



## Fighting Rigged Markets Promotes Equal Opportunity

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Battles over U.S. economic policy are often portrayed as pitting conservatives who trust the “free market” against progressives who want “government interventions” to ensure fairness. But the reality is nearly the opposite of the conventional wisdom. Conservative policies have not ensured open markets. Instead, U.S. conservatives have spent several decades rigging the economic game in ways that protect monopolies and channel extra wealth to the privileged. To reduce inequality and ensure economic opportunity for the majority, we must directly challenge conservative market-rigging and look for rules that ensure a level playing field.

### How Current U.S. Trade and Monetary Policies are Rigged to Help the Privileged

- **Trade rules favor professionals over regular workers.** Back when the U.S. economy was generating growing income and opportunity for the majority, manufacturing was a source of well-paid jobs for Americans without college degrees. But in recent times, U.S. trade policies have changed to put U.S. workers in direct competition with manufacturing workers in the developing world who are paid very little and enjoy few rights to bargain collectively. This has the effect of eliminating manufacturing jobs and lowering wages for all U.S. workers with less formal education. Meanwhile, professionals enjoy a boost to their salaries and security – because the United States has left in place most barriers excluding foreign professionals.
- **Fed practices hurt most Americans.** By law, the Federal Reserve Board is supposed to promote both full employment and low inflation. But in practice the unelected experts who run the Fed place a much higher priority on fighting inflation, even if that means promoting high unemployment. The Fed’s imbalanced approach imposes economic harm on the seven out of ten American workers who do not have college degrees and depend on jobs and wages to get ahead. When the unemployment rate rises, retail clerks and factory workers typically lose jobs and income – not doctors, lawyers, and business managers.
- **The over-valued U.S. dollar hurts the majority.** The United States has had a seriously over-valued dollar ever since the bailouts from East Asian financial crisis in 1997. The effects of an overvalued dollar may seem arcane, but the bottom line is starkly different for different groups, because some U.S. employees, such as highly paid professionals, are sheltered from international trade, while most workers are subjected to fierce international competition. With the dollar overvalued, the majority of U.S. workers earn lower wages – even as privileged professionals and managers enjoy cheaper imports and less expensive foreign vacations.

### U.S. Market Regulations Hurt Workers and Create Windfall Monopoly Profits

All capitalist markets operate within rules of the game that are supposed to ensure open business competition and a balance between employers and workers. But in the United States, conservatives have made changes over many years that hammer workers and create special profit monopolies for insider interests. Several examples show how things have gotten worse:

- **Enforcement of U.S. labor law increasingly favors owners and managers over workers.** When the U.S. economy was booming after World War II, federal labor regulations helped workers organize and bargain collectively, while sanctioning rule-breaking by both managers and union organizers. But in recent times, federal regulators have abandoned a balanced approach. Violations on the side of organized labor are quickly sanctioned, and union officials risk severe penalties such as imprisonment if they do things such as organizing secondary strikes in support of fellow workers in another industry. But even the most blatant rule-breaking by managers is treated leniently. There are long delays in adjudicating complaints of unfair labor practices by businesses. Even when employers are found guilty,

they receive minor fines and slaps on the wrist.

- **The U.S. financial industry enjoys special protections worth billions in extra profits.** Not only has Wall Street and the U.S. financial sector burgeoned with the help of favorable trade and monetary measures, the financiers know that U.S. taxpayers have their back even if they mess up. Everyone knows about the emergency “bailouts” for “too big to fail” financial firms in 2008 and 2009. But the U.S. taxpayer gives financiers special help even in non-crisis times. Every year, the U.S. government effectively gives the largest banks free insurance that is worth tens of billions a year to their shareholders and top executives.
- **Favored U.S. industries get special opportunities to make profits without much competition.** Defense contractors are well-known for reaping windfall profits at taxpayer expense, yet there are many other examples, too. To mention just one that costs ordinary Americans big bucks every time they go to the drugstore, the U.S. government grants patent monopolies to drug companies that allow them to charge close to \$300 billion a year for drugs that would sell for around \$30 billion a year in a free market. That is a huge windfall for a small number of businesses who invest millions in elections and lobbying to maintain their privileged niches in a rigged market.

## **Progressive Reforms Can Un-Rig the Market and Promote Fair and Equal Outcomes**

Too often, progressives let right-wingers rig the terms of debate along with markets. This leaves progressives sounding as if all they want to do is intervene in markets to help losers. By revealing conservatives as the market-riggers they really are, progressives can lead the fight to establish fair rules for America's economy. Calling for economic reforms to ensure open business competition and fair rules for labor and international trade shifts the terms of debate. True, it will be challenging to achieve big changes – such as directing the Fed to prioritize full employment, cleaning out monopolistic rules that give windfall profits to favored industries, and promoting fair trade and rules for management and labor. But the fight can clarify what is at stake – and successful reforms along these lines would boost incomes and open economic opportunities for the majority of American workers and businesses.

Read more in Dean Baker, *The End of Loser Liberalism: Making Markets Progressive* (Center for Economic and Policy Research, 2011).

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