from the days of early marketplace to the present era of the price-setting principle, there has been a progressive evolution from a strictly limited market to a limitless one. If such path is taken for granted, then market behaviours is obviously the universal path to prosperity and well being. It is also a kind of expropriation of multiple social relations in order to bring everybody into market conformity. Capitalist development forces some people to sell their labour tion are present'. Any move to understand capitalism has to bring a number of connected phenomenon: the crisis of European feudalism, attempts to externalise the crisis through war and foreign expansion; the internal effort at resolving this crisis through intensified exploitation of peasantry. For this reason, war, colonialism, slave trade would all figure in any comprehensive account.

Marx criticised Joseph Proudhon through his writings on political economy. In his view Proudhan was the paradigmatic theorist of petty-bourgeois socialism, a socialism constructed from the standpoint of small commodity producers which sought to improve not by abolishing commodity production but, rather, by purifying commodity exchange. Proudhon envisages a society of small independent producers - peasants and artisans - who own the products of their personal labour, and then enter into a series of equal market exchanges. Such a society will, Proudhan insists, eliminate profit and property. Here one notices a call for realisation of justice and equality through market exchange among petty producers.

The central flaw in all notions of market socialism: by accepting market relations (commodities, prices, wage labour) market socialist must logically accept the inevitable consequences of these relations - exploitation, class inequality and economic crisis. Because without the market in human labour power there is no generalised commodity exchange. This is why Marx insists that socialism requires the abolition of wage-labour. The elimination of exploitation and class inequality is impossible without the abolition of wage-labour market.

The critiques like Alec Nove insists, socialism confronts a crisis of economic rationality rooted in its failure to delineate and construct efficient non-market means of regulating the production and allocation of

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