GLOBE WORLD NEWS ECHO

The True Cost Of The "Free" Market Was Exposed By The Pandemic And Climate Change

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February 28, 2023

As a novel virus crisscrossed the globe in 2020, The *Economist* ran an editorial acknowledging the urgent need for a "Big Government" response but demanding that government shrink back as soon as the crisis had passed and return economic matters to the wisdom of the marketplace. Even in an hour of darkest need, a century-long campaign to implant the myth of the magic of the marketplace had succeeded in making government "encroachment" seem as scary as a deadly pathogen. But the COVID-19 crisis has made crystal clear why some problems demand substantive governmental solutions, and why many of them can't just be temporary.

For decades, scientists have known that an emerging virus could cause a pandemic and they warned that America was woefully underprepared. In 1988, the Institute of Medicine—renamed the National Academy of Medicine in 2015—suggested that the risk justified an expanded federal government role in public health. The states could and should do most of the day-to-day work of public health, but epidemics were different. "Only the federal government can focus attention and resources that such a health problem demands," because the federal government is "structured in a way that allows [for a] clearly defined national focus point."

In 2019, in a meeting that now seems clairvoyant, experts at the Center for Health Security at Johns Hopkins University addressed "preparedness for a high-impact respiratory pathogen pandemic." Among their recommendations: countries should improve their core public health competencies; draw up national action plans, with strategies to make decisions quickly when needed and prepare for supply interruptions; and develop the capacity for "surge manufacturing in crisis." Obviously, their advice was ignored.

Over the past thirty years, scientists' counsel on a wide range of issues—from pandemic preparedness to climate change—has been widely discounted and sometimes rejected outright. A major reason is the influence of the thinking that insists on limiting the power and reach of the federal government and relying on markets to solve our problems. Most damagingly, the market-oriented framework of recent decades has resisted any facts—scientific, historical, sociological, or otherwise—that suggest a need for a strong, centralized, or otherwise coordinated governmental response.

In some countries, concentrated central power may be a threat to liberty, but the U.S. is probably not one of them, in part because the country was set up with that concern in mind. The conservative preoccupation with constraining government power has left us with a federal government that so so weak and divided that it struggles to handle big problems like Covid-19 and climate change.

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The steps necessary to avoid the worst effects of an emergent disease—stockpiling supplies, educating people about hand-washing and social distancing, developing accurate tests and implementing them equitably, and sustaining the research infrastructure that can kick in to develop a vaccine—are not readily undertaken by the private sector. There's not much of a business case for stockpiling a billion face masks. Nor can we rely on the private sector to step up when a new virus emerges, because by then it is too late. The "just in time" supply model that dominates in business is efficient for many purposes, but it does not work in the face of a pandemic. For any problem that has a scientific, medical, or technological component, the challenge is not simply to mobilize resources when they are needed, but to have them ready in advance. It takes a year or more to build a laboratory; it takes a decade to train a cadre of scientists and engineers. We could no more muster on demand the needed expertise and infrastructure to fight a pandemic than we could suddenly raise a professional military, replete with aircraft carriers and their air wings, within weeks of an attack. Nearly all conservatives acknowledge the need for military preparedness, yet they have been loath to allow that government is needed to address a wide range of problems that markets can't or won't solve on their own.

The U.S.'s COVID-19 experience compared to that of other countries—as well as the comparative experience of the U.S. before and after the 2020 election—proves that when a well-organized national government acts efficiently on robust information and technical expertise, big problems can be tackled and outcomes substantially improved. Government can be more or less efficient, but it will certainly be inefficient if it is hobbled by people who see it as their role to restrict government power at all times, rather than use it judiciously and appropriately. This is what we saw in the American response to COVID-19. A Republican administration at first denied the crisis, and then its political appointees deliberately undermined the nation's public health officials. Hostility to federal action was recapitulated on the state level, as some Republican governors flouted public health advice, refused to impose mask mandates, and insisted—even as the scope of the crisis became brutally clear—that the decision to mask or not to mask was a personal choice.

U.S. President Donald Trump waves to supporters at the conclusion of a campaign rally at Rochester International Airport October 30, 2020 in Rochester, Minnesota. With Election Day only four days away, Trump is campaigning in Minnesota despite the recent surge in coronavirus cases in the state.

Chip Somodevilla-Getty Images

Things changed in America when Joe Biden was elected and mobilized the capacities of the federal government to expedite vaccine production and distribution and to assist state-based vaccination efforts. But by then, damage had been done. Many conservative Americans—egged on by Republican governors and right-wing media—resisted the vaccine even after its safety and efficacy were demonstrated. As the pandemic raged, fueled in part by the scientifically predictable emergence of new variants, dying patients demanded Ivermectin, a drug that does nothing for COVID-19 patients but was promoted in right-wing circles. In South Dakota, patients in their final hours thought nurses were lying when they told them they were dying from Covid-19. And the costs were not just in disease and death. According to a 2020 paper by former treasury secretary Lawrence Summers and economist David Cutler, the total cost to the U.S. of the Covid-19 crisis may reach $16 trillion.

Countries that mounted a strong, coordinated response—South Korea, Germany, New Zealand, Vietnam—did a far better job containing the virus and suffered far fewer deaths. (Most of these countries have suffered less economic damage as well, for the obvious reason that "The Economy" is constituted by the people who work and invest in it; if people can't work, the economy can't work.) A 2021 study published in the *Lancet*—the world's premier medical journal—concluded not only that the policies and actions of the Trump administration actively contributed to the viral spread, but that 40 percent of American Covid-related deaths could have been prevented had the U.S. adopted policies more like those of other wealthy, democratic nations. A more recent study comparing the U.S. and Australia suggested the figure could be as high as 90 percent. In other words, as many as nine hundred thousand deaths may have been entirely avoidable. The biggest difference between the two countries was trust: in science, in institutions, and in each other.

The *Lancet* authors argued that the fault lay not just in the mismanagement of the previous four years, but in the prior forty years of public health neglect; Donald Trump's actions are best understood as an "aggressive acceleration of neoliberal policies" that had already undermined access to health care and created substantive health disparities. We think the problem goes back even farther, into the long history of efforts to undermine trust in government (including government science). Whatever the U.S. has done to get the pandemic under control has not been thanks to the magic of the marketplace. It has been thanks to science, which provided the basis for vaccine development; to government purchase agreements that removed much of the risk from vaccine development; and to the collaborative efforts of the federal, state, and local governments, nonprofits, and the private sector to get vaccines distributed to the American people. To be sure, the private sector stepped up to the plate, but the 2021 U.S. vaccine development was much closer to the New Deal war mobilization model than the market fundamentalist one.

The COVID-19 pandemic has shown us how expensive overreliance on the "free" market can be. Yet, as bad as it has been, the failures of American political economy go well beyond it. In domain after domain after domain, overreliance on markets and under-reliance on government have cost the American people dearly. And this has been the case during both Democratic and Republican administrations since Bill Clinton. Consider the opioid crisis. In 2019, 49,860 Americans died of opioid overdoses. According to the Centers for Disease Control and Prevention, total deaths from opioids, both prescription and illicit, in the years 1999 to 2019 approached 500,000. That number is likely an underestimate, as many death certificates attribute a drug related death to heart or respiratory failure. Nor does this figure include opioid-related deaths, such as suicide in children of addicted parents. One study suggests that such suicides are sufficiently common as to help explain the recent overall increase in adolescent suicide.

This staggering death rate is matched by a comparable economic burden: $78.5 billion. Yet only twenty years ago, few Americans died from opioid overdose; in 1999, the number was less than eight thousand. Like all social problems, this one is complex, but an important cause is inadequate regulation. When synthetic opioids came on the market, they were falsely sold by their manufacturers as unlikely to cause addiction. A weak (and arguably captured) federal agency, the U.S. Food and Drug Administration, declined to control them the way it controls morphine, heroin, and other highly addictive drugs, allowing manufacturers to market aggressively, particularly in regions of the country where disability from workplace injury was high. In Europe, where these drugs are better regulated—and there is generally greater state support for injured or addicted individuals—there is no opioid crisis.

Or consider gun violence. According to the CDC, in 2019, 39,707 Americans died from firearm injuries, more than died in the Korean War. One analysis concludes that in the years 1999 to 2015, 519,338 people died from firearms. In Canada, the equivalent number (normalized for population) is about 180,000. Across the globe, deaths by firearms are far less frequent than in the United States, and these lower death rates generally correlate with stricter gun regulation and lower rates of gun ownership. In the United States, the rate of gun ownership per 100,000 inhabitants is 120.5; in France it is 19.6. Switzerland has relatively high gun ownership rates for a European country—one estimate places it as high as 41 per 100,000—but all guns must be permitted, and no one with a history of mental health problems can get one. The Swiss have not had a mass shooting since 2001.

Obesity causes heart disease, cancer, and stroke, the leading killers of Americans. In the 1950s, only about 10 percent of Americans were obese; today 70 percent of us are overweight or obese. Like the opioid crisis, the causes of obesity are complex, but manufactured food plays a major role. Or consider endocrine-disrupting chemicals, which mimic the structure and sometimes the function of hormones. These chemicals—found legally in a breathtakingly long list of consumer products including paint, carpets, hand sanitizers, shampoo, sunscreen, and lipstick—have been associated with an astonishing array of adverse effects. These include prostate and breast cancer, infertility, endometriosis, diabetes, cardiopulmonary disease, and more. The cost of this disease burden is huge, in the U.S. perhaps as much as $340 billion each year.

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Inadequate oversight also enables fraud. There was plenty of it during the Reagan-Bush–era savings and loan debacle, and more during the run-up to the 2008 financial collapse and Great Recession. But it didn't end there and wasn't confined to the financial sector. One example is the implosion of Theranos, the Silicon Valley startup whose basic idea—a complete health diagnosis from a drop of blood—sounded amazing. The company raised $700 million in venture capital funding on the promise of "disrupting" the nation's health care system, at one point reaching a valuation of nearly $10 billion. Except the technology didn't exist. Silicon Valley's hyped-up investment culture was one problem. Another, according to John Carreyrou, the Wall Street Journal reporter who broke the story, was failure of both the corporate board of directors and federal regulators to provide adequate oversight. The now defunct company's founder and CEO, Elizabeth Holmes, was convicted of fraud, and hundreds of millions lost will likely never be recovered.

Used needles are seen on the street during a city sweep of a homeless encampment, September 22, 2022 in New York City, New York.

Andrew Lichtenstein-Corbis

Theranos attracted some very wealthy and famous investors, and we might not feel too sorry for rich people who failed to do their due diligence. But at the other end of the spectrum are ordinary citizens who not only have no money to invest but can’t make ends meet despite working full time. At Disneyland—the “happiest place on Earth”—73 percent of workers can’t afford to live nearby and more than a few live in their cars. And then there are untold older Americans, staying in the workplace past seventy because of the decline of pension programs. One consequence of deregulation has been that when companies went bankrupt—or were bought, sold, or merged—they often escaped obligations to their workers, including paying out pension benefits. Many airline workers, for example, received only pennies on their promised pension dollars. Other Americans never earned enough to cover their bills and also save for retirement, while Social Security benefits failed to keep pace with inflation. There is now a large mobile cohort of retirees who work part-time—often living in their cars and campers—because they cannot afford permanent homes on meager fixed incomes.

As Thomas Piketty and others have shown, income inequality is intrinsic to capitalist systems, a result of markets working as they "should." But blaming the problem on "capitalism" writ large hides the crucial fact that the growing inequality of the past forty years has been driven by changes in the rules of how our version of capitalism operates. They include changes to our tax structure and forms of deregulation that hugely favor the wealthy, and these changes have been justified—in some quarters even celebrated—as "letting the market do its magic."

While a proven effective remedy for inequality is easily at hand, business conservatives have consistently dug in against it. In fact, they have been doing so for as long as we have had that remedy at our disposal. When the federal income tax was first established, conservatives opposed it as a "socialistic confiscation of wealth." At its 1924 convention, the National Association of Manufacturers declared its opposition to "the use of the taxing power for purposes of economic equalization." NAM lost the argument for decades, until, in the 1980s, it won. This is where things have largely remained, thanks to the work of libertarian think tanks, conservative economists, Republican political and business leaders who demonized taxation as "theft," and Democrats who were unwilling, unable, or too craven or captured to fight back.

A tax rate that starved consumers of disposable income and businesses of profit would be bad in many ways. Sweden gets a lot of negative press for its high marginal tax rate—these days 57 percent—but it has a thriving economy and offers its citizens "the best in class [in] public facilities and infrastructure." The idea that we generate prosperity by cutting taxes on the rich is not just unethical, it's untrue. We might call it criminal when a hardworking Disneyland employee can't afford a home, and courts have found illegality in the ways that prescription opioids were marketed and sold. But many market failures involve products and activities that are perfectly legal, yet whose outcomes are disturbing. Tobacco, a legal product, kills eight million people worldwide every year. Air pollution kills nine million. Oil, gas, and coal are legal products, yet their unrestricted use is now threatening to drown a good deal of the globe and to burn up much of the rest. The novelist Kim Stanley Robinson has summed it up: "the invisible hand never picks up the check." Today, an awful lot of checks have come due. The biggest one is climate change.

To accept the reality of climate change is to accept that negative externalities cannot be dismissed as mere "neighborhood effects." Credible estimates place the economic damages from fossil fuel use between 0.5 and 4.0 percent of GDP per year. (For comparison, the catastrophic 2011 Tohoku earthquake and resulting tsunami and nuclear plant meltdown in Fukushima cost Japan about 3 percent of GDP in the year it occurred.) A 2019 analysis finds that, if present trends continue, the impacts of hurricane damage, real estate losses, energy costs, and water costs in the U.S. will carry a price tag of $1.9 trillion per year (in today's dollars), or 1.8 percent of U.S. GDP by 2100. This does not include a plethora of hard-to-quantify ill effects, such as losses of cultural heritage; the psychic costs of losing one's home, community, or livelihood; or species extinctions.

Because these costs are huge, nearly all independent studies conclude that fixing climate change is a good economic bet. The IMF, the World Bank, and most mainstream economists recommend government action to account for the true costs of using carbon-based fuels. Typically, this means "putting a price on carbon," either by taxing it directly or by creating markets to buy and sell carbon under an emissions trading scheme. Yet, despite this, few conservative political leaders have supported it. Indeed, an absurd number of them are still denying that climate change is serious. The Foundation for Economic Education (FEE) has long insisted that climate "skeptics" are more likely to be right than the world's thousands of climate scientists, and argued that even if the scientists are right "we'll do best simply to adapt." The Cato Institute has argued that adapting to climate change will be cheaper than preventing it. Almost no scientist believes this. As John Holdren, former science adviser to President Obama, has stressed, without mitigation, climate adaptation is a euphemism for suffering. But the wealthy donors who fund FEE and the Cato Institute most likely won't bear the brunt of that suffering. The rest of us will.

Groups like FEE and the Cato Institute tout the virtues of free markets, but energy markets are hugely subsidized. According to the IMF, the world spent $5.3 trillion on energy subsidies in 2015, subsidies that mainly go to fossil fuels. The lion's share of this subsidy is the unpaid costs of environmental damage and harms to human health. One hundred ninety-one nations have ratified the Paris Climate Accords pledging to stop climate change, but most of these countries continue to subsidize fossil fuels. Electricity from renewable energy is now cheaper in most countries than from oil, gas, or coal, yet renewables struggle to compete because energy markets are weighted in favor of incumbents, and the political arena is freighted by the power of the fossil fuel industry.

Climate change is a problem for markets, because the "free" choices I make impose costs on other people, but it is only one example (albeit an existential one). This is why all societies accept some limitations on the actions of others: without such limits, there would be no civil society. We establish limits based on our judgment of potential risks and harm, so when it comes to economic activity, the question is not whether markets work in an abstract sense, but whether markets are working as we want and need them to, and, if not, whether we need to adjust the rules under which they operate. It wasn't always illegal to dump toxic chemicals in lakes and rivers, but now it is. Once upon a time it was legal to buy and sell people.

In hindsight, we can see slavery as a theft of labor, and in many ways, climate change is a theft, too: from citizens and communities who are now paying its costs, from farmers losing crops and livestock to drought, from people who have lost their homes to wildfires or floods. Future generations will likely find it as shocking that people were allowed to freely dump carbon pollution into the atmosphere as we find it that people were once allowed to freely dump toxic chemicals in rivers, or allowed to buy and sell other people. Just as we ended slavery, we will find a way to stop climate change, but the longer we deny the problem (or insist that markets will solve it "on their own") the greater the costs will be.

Experience shows that unconstrained competition can lead to a race to the bottom, as manufacturers reduce quality to reduce costs and treat workers as disposable components rather than humans deserving of dignity. Both history and our present moment demonstrate that markets can devolve into destructive monopolies; markets need governance to protect competition. And by definition markets do not account for external costs such as workplace injury and pollution. Markets may respond eventually—as they are now starting to do for climate change—but in the interim consequential problems go unaddressed, people are hurt, and injustice festers. Delay can also make a problem effectively insoluble: if the West Antarctic ice sheet disintegrates, no "market mechanism" will bring it back. The Americans who have died in the opioid epidemic, or from gun violence, or from the Trump administration's response to Covid-

19, will not come back, either. For these people, conservative admonitions to let the market do its "magic" offer neither solution nor solace.

Five hundred thousand dead from opioids, over a million dead from Covid-19, massive inequality, rampant anxiety and unhappiness, and the well-being of us all threatened by climate change: these are the true costs of the "free" market.