

be good for GM (to its credit, however, GM has still advocated free trade in the automobile industry in contrast to the positions taken by the other two major U.S. producers and the United Auto Workers).

The Market Is Democratic

If the essence of democracy is free choice, then the free market is truly democracy in action. Indeed, as Novak has aptly pointed out, capitalism is most qualified to be exercised in a politically-democratic society because of its own democratic nature. The free market, he notes, protects individuals' "economic liberties as democracy protects their political liberties."¹⁶

Socialism, as Novak demonstrates, "fuses the economic system and the political system into one." And in so doing socialism limits the choices of the individual, an action that is not democratic but rather authoritarian. To politicize the delicate, intricate actions of the marketplace in reality subverts the democratic process. Choice is taken from consumers—and ultimately workers—and placed in the hands of government agents.

An excellent case in point is the Lada, the Soviet Union's version of the automobile. The Lada, which is available to Soviet citizens at a few years' wages, has been carefully drawn up by economic planners who supposedly have the "people" in

mind. The car, however, has a few flaws. First, and foremost, it is incredibly expensive. Secondly, it is quite noisy. It also breaks down quite easily and buyers are given a hand crank upon purchase because the electric starter inevitably stops working. No doubt Russian consumers would rather place their rubles on a Toyota or a Chevy, but such is not their liberty.

Barriers to Growth

One might argue that because Economic Democracy is laid into place by the permission of voters, the market breakdowns that plague dictatorial socialist nations like the Soviet Union could not happen under Economic Democracy. Yet, since Economic Democracy places producers ahead of consumers in preference, innovation and change that are so necessary to economic growth are less likely to happen. Protection of existing producers and their unions demands the keeping of the status quo. Economic Democracy promises a *static* society, one in which the economic pie does not expand, but rather is divided into politically-popular sections.

There is an ironic note of gloom in the discussion of Economic Democracy that undermines the promise of democracy itself. Writes Novak:

Governments can govern today only insofar as they meet the exigent material needs of their peoples. Given the

new historical possibilities, the economic policies of governments will be rejected if their peoples cannot glimpse the real probability of a future better than the past. Governments depend upon the productivity of their economic system. More than philosophers and theologians have recognized in the past, the promise of democracy depends upon high levels of economic productivity.¹⁷

When government intervenes in the marketplace—whether or not it acts in the name of democracy—it does so at the expense of the essence of democracy, that is, free choice. That it intervenes in the name of freedom is deceptive; that the public accepts such intrusion as part of the democratic process is nothing short of tragic.

Yet, in truth, political democracy needs real economic democracy in order to survive. And authentic economic democracy is nothing less than the free market. ☉

—FOOTNOTES—

¹Michael Novak, "The Economic System: The Evangelical Basis of a Social Market Economy," *The Review of Politics*, Vol. 43 (July, 1981), 369–370.

²For a look at misused terms or "hooks" in medicine, read Jane M. Orient, "Collectivism in Medicine: An Exception or a Hook?" in the June, 1982, *Freeman*.

³For an in-depth investigative view of the Campaign for Economic Democracy, an organization headed by Tom Hayden and Jane Fonda, read Justin Raimondo "Inside the CED" in the February, 1982, edition of *Reason*.

⁴"An Atari-Age Agenda," *Newsweek* (June 28, 1982), 46.

⁵Upton Sinclair, "How I Reformed Three Great American Families," *The Thirties*, ed. Morton J. Frisch and Martin Diamond (DeKalb, Illinois, 1968), pp. 150–151.

⁶While the essence of democracy is one man, one vote, the present-day promoters of democracy have emphasized solely the collective aspects of it, such as "public good," "public interest," etc.

⁷Lawrence W. Reed, "Seven Fallacies of Economics," *Freeman* (April, 1981), 213–214.

⁸Justin Raimondo, "Inside the CED," *Reason* (February, 1982), 24.

⁹Raimondo, p. 21.

¹⁰Raimondo, p. 21.

¹¹In an ironic twist, Ronald J. Sider, author of the popular *Rich Christians in an Age of Hunger*, suggests in his book that the creating of labor-intensive industries instead of capital-intensive ones will actually *create* more jobs in the service sector, a view also promoted by the late E. F. Schumacher in his *Small is Beautiful*. The reason for their beliefs, in my opinion, is that both men saw work-saving capital as a device that put people out of work, thereby causing unemployment and poverty. Neither recognized that capital creates wealth, and the more wealth that is created, the more employment possibilities exist.

¹²We continue to marvel at the French who manage to lower their real standard of living by creating such technological wonders as the Concorde SST and the bullet trains. French taxpayers ultimately foot the bill for such devices.

¹³One may argue that price controls have the consumer in mind, but, for the most part, price control legislation is written so that producers charge on a cost-plus basis, thereby allowing for profit margins. The price-control legislation also, for the most part, restricts entry into the marketplace by new producers.

¹⁴William H. Peterson, *Who Is the Real Employer?* (Washington, D.C., 1976), p. 10.

¹⁵*Ibid.*

¹⁶Novak, pp. 377–378.

¹⁷Novak, p. 368.