

ECON 4270 Distributive Justice  
Lecture 8:  
Libertarianism  
Classical economists  
Marxism

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21. mars 2013

Libertarianism

The classical economists

Marxism

# Libertarianism

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Libertarianism is

**NOT**

liberalism

Norwegian terminology is rather confused

All sorts of in-betweens :

difficult to give one coherent exposition

The core of libertarianism is

- ▶ minimal state
- ▶ you are entitled to what you produce

The taxpayers' money

(But Hayek?)

I have posted a reference to Hayek

# Libertarianism

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Distinguished adherents:

Frederic von Hayek: The road to serfdom

Milton Friedman: Free to choose

Robert Nozick: Anarchy, State and Utopia

Two main lines of justification:

1. Liberty of the individual
2. Efficiency of the free market

# Nozick

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Robert Nozick, 1938–2002

Anarchy, the State and Utopia (1974)

A classic of libertarian philosophy

A consistent, logical exposition of libertarianism

## Nozick

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My reading differs somewhat from Kymlicka's

Nozick tells a story to justify minimal state

In the 'beginning'

Man (individual man) acquired holdings that were free, up for grabs  
(Lockean proviso)

But he was exposed to robbery and attacks

Hobbes's famous: life would be solitary, poor, nasty, brutish and  
short

Therefore: it would be rational to join forces with other men  
for purposes of defence and other protection

The night watchman state

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It would be rational to pay for protection

But otherwise he would insist on keeping what he had acquired  
and what he had produced.

The minimal, nightwatchman state would develop through  
voluntary commitments, without a central authority

## Justice in holdings

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If the world were wholly just, the following inductive definition would exhaustively cover the subject of justice in holdings.

1. A person who acquires a holding in accordance with the principle of justice in acquisition is entitled to that holding.
2. A person who acquires a holding in accordance with the principle of justice in transfer, from someone else entitled to that holding, is entitled to that holding.
3. No one is entitled to a holding except by (repeated) applications of 1 and 2. (Nozick 1974: 151)



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This is pure procedural justice: the distribution is just if the rules have been followed

Nozick maintains very strongly that there is no such thing as a just pattern of distribution, no just end result: only just procedures

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Justice in transfer?

Voluntary gifts

Charity

Inheritance

But not transfers paid for by taxes

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Justice in acquisition?

either:

having acquired it without dispossessing anyone else (resources)

or

having produced it (fruit of one's labour)

'Things come into the world already attached to people having entitlements over them.'

The crucial question: how do we know what he has produced?

Depends on the value of his product

and the value of the inputs

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Nozick' answer: market prices

But he does not explain why

except perhaps: market transactions are free

Famous example: If people are willing to pay large sums in order to watch a certain baseball player

(hear Justin Bieber)

Why should the not be allowed to?

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Nozick also does not say what kind of market:

perfect competition

or is monopoly power etc permitted?

Bill Gates and Microsoft

OPEC

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As I understand Nozick, his defence of the market is not that it is efficient

but that transactions are voluntary

Here he differs from Friedman (and so-called neo-liberals)

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Perfect competition requires strict state control  
As explained by Adam Smith

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Nozick realises that the present distribution is not just by his definition  
so ends in an impasse



## Efficiency

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Friedman and Hayek (?) claim that the free market is the most efficient way of organising the economy and therefore to the advantage of everybody, at least for the majority, and at least in the long run.

Standard neoclassic economic theory: a market in perfect competition is efficient under certain assumptions.

(A normative statement)

## Efficiency

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The most important assumptions are:

- ▶ Perfect information
- ▶ No external effects
- ▶ No public goods

## Efficiency

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Imperfect information, external effects and public goods are called market imperfections

These so-called market imperfections call for government intervention, according to most economists

BUT some claim they can be handled by private transactions (Coase theorem)

Some analysts would also claim that government intervention, in spite of justifications, usually is inefficient (too late, too clumsy)

Nozick maintains that market imperfections is not worth the loss of freedom

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My own criticism:

Libertarians tend to forget about women and children

What is the market value of a child?

(Friedman and Hayek: children have rights)

The state is not the only source of oppression and loss of freedom

Benevolent government intervention can be a protection against

oppression in the family

## The problem of value

Problem of just price goes at least back to the middle ages  
and scholastics

was to some extent also treated by the classical economists

Labour theory of value: Smith, Ricardo, Marx

Modern economists (neo-classical):  
analyse prices from the point of view of efficiency.  
But the efficient price does not necessarily give a just distribution  
of income

## The classical economists

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Adam Smith: The Wealth of Nations, 1777,

is considered the founding book of modern economics

David Ricardo published Principles of Political Economy in 1817.

They are called the classical economists

(hence the term neo-classical about modern micro-economics)

## Ricardo and rent

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The produce of the earth - all that is derived from its surface by the united application of labour, machinery and capital, is divided among the three classes of the community, namely the proprietor of the land, the owner of the stock or capital necessary for its cultivation, and the labourers by whose industry it is cultivated. But in different stages of society, the proportion of the whole produce of the earth which will be allotted to each of these classes, under the names of rent, profit and wages, will be essentially different.....

To determine the laws which regulate this distribution is the principal problem in Political Economy.



## Ricardo and rent

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Three classes: Landlords, capitalists, workers

With corresponding incomes: rent, profit, wages (earnings)

Functional income distribution

personal income distribution

OBS English RENT is not the same as Norwegian RENTE.

(English interest)

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According to the classical economists:

Capital and labour both contribute to production,  
and so earn their income

Landlords contribute nothing, but can demand an income (rent)  
because land is scarce.

Adam Smith: The landlords reap where they did not sow.

Karl Marx built on these foundations, but claimed that capital also  
does not contribute,  
therefore the working class, sole producers of value, are exploited  
by both capitalists and landowners

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They distinguished between productive labour: the production of physical commodities  
and unproductive labour: services

## Marxism

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Karl Marx (1818 – 1883)

Philosopher, economist, economic historian, general social scientist

Main works:

Das Kapital (Capital) 3 volumes, 1867

and 1885, 1894 posthumously

The Communist Manifesto (Co-author: Friedrich Engels) 1848

And many, many others.

Manuscripts and rough drafts have been published,  
and they are not easy reading.

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As you know, enormously influential  
Many political parties and movements  
and ruling parties

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Marxism is considered an egalitarian ideology

But Marx has no real theory of justice in distribution

Famous slogan:

'From each according to ability, to each according to need'.

From the Communist Manifesto

This ideal can, according to Marx, only be realised in a communist society.

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Connected with his view of history:

Capitalism would develop 'forces of production'  
to their highest level.

At the same time, internal contradictions:

crises, falling rate of profit

would lead to an end of capitalism

through a proletarian revolution

When the fetters of capitalism were thrown off

there would be abundance

enough for everyone