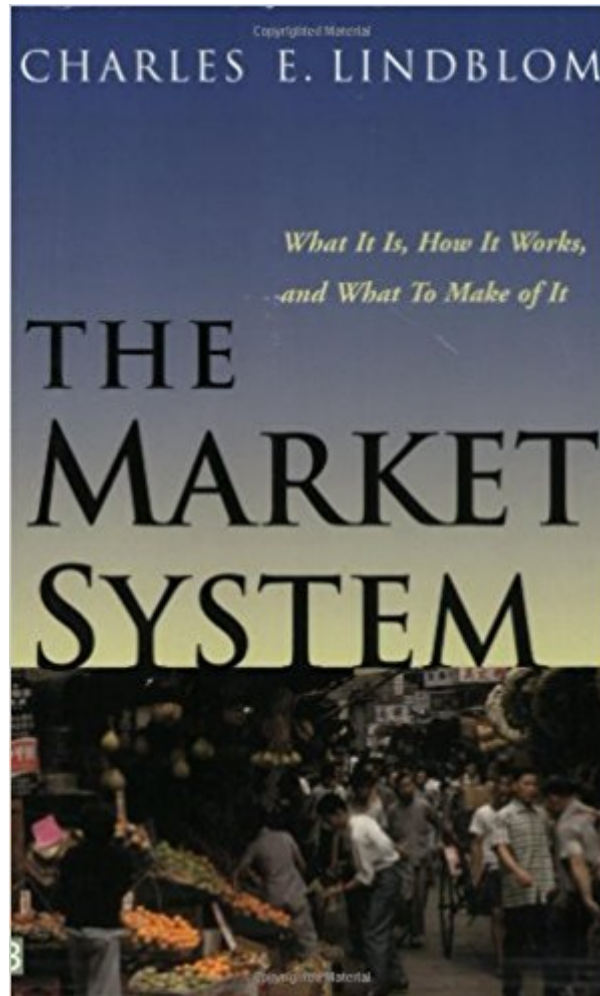




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# **The Market System: What It Is, How It Works, And What To Make Of It**



## Synopsis

In this clear and accessible book, an eminent political scientist offers a jargon-free introduction to the market system for all readers, with or without a background in economics. "A balanced and novel treatment of a very important set of questions. This is a book of grand scope by an outstanding scholar." • Samuel Bowles, University of Massachusetts, Amherst "Anyone who wants to know more about the market system's plusses and minuses, how government can help or hinder its workings, and the direction in which it is likely to move should read this clear, fair, and fascinating book." • Robert Heilbroner, professor emeritus, New School University "The Market System resplendently assesses the character, rules, advantages, and shortcomings of the central institution coordinating modern economic and social life. Lindblom marshals his incisive intellect, uncommon range, and pellucid prose to clarify, probe, and exhort. The result is an unsurpassed guide." • Ira I. Katznelson, Columbia University

## Book Information

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## Customer Reviews

Ever since the worldwide collapse of Soviet-style communism, the triumph of the "market system" has been spoken of as a fait accompli, while the market has been touted as a panacea for every social ill from failing schools to Third World poverty. Lindblom (Politics and Markets: The World's Political-Economic System) explains what this "market system" is, details how it works, makes a strong case for its advantages and keenly outlines some of its limitations. Exploring the relationship between markets and democracy, for instance, he points out that while it's true that all democratic

societies have market systems, we can't conclude that markets always foster democracy, because many antidemocratic societies also have market systems. Addressing nothing less than the nature of cooperation in human society, his discussion spans history, philosophy and political theory, an unusually multidisciplinary approach for an economics text. Lindblom, a professor of economics and political science at Yale University, also explores the relation of the market system to efficiency, ethics, social equality, power, the natural environment and culture. Posing bold questions such as "[I]s there in our time an alternative to the market system... ?" Lindblom provides refreshingly few definitive answers, making his the most mild-mannered economics book published in some time, as well as one of the most cerebral. (Apr.) Forecast: Admirably clear and penetrating, this book deserves to find a broad audience interested in an intellectual approach to economics. Unfortunately, since the title sounds dull, the author is little-known to general readers and the book is hard to categorize, it may not achieve the sales it deserves. Copyright 2001 Reed Business Information, Inc. --This text refers to an out of print or unavailable edition of this title.

The collapse of the Soviet Union and the end of the cold war have made the terms communism and capitalism seem obsolete. Instead, we have the "market system." Russia's deteriorating, gangster-driven economy has been labeled a market system. So has Britain's so-called third way. At the same time, the excesses of globalism and the growing power of corporations, the depletion of natural resources and the degradation of the environment, challenges to welfare, and unprecedented prosperity have all been attributed to the market system. Lindblom's goal is to reconcile these discrepancies. A professor emeritus at Yale University, Lindblom neither "celebrates" nor "deplores" the market system; he hopes to have us understand it. He defines the market system as the organization or coordination of "activities not through governmental planning but through the mutual interactions of buyers and sellers" and explains that it encompasses labor, agricultural, capital, consumer, and business markets. As Lindblom makes these abstractions more concrete, he also catalogs the benefits and liabilities of the market system. David RouseCopyright © American Library Association. All rights reserved --This text refers to an out of print or unavailable edition of this title.

Professor 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.

Pretty 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

Outstanding book! This changed many of my perspectives on the American lifestyle

Lindblom does it again....his lucid, non-technical prose is SO clear and SO logical. He really

explains, in relation to human nature as opposed to in relation to political dogma, why market systems are better than command and control systems for creating a society you or I might want to live in....AND he shows why "markets" and "government" are FRIENDS, not ENEMIES....if you truly believe in opportunity for all and a decent life for most....this should be compulsory reading for all college juniors, and for all MBA students.

With all due respect to the author, his love for the MS is unscientific. I realize he was "dumbing" it down but really? He said he was going to take an honest look at the MS but doesn't. Only enough people are needed to make enough money to keep the society stable screw the rest of you, you are not working hard enough and/or made bad choices. Markets are not economic systems they are political systems - and money is the membership card - well he's got that right, I'll give him that. In addition, the author admits the MS is deeply flawed. To suggest the MS is a great peacekeeper is to flat out ignore the inherent competitive nature of the MS. The arguments the author makes completely fall apart in terms of the financial crisis of 2007-2008. Overall not well argued however, perhaps an effective book to use in class to debate the merits or lack thereof the market system.

As its subtitle suggests, this book provides an overview of the workings of the "market system." By this, Lindblom does not merely mean price-making markets, but larger social organizations in which the market plays a key role in ordering society. Throughout, Lindblom compares markets with non-market coordination such as government, families, and the internal organization of the corporation. He gives us a fair-minded evaluation of each organization's strengths and weaknesses, though his sympathies lie near those of a market-oriented European social democrat. He avoids conclusions, strong evaluations or recommendations, which can be a bit frustrating for the reader at times. Much of the material will be familiar from readers of Lindblom's previous books. However, this is the most accessible of them - - though the others are pretty accessible too - - so if you're a general reader without a strong economics or social science background this will meet your needs well.

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