



Fighting Rigged Markets Promotes Equal Opportunity

Dean Baker, Center for Economic and Policy Research

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, physicians and other professionals enjoy a boost to their salaries and security – because the United States has left in place most barriers excluding foreign professionals.
- **Government-granted patent and copyright monopolies are extremely costly forms of protectionism.** These monopolies, which have the purpose of promoting innovation and creative work, raise the prices of the protected items by many thousand percent above the free market price. In the case of pharmaceutical products alone, the gap between the patent protected price and the free market price is likely more than \$500 billion a year or \$4,000 per family. This is money transferred from the rest of the country to those in a position to benefit from these monopolies. These monopolies also encourage corruption of the sort we saw in the opioid crisis. There are other less costly ways to finance innovation and creative work.
- **The special protection by provided Section 230 of the Communications Decency Act has promoted the growth of massive social media platforms like Twitter/X and Facebook.** There is a network effect which will tend to benefit the largest social media sites at the expense of smaller ones. Rather than trying to push back against this tendency, our laws go the other way in giving protection against liability for defamation suits, which competitors in print and broadcast media do not enjoy. Limiting this protection, for example by imposing takedown requirements for defamatory material similar to requirements for material that infringes on copyrights could counteract the tendency towards bigness.

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 Biden Administration did actively work to restore fairness, but the changes under his administration are not likely to survive the Trump administration.
- **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 implicit insurance that is worth tens of billions a year to their shareholders and top executives. This was in evidence in the spring of 2023 when the Silicon Valley Bank, along with two other smaller banks, were bailed out after they collapsed.
- **The rules of corporate governance effectively allow top management to write their own paychecks.** CEOs and other top managers are well-paid everywhere, but our top executives get pay that can be an order of magnitude higher than their counterparts in Europe and East Asia. This is due to the fact that the rules of corporate governance in the United States make it difficult for shareholders to put effective checks on the pay of top management. The corporate boards that ostensibly oversee management typically see their jobs as working to promote the managers’ agenda, not to protect shareholders from excessive pay packages.

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 that restructure the market in ways that lead to less inequality is not “anti-market.” This will still be a difficult battle since the winners under current rules will strongly resist changes that lower their income. But prospects are much better with an honest fight, it is not the government versus the market, the question is how the government structures the market. And we can wage the battle with incremental reforms along that lead to higher living standards and increased economic opportunities for the majority of American workers.

Read more in Dean Baker, *Rigged: How the Rules of Globalization and the Modern Economy Were Structured to Make the Rich Richer* (Center for Economic and Policy Research, 2016).

January 7, 2025

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