ysis of little practical value. It is much easier, however, to explain the reasons for economists neglecting to examine these aspects of their analysis than it is to justify their neglect. As Knut Wicksell suggested many years ago, most economists are content with assuming the presence of a benevolent despot. In so far as their analysis points toward policy at all, as it must, the improvements in efficiency advanced are assumed to be attainable within the realm of the politically possible. The almost universal neglect of the imperfections that might arise from the political attempts at applying the economists' efficiency criteria represents a serious deficiency in the work of welfare economists and economists generally. To shy away from considerations of the politically feasible has been deemed an admirable trait, but to refuse to examine the politically possible is incomplete scholarship.

Individual Choice in Voting and the Market

This paper will compare individual choice in the political voting process and in the market process, with both considered as ideal types. A substantial portion of the analysis will be intuitively familiar to all social scientists, since it serves as a basis for a large part of political theory, on the one hand, and economic theory, on the other. Perhaps as a result of disciplinary specialization, however, the similarities and the differences between these two methods of individual decision-making in liberal society are often overlooked. The state of things is illustrated in the prosaic "one-dollar–one-vote" analogy, which is, at best, only partially appropriate and which tends to conceal extremely important differences.

It is necessary to emphasize the limitations of this analysis. No attempt will be made to compare market choice and voting choice in terms of the relative efficiency in achieving specified social goals or, in other words, as means of *social* decision-making. Many comparisons of this sort have been made. In the great debate over the possibility of rational socialist calculation, the discussion has been concerned primarily with the workability of political decision-making processes when confronted with the social criterion of economic efficiency. The issue has been framed, appropriately, in terms of the relative efficiency of centralized and decentralized decision-making. Collective choice implies centralized choice, whatever the process of choosing;

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hence the market has been compared with the whole subset of political choice processes ranging from pure democracy to authoritarian dictatorship.

This paper will compare the *individual* choices involved in the price system and in a single form of centralized decision-making—pure democracy. The individual act of participation in the choice process will be the point of reference. The comparison does not, of course, imply that these two processes will be presented as genuine alternatives to the individual, even in their somewhat less pure forms. A more complete understanding of individual behavior in each process should, however, provide some basis for deciding between the two, if and when they do exist as alternatives.

The following distinctions between individual choice in voting and the market will be discussed: (1) the degree of certainty, (2) the degree of social participation, (3) the degree of responsibility, (4) the nature of the alternatives presented, (5) the degree of coercion, and, finally, (6) the power relations among individuals. Quite obviously, these distinctions are somewhat arbitrarily isolated from one another, and, in a broad sense, each implies others. After these are discussed, some attention will be given to their influence on the selection of voting or the market as a decision-making process for the social group.

I

It will be assumed that the individual chooser possesses the same degree of knowledge concerning the results of alternative decisions in the polling place that he does in the market place.[1] It is essential that this assumption be made at this stage, in order that the first important distinction, that of the degree of certainty, between individual choice in voting and individual choice in the market may be made clear.

In market choice the individual is the acting or choosing entity, as well as

1. This is a simplifying assumption; there is reason for believing that the individual possesses a greater knowledge of alternatives in the market. This is due, first, to the greater continuity of market choice and, second, to the difference in the degree of knowledge required to compare alternatives in each case. The latter difference has been stressed by Professor Hayek (see F. A. Hayek, "Individualism: True and False," *Individualism and Economic Order* [Chicago: University of Chicago Press, 1948]; see also Robert A. Dahl and Charles E. Lindblom, *Politics, Economics, and Welfare* [New York: Harper & Bros., 1953], 63).

the entity for which choices are made. In voting, the individual is an acting or choosing entity, but the collectivity is the entity for which decisions are made. The individual in the market can predict with absolute certainty the direct or immediate result of his action. The act of choosing and the consequences of choosing stand in a one-to-one correspondence.[2] On the other hand, the voter, even if he is fully omniscient in his foresight of the consequences of each possible collective decision, can never predict with certainty which of the alternatives presented will be chosen. He can never predict the behavior of other voters in the polling place. Reciprocal behavior prediction of this sort becomes a logical impossibility if individual choice is accepted as meaningful.[3] This inherent uncertainty confronting the voter can perhaps be classified as genuine uncertainty in the Knightian sense; it is not subject to the application of the probability calculus.

This uncertainty must influence to some degree the behavior of the individual in choosing among the possible social alternatives offered to him. Whereas the chooser in the market,[4] assumed to know what he wants, will always take the attainable combination of goods and services standing highest on his preference scale, the voter will not necessarily, or perhaps even probably, choose the alternative most desirable to him. The actual behavior of the voter must be examined within the framework of a theory of choice under uncertainty. As is well known, there is no fully acceptable theory of behavior here, and there are some students of the problem who deny the possibility of rational behavior in uncertain conditions.[5]

II

The second fundamental difference in the two-choice processes is found in the sense or degree of participation in social decision-making. In the market the individual is confronted with a range of commodities and services,

2. Cf. Kenneth J. Arrow, "Alternative Approaches to the Theory of Choice in Risk-taking Situations," *Econometrica* 19 (1951): 405.

3. Cf. Frank H. Knight, "Economic Theory and Nationalism," in his *The Ethics of Competition* (London: Allen & Unwin, 1935), 340.

4. The device of considering productive services as negatively desired and hence carrying negative prices enables both the buying and the selling activity of the individual to be encompassed in "market choice."

5. See Arrow, "Alternative Approaches," for an excellent summary of the various theories of choice under uncertainty.

each of which is offered at a given price. Individually, the buyer or seller considers both the range of alternatives and the set of prices to be beyond his power to alter.[6] He is able, therefore, to assume himself apart from, or external to, the social organization which does influence the alternatives made available. He is unconscious of the secondary repercussions of his act of choice which serve to alter the allocation of economic resources.[7] The individual tends to act *as if* all the social variables are determined outside his own behavior, which, in this subjective sense, is nonparticipating and therefore nonsocial.[8] The influence of the individual's actual behavior on the ultimate social decision made has no impact upon such behavior.[9]

The individual in the polling place, by contrast, recognizes that his vote is influential in determining the final collective choice; he is fully conscious of his participation in social decision-making. The individual act of choosing is, therefore, social, even in a purely subjective sense.

The sense of participation in social choice may exert important effects on the behavior of the individual. It seems probable that the representative individual will act in accordance with a different preference scale when he realizes that he is choosing for the group rather than merely for himself. There are two reasons for this. First, his identification will tend to be broadened,[10]

6. Cf. Ludwig von Mises, *Human Action: A Treatise on Economics* (New Haven: Yale University Press, 1949), 312.

7. The fact that individual behavior in the market sets off reactions which are not recognized or intended by the actor, but which do control society's utilization of resources, is stressed in a somewhat different context by Dahl and Lindblom (*Politics, Economics, and Welfare*, 99–102). They are concerned with the "spontaneous field control" exerted over the individual in this manner. "Control" in this sense, however, is no different from that imposed by the natural environment or any other set of forces external to the individual (see Sec. V).

8. For a definition of social action see Max Weber, *The Theory of Social and Economic Organization*, trans. A. M. Henderson and Talcott Parsons (New York: Oxford University Press, 1947), 88.

9. It has been advanced as a merit of the price system that it does place the individual in a position of adapting his behavior to the anonymous forces of the market without at the same time feeling that he can participate in changing these forces. On this point see Hayek, "Individualism," 24.

Market behavior can, of course, become "social" if the individual is made to realize the secondary repercussions of his action. Exceptional cases of such realization may be present even in the perfectly competitive economy, e.g., "buyers' strikes."

10. Dahl and Lindblom, *Politics, Economics, and Welfare*, 422.

and his "values" will be more likely to influence his ordering of alternatives, whereas in market choice his "tastes" may determine his decision.[11] As an example, the individual may cast a ballot-box vote for the enforcement of prohibition at the same time that he visits his bootlegger, without feeling that he is acting inconsistently. Even if the individual's welfare horizon is not modified in a shift from market to voting choice, or vice versa, there is a second, and perhaps equally important, reason for a rearrangement of his preference scale and hence for some difference in behavior. The individual's ranking of alternatives in market choice assumes no action on the part of other individuals in specific correspondence to his own. In voting, the choice is determined from a ranking of alternative situations in each of which the position of the individual is collectively determined for him and for *all* other individuals in the group.[12] As an example of this difference, businessmen in a perfectly competitive industry marketing a product with an inelastic demand may vote to approve governmentally imposed production limitations, while, if left to operate independently, they would have no incentive to restrict production. A further example may be used to illustrate the case in which both these effects on individual choice may be operative. A man who in the unregulated market economy would construct a billboard advertising his product might vote for the abolition of billboards because he considers such action preferable in terms of group welfare and/or because his own interests will be better served by such collectively imposed action.

III

The difference in the individual's sense of social participation has its obverse, however, which may be introduced as a third distinction between the voting and market processes. Since voting implies collective choice, the responsibility for making any particular social or collective decision is necessarily divided. This seems clearly to affect the individual's interest in the choosing

11. Cf. Kenneth J. Arrow, *Social Choice and Individual Values* (New York: John Wiley & Sons, 1951), 82.

12. Cf. William J. Baumol, *Welfare Economics and the Theory of the State* (Cambridge: Harvard University Press, 1952), 15; Trygve Haavelmo, "The Notion of Involuntary Economic Decisions," *Econometrica* 18 (1950): 3, 8.

process. Since a decision is to be made in any case, the single individual need not act at all; he may abstain from voting while other individuals act.

The responsibility for market decisions is uniquely concentrated on the chooser; there can be no abstention. There is a tangible benefit as well as a cost involved in each market chooser's decision, while there is neither an immediately realizable and certain benefit nor an imputable cost normally involved in the voter's choice.[13] This difference tends to guarantee that a more precise and objective consideration of alternative costs takes place in the minds of individuals choosing in the market. This does not suggest, however, that the greater precision in the consideration of alternatives by individuals in the market implies that the costs and benefits taken into account are necessarily the proper ones from the social point of view.[14]

It seems quite possible that in many instances the apparent placing of "the public interest" above mere individual or group interest in political decisions represents nothing more than a failure of the voters to consider fully the real costs of the activity to be undertaken. It is extremely difficult to determine whether the affirmative vote of a nonbeneficiary individual for a public welfare project implies that he is either acting socially in accordance with a "nobler" ordering of alternatives or is estimating his own self-interest in accordance with a "collective-action" preference scale, or whether it suggests that he has failed to weigh adequately the opportunity costs of the project.

The difference in responsibility provides a basis for Professor Mises' argument that an individual is "less corruptible" in the market.[15] This might plausibly be advanced without necessarily contradicting the claim that ballot-box choice, if uncorrupted, is made in accordance with a more inclusive and modified value scale. A somewhat related point has been made by Professor Spengler when he says that there is, in voting as compared with the market, "the tendency of the individual (especially when he is a part of a large and

13. On this point see Alfred C. Neal, "The 'Planning Approach' in Public Economy," *Quarterly Journal of Economics* 54 (1940): 251.

14. In cases where spill-over effects are significant, the costs taken into account by the individual in the market will clearly exclude some important elements of social costs (positive or negative) which should be considered in the making of a social decision (see Dahl and Lindblom, *Politics, Economics, and Welfare,* 419).

15. Ludwig von Mises, *Socialism* (new ed.; New Haven: Yale University Press, 1951), 21.

disciplined organization) more easily to lose . . . political than economic autonomy."[16]

IV

A fourth distinction, and perhaps one of the most important, between individual choice in voting and the market lies in the nature of the alternatives offered to the individual in each case. Choice implies that alternatives are mutually conflicting; otherwise, all would be chosen, which is equivalent to saying that none would be chosen. It is in the precise way in which the alternatives mutually conflict that the voting process must be sharply distinguished from the market mechanism.

Alternatives of market choice normally conflict only in the sense that the law of diminishing returns is operative. This is true at the level both of the individual chooser and of the social group. If an individual desires *more* of a particular commodity or service, the market normally requires only that he take *less* of another commodity or service. If all individuals, through their market choices, indicate that *more* resources should be devoted to the production of a particular commodity, this requires only that *less* resources be devoted to the production of other commodities.

Alternatives of voting choice are more normally mutually exclusive, that is, the selection of one precludes the selection of another. This, too, is true at the level both of the individual chooser and of the whole system. The individual voter normally faces mutually exclusive choices because of the indivisibility of his vote. Group choices tend to be mutually exclusive by the very nature of the alternatives, which are regularly of the "all-or-none" variety.

For the individual, market choice amounts to the allocation of an unspecialized and highly divisible resource (income-yielding capacity) among a range of alternatives. On the other hand, few voting schemes include means which enable an individual to break his total voting strength down into fractional parts. The attribute of scarcity has never been applied to voting strength; an additional vote is granted to each individual when each new collective decision is made. In order for market choice to be made similar to

16. J. J. Spengler, "Generalists versus Specialists in Social Science: An Economist's View," *American Political Science Review* 44 (1950): 378.

voting in this respect, each individual would be required to devote his whole capacity in each market period to one commodity or service. If only the buying side is taken into account, this means that the consumer's whole expenditure should be on one commodity. It seems clear that this feature of the choice process can itself affect the nature of the alternatives presented. If the individual were required to spend the whole of his income on one commodity, market alternatives would tend to become mutually exclusive and to become severely limited in number and variety. Most of the normally available goods and services would disappear from the market places.

The major share of the difference in the nature of the alternatives presented in the two choice processes must, however, be attributed to fundamental differences in the objects of choice themselves. In a very real sense many voting choices can never be made in the market because they are inherently more difficult, involving, as they do, considerations which cannot be taken into account effectively by the individual choosing only for himself. The choice to be made is normally among two or more alternatives, only one of which may be chosen, with its very selection precluding the selection of the others. Even if the results of the voting were to be based upon the proportionate number of votes cast for each alternative, combinations or composite solutions of the market type would not be possible in most cases. Inherent in the market solution, by contrast, is choice among an almost infinite number of *combinations* of goods and services, in each of which some of almost every conceivable good and service will be included.[17] As a result of this difference, individual choice in the market can be more articulate than in the voting booth.

V

There follows directly from the difference in the nature of alternatives an extremely important fifth distinction between the voting process and the market process as faced by the individual choice-maker. If production indivisibilities may be disregarded (they would not be present in the ideally

17. The market is thus the only system of proportional representation which will likely work at all (cf. Clarence Philbrook, "Capitalism and the Rule of Love," *Southern Economic Journal* 19 [1953]: 466).

competitive world), each dollar vote in the market becomes positively effective[18] to the individual, not only in providing him with a unit of the chosen commodity or service, but also in generating changes in the economic environment. In either of these senses a dollar vote is never overruled; the individual is never placed in the position of being a member of a dissenting minority.[19] When a commodity or service is exchanged in the market, the individual chooses from among *existing* alternatives; at the secondary stage, of which he is unconscious, his behavior tends to direct economic resources in a specific manner.

In voting, the individual does not choose among *existing* but rather among *potential* alternatives, and, as mentioned earlier, he is never secure in his belief that his vote will count positively. He may lose his vote and be placed in the position of having cast his vote in opposition to the alternative finally chosen by the social group. He may be compelled to accept a result contrary to his expressed preference. A similar sort of coercion is never present in market choice. It has been argued that pressure toward social conformity "compels those outvoted to make an expenditure against their will."[20] While it is no doubt true that both the individual's earning and expenditure patterns are conditioned to a large degree by the average patterns of his social group, the distinction between this indirectly coercive effect involved in the social urge to conform and the direct and unavoidable coercion involved in collective decision seems an extremely important one.

If the assumption of production divisibility is relaxed, some modifications of this conclusion must be made. Given the presence of indivisibility, the individual's dollar vote may be overruled at the secondary stage of the market choice process. On the buying side, if the consumer's dollar vote is not accompanied by enough other votes to maintain the production of the particular good or service, it may be "lost," and, at this stage, the buyer may be in

18. A decision to sell productive services may be considered as a vote for generalized purchasing power (i.e., dollars), and thus may be considered positively effective if the sale is consummated.

19. For an excellent summary discussion of this point see Mises, *Human Action: A Treatise on Economics*, 271.

20. Dahl and Lindblom, *Politics, Economics, and Welfare*, 424. A similar position is taken by Professor Howard Bowen (see his *Toward Social Economy* [New York: Rinehart & Co., 1948], 44).

a position apparently equivalent to that of the ballot-box supporter of the losing side of an issue. On the selling side, if there are not enough final demand dollar votes to warrant production of those commodities or services embodying the individual's productive contribution, then the attempt to convert productive services into generalized purchasing power on former terms may be thwarted. But in each case, at the initial or primary stage of the market process, the individual's expressed choice is never overruled. The buyer would never have possessed the opportunity to choose, had not the commodity or service been existent in the market; and the seller of productive services would have never been able to develop particular skills, had not a derived demand for those skills been present. And since the one-to-one correspondence between the act of choice and its result is the only condition directly influencing the individual's behavior, there can never be present the sense of directly losing one's market vote. There may, of course, arise a sense of regret when the consumer returns to the market place and finds a desired commodity no longer available and when the individual no longer is able to market productive services previously adapted to particular uses. The consumer may also regret that certain desired goods have never been placed in the market in the first place, and the individual seller may be concerned that there has never existed a ready market for his peculiar talents. This sort of regret does not, however, apply uniquely to market choice. It applies equally to political voting, and it does not, therefore, constitute the market's equivalent of the "lost" ballot-box vote. It is true that there may be commodities and services not offered for sale which the individual would be willing to purchase, but there may also be many potential alternatives never presented for a vote which an individual might desire to support.

VI

Each of the five preceding distinctions in the individual participation in voting and market choice is present even when the relative power positions of individuals are made equivalent in the two processes, that is, when there is absolute equality in the distribution of income-earning capacity among market choosers. All these distinctions tend, therefore, to be neglected in the simple "one-dollar–one-vote" analogy, which concentrates attention only upon the difference in the relative power of individuals. Market choice is normally conducted under conditions of inequality among individuals, while voting tends, at least ideally, to be conducted under conditions of equality.

The essential point to be emphasized in this connection is that the inequalities present in market choice are inequalities in individual power and not in individual freedom, if care is taken to define freedom and power in such a way as to maximize the usefulness of these two concepts in discussion. As Knight has suggested, it seems desirable for this reason to define freedom somewhat narrowly as the absence of coercion and unfreedom as the state of being prevented from utilizing the normally available capacities for action.[21]

VII

There remains the task of evaluating the foregoing differences in the position of the individual chooser in voting and in the market, with a view toward determining the relative appropriateness of the two choice processes for the social group when they are, in fact, possible alternatives. If rationality in individual behavior is considered a desirable feature of a choice process,[22] there would appear to be several reasons for claiming that market choice should be preferred. The greater degree of certainty seems clearly to produce more rational behavior; the uniquely centered responsibility tends to work in the same direction. Even if voting and the market are genuinely alternative means of making choices in a particular situation (thereby eliminating the inherent difficulties in voting choice when this is the only alternative), the difference in the divisibility of voting tends to make market choices finer and more articulate. The fact that market choice tends to embody greater rationality in *individual behavior* than does voting choice does not suggest that market choice tends to produce greater *social* rationality.[23]

21. See Frank H. Knight, "The Meaning of Freedom," in *The Philosophy of American Democracy,* ed. Charles M. Perry (Chicago: University of Chicago Press, 1943), 64; "Conflict of Values: Freedom and Justice," in *Goals of Economic Life,* ed. Dudley Ward (New York: Harper & Bros., 1953), 207, 226. For supporting views see Michael Polanyi, *The Logic of Liberty* (Chicago: University of Chicago Press, 1951), 159; E. F. Carritt, *Morals and Politics* (London: Oxford University Press, 1953), 195 f.

22. Rationality in individual behavior is defined in the normal manner, that is, the individual is able to rank alternatives, and such ranking is transitive.

23. It is on this basis that Dahl and Lindblom appear to reject the argument that mar-

The market should also be preferred as a choice process when individual freedom is considered in isolation. The absence of negative results of individual choices and, therefore, of the direct coercion which requires that the individual accept unchosen alternatives makes for a greater degree of freedom in market choice.

On the other hand, voting should perhaps be preferred to the market when individual motivation in choice is the attribute examined. Voting choice does provide individuals with a greater sense of participation in social decision-making, and, in this way, it may bring forth the "best" in man and tend to make individuals take somewhat more account of the "public interest." This attribute of the voting process has probably been somewhat neglected by liberal students and somewhat overemphasized in importance by socialists. It should be noted, however, that, even if this proves to be an important difference, voting will produce consistent or "rational" *social* choice only if men are able to agree on the ultimate social goals.[24] If men are not able to agree on what is genuine morality, the adoption of a choice process in which they act more morally cannot be justified on this ground.[25]

It is in the power structure among individuals antecedent to choice that the market may, and most often does, prove unacceptable. Political voting is characterized by an alternative power structure which may be deemed preferable to that of the market. And the selection of the one-for-one power relation among individuals appears to carry with it the selection of voting over market choice. If, however, the market power structure can be effectively modified independently of the choice process, this apparent advantage of political voting need not be present.

It should be noted that the fundamental decision to modify the power structure, as well as the extent of such modification, clearly must be made by the ballot box. And in this type of decision especially it is essential that individuals act in accordance with a value-ordering which is somewhat different from that motivating individual market choice. After a redistributive decision for the group is made, it must be further decided whether a particular choice shall be made by the market or by political voting. This decision on process must also be made by means of the ballot box. In this decision the market should be rejected only if individual market choices are considered by voters to produce a social state less desirable than that which is produced by individual voting choices.

The selection of the choice process, if the redistributive decision can be made separately, will depend to a large degree upon the relative positions of the various social goals in the value scales of individuals comprising the voting group. If consistency in individual behavior and individual freedom are highly regarded relative to other values, the market will tend to be favored. If, on the other hand, the somewhat vague, even though meaningful, concept of "social welfare" is the overriding consideration, voting choice may be preferred. But even here, if the individual's expressed interest is judged to be the best index of social welfare, the market may still be acceptable as a choice process (this was essentially the position of the utilitarians).

The selection of the choice process will also depend on whether or not the voters consider their own self-interest to be better served individualistically or collectively. If the "collective-action" preference scale allows the required majority of individuals to attain a more esteemed position than does the "individual-action" preference scale, voting choice will be selected regardless of the ranking of social goals. In this case it might be irrational for an individual to choose the market process, even though his behavior in the market, once this process was selected by the group, would be more rational than his behavior in the voting booth. The electorate should select the ballot box over the market place in those areas where individually determined market acts tend to produce results which are in conflict either with those which a large group of voters estimate to be their own or the "social welfare" and where the conflict is significant enough to warrant the sacrifice both of the individual freedom and the individual rationality involved.

In so far as market choice must be made under imperfectly competitive conditions[26] and voting choice under conditions of less than "pure" democ-

ket choice is more rational (*Politics, Economics, and Welfare*, chap. 15). They do so because they are concerned with rationality in the social sense, defined as that action which maximizes the achievement of certain postulated social goals. If rationality is defined purely in terms of individual behavior, their argument appears to support that of this paper, although they seem explicitly to deny this at one point (ibid., 422).

24. Cf. Arrow, *Social Choice and Individual Values.*

25. If they cannot agree, the possible irrationality of collective choice may be a desirable rather than an undesirable feature, since rationality could be imposed only at the cost of minority coercion (see my "Social Choice, Democracy, and Free Markets," *Journal of Political Economy* 62 [1954]: 114–23).

26. Imperfections include, of course, the presence of such monetary and structural factors as may lead to unemployment.

racy, the analysis of individual behavior in each process must be appropriately modified and the conclusions reached earlier changed accordingly. No attempt will be made here to extend the analysis in this direction.

VIII

A major source of confusion in the discussion of economic policy stems from the failure to distinguish carefully between the selection of the power structure among individual choosers and the selection of the choice mechanism. This arises from the more fundamental failure to define freedom in such a way that market freedom and market power may be differentiated conceptually.[27] In many real world situations the market power structure cannot be effectively modified independently, that is, a redistributive decision cannot be made in isolation. It is nevertheless essential for analytical clarity that this ideational distinction be made.

The separation of the power structure and the decision-making process is less inclusive and less complex than the similar and more commonly encountered distinction between the "income" and the "resource" aspects of economic policy. The problem of selecting the desirable structure of power relations among individuals in the market is, of course, equivalent to the income problem broadly considered. The "resource" side of the "income-resource" dichotomy introduces an evaluation of policy in terms of the social criteria of economic efficiency, and these aspects of the market mechanism tend to be emphasized. The "choice" side of the "power-choice" dichotomy which has been developed here tends to concentrate attention upon individual behavior in making choices, and it tends to emphasize the greater range of freedom allowed the individual, as well as the greater degree of individual rationality in market choice.

27. This constitutes one of the major weaknesses in Dahl and Lindblom's otherwise excellent comparison of voting and the market (*Politics, Economics, and Welfare*, 414–27).

Social Choice, Democracy, and Free Markets

Professor Kenneth Arrow's provocative essay, *Social Choice and Individual Values*,[1] has stimulated a great deal of comment and discussion during the two years since its publication. Reviewers and discussants have been primarily concerned with those formal aspects of Arrow's analysis which relate to modern welfare economics. This concentration, which is explained by both the stated purpose of the work and the tools with which it is developed, has resulted in the neglect of the broader philosophical implications of the essay.[2] In this paper I propose to examine the arguments of Arrow and his critics within a more inclusive frame of reference. This approach reveals a weakness in the formal analysis itself and demonstrates that some of the more significant implications drawn from the analysis are inappropriate.

I shall first review briefly Arrow's argument, in order to isolate the source of much of the confusion which has been generated by it. Following this, I shall raise some questions concerning the philosophical basis of the concept of social rationality. In the next section I shall attempt to show that the neg-

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I am indebted to Marshall Colberg and Jerome Milliman, of Florida State University, and to Proctor Thomson, of the University of Chicago, for helpful comments and suggestions.

1. New York: John Wiley & Sons, 1951.

2. Little's stimulating review article and, to a somewhat lesser extent, Rothenberg's subsequent critique provide partial exceptions to this general statement (see I. M. D. Little, "Social Choice and Individual Values," *Journal of Political Economy* 60 [1952]: 422–32; and Jerome Rothenberg, "Conditions for a Social Welfare Function," *Journal of Political Economy* 61 [1953]: 389–405).