

Free Markets Easily Spin Out of Control

ANGUS SIBLEY

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Few platitudes are more tiresome than the denigration of European economic policies by American and British free-market zealots. They seldom mention France or Germany, Belgium or Sweden, without a sneering incantation of their favorite adjective, *sclerotic*.

Europeans, they say, are culpable because they discourage redundancy and treat its victims with a modicum of generosity; because they display less entrepreneurial initiative than Americans; because they are less competitive in world markets than underpaid, overworked Asians.

Continental economies are struggling today because, designed for stability, they find it hard to cope with the frenetic pace of economic change. Under Margaret Thatcher in Britain and Ronald Reagan in the United States, flexible structures developed, and these adapt more promptly.

For those less willing to embrace an unsettled way of life, the devotees of the unfettered free market have nothing but contempt. It never occurs to them to doubt their dogma: The best pace of change is the fastest possible. For they are the midwives of the economic revolution now in progress. They love their revolution. They fervently hope that it will go on for ever.

Marx and his comrades, in London in 1850, spoke of maintaining a permanent revolution. Then, as now, agitators reveled in the fantasy that their destructive upheavals would continue indefinitely. But today, revolutionaries have the gall to call themselves conservatives.

Competition, not technology, is these revolutionaries' prime weapon. The first computers were built in the 1930s; for forty years their development and application were gradual. It was the intensely competitive atmosphere of Silicon Valley from the 1970s onward that triggered the headlong rush to innovation that we know today, in which new software is considered obsolete after three months. The demolition of constraints on competition in industry and commerce is forcing the Valley's customers to adopt the latest novelties with utmost haste, lest they fall behind.

Untrammelled competition interacts with information technology in a circular process of self-feeding acceleration. The competitive market stimulates technological development, while the technology itself further sharpens competitive pressures by enabling suppliers to modify their products more quickly and customers to compare prices more widely.

One is reminded of the series-wound direct current electric motor that drives streetcars and subway trains. Such a motor, when in the workshop for maintenance, must never be allowed to run free on full power. For without the restraining inertia of the train, it will spin faster and faster till its center flies apart. Nobody wants an accident of that kind with a traction motor weighing two or three tons.

Societies exposed to the hyperaccelerative forces of unrestrained competition are likewise at risk of disintegration. Unlike electrical engineers, libertarian ideologues seem blind to this risk. Some of them may indeed welcome it, such is their disdain for tradition, community and stability.

Throughout history, economic change has disrupted the lives of individuals and families and communities, often painfully. The pain may be diffused and moderate if changes are gradual or if, at any one time, only a few sectors of the economy are affected. But free-marketeers know no moderation. They call for maximum intensity of competition throughout all economies worldwide, and this in an age whose technology ensures that competition brings changes ever more speedily.

Here is a recipe for rapid, persistent, accelerating, ubiquitous change. No one should be surprised if the accompanying pains are acute and pervasive; if societies thus afflicted become disoriented, rootless, anarchic, violent; if ugly political movements seize the resulting opportunities.

History suggests that upheavals are followed by contrasting phases of oppressive order. After the French Revolution came the Bourbon reaction. The Bolshevik cataclysm gave way to Soviet ossification. *Franquismo* followed the Spanish civil war. Victorian laissez-faire bred the obstructive trade unions and inflated welfare states that libertarians loathe.

For those who desire civilized order, this historical sequence offers but partial comfort. For reckless economic revolutionaries, it threatens nemesis. Who shall say they have not deserved it?

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