

# What Are Free Markets For? Or, what should we think about before we think about voting?

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In the midst of a long and unpredictable election season, American voters find themselves asking very difficult questions: How is the country to be unified in the face of deeply-felt political difference? What is the role of religion in political governance? How freely should we trade with other countries? How important is the economy to national well-being? What is the ideal education policy?

These are not new questions, nor do they have easy answers, but voters, when examining their own commitments, tend to make two types of mistakes. The first assumes that these questions are simply matters of opinion and can be addressed without considering the history of public policy; the second is supposing that a person can answer any one of them without addressing the others – that political commitments are singular and unrelated to one another. These two central difficulties relate to what I shall call the problem of expertise versus equality, and the problem of policy connectedness. The problem of expertise versus equality asks to what extent an uninformed electorate is more or less effective than an informed one. It requires that we wonder whether voting is a matter of opinion or knowledge, and, if it's the former, whether all beliefs are of equal worth. The problem of policy connectedness acknowledges that any given policy necessitates support from other laws and practices, and asks to what extent changes in policy or practice necessitate other changes across the legislative board.

## **1. Expertise versus equality.**

Prioritizing expertise has a long history. Plato argued that democracy was rule by the ignorant and that a society is only just when it is governed by the intellectual elite. Aristotle argued that some people were leaders by their very nature. Augustine postulated that the only just society was the one created by Christians who rejected their own self-interest, and Thomas Aquinas argued for adherence to a “natural law,” asserting that justice is only found when human

rules are in alignment with those set forth by the divine. Martin Luther King, Jr. made this exact argument in *A Letter from Birmingham Jail*.

These variations on Plato's priority of expertise presume an irregular access to knowledge. They assume that governance should privilege the knowledgeable and reject any claims to equality. In contrast, philosophers of the modern era –from the sixteenth century onward – reversed this, emphasizing individualism instead. Hobbes, Locke, and others showed that equal political participation was the “right” of every individual, and that government was only legitimate when it represented the will of the people. In these theories, expertise became a managerial skill essential for governors but not the people who consented to be ruled.

Equality here presumes the detachment of governance from state religion and intellectual authority. After centuries of religious wars, modern philosophers concluded that the only way towards peace and justice was through “toleration,” a pluralism that included different interests as well as beliefs. They argued that citizens should be able to pursue their own goals in their own way, and that each person must be permitted to have a say even if, in the end, the majority chose to do otherwise. Equality of belief – religious belief, in particular – became the hinge of liberal democracy.

These were, and are, imperfect solutions. First, participation was quite limited. Women, slaves, and those without land were usually excluded from the process. Second, the majority is not always right. Just because lots of people agree on something doesn't mean it's the best thing to do. We need only think of slavery or the binding of women's feet to prove this.

What is most relevant for us is that that these approaches were all built upon the glorification of self-interest. The seventeenth and eighteenth centuries saw the widespread acceptance that acting out of “self love,” was neither inherently vicious nor to be discouraged. Previously, subordinating one's needs to the community had been all-encompassing; private interest was

considered *selfish* and vicious. The modern political philosophers changed this.

This shift towards the acceptance of self-interest was economic as well as moral. Mandeville wrote that vices drive commerce, and that being virtuous materially benefited nobody. Shaftesbury argued that one's real self-interest was always in alignment with the community, and that if it appeared otherwise the agent was mistaken about what was in his or her own interest in the first place. Adam Ferguson wrote that one must always, "distinguish the selfishness of the parent when he takes care of his child, from the selfishness when he only takes care of himself." To put it simply, while modern political theorists recognized that self-interest was essential to political motivation, they disagreed vehemently about what they meant by the term in the first place.

Let's stop and consider how all of this relates to the current election. When I ask about expertise, I am not asking which candidate is most qualified for the presidency (even though it is perfectly legitimate to do so). Instead, I am asking what makes a voter qualified to choose a president. Is it that citizenship comes with certain rights and duties and as such, all people are qualified *just because* they are American? This is the constitutional answer, but philosophically, one can suggest that just because someone has the *right* to vote doesn't mean that one should. An uninformed voter who knows none of the candidates, who randomly selects buttons based on an arbitrary standard, may have the right to vote, but we would all be justified in asking whether he or she ought to exercise it.

As always, it gets complicated. The position that only some people should vote has, in the United States, at least, lead to literacy and property voting requirements such that have been used to disenfranchise vast numbers of people unfairly. (Compare the Jim Crow laws to certain recent African elections in which ballots contained pictures of candidates because many of the voters couldn't read.) Such tests would violate the equality principle of democracy, so we must shift the burden from government testing to self-awareness. Taking away the state's role in excluding others allows citizens to decide their level of participation for themselves. Perhaps the question of expertise becomes more palatable to our contemporary sensibility when posed like this: how must people prepare in order to vote well?

My students often justify their lack of voting by saying that they aren't informed enough to feel comfortable participating in the process. This self-selection is both laudable and disheartening. If they feel too ignorant to influence the vote then perhaps they are right to withdraw from the process. But this too is unsettling because their choice to be unrepresented still results in a lack of representation. Their voices are still silenced, even if they were quieted voluntarily. The obvious response (and my response) is to challenge students by citing their civic duty: "It is good that you are self aware enough to recognize your ignorance. Now, go learn something and then exercise your rights in the ballot box." This would be the best of both worlds. It invokes personal responsibility while increasing expertise and equality at the same time. (It also reminds me of the old joke about the coed who bats her eyes at a professor, telling him suggestively that she will do anything to pass his class. His response: "study.")

However, even before we face the specific questions of who/what to vote for and why, we must ask about the method of choice. Should we, as Locke suggests, vote based on what we think is best for ourselves independent of anyone else, or should we, as Jean Jacques Rousseau postulates, vote based on what we regard as best for the community as a whole, understanding that as a member of the community, we will likely benefit from the result? Our position on this debate helps us focus our positions on welfare, economics, the draft, education policy, individual rights, and a whole host of other thorny issues. Those who vote for their own best interest do not vote for welfare if they are well-off, nor do they vote for affirmative action if they are not discriminated against. In contrast, those who do ask whether welfare or affirmative action improve the community despite their good fortune usually vote independent of their personal circumstances.

Locke's position is built upon a commitment to expertise. As Adam Smith writes, every person is "by nature, first and principally recommended to his own care." In other words, each person knows his or her own needs better than anyone else and should therefore vote based on that knowledge. Self-interest is the motivation for self-knowledge. In contrast, Rousseau's position emphasizes equality. He argues that those in the voting booth should not distinguish between their needs and others, or, again, as Smith writes, "the most vulgar education teaches

us to act, upon all important occasions, with some sort of impartiality between ourselves and others.” When it comes to public policy, it is hard to justify prioritizing one specific person’s needs over another’s.

I use Smith to illustrate both approaches because it is my contention that his reconciliation of these complex issues helps us reconsider our options for the current election, especially because of his fervent embrace of the free market. However, I aim to show that once we look at his commercial structures in terms of equality, expertise, and policy connectedness, we get a very different picture of market-influenced politics than is usually put forth.

## **2. The (limited) purpose of the free market.**

Smith is most famous for being the founder of modern economic thought. Published in 1776, his groundbreaking treatise *An Inquiry into the Nature and Causes of the Wealth of Nations* changed the world as much as any other book in history. Its greatest achievement was to systematize the elements of the modern free market economy. These include, among other things, commercial transactions, government obligation, personal motivation, and social and political unity. It operated on the assumption that self-interest tended to guide commercial exchange, famously suggesting that, “it is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own self-interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages.”

*The Wealth of Nations* is close to 800 pages; its size is a monument to policy connectedness. Smith could not simply put forth a market model. He also had to describe the government that oversaw it, the manufacturing practices that cultivated it, the social structures that prepared its agents, and the history that contextualized it. These concerns grow out of one basic postulate: what makes a nation wealthy is not the value of the currency within its borders, but the value of the labor of its citizens.

In Smith’s time, *mercantilists* believed that the more money a country had the wealthier it was. On the face of it, this makes sense. We think of ourselves as wealthy if we have a large balance in our savings account or substantial equity in our house. But this approach misses the point: most prosperity comes from the potential to create more wealth, not the ability to revel in what we have. Unless we are lucky enough to

inherit a substantial sum and live off of interest (which is also future income), what we earn comes from the labor we will do over a lifetime. Thus, when we want to ask whether we are wealthy, we must first ask about our future earnings and the expected duration of our employment.

For Smith, what is true of individuals is true of countries as well. The more potential for meaningful labor among its citizens, the more wealthy and stable a country will be. Obviously, we can’t tell the future. Disaster can strike at any time; floods, tornadoes, or war can destroy infrastructure. But all else being equal, Smith’s presumption seems to hold. With labor comes wealth.

Smith argues that the more a country trades, the more labor opportunities there will be. Therefore, rather than hold the mercantilist position to limit trade and keep currency within established borders, Smith argues for free trade, increasing market size, maximizing potential sales, and, in turn, creating more manufacturing opportunities, which then creates more and higher paying jobs. This increases the wealth of workers and the nation.

This debate should sound familiar. Its contemporary version lies at the core of disagreements about NAFTA and protectionism. If one were to argue that the provisions of NAFTA are faulty, then that may not violate Smith’s perspective. One need only rewrite the treaty to better its terms. However, if one were to reject the trade agreement based on protectionist principles alone – that protecting American manufacturing jobs is the most important thing anyone can do for the economy and that so called “out sourcing” is crippling the American worker – then one is violating the principles set forth by *The Wealth of Nations*. For Smith, limiting the market does more damage than allowing it to expand globally. From his point of view, it is better to lose some jobs in order to gain many more.

While it may not be evident at first glance, the market principle is actually a means to negotiate expertise and equality. The former, expertise, comes in the form of specialization. Given the division of labor, workers develop refined skills that increase efficiency; the more expert a worker is at a task, the more profitable the result. Modern work arrangements increase expertise which, Smith argues, also increases innovation and therefore efficiency is increased even more. The problem here, as we will see, is that this expertise is only a narrow form of

knowledge, and it needs to be expanded. I shall return to this point shortly.

The division of labor also leads to equality since each component of the manufacturing process requires people to work together. When one worker fails, the whole project falls apart. The community coheres around the manufacturing process. But this, too, is a narrow form of equality and does not assist matters outside of the manufacturing process. So, the next question is how to expand the immediate effects of the market to the larger community. The standard answer to this is to expand the market itself, to “privatize” government, education, security, and other such matters. But as we shall see, this is in opposition to what Smith argued for. Privatization misses the boat when it comes to policy connectedness. Smith recognized that in order to make free trade work, the state and the community must provide a great deal of support: support for the worker, for the consumer, for the community, and for the state.

For example, Smith was very aware that repetitive specialized labor could destroy a worker’s ability to think creatively, to become educated, and to make good judgments. The mind numbing process of doing the same thing minute after minute, day in and day out, if that is all the person has, can destroy someone’s intellectual and creative lives. Smith was also aware that the economic need that forced people into undesirable jobs can also do terrible things to their families and to lower the self-worth of the worker, trapping everyone into an unsuitable and dead-end lifestyle. Even though he never anticipated the industrial revolution, Smith explicitly addressed what Marx would call the “alienation” of commercial work. He described the workers’ conditions bluntly and sought to make their lives better.

For Smith, it is the duty of the whole country to care for its workers, to attend to the poor, and to make sure that the conditions of the worst off are improved. He writes:

“Servants, laborers and workmen of different kinds, make up the far greater part of every great political society. But what improves the circumstances of the greater part can never be regarded as an inconvenience to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, clothe and lodge the whole body of the people, should have such a share of the produce of their own labor as to be themselves tolerably well fed, clothed and lodged.”

One of the great purposes of *The Wealth of Nations*, especially combined with Smith’s earlier book *The Theory of Moral Sentiments*, was to describe what Smith named “universal opulence,” the circumstance in which all individuals in a given society have what they need in order to thrive. Smith argued that everyone ought to have access to basic necessities and be able to use them to educate themselves and choose their own ways of life – self-interest at work, yet again. In this context, economic and political life contribute to personal, familial, religious, and political fulfillment. The worker, no matter where he or she works, or what needs to be done, must have access to society, to share sentiments, experiences, beliefs, and moral values with others.

Here we begin to see the reconciliation between expertise and equality: the development of a minimal standard. Market economies and modern democracies presuppose some form of difference. There are going to be richer and poorer, those more and less powerful, and those more or less informed. Nevertheless, it is possible to seek a society in which all individuals are at least as wealthy as they need to be, and at least as powerful and educated as well. The contemporary philosopher John Rawls made much of this. He argued that these minimal standards worked fine as long as one didn’t define need in terms of envy. We may not have as much as our neighbor, but as long as we have what we personally need to thrive, than the moral obligation of society and community is fulfilled. Defining those minimal standards is an ongoing and controversial process, but it is the *shift* to minimal standards and away from total equality that is relevant for our discussion. Minimal standards balance self- and community interest.

Therefore, in the midst of an economic discussion, we find ourselves engaged in a moral one. Smith uses the term “equity” meaning a combination of fairness and justice. He references a citizenry that is “flourishing” and “happy,” and while his requirement that everyone should be “tolerably well fed, clothed and lodged” is a lesser goal than one where everyone is always comfortable all the time, it is still subordinate to the main (and quite revolutionary) claim that no commercial system is to be considered successful if anyone is left out.

Smith argues for free markets because he thinks they will make everyone better off. But he also recognizes that people are only better off

when they are treated as *people*, not just economic agents, and when the society caters to their *needs*, not just their desires. Despite the minimal nature of his standards, Smith's values are not narrow. In addition to food, clothing, and lodging, happiness, and fulfillment, he also references social and religious companionship, equity, justice, education, art, an accurate sense of self, and a whole host of other concerns that space precludes discussing. He argues, in fact, that people, in their hearts, seek not simply to be praised but *praiseworthy*; that people wish to be good and virtuous, deserving the esteem of others, and that those isolated folks who end up never feeling attended to by society are destined for unhappiness. His language is moral and (at times) religious, and it presumes a holistic human experience, not just one dominated by commerce.

To elaborate, let us consider what Smith means by religious fulfillment. For Smith, religion is a necessary part of the human experience. People assume – whether rightly or wrongly, we don't know – that the rules of morality are designed by God, and this added incentive encourages them to act properly even when no one is watching. Religion also provides a sense of community for those who feel alone. For example, Smith writes about the isolation felt by those who move from rural to urban areas where there is no longer a close-knit group of people to watch over and urge this person to be moderate in his or her actions. The state therefore has an interest in cultivating some religion because it makes the citizenry more moral and more ordered.

Religion is also a matter of conscience, and like others before him, Smith is explicit that the government cannot prescribe religious beliefs for its citizens. Thus, while the state promotes religion in general, it rejects endorsing any particular denomination or sect. Politicians must refrain from endorsing or espousing one religion over another. Smith has an eloquent and prescient passage in *The Wealth of Nations* describing the corruption of government that comes along with privileging one denomination over another. The state must walk a fine line, then, between cultivating the opportunity for religious fulfillment and the freedom of religious choice. Smith wants a condition in which citizens have a sense of unified community, of social network, of worth and their own goodness, and a clear sense of duty stemming from moral rules. A Smithian would therefore look at the current election and seek the candidate who best

encourages freedom for all religions while being detached from the religious process.

This separation is necessary because, as Smith observes, religion can be destructive as well as constructive. According to *The Wealth of Nations*, the more extremist adherents wrongly believe that their religious obligations are more important than their political ones; they therefore seek to change and even overthrow the government in the name of their god or their religion. Smith therefore advocates for not only religious freedom, but public worship and festivals. The more sects there are in any society, he argues, the more stable society is. The more public religions are, the less outlandish their claims will be. In terms of religion, then, the more pluralistic the community is, the more unified it will be because the more people will rely on the *political* character of society to define its commonality.

It should be obvious, yet again, how these issues dominate the current presidential election. The role of religion in government is a central fissure in political debate, the place of God in endorsing moral rules and the importance of denominational community are all very much center stage right now. Smith weighed in over two hundred years ago on all of these matters, and he linked them to the question of free trade. What connected them? Smith's answer is education.

Recall that for Smith, the greatest danger from mind numbing work is the destruction of the intellect. This is a problem because an unexercised mind prevents moral judgment. It inhibits individuals from entering into the perspective of others and stifles their ability to moderate their own behavior or cultivate temperance in others. It also interferes with the ability to become happy, the ability to make judgments about one's family, and cheapens the overall human experience. Smith argues, then, that the sovereign – the old fashioned word for legitimate governmental authority – must help establish schools for the poor. He recommends mandatory study in philosophy, science, math, reading, writing, and arts education since these subjects help cultivate good moral and political judgments while quelling superstition. He supports general education for children and some form of religious education for adults. Learning is a lifelong process for Smith, and the state is responsible for helping make it available to all.

For Smith, the sovereign has three duties: protect the society from invasion, protect citizens from one other, and maintain public works and

institutions that are too expensive or result in too little profit to be maintained by individuals or small groups. These includes roads, utilities, and as we have seen, educational institutions, among other things. In essence, Smith is acknowledging that the government must fill in the gaps. It must supply those things that the market cannot. This tripartite prescription is the origin of Smith's so-called "limited government," and certainly compared to many theories, Smith's account is minimal. However, as we have already seen, the role of government in public works and institutions is quite large and the more any society needs to supplement the market, the larger government will be. The size of government, then, is contextual, based on needs of the time, not based on some independent standard of "small" and "large."

Thus, although we find ourselves in the midst of policy connectedness, we now know that the criteria that connect one policy to another are expertise and equality. The sovereign must provide those mechanisms unavailable through the market that raises people's expertise to the minimal standards and makes sure that they are all minimally equal. These standards of expertise are reached, in part, though public education, limited involvement of religion, and the refinement of job-related skills. The standard of equality is achieved through universal opulence, military protection, and the mechanisms of justice.

### **3. What the market is for.**

We can now answer the question posed by the title of this essay: what was the purpose of the free market? For Smith, the purpose of the market was to raise the standard of living for all people in any given society. It solved the problem of expertise by recognizing that economically, self-interested transactions could work together to improve economic circumstance. It solved the problem of equality by increasing market power, creating job opportunities, and bettering general well-being. And, it reconciled the two by accepting the role of the government in making all of this happen. The market served as a bridge and standard to determine what was needed from the sovereign to raise quality of life to an acceptable level.

We see Smith's policy connectedness by asking familiar questions: what must the government provide for the market to work? What kind of education is necessary for consumers to make good judgments about their economic activities, their personal relationships,

and their political duties? What kind of state intervention is necessary to minimize the fractious power of religion and separate legislative process from theological bias? It is true that the market increases wealth so that people and government have the means to finance that which the market doesn't provide, but the market can only do this when these support mechanisms are, in fact, provided. Or so Smith argued.

I shall conclude by recalling the two mistakes voters tend to make: believing that political judgment is just a matter of opinion independent of the history of public policy and ignoring policy connectedness. I have shown why these are mistakes, that the history of political thought helps add clarity to our own opinions and that one position intimately relates to many others. Here Smith and I agree. If we are to favor free markets, we must also favor strong public education. If we are to emphasize social unity, we must cultivate freedom of religion and the separation of church and state. If we are to tie these all together, we must recognize that the market only increases general well-being when the government plays a strong role in supplementing the economic sphere.

And what of the other question, what must people do to prepare to vote? Voters must understand the connectedness of their positions. They must seek the candidate who understands the *systematic* nature of public policy. Single issue voters are missing the boat, not because strong commitments are not politically viable, but because one is more likely to achieve a goal by voting for a connected vision rather than a single policy. Above all else, and despite the fact that all individuals have (and should have) the right to vote, American voters must educate ourselves. We must recommit to understanding the political process, to looking behind the rhetoric, and to grasping how the system works even before we choose between candidates. Then, we must ask about policies, not campaigns; democratic values, not pandering; and we must force the candidates to answer a very fundamental question: what social supports are necessary to make the most of your economic policy and what are you doing to realize them?

This is a lot to ask of a voter. It is overwhelming and demanding. Who has the time to do this? Who has the time or resources to investigate these issues and study the complexity of the American system in such detail? These are understandable retorts but sadly, we do not have the luxury to hide behind inconvenience. We

must find the time because if we don't, democracy fails. We must find the time because if we don't, our leaders fracture our government, divide our society, and chip away at our well being. We must find the time because, if we don't, our leaders will talk circles around us and persuade us to choose a mirage and not what is best for us all.

Of course, there is another option. We can always return to Plato's vision. We can always

abdicate our own participation and return the responsibilities of governing to an intellectual elite – to someone other than *us*. But when we do that, we give up our political freedom and we lose the ability to determine our own goals, our own religions, and our own self-interest. In a time of crisis and uncertainty, this seems an awful lot to throw away.

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