

# Is the Market Moral?

BY AARON STEELMAN

Economists are often asked to advise government officials on policy issues, including many that are imbued with moral content. Consider, for instance, the subject of this issue's cover story—health care. Some people argue that health care is a human right and that the government should provide a minimum level of medical coverage to everyone. Or consider the issue of taxation. Some believe that the United States should adopt a more progressive income tax structure so that the rich would pay a higher percentage of total taxes, while others believe just the opposite, that the only “fair” tax is a flat tax.

Economics, however, is a positive science. As such it can't provide answers to these kinds of moral questions. The role of the economist is to *describe* the consequences of public policies, not to *prescribe* them. For instance, economists can advise policymakers about the most efficient way to achieve universal health care coverage, but not whether the goal itself is wise or worthy. To answer that question, we must turn to the realm of ethics.

There are, of course, many competing ethical theories. But three deserve special mention: utilitarianism, egalitarianism, and libertarianism. All three traditions are rich and have many distinguished proponents. But for simplicity we will associate each with a specific writer: John Stuart Mill, John Rawls, and Robert Nozick, respectively.

## Mill's Utilitarianism

Utilitarianism posits that public policies should be judged by their consequences. In the early 1860s, for instance, Mill argued that actions “are right in proportion as they tend to promote happiness; wrong as they tend to produce the reverse of happiness.”

Utilitarianism faces a number of criticisms. The most basic perhaps is: How do you measure happiness? Mill and his mentor, Jeremy Bentham, recognized this problem and suggested that pleasure be measured in units called “utils,” but they were less clear about how this could be done in practice. Utilitarianism has also been criticized because it supposedly ignores problems of “justice.” Certain actions, critics maintain, are wrong by their very nature and a just society would prohibit them. Mill agreed that some things, such as theft, should generally be prohibited—not because they are inherently wrong, but rather because they tend to lower overall well-being.

## Rawls' Egalitarianism

John Rawls reignited interest in social contract theory with his 1971 book *A Theory of Justice*. According to Rawls, people should act as if they are standing behind a “veil of ignorance” when choosing rules to govern society. In other words, they should pretend that they are in the “original position” and know nothing about the social class they will be born into or the abilities they will possess. In such a situation, Rawls argued, people will follow the “maximin” rule: They will pick a society that puts its least fortunate individuals in the least unfortunate situation—in short, a society that takes extreme caution to protect people from economic hardship. Rawls' theory was enormously influential, but it begged the following question: Are people really so risk-averse? If not, they may opt for a system that would still protect them from misfortune but would not involve the level of government intervention that is probably required to maintain the maximin rule.

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## Nozick's Libertarianism

Rawls' Harvard colleague Robert Nozick penned his 1974 book *Anarchy, State, and Utopia* largely in response to Rawls' work. Nozick argued that individuals “have rights, and there are things no person or group may do to them.” This led him to conclude that “a minimal state, limited to the narrow functions of protection against force, theft, fraud, enforcement of contracts, and so on, is justified; that any more extensive state will violate persons' rights not to be forced to do certain things.” Nozick's book was tightly argued. But it required readers to accept its central premise—that people do, indeed, have natural rights—as a given. He did little to show how this assumption could be derived rationally.

## Whom to Believe?

When pressed, followers of each of these theories will admit their limitations. (For instance, few egalitarians would choose a desperately poor society in which everyone earned the same small amount of money over the present-day United States, which is less equal but much richer.) Still, each theory presents an intriguing way of looking at the world that can help us choose what we wish to accomplish with public policy. And once that has been decided, economics can help us determine the most efficient means to achieve these ends. It is important, though, not to conflate the two: Ethics has its role, as does economics, but the two should remain clearly distinct.

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