TWO FLAWS IN ANTI-MARKET CRITICISMS

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Over the years, two criticisms of free markets have been repeated over and over again, by very prominent academics. One concerns the subjective theory of values many pro-market economists embrace, the other involves the move from something being good to do to requiring the government to make – or 'nudge' – us do it.

Sadly, many who champion the free society seem to think one can just ignore these critics, never mind their influence at some of the most prestigious academic institutions. For my money, it is quite harmful to liberty to leave the views of these people untreated, to neglect their arguments. It is their ideas that circulate throughout various institutions such as the IMF, the World Bank, and innumerable NGOs, not to mention the corridors of power, such as the White House, the US Congress, the various cabinet level agencies, the United Nations, and, of course, the various lower level academic institutions around the world.[1]

The first line of criticism mentioned above is associated with such notables as Professor Amartya Sen, a Nobel Prize recipient in economics at Harvard University, the second by the philosopher Martha Nussbaum from the University of Chicago.

One of Sen's main complaints about the economists' case for the market is that it refuses to recognize certain objective values but treats, instead, the mere subjective individual preferences of people as the last word on what's good for them. He spends a great portion of his massive *Rationality and Freedom* (Harvard, 2003) on this issue. It isn't possible to extract from it any brief, clear cut statement of his position except where Sen notes that 'even the success of capitalism and of market arrangements cannot

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be fully understood without brining in the "moral codes" and other behavioral complexities that tend to qualify the actions of individual agents in different societies (including, *inter alia*, not seeking every opportunity of doing better for oneself by reneging on contracts).'[2]

It is evident enough from this statement that Sen believes in some objective morality in terms of which 'to qualify the actions of individual agents', meaning one can tell, contrary to many neo-classical and Austrian economists' position, that, independently of the agent's preferences and actual behavior, those actions do or do not have value or moral worth. From this purported flaw in the economists' case for free markets, Sen goes on to defend very expansive ideas of 'rationality' and 'freedom' which he takes to imply that the government – even international bodies such as the United Nations – is justified in massive wealth or value redistribution so as to enable people to be free.[3] He very clearly does not believe that the job market agents do as they engage in redistributing the wealth and values that they have the authority to allocate according to their beliefs and priorities is sufficient so other people, those in government, are better qualified for this.

Nussbaum shares Sen's dismay with the idea of the individual subjectivity of values but adds to this what she takes to be an Aristotelian argument for government intervention. Because some human being 'might possibly come to have ... higher-level capabilities but does not now have them ... [the gap] between basic (potential) humanness and its full realization ... exerts a claim on society and government.'[4] The idea here is that many persons do not have the kind of life that enables them to fully participate in society and to flourish, so this imposes on others the enforceable duty to help out *and* on governments to extract the help if it isn't forthcoming voluntarily.

Both of these criticisms of free markets misfire for rather clear-cut reasons.

As for Sen, even if one rejects with him, as a not insignificant number of pro-market theorists do, the subjectivity of

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values, something remains that is significantly similar, namely, the agent-relativity of values or, in other words, value-individualism. This position, which is different from the economists', recognizes that what is morally right for (and of benefit to) an individual is objective, even when the individual fails to recognize it, but complying with them must be something an individual chooses and may not be forced to do.

First, just as one may fail to see that a certain pair of shoes fits one, maybe because one is so taken with the fashionableness of some other pair or just isn't paying enough attention, so one may fail to appreciate that one should be saving one's money rather than play the gambling tables of Las Vegas. Yet this may not be so for another person. Individual differences will be of considerable significance in what is right, good or beneficial for people, even while the matter isn't subjective – that is, dependent only on one's simple preferences. Because of this, *pace* Sen, fully free markets turn out to be superior arenas for the fulfillment of the complicated but fully ascertainable choices that are best for people, even if now and then mistakes are made by the individuals who need to find this out and to act accordingly.[5]

Secondly, the moral worth of making the right choices in their market exchanges will be lost if these choices are removed from them and taken over by government planners and regulators.[6]

A non sequitur in Nussbaum's line of criticism is plain. From the fact that people do require resources to reach a level of ability that they need to advance in life, it does not follow that anyone may coercively deprive others of such resources and redistribute them so as to benefit those in need of them. The needs of some people isn't a political, enforceable claim on the resources of others, including on their labor time and other assets that governments confiscate so as to attempt to achieve the official redistribution. If it were, many crimes could be simply excused since they are often committed so as to relieve the needs of the

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criminal or someone near or dear to the criminal. This is so in crimes ranging from burglary and embezzlement to rape and child molestation.

The needs of others – certain others, at any rate – can, of course, be a *moral* claim on the resources of certain persons, say members of their family, their friends, their associates in certain mutual ventures, and even complete strangers in certain emergencies. This is one reason that Aristotle himself regarded generosity or liberality a *moral* virtue.

Nussbaum's line of reasoning also fails to take into account what was noted earlier, namely, that however morally worthwhile it may be to give one's wealth to others – to engage in wealth redistribution – its worth will be undermined by making it a matter of coercive public policy. While it is true that coercing another to do what is right can promote the results that flow from right conduct, it does not promote right conduct since such conduct must be a matter of volition.[7]

From these considerations we can tell that, *pace* Nussbaum, the government has no moral authority to engage in wealth redistribution even if it actually has the power or the widespread – democratic – support to do so and even if such redistribution would be the right thing to carry out for individuals who own the wealth.[8]

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Notes

[1] Some of the most prominent free market journals and magazines pay no attention to either Sen or Nussbaum and have little interest in remedying this negligence, while they publish books after books, papers after papers at the most prominent academic presses and in the most prestigious academic journals. In consequence, that they are paid attention to

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by nearly all defenders of the welfare state and international redistribution of wealth goes without saying.

[2] Amartya Sen, *Rationality and Freedom* (Cambridge, MA: Harvard University Press, 2002), 642. Sen book includes many of his previously published essays.

[3] By 'free' here is meant 'capable of', as in 'I am free to build a home' or 'He is finally free to fly to Europe.'

[4] Martha Nussbaum, 'Human Functioning and Social Justice: In Defense of Aristotelian Essentialism', *Political Theory*, Vol. 20, No. 2 (May 1992), 228.

[5] For a development of these ideas, see Tibor R. Machan, *Capitalism and Individualism, Reframing the Argument for the Free Society* (New York: St. Martin's Press, 1990). The matter then becomes one of comparative advantage – is a fully free market more beneficial and just than one in which some people coercively redistribute wealth? Even a modified public choice theory that Sen himself would find of merit would support the fully free market alternative, given the value-individualism Sen fails to consider.

[6] For the details of this argument, see Tibor R. Machan, *Private Rights and Public Illusions* (New Brunswick, NJ: Transaction Books, 1995). See, also, 'Should Business Be Regulated', in Tom Regan (ed.), *Just Business, New Introductory Essays in Business Ethics* (New York: Random House, 1983).

[7] Among philosophers who recognize this we find, ironically, Aristotle, who tells us that 'the virtues are modes of choice or involve choice'. *Nicomachean Ethics*, 1106^{a}3&4.

[8] Whether Aristotle would have sanctioned massively coercive redistributionist national and even governmental agencies is another matter and not the issue here. Suffice it to say that Aristotle had a very non-egalitarian idea of human nature that the egalitarian Nussbaum is not justified to use so as to derive strong paternalistic policies for governments. For more, see Tibor R. Machan, 'Aristotle and Business', *Journal of Value Inquiry* (forthcoming).

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