Chapter 2

The Disappearing Magic of the Market Economy

Starting with World War II pressures, the American economy bloomed until about 1982. During that period competition and ambition supported by an understanding and not totally indoctrinated federal government performed near miracles.

The United States became number one in the world in industrial development, producing the most college graduates, being the most innovative nation, a country experiencing the fastest economic growth, having the best medical system, and the like. At the time, to an outsider such as the present author, this was the movement to perfection. In addition to the prevailing ambition the political system was not totally divided. In fact, although there were differences in implementation plans the two political parties were not too far from each other and did not block each other’s activities. The market economy that was managed from the bottom-up by having support for start-ups created more innovation and entrepreneurship and functioned quite well.

During this era, competition at all levels of the economy trimmed the budgets and improved economic opportunities. Small start-up entrepreneurs received help and the total earnings of a CEO were not tremendously different from the total earnings of labor. There appeared to be a positive functionality in the market
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economy driven by ambition, hard work with a politically smooth and supportive atmosphere. This total picture may have been called the magic of a well-functioning market economy. However, by the beginning of 1980s this whole picture started reversing itself. Too much political propaganda and increases in the greed factor created most favorable conditions for a few in the society. The American economy started creating fortunes as the society may not make progress as a whole, and other related conditions discussed in this chapter started converting the market economy to a finance economy.

Underlying Forces

Some years ago in one of my books (Samli 1991) I wrote a section titled “Mary, Mary Quite Contrary How Does Your Economy Grow?” It may be shocking to realize that the forces that have been ailing the American economy were already in action then. My statement continued as follows: “Mary your economy grows not by derailing the current American economy, not by discriminating against the consumers, not by allowing anarchy to take over the economy and not at all by being inactive in sociopolitical and economic arenas.” I should have included forcefully that your economy cannot grow by undermining or by derailing the American workers. I continued, however, by saying that: “Mary, your economy will grow if consumers, and workers, added in this analysis, are empowered. If people are given equal opportunity to choose, to advance, to work and to accomplish your economy will grow.” It further continued: “Mary your economy will grow if competition is not undermined, if economic power is not allowed to concentrate in the hands of a few, e.g. one percenters, indiscriminately.” These were the major forces to be reinforced and not to be abandoned. In short, the advice to Mary summarized the conditions that made the market economy grow from the bottom-up until around the early 1980s.