Funding the Future

New glossary entry: free markets

Published: February 15, 2026, 4:33 pm

“Free markets” is the phrase used to describe markets supposedly operating without government interference. It is one of the most powerful and totally incorrect myths in modern economics.

In practice, there has never been a free market, and there never can be. Markets exist only because law, regulation, and public institutions create and sustain them.

First, markets require rules. Property rights define what can be sold. Company law defines who can trade. Contract law enforces agreements. Courts settle disputes. Accounting standards define profit. Competition policy limits monopoly. Tax law shapes incentives. Without these, there is no market at all. The idea of a market free from the state is therefore a contradiction.

Second, “free markets” are rarely free from power. They are governed by wealth. Large firms lobby for favourable regulation, dominate supply chains, and buy competitors. Landlords set rents in constrained housing markets. Financial institutions influence credit conditions. Prices reflect bargaining power as much as efficiency. The claim of freedom often disguises privilege.

Third, the language of free markets is used politically. It justifies privatisation, deregulation, and attacks on social security by suggesting government involvement is inherently inefficient. But when crises hit, the same advocates demand state rescue for banks, energy firms, or defence contractors. Losses are socialised; gains are privatised.

Fourth, free-market rhetoric is central to the politics of destruction and its economics of failure. Public services are starved of funds until they struggle; markets are then presented as the only alternative. Essential services become profit centres, accessible fully only to those who can pay. Inequality widens, accountability shrinks, and democracy weakens.

Fifth, markets are tools, not ends. They can allocate resources efficiently in some contexts, but they cannot provide public goods, manage environmental limits, or ensure fairness. Health care, education, housing, infrastructure, and environmental protection require democratic decision-making, not blind faith in price signals.

Finally, a well-designed economy uses markets where they work and public provision where they are needed. Regulation that curbs monopoly, taxation that limits rent extraction, and investment that maintains the five forms of capital allow markets to serve society rather than dominate it.

“Free markets” are therefore not an economic reality but an ideological slogan. Real markets are always structured by society. The question is not whether markets are free, but whether they are governed in ways that deliver care, security, sustainability, and democratic accountability.

See also markets.