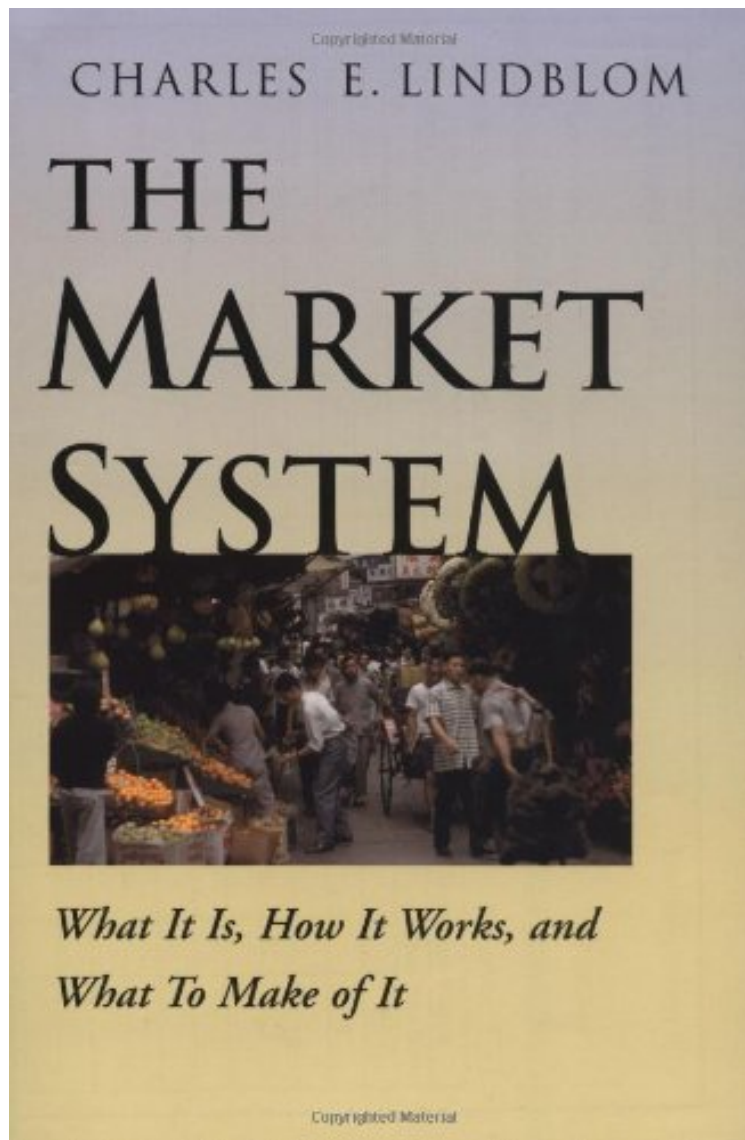


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The Market System: What It Is, How It Works, and What To Make of It (The Institution for Social and Policy St)

Charles E. Lindblom

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35 of 38 people found the following review helpful. Interesting reflections on the market systemBy J. GrattanProfessor

Lindblom approaches his study of the "market system" in a rather circumspect manner but ultimately the book informs. The first part of the book is largely instructive. He defines the market system as "a system of society wide coordination of human activities not by central command but by mutual interactions in the form of transactions." Coordination is for both "social peacekeeping" and cooperation. Markets are an arena for mutual adjustment and not simply or even mostly for competition as some would contend. He contrasts the flexibility of markets with the rules and authority of a command system. The state undergirds the market system by providing for liberties, property and contract rights, policing, infrastructure, a monetary system, etc. The author furnishes the analogy: if the market system is a dance, the state supplies the dance floor. He is especially wont to point out the interpenetration of the market system with society and the polity. The market system is not some purely economic formulation like, say, the law of supply and demand. A key claim by purists is that the market system establishes efficiency prices, or the correct price based on the free interactions of all buyers and sellers. The author squashes that notion. There are any number of inefficiencies and compulsions that undermine claims of efficiency. Among them are so-called spillover effects or externalities, transaction termination, manipulation of buyers, inequality of resources, inequality of market position, arbitrary pricing by monopolies or governmental interference - to name a few. In addition, the author identifies "prior determinations" as distorting efficiency prices. Custom, laws especially those of inheritance, and historical accident distribute assets and skills that distort and taint current market transactions. The author spends some time examining the quid pro quo basis of the market system. The general rule for entering the market system is that any request for benefits or goods is invalid without an equivalent market offer. Traditional societies have generally acknowledged at least some claim to society's output by virtue of membership. But market systems turn inhumane quid pro quo into a moral virtue. The author points out that the concept of community allows for "love thy neighbor," but in market societies one has no neighbors. Critics contend that the market system affects personalities rewarding small-mindedness, cunning, and deceit over wisdom. Yet the author is more inclined to view market behavior as an example of role ethics and not to be deplored. Perhaps the major concern of the author concerning the market system is the disproportionate power granted to elites in a market system and the subsequent impact on freedom and democracy. Clearly entrepreneurs and corporations and to some extent governmental elites are the movers and shakers of market systems. Market and political elites constantly bombard the public in one-way communication with their messages for purposes of controlling and manipulating the public's market and political behavior making a mockery of the much proclaimed "consumer sovereignty." Elite control and hierarchical arrangements are made to seem natural in an ostensibly democratic society. Governments offer any number of inducements to corporations: tariff protections, loans, cash and land grants, purchase of goods, patents, tax concessions, information and research services, subsidized advertising, etc. School systems are geared to corporate needs. But those concessions to market elites are clearly a case of the exercise of political inequality. In addition, it is problematic for democracy when rights usually conferred on real, living citizens are granted to institutions such as the fiction that corporations are legal persons. He contends that institutions should be constrained to pursue assigned purposes and no others. For corporations that would include rights to buy and sell and manage a workforce. As it is, corporations play the role of oversized, unfairly empowered citizens. Utilizing public funds, that is, sales receipts, and organizational resources, corporations engage in overt political and philanthropic activities at a level that overwhelms normal citizen participation and influence. If the market system distorts democracy, why is it that no democratic state has turned away from the market system? According to the author the assault on the public's mind by market and political elites has produced "a remarkably high degree of conformity of thought endorsing or accepting the market system." Free-market ideologues tout the freedom of the market system. But in the face of "distracting and obfuscating" communications from elites, is it possible to exercise free choice. Some have suggested that such manipulation actually degrades mental acuteness, and though sympathetic the author finds that to be an overstatement. The unfreedom of workplaces also brings into question the claim of the market system as being freedom enhancing. In the author's words: "People at the end of the 21st century may look back with astonishment on our era's discrepancy between democratic principle and autocratic practice in the corporation." In the end, the author though noting the considerable problems of the market system remains confident that the market system can best deliver the benefits to society as first defined. He points out that every market society can choose varying degrees of control over spillovers, monopoly, corporate powers including political powers, managerial authority in enterprises, investment, and distribution of income and wealth. Purchase, subsidy, tax, and related devices can be used by the state to make the market system livable. Undoubtedly, free-market types will not find much to enjoy in this book. Others may contend that the author was unwilling to drive the final nail into a system that he clearly finds to be problematic. But the book is a very interesting study of the market system.

0 of 0 people found the following review helpful. Pretty good book actually
By HPretty good book actually. Despite having to use it for a political science class, it was one of the more fascinating and interesting books we had to analyze and discuss
0 of 0 people found the following review helpful. Five Stars
By C. WilliamsOutstanding book! This changed many of my perspectives on the American lifestyle

In the wake of the collapse of communism, we hear much about the victory of the 'market system'. Just what is the

market system? This clear and accessible book begins by answering this question, then goes on to explain how the market system works and what it can and cannot do. Charles E. Lindblom, writing in nontechnical language for a wide general audience, offers an evenhanded view of the market system. His analysis of the great questions that surround the market system is sometimes unexpected, always illuminating: Is the market system efficient? Is it democratic? Does it despoil the environment? Does it perpetuate inequalities? Does it debase personality and culture? Big choices are yet to be made about the future of the market system, observes Lindblom. He outlines what these choices are and how they will affect not only our economic well-being but also our social and political lives. For market systems organise or coordinate more than just the flow of commodities, he shows. They influence human behaviour in all its dimensions.