

# Factual Free-Market Fairness

*[Editor's Note: This essay is part of a symposium on John Tomasi's Free Market Fairness. For an introduction to the symposium, click [here](#). For a list of all posts in the symposium, click [here](#).]*

To a discussion by political philosophers a mere fact woman like me, an economic historian trained in the 1960s as a transportation economist, has really only one thing to contribute. It is, to slightly modify Cromwell's imprecation to the Scottish Presbyterians in 1650, "I beseech you, in the bowels of Christ, think it possible that you may be [factually] mistaken."

Factually. I realize that Kant laid it down that what humans are factually like, or what their history factually was, is forbidden to play a part in ethical reflection. We are supposed to be looking for principles that any Rational Creature would adhere to, whether a six-headed being in outer space or the man on the Clapham omnibus. As an economist I can see the charm in assuming a character Max U, or Rational R, and then proceeding. And I know that most social psychologists (I except among the younger generation Jonathan Haidt, for example, or, Mike Csíkszentmihályi of my generation, or Jerome Bruner of an earlier generation) find it charming to believe that ethics starts with their own earliest experiments. Such models and experiments are a lot simpler than reflecting in addition on art and literature and philosophy since the Rig Veda and the Epic of Gilgamesh. But the modern cleverness after Hobbes and then Kant and Bentham and now with the fierce modernists of freakonomics and hedonic measurement seems less relevant to human experience—which is after all why we would want an ethical theory in the first place—than the virtue-talk of the ages. We can't, and shouldn't, stop being humans, who were once children, and will die, and who reason and love and hope in human ways. As [Will Wilkinson puts it](#), "if hammered into reflective equilibrium with the help of clever thought experiments and modeling assumptions" of the political philosophers since Hobbes, we nonetheless, *and even* (Will observes) *in the very rules of our reflections*, "are also going to be, to a very large extent, creatures of our environment." Kant's decision to omit anthropology (which he in fact taught every Saturday in term) was a human and rhetorical choice, not written in the starry heavens.

So: I'm from economics and history, and I'm here to help you. In the factual background assumed in the elegant contributions here by [Elizabeth Anderson](#) and [Samuel Freeman](#) there's a very particular story (less so in [Richard Arneson](#) and not at all in Wilkinson), embodied since the late nineteenth century in

what Tomasi calls High Liberalism. The High-Liberal political philosophers such as Anderson and Freeman and Dworkin and Nussbaum rely, against Kant, on a factual story which they take to be so obvious as to not require defense. I claim that on the contrary their master narrative is mistaken, as anthropology or economics or history. You can hear versions of it every night on MSNBC (you can hear other mistaken master narratives on Fox News, so understand I am not recommending *that*).

The story is, in a few brief mottos to stand for a rich intellectual tradition since the 1880s: Modern life is complicated, and so we need government to regulate. Government can do so well, and will not be regularly corrupted. Since markets fail very frequently the government should step in to fix them. Without a big government we cannot do certain noble things (Hoover Dam, the Interstates, NASA). Antitrust works. Businesses will exploit workers if government regulation and union contracts do not intervene. Unions got us the 40-hour week. Poor people are better off chiefly because of big government and unions. The USA was never *laissez faire*. Internal improvements were a good idea, and governmental from the start. Profit is not a good guide. Consumers are usually misled. Advertising is bad.

**Thus Anderson:** "Externalities, asymmetrical information, and other collective action problems are . . . pervasive in economic life. Countless ways of conducting business reap gains for some while imposing unjust costs on others. Create a cartel. Stuff rat feces in sausages." **Thus Freeman:** "It is a truism to say that in order to achieve the benefits of an efficient market economy (increasing productivity, greater economic output, increasing productive capital, etc.), the basic *rules* of property, contract, and exchange must be structured [by government] to realize efficient market relations."

No. The master narrative of High Liberalism is mistaken factually. **Externalities do not imply that a government can do better. Publicity does better than inspectors in restraining the alleged desire of businesspeople to poison their customers. Efficiency is not the chief merit of a market economy: innovation is.** Rules arose in merchant courts and Quaker fixed prices long before governments started enforcing them.

I know such replies will be met with indignation. But think it possible you may be mistaken, and that merely because an historical or economic premise is embedded in front page stories in the *New York Times* does not make them sound as social science. It seems to me that a political philosophy based on

fairy tales about what happened in history or what humans are like is going to be less than useless. It is going to be mischievous.

How do I know that my narrative is better than yours? The experiments of the 20<sup>th</sup> century told me so. It would have been hard to know the wisdom of Friedrich Hayek or Milton Friedman or Matt Ridley or Deirdre McCloskey in August of 1914, before the experiments in large government were well begun. But anyone who after the 20<sup>th</sup> century still thinks that thoroughgoing socialism, nationalism, imperialism, mobilization, central planning, regulation, zoning, price controls, tax policy, labor unions, business cartels, government spending, intrusive policing, adventurism in foreign policy, faith in entangling religion and politics, or most of the other thoroughgoing 19<sup>th</sup>-century proposals for governmental action are still neat, harmless ideas for improving our lives is not paying attention. In the 19<sup>th</sup> and 20<sup>th</sup> centuries ordinary Europeans were hurt, not helped, by their colonial empires. Economic growth in Russia was slowed, not accelerated, by Soviet central planning. American Progressive regulation and its European anticipations protected monopolies of transportation like railways and protected monopolies of retailing like High-Street shops and protected monopolies of professional services like medicine, not the consumers. "Protective" legislation in the United States and "family-wage" legislation in Europe subordinated women. State-armed psychiatrists in America jailed homosexuals, and in Russia jailed democrats. Some of the New Deal prevented rather than aided America's recovery from the Great Depression.

Unions raised wages for plumbers and auto workers but reduced wages for the non-unionized. Minimum wages protected union jobs but made the poor unemployable. Building codes sometimes kept buildings from falling or burning down but always gave steady work to well-connected carpenters and electricians and made housing more expensive for the poor. Zoning and planning permission has protected rich landlords rather than helping the poor. Rent control makes the poor and the mentally ill unhousable, because no one will build inexpensive housing when it is forced by law to be expensive. The sane and the already-rich get the rent-controlled apartments and the fancy townhouses in once-poor neighborhoods.

Regulation of electricity hurt householders by raising electricity costs, as did the ban on nuclear power. The Securities Exchange Commission did not help small investors. Federal deposit insurance

made banks careless with depositors' money. The conservation movement in the Western U. S. enriched ranchers who used federal lands for grazing and enriched lumber companies who used federal lands for clear cutting. American and other attempts at prohibiting trade in recreational drugs resulted in higher drug consumption and the destruction of inner cities and the incarcerations of millions of young men. Governments have outlawed needle exchanges and condom advertising, and denied the existence of AIDS.

Germany's economic *Lebensraum* was obtained in the end by the private arts of peace, not by the public arts of war. The lasting East Asian Co-prosperity Sphere was built by Japanese men in business suits, not in dive bombers. Europe recovered after its two 20<sup>th</sup>-century civil wars mainly through its own efforts of labor and investment, not mainly through government-to-government charity such as Herbert Hoover's Commission or George Marshall's Plan. Government-to-government foreign aid to the Third World has enriched tyrants, not helped the poor.

The importation of socialism into the Third World, even in the relatively non-violent form of Congress-Party Fabian-Gandhism, unintentionally stifled growth, enriched large industrialists, and kept the people poor. Malthusian theories hatched in the West were put into practice by India and especially China, resulting in millions of missing girls. The capitalist-sponsored Green Revolution of dwarf hybrids was opposed by green politicians the world around, but has made places like India self-sufficient in grains. State power in many parts of sub-Saharan Africa has been used to tax the majority of farmers in aid of the president's cousins and a minority of urban bureaucrats. State power in many parts of Latin America has prevented land reform and sponsored disappearances. State ownership of oil in Nigeria and Mexico and Iraq was used to support the party in power, benefiting the people not at all. Arab men have been kept poor, not bettered, by using state power to deny education and driver's licenses to Arab women. The seizure of governments by the clergy has corrupted religions and ruined economies. The seizure of governments by the military has corrupted armies and ruined economies.

Industrial policy, from Japan to France, has propped up failing industries such as agriculture and small-scale retailing, instead of choosing winners. Regulation of dismissal has led to high unemployment in Germany and Denmark, and especially in Spain and South Africa. In the 1960s the public-housing high-rises in the West inspired by Le Corbusier condemned the poor in Rome and Paris and Chicago to

holding pens. In the 1970s, the full-scale socialism of the East ruined the environment. In the 2000s, the “millennial collectivists,” Red, Green, or Communitarian, oppose a globalization that helps the poor but threatens trade union officials, crony capitalists, and the careers of people in Western non-governmental organizations.

Yes, I know, you want to reject all these factual findings because they are “right-wing” or “libertarian.” All I ask you to do is, once in a while, consider. Don’t believe everything you read in the papers.

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