American Journal of Economics and Sociology, Inc.

Economic Justice and Global Trade: An Analysis of the Libertarian Foundations of the Free Trade Paradigm
Author(s): Shannon Kathleen O'Byrne
Source: *The American Journal of Economics and Sociology*, Vol. 55, No. 1 (Jan., 1996), pp. 1-15
Published by: American Journal of Economics and Sociology, Inc.
Stable URL: http://www.jstor.org/stable/3487669
Accessed: 05-03-2018 17:21 UTC

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact support@jstor.org.

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at http://about.jstor.org/terms

American Journal of Economics and Sociology, Inc. is collaborating with JSTOR to digitize, preserve and extend access to *The American Journal of Economics and Sociology*

This content downloaded from 129.128.46.162 on Mon, 05 Mar 2018 17:21:21 UTC
All use subject to http://about.jstor.org/terms

The AMERICAN JOURNAL *of* ECONOMICS *and* SOCIOLOGY

Published QUARTERLY in the interest of constructive synthesis in the social sciences, under grants from the FRANCIS NEILSON FUND and the ROBERT SCHALKENBACH FOUNDATION.

VOLUME 55 | JANUARY, 1996 | NUMBER 1

Economic Justice and Global Trade:

An Analysis of the Libertarian Foundations of the Free Trade Paradigm

By SHANNON KATHLEEN O'BYRNE*

ABSTRACT. While liberal *political theory* tacitly governs the domestic policy concerning *international trade* advocated by influential analysts such as Professor *Michael E. Porter* of the Harvard Business School, libertarian political theory animates the international trading regime. This incongruity merits criticism in the context of world *poverty* as do the *libertarian* predicates upon which the global free market paradigm is based. The libertarian *political philosophy* inherent in the paradigm means that little significance is attached to disparity in *economic resources,* market opportunity, and *bargaining power* affecting even the poorest of countries. As a result, the global free market paradigm validates a strategy of reductionism, postponement, unsubstantiated *meliorism* and utter apathy in acknowledging the likely trading prospects of much of the world. Problems such as *donor fatigue,* political and bureaucratic *corruption* within a recipient country, as well as the failure of many past efforts to foster *development* suggest that no easy antidote exists for national destitution

* [Shannon Kathleen O'Byrne, M.A., LL.M., is an assistant professor in the Faculty of Law, University of Alberta, Edmonton, Canada, T6G 2H5.] She thanks Professors David Percy and Linda Reif of the Faculty of Law of the University of Alberta, James McGinnis of the Edmonton law firm of Parlee McLaws, and extends appreciation to the referees of this *Journal* and to Professor Gil Reschenthaler of the Faculty of Business at the University of Alberta for their comments.

American Journal of Economics and Sociology, Vol. 55, No. 1 (January, 1996).
© 1996 American Journal of Economics and Sociology, Inc.

This content downloaded from 129.128.46.162 on Mon, 05 Mar 2018 17:21:21 UTC
All use subject to http://about.jstor.org/terms

but this does not mean that the paradigm must carry the day in its most radical form. An easily taken first step is to replace the paradigm's more extreme *libertarianism* with the positive economic nationalism espoused by U.S. Labor Secretary *Robert Reich.*

I

Introduction

THIS PAPER CONCERNS the emergence of an important, late twentieth-century construct, namely the discrediting of neo-mercantilism in favor of corporate and national competition in a global free market. Within North America, for example, the signing of the Free Trade Agreement between the United States and Canada in 1988, and more recently, the conclusion of the North American Free Trade Agreement amongst Mexico, the United States, and Canada, both signal—though far from consistently—an endorsement of the goal of global economic laissez-faire.

The contention here is that the global free market paradigm has not yet earned a full endorsement. This is because the paradigm is grounded in libertarian political theory and as such, cannot seriously address the pervasive fact of economic under-development and the lack of trading opportunity encountered by much of the world's population. In short, the model ignores too much.

The critique of the free market paradigm is made seriatim. Part II considers the analysis of Professors Michael E. Porter and David Kennedy to illustrate that while liberal political theory tacitly governs domestic policy regarding international trade, libertarian political theory animates the international trading regime. Part III sets the stage for critiquing this incongruity by revisiting the economic reality faced by undeveloped and underdeveloped countries. Part IV directly challenges the global free market paradigm by showing how its libertarian foundations promote an anomic strategy of postponement, exaggerated meliorism and disregard for the likely trading prospects of much of the world. Part V provides a sociological account of why the libertarian analysis is accepted notwithstanding its deficiencies. The paper concludes with an argument against the zero-sum nationalism and laissez-faire cosmopolitanism mandated by libertarian political philosophy in favor of the positive economic nationalism espoused by the U.S. Secretary of Labor, Robert Reich (1992). Definitions of important terms are given throughout.

What is not offered here is an economic analysis of the global market nor a diagnosis as to why so much of the world's population is poor. What follows is an account of the political ideology which informs a standardized view of the

This content downloaded from 129.128.46.162 on Mon, 05 Mar 2018 17:21:21 UTC
All use subject to http://about.jstor.org/terms

global market and, through the work of Hans Kuhn, a sociological account for the prevalence of that view.

II

The Analysis of Michael E. Porter and David Kennedy

THE APPEAL OF the global free market and its promise of enhanced national prosperity has been an important theme for, among others, Professor Michael E. Porter of the Harvard Business School. Porter's book, *The Competitive Advantage of Nations* (1990), offers a pivotal account of why countries are more or less successful in the international marketplace and how the main stakeholders (business, labor, and government) can contribute to a nation's overall competitive advantage.

Porter's analysis assumes that domestic governments would lend a considerable measure of social and economic infrastructural support to their own players in the international marketplace. For example, indirect government subsidies "in areas such as education, research universities, and advanced infrastructure" (640) are successful routes to competitive advantage because they (628)

> constitute perhaps the single greatest long-term leverage point available to all levels of government in upgrading industry. Improving the general education system is an essential priority of government, and a matter of economic and not just social policy.

Infrastructural development by government is critical and includes not just facilitating advanced transportation and telecommunications—"also important are cultural and recreational activities that attract talented individuals to a place to live and work" (638). The role of government policy in advancing national competitive advantage is at once refined and significant.

Porter's account of global competitiveness requires the existence of a national state presence which would facilitate the economic advancement of its citizenry. Indeed, Porter expressly disagrees with those who contend that the proper role of government is "to sit back and let market forces work" (617): domestic governmental involvement is part of the matrix needed to achieve national competitive advantage. Porter thus espouses reformist liberal political philosophy—which promotes a qualified state presence in the economy—over the Nozickian night-watchman state of libertarianism which, by way of contrast, would limit the role of government to "protecting all its citizens against violence, theft, and fraud, and to the enforcement of contracts . . . "(Nozick, 1974, 26).

The global market, however, is most decidedly "hyper-liberal" for apparently envisaging "a return to nineteenth-century economic liberalism" now known as libertarianism (Cox, 1991, 342). As described by David Kennedy in the Harvard International Law Journal (1991, 379–80), the standard conception of international trading relations can be understood in the following terms:

This content downloaded from 129.128.46.162 on Mon, 05 Mar 2018 17:21:21 UTC
All use subject to http://about.jstor.org/terms

> Broadly conceived, the international trade regime divides traders and trade relations into the normal and the deviant. It is a distinction at once spatial and temporal. As seen from the trade regime, normal trade is open, structured solely by comparative costs and pursued by private actors without governmental intervention. Normal traders are diversified, developed economies with stable currencies that free private enterprises to participate in trade without abnormal state support or regulation. Everything else—subsidies, dumping, cartels, dependence, instability, state trading, underdevelopment, undue vulnerability to imports, exchange rate instability, and international price supports—is abnormal.

The libertarian political values informing this standard view of the international marketplace include strict freedom of contract; the unfettered right to hold private property; distribution of income—and ultimately wealth—based primarily upon market forces; and a severely limited state presence. Indeed, as Kennedy (1991, 380) notes, private international traders operate under their own rules forged through contract and do so "to a far greater extent than in even the most laissez-faire national system." This consequences of this influence will be explored in Part IV.

III

Global poverty

IT IS IRONIC that the "deviant" in the international trading relations model referenced by Kennedy above—particularly underdevelopment, dependence and instability—is nonetheless prevalent. The World Bank's *World Development Report 1992: Development and the Environment* (25, chapter summary) reports that one billion of the world's people live in "abject poverty." The numbers of poor have increased at approximately the same rate as total population growth (29). Though some improvements in living standards have been experienced in parts of Asia, the World Bank concedes that all "poverty measures worsened in Sub-Saharan Africa, the Middle East and North Africa, and Latin American and the Caribbean" (29). Approximately half of those living in Sub-Saharan Africa live below the poverty line and one quarter of the world's population does not receive sufficient food, (*Human Development Report 1992,* 14). This kind of scenario is confirmed in the *Human Development Report 1994* (1–3) with the acknowledgement that some slow progress is being made. A recent World Bank publication *Trends in Developing Economies 1993* notes, however, that growth in developing counties "has been poor since the start of the 1990s and in per capita income terms has actually declined . . . " (at vii).

A summary of disparity in quintile income distribution is set out by the *Human Development Report 1992* on its inside front cover as follows:

This content downloaded from 129.128.46.162 on Mon, 05 Mar 2018 17:21:21 UTC
All use subject to http://about.jstor.org/terms

World Population	World Income
Richest 20%	82.7%
Second 20%	11.7%
Third 20%	2.3%
Fourth 20%	1.9%
Poorest 20%	1.4%

Obviously, income distribution and the presence or absence of a subsistence standard of living will have an enormous impact on economic activity. The *Human Development Report 1994* (63) notes that the richest quintile engages in 84.2% of all world trade (up from the figure of 81.2 reported in *Human Development Report 1992*, 35). The poorest fifth engages in .9%. Further, 83% of direct foreign investment is made in the industrialized world while the majority of the remainder—which is invested in the developing world—is clustered in only 9 of the already better-off countries (*Human Development Report* 1992, 5). Compounding the dimness of global trading prospects for many developing countries and the undeveloped world at large are weakness in bargaining power (4), a chronic lack of market opportunities (48), moderate to severe indebtedness (45), and trade barriers imposed by industrialized nations on those products where the developing world in fact has a comparative advantage. The cost of these trade barriers on textiles and clothing was estimated by the *Human Development Report 1994*, to be approximately $50 billion a year. This number is approximately equal to the total flow of foreign assistance (66).

These World Bank and Human Development Programme statistics are not offered as a general indictment of the free market system. It is true that the global free market is a demonstrated route to increased per capita wealth. Singapore, Taiwan, Hong Kong and South Korea, to cite some well known examples, have sustained impressive economic growth due to their enhancement of free markets. Further, and as the *Human Development Report 1992* observes, in the decades of economic globalization, world output has tripled, world trade has quadrupled and world commercial bank lending has grown twice as fast as world trade (74). And, according to Fieleke (1994), there is no clear evidence that globalization has contributed in any substantial way to greater inequality.

That said, it is nonetheless troubling that proponents of global economic laissez-faire fail to attach any fundamental significance to the inevitably reduced trading opportunities which accompany national destitution nor do they acknowledge the limits of their own model. Concomitantly, and as will be explored in the next section, the libertarian values informing the free market paradigm, described by Kennedy above, produce an unmeasured rejection of calls for even

This content downloaded from 129.128.46.162 on Mon, 05 Mar 2018 17:21:21 UTC
All use subject to http://about.jstor.org/terms

limited wealth redistribution through subsidy, foreign aid or debt forgiveness. The following section explores the political philosophy behind this rejection.

IV

The Free Market Paradigm and Libertarianism

FOR LIBERTARIAN POLITICAL PHILOSOPHERS, any movement towards wealth redistribution designed to address the economic realities faced by poor countries referenced in the previous section is regarded as dangerous at worst and nonsensical at best. The objective here is to identify the more troubling aspects of the philosophy informing the global market paradigm which either under-emphasizes the problem of international economic development or over-emphasizes a free market solution to the future prosperity of the underdeveloped and undeveloped world.

Libertarian objections need some explanation. The negative entitlements of libertarianism—emanating from the overarching value of individual freedom and steeped in the political and economic traditions of John Locke and Adam Smith (Arthur and Shaw, 1991, 61)—are given their vastly unmodified, modern face in the work of libertarians such as Nozick, Hayek and Friedman. These theorists oppose wealth redistribution for a myriad of related reasons, some of the most commonly observed and prominent being:

1. economic freedom is an important constituent of individual freedom;
2. a free market is the most neutral and hence unbiased method of income allocation;
3. there can exist no agreed-upon basis for redistribution;
4. the current distribution of wealth is not a normative problem; and
5. the free market rewards initiative and hence generates incentives to produce wealth.

These claims—which militate against redistribution—are most often made with respect to the role of a state and its domestic markets. But these same claims defend a laissez-faire global market in which international taxation is absent, the fairness of the value attributed to low wage labor by international market forces is assumed to be just, and calls for wealth redistribution between rich and poor countries are widely regarded as invalid. It should be noted that these libertarian claims are not entirely distinct but loop back and forth into each other. Thus a neutral method of wealth allocation promotes individual freedom because the more commonly invoked alternative—patterned distribution in accordance with end-state principles such as "moral merit, or needs, or marginal product, or how hard he tries, or the weighted sum of the foregoing"

This content downloaded from 129.128.46.162 on Mon, 05 Mar 2018 17:21:21 UTC
All use subject to http://about.jstor.org/terms

(Nozick, 1974, 156–57)—involves appropriation of an individual's labor; furthermore, a neutral market generates wealth because it rewards initiative which should be rewarded in any event if we want an economic system consistent with individual freedom. And so on.

What follows is an analysis of the propositions—the common libertarian claims—summarized in (1) to (5) above, and, further, a translation of each proposition to the global market level.

The free market is an important constituent of individual freedom. Within the libertarian tradition, a free market is essential for two reasons. First, economic freedom is an important instance of individual freedom (Friedman, 1962, 8 and following) and second, because the market is regarded as being "self-regulating," it is non-coercive, facilitates a minimalist state presence, and hence is consistent with liberty. Friedman (14–15) describes the free market in the following way:

> So long as effective freedom of exchange is maintained, the central feature of the market organization of economic activity is that it prevents one person from interfering with another in respect of most of his activities. The consumer is protected from coercion by the seller because of the presence of other sellers with whom he can deal. The seller is protected from coercion by the consumer because of other consumers to whom he can sell. The employee is protected from coercion by the employer because of other employers for whom he can work, and so on. And the market does this impersonally and without centralized authority.

Further (15):

> By removing the organization of economic activity from the control of political authority, the market eliminates this source of coercive power. It enables economic strength to be a check to political power rather than a reinforcement.

Similar claims are made by Nozick (1974, 149–50) and Hayek (1976, 107–32).

This normative perspective sees wealth redistribution as invalid. First, a market allocation of income is fully commensurate with the "general role of the market in effecting co-operation and co-ordination without coercion" (Friedman, 168). Second, redistribution would invite an enhanced government presence, and so must be rejected. As Friedman (176) expresses the matter:

> The distribution of income is still another area in which government has been doing more harm by one set of measures than it has been able to undo by others. It is another example of the justification of government intervention in terms of alleged defects of the private enterprise system when many of the phenomena of which champions of big government complain are themselves the creation of government, big and small.

See too, Nozick (149) where he argues that anything more than a minimalist state cannot be justified because this would constitute a violation of individual rights.

In a similar vein, Hayek (1960, 100) argues against the principle of distributive justice, however defined. First, it should be rejected because "once introduced . . . would produce a society which in all essential respects would be the op-

This content downloaded from 129.128.46.162 on Mon, 05 Mar 2018 17:21:21 UTC
All use subject to http://about.jstor.org/terms

posite of a free society . . . " (100). Redistribution would wrongly interfere with individual autonomy (99, footnotes omitted):

> Insofar as we want the efforts of individuals to be guided by their own views about prospects and chances, the results of the individual's efforts are necessarily unpredictable, and the question as to whether the resulting distribution of incomes is just has no meaning.

Second, redistribution could not proceed in accordance with the Rule of Law (Hayek, 220 and following).

Indeed, patterned distribution is objectionable because, inter alia, it focuses exclusively on "recipient justice" and ignores the "givers and transferrers and their rights" (Nozick, 168). Even the fact that markets require cooperation and increase the value of "natural, human, and institutional resources" (Ruttan, 1989, 161) does not justify redistribution because, as Nozick notes (186–87, footnotes deleted):

> Don't individual entitlements apply to parts of the cooperatively produced product? . . . People cooperate in making things but they work separately; each person is a miniature firm . . . People are choosing to make exchanges with other people and to transfer entitlements, with no restrictions on their freedom to trade with any other party at any mutually acceptable ratio. Why does such sequential social cooperation linked together by people's voluntary exchanges, raise any special problems about how things are to be distributed? Why isn't the appropriate (a not inappropriate) set of holdings just the one which *actually occurs* via this process of mutually-agreed-to-exchanges whereby people choose to give to others what they are entitled to give or hold?

Transferred to the international stage, the analysis would be as follows: the global free market is an essential arena for the demonstration and realization of national sovereignty and autonomy. The over-arching values are the trader's freedom to conduct its own business, set its own price, and reap the potential benefits of its own contracts.

What this analysis suppresses, however, is considerable, including the arbitrariness of its starting point—namely, freedom construed merely as the absence of coercion. (See McClelland, 1990, 82 and following). Also suppressed is the substantive inequality of bargaining between a multinational corporation and a non-industrialized country which—while strictly free to do so—would be reluctant to seek wage levels higher than that of a similarly situated competitor nation. In this way, the libertarian model is objectionable because disparity in economic resources, market opportunity, and bargaining power are denied even their most elementary significance.

A free market is the most neutral and hence unbiased method of income allocation. Part of the fairness attributed to the operation of the free market system can be accounted for by the quality of neutrality by which it is said to operate. And the claim of neutrality is pivotal to the persuasiveness of the free market paradigm. The neutrality of the free market model is, in turn, largely

This content downloaded from 129.128.46.162 on Mon, 05 Mar 2018 17:21:21 UTC
All use subject to http://about.jstor.org/terms

derived from the timeless simplicity by which it is said to operate. Indeed, Adam Smith's eighteenth-century account of the free market retains a strong modern resonance for many conservative thinkers. As Friedman (1981, 8–9) asserts:

> The essence of Adam Smith's thesis is extremely simple. . . . The essence is simply that, if two people engage in a voluntary exchange, both parties must benefit; that if two people trade a good or service between each other, so long as the exchange is voluntary and there is no force, the transaction will take place only if both people are better off. There is no such thing as a fixed pie, so that one man's benefit must be at the expense of the other man. . . . [Smith's] fundamental insight was correct and remains as important today as it was when he first enunciated it; that if people are responsible for their own actions, if people engage in transactions on a voluntary basis, everybody can be made better off.

According to the proponents of laissez-faire, a free market system allocates wealth through an "invisible hand"—it therefore constitutes a method of wealth allocation which poses the least threat to individual freedom because, when operating correctly, it cannot reflect a pre-existing agenda, cannot be dominated monopolistically, and cannot be held ransom to one interest or group over another. For if the value of an individual's productivity were somehow "fixed" or reflected pre-existing values unrelated to the individual trader's goals or aspirations or ideas of the good life, then it would be considerably more difficult to promote as an instrument of individual freedom. For Nozick, (160) the principle of just distribution can be reasonably summarized in the following maxim: "From each as they choose, to each as they are chosen."

In short, neo-classical economic theory descriptively reflects the normative conclusions contained in much libertarian or conservative political thought: you receive your due as a individual as measured by your productivity and as valued by the neutral market factors of supply and demand. (See McClelland, at 82 and following on this point). As Friedman (1962, 167) says:

> Though the essential function of payment in accordance with product in a market society is to enable resources to be allocated efficiently without compulsion, it is unlikely to be tolerated unless it is also regarded as yielding distributive justice. No society can be stable unless there is a basic core of value judgments that are unthinkingly accepted by the great bulk of its members. . . . I believe that payment in accordance with product has been, and, in large measure, still is, one of the accepted value judgments or institutions.

It should be noted that theorists such as Friedman and Hayek do not contend that the market necessarily rewards "merit," only that the market's self-regulating capacity makes it the reasonable choice for a free society.

Because redistribution interferes with payment in accordance with marginal product, it cannot be attempted: redistribution would disturb an already just initial allocation. As McClelland (68) summarizes the matter:

> The central proposition defended by conservative economists [such as Hayek and Friedman] . . . is that the workings of the free market should not be interfered with by government

This content downloaded from 129.128.46.162 on Mon, 05 Mar 2018 17:21:21 UTC
All use subject to http://about.jstor.org/terms

> action, and thus whatever distribution is generated by a free market is the one that should prevail.

Similarly, in the international marketplace, a minimalist role for national governments is demanded in the "normal" trading relationship identified by Kennedy, that is, when subsidies, dumping and cartels are absent. The value of labor and other factors of production are set by an "invisible hand" which, by definition, cannot be controlled hegemonically. As a result, because each country competes as a legal equal, prosperity is within everyone's grasp. National sovereignty and the promise of eventual prosperity persist because economic freedom is contained in every trade. But if global trading does not occur—as it does not in much of the world—libertarian analysis becomes cruelly hypothetical.

There can exist no agreed-upon basis for redistribution. A related libertarian objection to interference with market allocation of income is emphasized by Hayek. In short, because there can never be a universally accepted reason for redistribution, such an interference cannot legitimately be attempted (1944, 58):

> The attempt to direct all economic activity according to a single plan would raise innumerable questions to which the answer could be provided only by moral rule, but to which existing morals have no answer and where there exists no agreed view on what ought to be done.

Friedman is of the same mind when he argues that distribution on the basis of "fairness" is ill-advised and contrary to individual liberty because a definition of "fairness" cannot be agreed upon (1980, 134–35). McClelland (71) aptly identifies the strategy at work here: "the philosopher is arguing that if the standard for judging action cannot be perfect, the action (in this case, market intervention) should never be attempted."

Transferring this analysis to the international arena, there would be no support for an international agency which, for example, taxed corporate activity or industrialized countries in general and redistributed that wealth to the undeveloped world. This is because there exists no universally accepted principle upon which redistribution could proceed. The libertarian's unmeetable standard for certainty is thereby strategic—it casts inaction as a principled response to the quest for consensus, and in this way, questions concerning redistribution become inherently and inevitably anomalous.

The current distribution of wealth is not a normative problem. Hayek argues against a redistributionist state presence in the marketplace because wealth allocation by market forces occurs in a way which is nobody's fault and which no one has an obligation to address. He states (1976, 83):

> We are of course not wrong when we perceive that the effects on the different individuals and groups of the economic processes of a free society are not distributed according to some recognizable principle of justice. Where we go wrong is in concluding from this that they

This content downloaded from 129.128.46.162 on Mon, 05 Mar 2018 17:21:21 UTC
All use subject to http://about.jstor.org/terms

> are unjust and that somebody is responsible and to be blamed for this. In a free society in which the position of different individuals and groups is not the result of anybody's design— or could within such a society not be altered in accordance with a principle of general applicability-the differences in rewards cannot meaningfully be described as just or unjust.

Accordingly, attempts to redistribute wealth, whether within a country or internationally, are inherently misguided. No single country or series of corporate activity, it would be argued, is responsible for the current distribution of global wealth. By setting an unreachable standard of culpability, Hayek thus ensures the status quo through legitimizing inaction.

The free market rewards initiative and hence generates incentives to produce wealth. The claim that the free market, by rewarding initiative, thereby produces incentives to produce wealth, is itself premised on the liberal political contention that everyone is equal. But it goes beyond the contention of political and legal equality to one which assumes at least a minimal equality of opportunity. Without such an implication, it is impossible to comprehend George Gilder's assertion that "[i]n order to succeed, the poor most of all need the spur of their own poverty" (qtd. in Kuttner, 1984, 1) or Hayek's admonition that wealth redistribution reduces incentives to work for the recipient (see McClelland's analysis of Hayek's three step dismissal of distributive justice, 1990 at 70–74). Yet, the quintile distribution of income and trading, cited earlier in this paper, shows that much of the world does not enjoy even a minimal equality of opportunity. In this context, talk about initiative and incentives emerge as bizarrely academic musings. This talk also serves to justify First World inaction.

But let us assume that even the most radical free market proponent would not argue that the undeveloped world needs the "spur" of its own poverty to facilitate the eventual attainment of economic prosperity. Even this concession would not, ironically, imply the obligation for wealth redistribution. The libertarian who conceded that arguments based on incentives have little meaning in the context of extreme poverty would revert to some other more "relevant" argument against economic, redistribution identified above. Redistribution would be seen as a forceable taking or as wrongly attributing blame, or as interfering with liberty, or as compromising the neutrality of the market. It would thereby be dismissed on other grounds.

V

Conclusion

In concluding this review of the five major assertions that seek to validate libertarianism, it is important to note how the consequences of a libertarian analysis are patently predetermined: the status quo concerning massively dis-

This content downloaded from 129.128.46.162 on Mon, 05 Mar 2018 17:21:21 UTC
All use subject to http://about.jstor.org/terms

proportionate distribution of wealth is maintained—not in the name of expediency—but in the name of an overarching human value which mandates this outcome (McClelland, 69).

As a result, the libertarian global free market paradigm validates a strategy of reductionism, postponement, unsubstantiated meliorism, and utter apathy, in acknowledging the condition of people who cannot subsist, let alone prosper in a global free market. At worst, any interference with free market forces is interpreted as an attack on the paramount value of freedom because it restricts the ability to trade, and in the instance of wealth redistribution, *requires* an individual, corporation, or nation state to surrender private property to another. At best, interfering with the free market in the name of a normative notion of fairness or equity is insensible because there can be no agreement as to what these values are, why property should be redistributed, when it is appropriate to do so and to what extent. In this way, the normative requirements of absolute freedom, total certainty and complete consensus become a revolving set of trump cards against the claims and the needs of the world's poor.

VI

Towards a Broader Economic Vision

THE NORM OF A LAISSEZ-FAIRE GLOBAL MARKETPLACE has such a powerful currency in international trading relations that it is nothing less than a paradigm. According to Thomas Kuhn in *The Structure of Scientific Revolutions,* a paradigm is both sociological and exemplary. Sociologically, it "stands for the entire constellation of beliefs, values, techniques, and so on shared by members of a given community" (1970, 175). As exemplar of past achievements within a discipline (175):

> it denotes one sort of element in that constellation, the concrete puzzle-solutions which, employed as models or examples, can replace explicit rules as a basis for the solution of the remaining puzzles of normal science.

Put another way, "The student discovers . . . a way to see his problem as like a problem he has already encountered" (189).

The notion of a global free market performs both of these paradigmatical functions. On the one hand, it invokes a whole host of mutually supporting ideas and values shared—tacitly at least—by many economists, world leaders, economic think tanks, owners and managers of international business organizations, as well as by libertarian or conservative members of the academic community. All at once, the paradigm is about incentives and rewards; about dismantling trade barriers and responding to the challenge of competitive advantage; about voluntary trades and individual autonomy; about efficiency; about freedom; and about enhancing the prospects for all, wherever they may live, whatever

This content downloaded from 129.128.46.162 on Mon, 05 Mar 2018 17:21:21 UTC
All use subject to http://about.jstor.org/terms

may be their fiscal and political circumstances, and notwithstanding their gender, education, health, or economic resources.

On the other hand, the free market performs what Kuhn calls an exemplary role when placed in the larger context generated by questions concerning exploitation and economic justice. As a result, the free market paradigm is ineluctably self-justifying and insular: it will not address those considerable matters which it locates outside of its sphere. Hence, the poignancy of the "puzzles" to which this paradigm can be connected (such as the "constellation" containing, for example, inequality of bargaining, and the economic cleavage between the developed and undeveloped worlds) dissolves in the paradigmatic mist.

Kuhn does not emphasize the deceptive, submerging role which paradigms could play in the promotion of a given construct but his theory clearly accommodates this outcome. For instance, by expressing his assumption that the researcher would be wise enough one day to "undertake a problem . . . that goes wrong in ways suggestive of a fundamental weakness in the paradigm itself," (Kuhn, 1977, 235) he casts the researcher as, in the words of David Warsh, "someone looking for trouble . . . but . . . [who] doesn't want to find it too often" (1988, 250). This description implies that a paradigm survives, in part at least, because its own systemic self-validation goes unchallenged or undetected by its promoters.

Nonetheless, the solution to the extreme disparity in global market opportunity resulting from national destitution is not an indiscriminate increase in foreign aid. International agencies have not proven effective in fostering development and have spent vast sums only to produce negligible, even negative results (*Human Development Report, 1992,* 74 and following). Project mismanagement, political instability, bureaucratic corruption within a given regime, and war[1] make development difficult and at times, impossible to achieve. J. R. Lucas (1980, 256), for example, is correct to note that policies pursued by governments in certain lesser developed countries do seem to be at variance with the interests of the citizens. Further, simply sending tied or untied aid to an impoverished country does not guarantee that it will actually reach the people in need.[2] See too Genovese (1994) and Lucas (1988). As J. R. Lucas notes, justice "does not require rich nations to provide poor nations with the wherewithal to buy arms or to subsidise national airlines that only a small minority of their peoples could ever afford to use" (1980, 256).

Nor is indiscriminate debt forgiveness the answer. As Patricia Adams notes in *Odious Debts* (1991, 94):

> Expectations of debt relief have one other inevitable effect—a willingness to spend recklessly, as illustrated by the remarks of Gabon's President Omar Bongo, upon learning in 1987 that Canada had forgiven all of Gabon's foreign debts: "I even regretted not having had more debts with Canada," Mr. Bongo said. . . .

This content downloaded from 129.128.46.162 on Mon, 05 Mar 2018 17:21:21 UTC
All use subject to http://about.jstor.org/terms

Another reality which makes vitalization of poor economies all the more difficult is the understandable fact of donor fatigue. Corruption within a recipient country—typified by the infamous Marcos regime in the Philippines—accounts for much of this. As Adams notes, the Marcoses' personal assets rose concomitantly and not coincidently with the Philippines foreign debt (Adams, 129). Fraud, the absence of public oversight, and kickbacks were the watchwords of the Marcos regime amidst the brutally destitute living conditions of the nation's poor.

But these daunting realities should not be used to shelter the free market paradigm from scrutiny: its own incongruities remain and suggest the need for a corrective. This would require a "paradigm shift"—a new way of regarding the world and our relationships to individuals within it. It would mean acknowledging the hard questions, discussed earlier, from which libertarian political theory would have us stand aside. An easily taken first-step would be to reject laissez-faire cosmopolitanism, the view that "profit-seeking individuals and firms are far better able to decide what gets produced where; governments only mess things up" (Reich, 1992, 311) and zero-sum nationalism—the view that American economic interests should be promoted even "at the expense of others around the globe" (311). An alternative to these is positive economic nationalism, that is, a nationalism in which (311): "each nation's citizens take primary responsibility for enhancing the capacities of their countrymen for full and productive lives, but who also work with other nations to ensure that these improvements do not come at others' expense." For Reich, positive economic nationalism argues in favor of strategies to facilitate indigenous development, including the opening of advanced economies to the importing of high volume, standardized products (314). Further, he advocates a considered reduction of Third World debt, the provision of credit, albeit on a more scrutinized basis (314) and a commitment amongst traders to enhance well-being and wealth on a global scale (312).[3] In this context, Reich (315) asserts:

> The modern nation-state, some two hundred years old, is no longer what it once was: Vanishing is a nationalism founded upon the practical necessities of economic interdependence within borders and security against foreigners outside. There is thus an opportunity for us, as for every society, to redefine who we are, why we have joined together, and what we owe each other and the other inhabitants of the world.

Notes

1. R. E. Lucas (1988, 4) notes the impact which political and military disruption have on rates of growth.
2. For analysis of income distribution in the context of globalization, see Lucas (1988); Saltz (1995); and Fieleke (1994).
3. For a critique of Reich's industrial policy, see Krugman (1994).

References

Arthur, John and Shaw, William, eds. *Justice and Economic Distribution.* 2nd ed. Eaglewood Cliff: Prentice Hall, 1991.

This content downloaded from 129.128.46.162 on Mon, 05 Mar 2018 17:21:21 UTC
All use subject to http://about.jstor.org/terms

Cox, Robert. "The Global Political Economy and Social Choice." *The New Era of Global Competition: State Policy and Market Power.* Eds. Drache, Daniel and Gerler, Meric, Montreal: McGill-Queen's University Press, 1991: 335–50.

Fieleke, Norman S. "Is Global Competition Making the Poor Even Poorer?" New England Economic Review Nov./Dec. (1994): 3–14.

Friedman, Milton. *Capitalism and Freedom.* Chicago: University of Chicago Press, 1962.

———. *The Invisible Hand in Economics and Politics.* Singapore: Institute of Southeast Asian Studies, 1981.

Friedman Milton and Friedman, Rose. *Free to Choose.* New York: Harcourt Brace, 1980.

Genovese, Frank. "Rent and the Economics of Being Poor." *American Journal of Economics and Sociology* 53 (1994): 218, 255–56.

Hayek, Friedrich A. von. *Law, Legislation and Liberty,* Vol. 2: *The Mirage of Social Justice.* Chicago: Chicago University Press, 1976: 107–32.

———. *The Constitution of Liberty.* Chicago: University of Chicago Press, 1960.

———. *The Road to Serfdom.* Chicago: University of Chicago Press, 1944.

Kennedy, David. "Turning to Market Democracy: A Tale of Two Architectures." Harvard International Law Journal 32 (1991): 373–96.

Krugman, Paul. *Peddling Prosperity: Economic Sense and Nonsense in the Age of Diminished Expectations.* New York: W. W. Norton, 1994.

Kuhn, Thomas. *The Structure of Scientific Revolutions.* 2nd ed., (enlarged) Chicago: University of Chicago Press, 1970.

———. *The Essential Tension: Selected Studies in Scientific Tradition and Change.* Chicago: University of Chicago Press, 1977.

Kuttner, Robert. *The Economic Illusion: False Choices Between Prosperity and Social Justice.* Boston: Houghton Mifflin Company, 1984.

Lucas, J.R. *On Justice.* Oxford: Clarendon Press, 1980.

Lucas, Jr. Robert E. "On the Mechanics of Economic Development." *Journal of Monetary Economics* 22 (1988): 3–42.

McClelland, Peter. *The American Search for Economic Justice.* Cambridge, Mass.: Basil Blackwell, 1990.

Nozick, Robert. *Anarchy, State, and Utopia.* New York: Basic Books, 1974.

Porter, Michael. *The Competitive Advantage of Nations.* New York: Free Press, 1990.

Reich, Robert. *The Work of Nations.* New York: Vintage Books, 1992.

Ruttan, Vernon. "Assistance for Economic Development." *Fundamentals of the Economic Role of Government.* Ed. Warren Samuels. New York: Greenwood Press, 1989: 157–65.

United Nations Development Programme. *Human Development Report 1992.* New York: Oxford University Press, 1992.

———. *Human Development Report 1994.* New York: Oxford University Press, 1994.

Warsh, David. " "Yellow Rain" " and " "Supply-side Economics" ": Some Rhetoric That Failed." *The Consequences of Economic Rhetoric.* Eds. Arjo Klamer, Donald McCloskey and Robert Solow. Cambridge: Cambridge University Press, 1988: 247–62.

World Bank. *Trends in Developing Economies, 1993.* Washington D.C.: The International Bank for Reconstruction and Development/The World Bank: 1993.

———. *World Development Report 1992: Development and the Environment* Oxford: Oxford University Press, 1992.

This content downloaded from 129.128.46.162 on Mon, 05 Mar 2018 17:21:21 UTC
All use subject to http://about.jstor.org/terms