

Free markets are a fiction | The Express Tribune

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Mainstream economists in Pakistan seem to have fallen into the trap of fetishising the ‘free’ market, a natural consequence of the imperial ventures of international financial institutions and multilateral donor agencies over the decades. This has functioned to obstruct any nuanced, substantive and productive conversations on public policy that address the interests of the general population, leading to a historical trajectory that has looked like a spiral to the bottom.

The first rule of economics is, after all, that people respond to incentives. Knowledge production in Pakistan currently functions on the whims of global bureaucrats, who crowd out local research with massive inflows of funds for ‘development’ projects, capturing intellectual ability and subordinating it to their political motives. This process of collaboration between domestic and foreign elites has functioned to shape policy, transforming key institutions into facilitators for big capital and preventing any hopes of genuine structural reform that can undo years of loot and plunder under colonial rule.

This, of course, is not entirely the fault of economists themselves but the eventuality of a higher education system that operates under the false pretence that disciplines of the social sciences can somehow be studied in isolation: commercial activity, we are told, is unrelated to politics, history, culture, religion, or any other ‘unscientific’ arenas studied by the humanities. Philosophy is particularly frowned upon, perhaps because the first class one must sit for is on the principles of logic — but I digress.

What matters instead is narrow, instrumental self-interest: people competing in a free-for-all to the death. There is no challenging this fundamental assumption, it is Gospel. The neoliberal troika of ‘privatise, deregulate and liberalise’ is thus the mantra and hegemonic ideology which those populating key decision-making arenas must pledge allegiance to. Never mind contextual details, pushing the ‘free market’ is a fool-proof strategy for growth, prosperity and development. But how ‘free’ is it really?

Freedom is intimately tied to resources. In ‘markets’, one dollar (or rupee, in this case) has one vote. The more finance at disposal, the greater the ability to influence/distort market conditions — a great illustration being crypto currency, largely touted as the most ‘decentralised’ platform today. In the context of a post-colonial country with massive power differentials, this works out well for unproductive elites — who can continue to ensure competition is kept at a

minimum by stalling access to education, healthcare, social safety, etc. for others. The 'free market' is thus rigged from the get-go, rendering the link between 'markets' and 'meritocracy' a mere abstraction of the imagination. Indeed: those populating executive boards of the KSE-100 were found to originate in 31 primary families by a recent study by PIDE. This is not a bug but a feature: the inevitable consequence of the 'free market' — sterilised of regulations and procedural checks and balances.

The working classes, who are compelled to sell their labour for survival, do not have a 'free choice' in taking up and leaving jobs. This would only be true if they had an infinite number of alternatives to transition into at any given point — which is never the case. With children to educate and food to put on the table, ordinary folks must bow their heads, say 'yes, sir', and execute orders — the failure of which generally means dismissal. In Pakistan, workers do not even have the option of involvement with trade unions which function around the globe to minimize the massive power differentials between employee and employer.

Historically, it is well documented how, in the early stages of the industrial revolution, it was expected of children as young as 6 to be on factory floors. Today, legislation against child labour is ubiquitous, and even the most ardent followers of Milton Friedman do not dare challenge this. The same is true for the 8-hour workday and 5-day workweek, which socialists fought tooth and nail to ensure. Regulations against environmental degradation are increasingly common. Pharmaceuticals have to meet impeccable standards for their drugs. The list goes on. In other words, limitations on markets for the 'greater good' are and have been consciously conceived and imposed by society, and are now taken for granted and assumed as default. Therefore, any position adopted on potential interventions has nothing to do with 'freedom' per se but rather whose rights are prioritised: corporations or employees, armies or citizenries, capital or nature, etc.

Rather than being bogged down with outdated debates i.e. public versus private, Pakistani economists would do well to concentrate on how to enhance democratic norms. Governments are not inherently efficient or inefficient, they respond to incentives. These come in the form of addressing the needs and desires of ordinary people, in exchange for which parties can hope to be re-elected for subsequent terms in office. In Pakistan, politicians appeal not to the public at large but specific power centres: the security apparatus, landed elites, industrial bigwigs, entrenched bureaucrats, and more — whose interests drastically differ from the working masses.

Rather than mindlessly promoting the privatisation of state-owned enterprises, for instance, which will inevitably lead to monopolies/oligopolies and render essential services unaffordable, the conversation ought to be about how to rethink their internal organisational dynamics and incentive structures to enhance performance in a manner that takes all stakeholders on board. This will naturally involve large amounts of investment into the public sector which is now a non-starter in policy circles that have embraced denationalisation as one of the core tenets of their modus operandi.

Uncritically imposing free markets only functions to further empower privileged circles by removing obstacles in their paths and granting them more leeway in their quest to capture resources and expand the 'trickle up' economy — which extracts from the vulnerable and delivers to the powerful. Examples of this in Pakistan are

the proliferation of gated housing schemes and the emerging 'tourism sector' in the northern parts of the country, which have both led to land grabbing, the displacement of indigenous communities, and the parasitic degradation of environmental resources.

Just as much as 'freedom to' (buy, sell, work, etc), economics ought to focus on 'freedom from' (coercion, exploitation, precarity, etc) — it is only after basic needs are fulfilled can people hope to truly participate in and contribute to society in a dignified, voluntary, and enthusiastic manner. The blind laws of neoliberalism will never allow that.

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