

Don't Hate Market Signals; Use Them

I saw some guy on Twitter complaining about “capitalism” because he can't get paid for his labor unless it's valued by someone else.

He picked the wrong culprit.

Capitalism (assuming he means what I do by the term, a free market) doesn't determine anything about what's valuable or valued. Capitalism is only a communication system that relays information about realities that are always there. Resources are scarce. People value different things. People want to satisfy their desires. Those are unavoidable realities under any system.

The nice thing about free markets is they provide better, faster, clearer, more detailed information about reality than everything else. The price mechanism lets us know what's valued where, by how much, to whom, relative to what else. It gives the info necessary to put resources to their highest uses and create wealth.

If you buy some paint and a canvas for \$100, but no one will buy your finished work for more than \$50, you could get mad at the market. But that would be dumb. The market just communicated to you the reality that other people valued the unpainted canvass and paint more than what you did to it with your labor. You may wish people valued it more, but they didn't. The sooner you see that, the sooner you can adjust and figure out how to create wealth for yourself by creating value for others.

A world in which those signals are hidden—by laws, subsidies, regulations, guarantees, your own delusion, etc.—is a world that is blindly destroying value and moving resources from higher to lower value uses. We've seen places that tried this, and it results in mass poverty, starvation, death, and meaninglessness to the individual. Sounds dramatic, but it's true.

There's no cheating reality, you can only mess with the systems that communicate it. The worse info you have about reality the worse your attempts to navigate towards your goals. The market is your friend.

Don't get mad at information. Use it.