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Free-Market Philosophy

In *Anarchy, State and Utopia* (1974), Robert Nozick offers a philosophical defense of libertarian principles and a challenge to familiar ideas of distributive justice. He begins with the claim that individuals have rights “so strong and far-reaching” that “they raise the question of what, if anything, the state may do.” He concludes that “only a minimal state, limited to enforcing contracts and protecting people against force, theft, and fraud, is justified. Any more extensive state violates persons’ rights not to be forced to do certain things, and is unjustified.”⁷

Prominent among the things that no one should be forced to do is help other people. Taxing the rich to help the poor coerces the rich. It violates their right to do what they want with the things they own.

According to Nozick, there is nothing wrong with economic inequality as such. Simply knowing that the Forbes 400 have billions

while others are penniless doesn't enable you to conclude anything about the justice or injustice of the arrangement. Nozick rejects the idea that a just distribution consists of a certain pattern—such as equal income, or equal utility, or equal provision of basic needs. What matters is how the distribution came about.

Nozick rejects patterned theories of justice in favor of those that honor the choices people make in free markets. He argues that distributive justice depends on two requirements—justice in initial holdings and justice in transfer.⁸

The first asks if the resources you used to make your money were legitimately yours in the first place. (If you made a fortune selling stolen goods, you would not be entitled to the proceeds.) The second asks if you made your money either through free exchanges in the marketplace or from gifts voluntarily bestowed upon you by others. If the answer to both questions is yes, you are entitled to what you have, and the state may not take it without your consent. Provided no one starts out with ill-gotten gains, any distribution that results from a free market is just, however equal or unequal it turns out to be.

Nozick concedes that it is not easy to determine whether the initial holdings that gave rise to today's economic positions were themselves just or ill-gotten. How can we know to what extent today's distribution of income and wealth reflects illegitimate seizures of land or other assets through force, theft, or fraud generations ago? If it can be shown that those who have landed on top are the beneficiaries of past injustices—such as the enslavement of African Americans or the expropriation of Native Americans—then, according to Nozick, a case can be made for remedying the injustice through taxation, reparations, or other means. But it is important to notice that these measures are for the sake of redressing past wrongs, not for the sake of bringing about greater equality for its own sake.

Nozick illustrates the folly (as he sees it) of redistribution with a hypothetical example about the basketball great Wilt Chamberlain, whose salary in the early 1970s reached the then lofty sum of \$200,000

per season. Since Michael Jordan is the iconic basketball star of recent times, we can update Nozick's example with Jordan, who in his last year with the Chicago Bulls was paid \$31 million—more per game than Chamberlain made in a season.

Michael Jordan's Money

To set aside any question about initial holdings, let's imagine, Nozick suggests, that you set the initial distribution of income and wealth according to whatever pattern you consider just—a perfectly equal distribution, if you like. Now the basketball season begins. Those who want to see Michael Jordan play deposit five dollars in a box each time they buy a ticket. The proceeds in the box go to Jordan. (In real life, of course, Jordan's salary is paid by the owners, from team revenues. Nozick's simplifying assumption—that the fans pay Jordan directly—is a way of focusing on the philosophical point about voluntary exchange.)

Since many people are eager to see Jordan play, attendance is high and the box becomes full. By the end of the season, Jordan has \$31 million, far more than anyone else. As a result, the initial distribution—the one you consider just—no longer obtains. Jordan has more and others less. But the new distribution arose through wholly voluntary choices. Who has grounds for complaint? Not those who paid to see Jordan play; they freely chose to buy tickets. Not those who dislike basketball and stayed at home; they didn't spend a penny on Jordan, and are no worse off than before. Surely not Jordan; he chose to play basketball in exchange for a handsome income.⁹

Nozick believes this scenario illustrates two problems with patterned theories of distributive justice. First, liberty upsets patterns. Anyone who believes that economic inequality is unjust will have to intervene in the free market, repeatedly and continuously, to undo the effects of the choices people make. Second, intervening in this way—taxing Jordan to support programs that help the disadvantaged—not

only overturns the results of voluntary transactions; it also violates Jordan's rights by taking his earnings. It forces him, in effect, to make a charitable contribution against his will.

What exactly is wrong with taxing Jordan's earnings? According to Nozick, the moral stakes go beyond money. At issue, he believes, is nothing less than human freedom. He reasons as follows: "Taxation of earnings from labor is on a par with forced labor."¹⁰ If the state has the right to claim some portion of my earnings, it also has the right to claim some portion of my time. Instead of taking, say, 30 percent of my income, it might just as well direct me to spend 30 percent of my time working for the state. But if the state can force me to labor on its behalf, it essentially asserts a property right in me.

Seizing the results of someone's labor is equivalent to seizing hours from him and directing him to carry on various activities. If people force you to do certain work, or unrewarded work, for a certain period of time, they decide what you are to do and what purposes your work is to serve apart from your decisions. This . . . makes them a part-owner of you; it gives them a property right in you.¹¹

This line of reasoning takes us to the moral crux of the libertarian claim—the idea of self-ownership. If I own myself, I must own my labor. (If someone else could order me to work, that person would be my master, and I would be a slave.) But if I own my labor, I must be entitled to the fruits of my labor. (If someone else were entitled to my earnings, that person would own my labor and would therefore own me.) That is why, according to Nozick, taxing some of Michael Jordan's \$31 million to help the poor violates his rights. It asserts, in effect, that the state, or the community, is a part owner of him.

The libertarian sees a moral continuity from taxation (taking my earnings) to forced labor (taking my labor) to slavery (denying that I own myself):

Self-Ownership	Taking
person	slavery
labor	forced labor
fruits of labor	taxation

Of course, even the most steeply progressive income tax does not claim 100 percent of anyone’s income. So the government does not claim to own its taxpaying citizens entirely. But Nozick maintains that it does claim to own part of us—whatever part corresponds to the portion of income we must pay to support causes beyond the minimal state.