

## “A Bleeding Heart Libertarian View of Inequality”<sup>1</sup>

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We live in a market system and witness much economic inequality. Although such inequality may not be an essential characteristic of market systems, it seems historically inevitable. How we should evaluate this inequality, on the other hand, is contentious. I propose that bleeding heart libertarians provide the best diagnosis and prescription.

In the first section, I explain “bleeding heart libertarianism” (hereafter, “BHL”). In the second section, I indicate why, as a matter of theory, a market generally includes economic inequality. In the third section, I discuss the inequality in contemporary market systems. Here, I step away from theory to comment on the real-world situation—and indicate the real moral problems often associated with inequality. In section 4, I extend my discussion to global inequality. Then, in section 5, I explain that although inequality that arises in a *libertarian market* is morally acceptable, the inequality of *our market* system is morally questionable. While some claim that inequality requires government intervention, I suggest that the key difference between our market system and a libertarian market system is precisely the government intervention we have—I argue, that is, that there is too much unjustified interference in contemporary markets.

## I. Bleeding Heart Libertarianism

To start with the obvious, BHL is a form of libertarianism. If anything distinguishes it from other versions of libertarianism, it is that bleeding heart *libertarians* are explicitly *bleeding hearts*—concern for the plight of the less fortunate is central to our project. In short, BHL is a family of libertarian (and hence liberal) views that take suffering to be a moral problem; like all libertarians, however, we recognize that not all moral problems require state action—and, indeed, that state action sometimes causes the problem.<sup>2</sup>

The BHL concern for the plight of the less fortunate does not mean we endorse socialism or increased redistributive welfare policies.<sup>3</sup> It means we think the world should be set up in a way such that the least well off (whomever they are) are as well off as possible, consistent with ensuring liberty for all. This latter point is perhaps why some have thought of BHL as “Rawlsianism,” combining John Rawls—who made famous the idea that we ought to allow inequalities that are to the advantage of the least well off—with Friedrich Hayek, the famous economist who many think of as a libertarian.<sup>4</sup>

That said, whether there is truly anything distinctive in BHL remains an open question. Historically, many that we would now call “libertarian” shared our concern with those living in poverty. Even reading thinkers like the supposed father of “social Darwinism”—Herbert Spencer—one can easily find oneself impressed with his concern to not make the poor worse off than they are.<sup>5</sup> The stereotype of the “cold-hearted” libertarian may have arisen for good reason—if so, one hope is that BHL corrects it—but is not fairly attributed to all libertarians.<sup>6</sup> One should not think BHLs merely seek to

make an unpopular view more palatable. BHLs want, in part, to show why libertarianism, properly understood, is not unpalatable in the first place.

Perhaps it is worth noting that BHLs endorse the free market but are eager to consider what empirical economic science—as well as economic theory—has to teach us. The emphasis on empirical evidence is significant. Many BHLs will thus look at the effects of particular government policies before announcing their views of those policies. We likely all oppose redistributive policies in principle, but may endorse some policies, in specific circumstances, that actually help the poorest individuals in our society. We all oppose policies that redistribute resources from poorer people to richer people or that otherwise place unfair burdens on poorer people. In this, we are similar to Spencer when he condemns the “sins of responsible legislators seen in the long list of laws made in the interests of dominant classes.” As Spencer notes, e.g., the corn-laws—which limited the importing of corn into England—“ensure[d] high rents” for land owners while ensuring “that multitudes should hunger.”<sup>7</sup> “High rents” are essentially profits artificially created by government intervention without creating value for others. Given a lack of imported corn, British landowners were able to sell their corn at higher prices. The higher prices hurt the poor.

While law is meant to protect, Frédéric Bastiat noted that it is often “perverted through the influence of two very different causes—naked greed and misconceived philanthropy.”<sup>8</sup> The naked greed by those with power encourages them to use the law to take from the poor and others; this is “legal plunder.”<sup>9</sup> Misconceived philanthropy may start in a seemingly better intention of wanting to help, but requires imposing a view about what is good for people (a view they may not share) and encourages ill-

feeling between citizens, as well as other problems. By contrast, “When law and force keep a man within the bounds of justice, they impose nothing upon him but a mere negation. They only oblige him to abstain from doing harm.”<sup>10</sup> This simply means that individuals should be free to trade with one another as they wish, with no interference. No individual ought to be forced to trade with anyone else. Markets where such freedom is present require no force except that needed to prevent or rectify harm—where harm is not merely being hurt, but suffering a hurt because of the wrongful action of another.<sup>11</sup> Force used to help the poor (which often has perverse effects) where no harm is present or, perhaps worse, to help the wealthy at the expense of the poor, is impermissible on this view.<sup>12</sup>

BHL is a family of views that take some form of negative liberty (freedom from interference) to be a normatively primary (and guiding) value in the organization of a just state, insisting it must be present for all (some call this “classical liberalism”) but that *also* share a deep concern to prevent suffering (and perhaps promote at least minimal individual well-being).<sup>13</sup> Some in this camp may approve of limited government interventions to end suffering; all agree that allowing individuals extensive (negative) liberty is likely to create the least suffering possible. Some may favor pretty strong, if not absolute, property rights. There can be both minarchist (where what is advocated is a *minimal* government)<sup>14</sup> and anarchist (where what is advocated is *no* government) versions of BHL, though the former is more common. Put simply, we believe that ensuring negative freedom as a matter of law will also allow people the most *de facto* positive freedom (freedom to do as one wants)—and we value that positive freedom.

By contrast, socialists seek to ensure positive freedom as a matter of law, believing that will allow most people extensive *de facto* negative freedom. Rawlsians and other left-leaning liberals who favor some redistributive welfare scheme, by contrast, seek to ensure some of both positive and negative liberty as a matter of law. Other libertarians (e.g., Robert Nozick) might be thought (perhaps mistakenly) of as concentrating on negative liberty without any concern at all with positive liberty.<sup>15</sup>

As with other political views, including other forms of libertarianism, there are different ways the view can be morally defended. One might defend BHL with an underlying view about natural rights, eudaimonism, consequentialism, public reason, or some combination thereof. On my own view (see my 2018), a specific form of moralized negative freedom grounds the broader view. There is no point, here, to being more specific about this issue.

## **II. Markets bring Inequality but...**

It may be hard for those of us in the developed world in the 21st century to believe, but the history of the world is a history almost entirely of subsistence. It's not until the 19th century and the Industrial Revolution that we see substantial accumulation of wealth. In what some call "the Great Divergence,"<sup>16</sup> Europe and the U.S. saw a growth in wealth completely anomalous with all of preceding history (and, at that time, the rest of the world—from which Europe and the U.S. *diverged*). In the 20<sup>th</sup> century, such growth continued throughout the world. To take just one simple example, as late as 1981, 90% of the people in China lived in poverty; in 2018, under 7% do. This is a truly phenomenal change that means the number of people that would be in the group

that is the least well off has been dramatically reduced. This is a clear gain for humankind that should not be understated. The Brookings Institute expected the world “to reduce extreme poverty by 38 million people [in 2017], slightly faster than in 2016 when an estimated 34 million escaped poverty.”<sup>17</sup> According to the World Bank, the world “cut the 1990 poverty rate in half by 2015” while “Nearly 1.1 billion people have moved out of extreme poverty.”<sup>18</sup> While there are still too many living with poverty, the numbers are good—and not only has poverty been reduced, but the rest of us have gotten wealthier.

Historically speaking, subsistence poverty was the norm; wealth, the anomaly. Though there are many factors that contributed to the tremendous growth in wealth in the last 200 years—while the previous 2000 years human kind languished—freer and more extensive trade is clearly the single biggest factor.<sup>19</sup> The accumulation of capital and the tremendous reduction of poverty that we continue to see is a direct result of the market system and property rights that make such a system possible.<sup>20</sup> This, more than anything else, likely explains why BHLs take trade so seriously. Indeed, it may be that the single clearest difference between BHLs and other libertarians is that while other libertarians start with economic freedom as a value and thus support markets, BHLs are concerned with human welfare, see that markets improve human welfare, and thus support economic freedom and the markets it enables.<sup>21</sup>

Trade is good because it brings wealth and wealth means improved human welfare. Wealth should not be conceived of as mere money. Wealth is the means that one has to do as one wishes. As a form of wealth, money allows one to buy the goods and services one needs or wishes to use. Increasing wealth (as money or otherwise),

means increasing one's ability to live as one wishes.<sup>22</sup> It means improving one's life. Of course, increased wealth does not mean all lives are equally improved. The "Great Divergence" was, after all, a period in which the lives of some—primarily those in Europe and the U.S.—were improved at a vastly quicker rate than those elsewhere. Within Europe and the U.S., we also see differential gains, with some doing exponentially better than others.<sup>23</sup> There is, no doubt, economic inequality in developed markets.<sup>24</sup> Let us step back from this simple and acknowledged fact for a moment to consider where the inequality comes from.

According to Adam Smith, "there is a natural propensity in human nature ... to truck, barter, and exchange one thing for another."<sup>25</sup> If this is not inherent in human nature, it is certainly widespread. Say I have 4 sticks and 2 stones and prefer a third stone to 2 of the 4 sticks; meanwhile, you have 2 sticks and 5 stones and prefer more sticks. We trade and are both happier for doing so. Say I prefer to spend my days reading moral and political philosophy, economics, and political science; you prefer to spend your days raising cattle or apples. You might not want to trade your meat or fruit for my reading (or my explaining what I read), but I can find buyers for my teaching services, accepting some relatively stable currency (through the intermediary of the University) and then trade some of that currency for your meat or fruit.

Importantly, you might not be a great farmer. It may be, in fact, that I would be a better farmer than you if I decided to dedicate my days to it. I might, that is, have an absolute advantage over you with regard to farming. Why don't I spend my days farming? In part, this is simply my own preference, but it's also related to the fact that

while I might be able to more efficiently produce food than you, doing so would not be the most efficient use of my time because I can produce teaching more efficiently than I can produce food. My opportunity cost of producing food is higher than yours (assume you have no other talents, or no other talents that result in marketable goods or services). You have a comparative advantage in food production. Though I could produce food more efficiently than you, doing so would leave me less well off than producing teaching and trading with you for the food. This is the principle of comparative advantage.<sup>26</sup>

The principle of comparative advantage shows that even someone with an absolute advantage in producing a good may be better off trading for that good from someone else. Having trading partners with comparative advantages producing most of the goods and services we value benefits us. Having more trading partners—indeed, having more trading partners with more diverse skills—improves our ability to trade for goods and services we value. So long as we also produce goods or services valued by others, we do better than trying to produce all we value ourselves.<sup>27</sup>

Given the propensity to trade, natural or not, and the principle of comparative advantage, we do better to divide labor into more and more segments. The division of labor, as Smith notes, results in increased productivity and wealth due to the increased dexterity (itself due to increased simplicity of tasks), the time we save from not having to switch tasks, and the increased use of machinery for those tasks.<sup>28</sup> It's unlikely that the increased productivity and wealth would be spread equally amongst all participants. The fact is that some will be more generally skilled and talented; they will thus have absolute advantages over others in a greater array of tasks, and thus be able to choose



from that greater array in a way that they benefit more than others. They will be able to earn a greater income and accumulate more wealth.

Economic inequality is to be expected in markets where people freely sell their labor or the goods and services they produce. On the other hand, we should realize that there are economic gains to all. In all but the rarest cases, even those with relatively few absolute advantages will find themselves with a comparative advantage in something. This may be some form of menial labor, but that labor will still be productive and valuable to the overall system and those who participate in it.

We should not fail to note that the advantage to market systems is not merely the economic wealth it produces. Given the need to trade with a wide array of people with a wide array of skill sets, markets open the door for each of us to meet many more people than we would if we continued to live the subsistence lives our ancestors lived. We have more contact with others—some similar to us but many different—and thus more opportunity to find compatible friends and even spouses than we would otherwise. We have more chances to choose a different way to live—including with different people, in different jobs, different churches, etc.<sup>29</sup>

To summarize, markets bring more wealth for all and also more contact with others, some who become friends and family. They also likely bring inequality. This inequality is a factor of all doing better, though some more than others. This is not necessarily something to bemoan. At least part of the reason China was able to reduce poverty from 90% to 7% in less than 40 years, after all, is simply that when people are allowed to trade freely, they are more likely to take responsibility for production. When they are not free to trade—when they can only receive as much as someone else

declares is sufficient—they have no incentive to take such responsibility. Without legal ownership (i.e., property), that is, no one will—to use the colloquialism—*take ownership* (i.e., take responsibility for production, regardless of who legally owns what). With a legal system of property, by contrast, people take ownership and invest themselves in their work to create more for all as a means of promoting their own welfare. In the process, all do better.<sup>30</sup>

### **III. The Inequality in Our Market System and the Real Problems**

What we have seen thus far is that property rights and the market systems they make possible provide great benefits for all—especially increased wealth and more social ties—but do so unequally. Inequality on its own, though, is not a problem. To see this, imagine there is a society with rising income and rising inequality such that

At Time 1, 90% of the population has income of \$10,000/year & 10% have  
income of \$50,000/year

At later Time 2, 90% of the population has income of \$50,000/year & 10% have  
income of \$500,000/year

At the earlier time, each member of the smaller and richer tenth of the population brings in five times the amount of those in the larger and poorer nine-tenths. At the later time, they bring in ten times their poorer compatriots. Income inequality has increased. Why we should be concerned about this is less clear. Of course, if the wealthy became wealthy by exploiting (or stealing from or ...) the others, we should be concerned—but the concern would be with the exploitation (or theft or ...) rather than the inequality itself.

To make the point starker, consider a later date:

At Time 3, 95% of the population has income of \$100,000/year & 5% have income of \$5 million/year

Now the richer twentieth brings in 50 times what their poorer compatriots bring in. More drastic inequality, but at this later date, it is unreasonable to think anyone is poor.

(Holding the value of dollars constant.) That fact—that no one is poor—is significant.<sup>31</sup>

As Harry Frankfurt says, “From the point of view of morality, it is not important that everyone should have *the same*. What is morally important is that each should have *enough*.”<sup>32</sup> “Enough” is “*what is needed for the kind of life a person would most sensibly and appropriately seek for himself*.”<sup>33</sup>

Frankfurt’s view captures an important intuition very well: what we care about is suffering. We find suffering morally bad without need for argument (which is not to say no argument can be made) and we tend to think that where there is inequality, those with the least will suffer. Historically, this may have been the case. Given the general subsistence level of wealth throughout the world, being on the lower end of income or wealth meant always being close to death. But that is a contingent fact. As shown above, inequality can easily exist even where no one is poor or suffering. (I am not saying that is our situation.) We can be morally unconcerned with inequality and exceedingly concerned with poverty and suffering. That is the BHL stance.

To be clear, there are two contingent but real moral problems associated with inequality. One is poverty or other suffering on the low end of the spectrum of economic inequality, as just discussed. The other is the abuse (exploitation, etc.) those on the high end can engage in. Specifically, those on the high end can use their wealth to influence government in ways that improve their lot at the expense of everyone else

(what economists call “rent-seeking” behavior). This is the legal plunder I discussed earlier.

In their recent book, *The Captured Economy*,<sup>34</sup> Brink Lindsey and Steven Teles provide a nice summary of some of the ways the problem is instantiated in the U.S. today. Many of these, of course, are also instantiated elsewhere. Lindsey and Teles do not try to discuss all of the ways the wealthy seek to use government power to their benefit—a gargantuan task that would require several hundreds of pages. They concentrate on four areas: finance, intellectual property, licensing, and land use regulations. We won’t delve into these in any detail. Lindsey and Teles’s conclusion is straightforward: the U.S. has seen a “rise of policies that deliver maximum benefit for a favored few while inflicting maximum harm on everybody else” (126). To the extent that this is not the case elsewhere, it is likely due to other countries having a stronger social “safety net,” providing welfare goods to their populations. We’ll consider just two examples Lindsey and Teles provide.

First, occupational licensing. That this benefits the well off at the expense of the less well-off is clear. Licensing requirements for service provision impedes “entry by new firms or individuals into a product market” (91). The stated intention behind licensing requirements is usually protection of consumers. Most cannot determine if a health care provider, for example, is qualified to provide care, so we impose licensing requirements believing that they will rule out those who are unqualified. Of course, such requirements usually intend only to guarantee a minimal level of quality, but even that is problematic. First, some may prefer to seek care from individuals not well practiced in methods of the existing authorities (e.g., allopathic medicine).<sup>35</sup> Indeed, some may

refuse all medical care if they cannot get care from someone they trust but who is not versed in the standards accepted for licensing. Second, some may well be very good according to those standards but be poor test takers and thus not able to receive a license—and yet they might provide a good service at lower cost for their (potential) patients. After all, as should be obvious, the tighter the licensing requirements are, the fewer people that will receive the license—and the fewer that can legally provide the service, the more they can charge for their services (because fewer competing for customers). The wealthy, of course, will continue to pay for such services. The poor, though, will suffer without it.

Licensing is not, of course, just about medicine. In the U.S., “The percentage of workers subject to a licensing requirement jumped from 10 percent [in 1970] to almost 30 percent” today (92). In the European Union, that number varies by country, from a low of 14 percent (Denmark) to a high of 33 percent (Germany).<sup>36</sup> Consumers pay for this as “prices for licensed services are inflated anywhere from 5 percent to 33 percent, with the cost to consumers amounting to some \$203 billion a year” in the U.S. alone (95). It is not just increased prices that matter, of course. The fact is that this results in underconsumption of the service in question (96) and “widens the gap between rich and poor by squelching employment opportunities for people at the lower end of the socioeconomic scale and by inflating the compensation of highly skilled professionals at the top of that scale” (97).<sup>37</sup> It’s important to realize that licensing requirements *a/ways* impose costs—on those who seek licenses and those who seek services from those with licenses. Medical school is costly, of course, but so too is having to attend school to braid hair or apprentice with someone already licensed.

Our second example from Lindsey and Teles is likely less familiar; it involves the finance industry. Lindsey and Teles rightly point out that the way home ownership is encouraged in the U.S. is problematic and largely a matter of redistribution to the wealthy. “Instead of subsidizing home ownership directly ... policymakers elected instead to subsidize mortgage credit by bestowing special favors on the businesses that provide it” (39). Several U.S. federal agencies offer guarantees on mortgage loans—meaning that the financial firms providing the loans cannot lose their investment. Similar policies exist in other countries.<sup>38</sup> Such policies leaves financial firms willing to take risks they would not otherwise, including lending money to those unlikely to repay the debt. Financial firms are basically enabled to make and keep profits, but foist their losses onto government (and taxpayers). While these loans may serve a good purpose, they are often provided due to guarantees of profits to financial firms (paid for by taxpayers); they may also encourage poor people to take on debt they cannot afford—which sometimes results in them losing more than they invested.<sup>39</sup>

The two examples just discussed are recent, but not new—and far from exhaustive of the many ways the wealthy use the power of government to their advantage and the disadvantage of others. There are other examples that are worth considering in this light, including the entire institution of slavery (which benefited wealthy white landowners) and, more recently, in the U.S., overcriminalization and overincarceration (which benefit the entrenched elite in various law enforcement agencies and the businesses that serve them at the expense of poor people, especially those of color).

In her *The New Jim Crow*,<sup>40</sup> while discussing the “drug war” in the U.S., Michelle Alexander notes that “Between 1980 and 1984, FBI antidrug funding increased from \$8 million to \$95 million. Department of Defense antidrug allocations increased from \$33 million in 1981 to \$1,042 million in 1991. During that same period, DEA antidrug spending grew from \$86 to \$1,026 million, and FBI antidrug allocations grew from \$38 to \$181 million” (49). It is hard to read about these increases and not think rent-seeking on behalf of these agencies greatly influenced policy. Indeed, when Alexander discusses the rise of civil asset forfeiture, she notes that “local police departments, as well as state and federal law enforcement agencies ... have a direct pecuniary interest in the profitability and longevity of the drug war” (83). She goes on to show how the drug war disproportionately affects minorities—in extremely serious ways.<sup>41</sup> Indeed, these examples of rent-seeking are more pernicious than those Lindsey and Teles discuss as they involve widespread massive violations of individual rights, resulting in harms to millions of people.<sup>42</sup>

What we have seen here is that the sort of inequality that exists in the contemporary western world is morally problematic, not because people earn different amounts or have unequal wealth, but because some suffer and some use their wealth to warp government policy in their favor while causing damage to others. Obviously, this is not a new problem. The attempt “to enrich all classes at the expense of each other” that Bastiat found so rightly concerning, is always seductive.<sup>43</sup>

#### **IV. Global and Domestic Inequality**

Many who express concern about domestic inequality seem unclear about why they are concerned. In the U.S.,<sup>44</sup> demonstrators claiming they are in the 99% indicate opposition to the vast amount of wealth owned or controlled by the 1%. They do not seem bothered by the fact that they themselves are in the top 1% if we are talking about world population rather than U.S. population.

CNBC reports that “To reach the threshold of the top 1 percent of income earners in the U.S., you need to make \$389,436 a year or more, a 2013 Economic Policy Institute report finds.”<sup>45</sup> “But the threshold required to make it in to” the top 1 percent of income earners in the world is “just \$34,000 per person.”<sup>46</sup> The “global median income is just \$1,225 a year,” meaning most of the demonstrators in the U.S. are amongst the wealthiest in the world, something they seem largely oblivious to. Most do not think they are taking advantage of poorer people elsewhere. (Some do—and protest against that as well.)

Whether global inequality is a problem is a question separate from whether domestic inequality is a problem. We cannot, in any case, just look at average national incomes to determine if they are unequal in real value. If living expenses in a country are 10% of what they are in the U.S., we should not be bothered if people there earn 10% of what people in the U.S. earn. That said, there is no doubt that Americans and Europeans are richer than people elsewhere on any reasonable metric. It’s not merely that we have higher nominal earnings, but that those earnings provide us far more real wealth than can be had elsewhere.



For BHLs, global inequality, like domestic inequality, is only contingently problematic. If some suffer, it should give us pause. If that suffering is the result of harmful actions by others—especially harmful actions taken to elevate some at the expense of those who suffer—interference is *pro tanto* permissible (see my 2018). Such actions are likely the result of wealthier individuals wielding influence on government bodies in ways that allow them to capture rents at the expense of those with less (as already discussed). This is true globally as well as domestically.

Domestically, municipal governments in the U.S. normally grant monopoly rights to cable companies, thereby limiting competition. Some have rent control or zoning laws that make housing more expensive, hurting those needing less expensive housing.<sup>47</sup> Governments frequently require professional licenses for those working in industries as diverse as medicine, law, plumbing, and hair dressing, thereby limiting the competition. In these ways, governments provide assistance to some—typically those already in the field—at the expense of others—those who might wish to provide the service at a reduced cost and those who might wish to buy the service at the lower cost. The same is true globally.

Import tariffs imposed by the U.S. Federal Government on dishwashers, e.g., is meant to help U.S. manufacturers sell more of their product. The imported machines are more expensive with the taxes than they would be without, so fewer people buy them. The tariffs amount to a gift to U.S. manufacturers that sets back the interests of foreign producers and those here who wish to buy those products or to have more (often less expensive) options to choose from.

To the BHL, the domestic and global issues are on par. With domestic interventions, domestic players are helped and domestic players are hurt. With global interventions, domestic players are helped and both domestic and international players are hurt. To the BHL, anyone's being hurt should give us pause.

Elizabeth Anderson has a different view that many find persuasive. While she does not disavow concern with those across countries, she believes equality between those in a single country is of different and more significant importance. On her view, the point of equality—what she calls *democratic equality*—is to ensure a “community of [political] equals” (289).<sup>48</sup> This requires that “all law-abiding citizens [have] effective access to the social conditions of their freedom at all times” and that “citizens make claims on one another in virtue of their equality, not their inferiority, to others” (ibid). No one, on her view, should be at a disadvantage when negotiating with anyone else in the same society. Anderson's view is that egalitarians “should promote institutional arrangements that enable the diversity of people's talents, aspirations, roles, and cultures to benefit everyone and to be recognized as mutually beneficial” (308). This means not having a system where those with less are looked down upon as if they were less than equal citizens or where any are in situations such that they “are forced to obey other people's judgements of what uses they should have made with their opportunities, rather than following their own judgements” (310). Simply put, Anderson opposes social *hierarchy*.

Anderson's view that “There are no natural slaves, plebeians, or aristocrats” (312) is attractive, and worthy of our complete endorsement. BHLs, though, are nonetheless likely to accept that some people will *consensually* enter into relationships

that give others power over them.<sup>49</sup> Some will choose to enter communities or employment situations where others make all of the decisions, for example.

Sometimes, this ought to be respected. Voluntary hierarchy is very different, morally, from the supposed natural hierarchies that were seen before the rise of liberalism.<sup>50</sup>

As already noted, Anderson's view gives some power to the idea that inequality amongst co-citizens matters more than inequality between those in different countries. "Democratic equality conceives of equality as a relationship among people" (336). What matters is that we can each function "as a human being, as a participant in a system of cooperative production, and as a citizen of a democratic state" (ibid) and all of that takes place within a system populated by others, but not all others in the world. The system of cooperative production is, Anderson seems to suggest, within a state with a specific set of co-citizens. It is with those co-citizens that we must be politically and socially equal, on Anderson's view.

Anderson has a point, but it is limited. Her view, recall, is not about economic equality; it is that social and political equality matter morally within a state in a way that they do not matter between states. This depends, though, on each state having its own social and political system within which "citizens make claims on one another" and no one else. Such a closed system is commonly assumed in much political philosophy, but it is now—and likely always was—a fiction. To take the most obvious case, the system of cooperative production is *not* limited to a single state. The iPhone, for example, is produced in China of parts from many places (though more and more from China), engineered in the U.S., and sold everywhere. Chinese citizens live in a different place with different standards and wages than U.S. citizens, but they are both participants in

the same production process. Why, then, should we think the suffering of U.S. citizens matters more than the suffering of Chinese citizens—or that of citizens in Bolivia or Indonesia, where minerals used in the iPhone are first mined?<sup>51</sup>

Another way to see that states are not closed entities is simply to consider that immigration—granted, now under attack throughout the world—makes it possible for individuals to put themselves in direct relationships with others very different from those in their place of origin. Many move because of the location premium on wages—those in California, for example, earn more for doing the same work they might do in Guangzhou—but the reasons for migration are plentiful. When citizens of one country move to another, they change those they might make claims on. Indeed, if enough citizens from one country emigrate, they likely clarify their dissatisfaction with the sorts of claims on others (and government) that are respected in their country of origin. When this occurs, the country they left might—one hopes—seek to change the claims that are respected therein. If so, some semblance of social and political equality of the citizens of those states is likely to emerge. In any case, it remains unclear why we should be concerned about social inequality only within our own polities. As already indicated, there may be no reason to worry about different wage levels in different places, but this does not mean we should be unconcerned with suffering in different places—especially when such suffering is the result of wrongful impositions caused by those with wealth and power.

When wealthy business and political leaders in one country agree to buy a natural resource—diamonds or oil, perhaps—from the hereditary political leaders of a small county though they know the latter will use the finances they receive to suppress

dissent or worse, all of those involved contribute to maintaining the power structure that causes people to suffer. To use only one recent example, when the U.S. continues to encourage firms to do business with Saudi Arabia, it is not difficult to see how the latter gets the economic and military power to bomb Houthi rebels in Yemen, causing great suffering.<sup>52</sup>

While I am here primarily concerned with economic inequality, it is worth considering how it impacts other areas. (E.g., the overcriminalization and overincarceration problem in the U.S. and continued warfare in the Middle East already discussed.) We should recognize that economic inequality matters when, as a contingent matter, some people abuse the political (and economic) system for their own gain and, in the process, cause others to suffer. We should recognize that this matters internationally as well as domestically. The fact is, the economic system we live in is international. This does not mean all people across the globe should be political equals. On the other hand, we must not refuse to recognize that individuals matter *morally* no matter where they are. This is part of the BHL stance.

## **V. Government Intervention is the Cause, not the Answer**

Inequality matters, but the way it matters has naught to do with national borders. It matters when it includes suffering by those who are not well off and it matters when those who are well off use their positions to inflict their desires on others. What we want is a system wherein people live by mutual cooperation, a system wherein no one systematically and wrongfully hurts others. To be clear, what matters is *not* inequality *per se*, but two possible phenomena that are often (but not necessarily) correlated with

inequality. As we saw in Section III, even substantial inequality might be completely unproblematic if all are doing well.

Some might object that I seem to believe that real world markets work in ways that are required in economic theory without realizing that the latter idealizes in its models. I do not think this is right; I am not blind to the fact that real markets are not ideal markets. Importantly, though, we should also not be blind to the fact that real governments are not ideal governments. We should not think we can replace the very flawed real markets we live in with ideal government programs.<sup>53</sup> The question we ought to be concerned with here is “why do markets go awry?”

From the perspective of BHL, the main cause of markets misfiring is the perversion of law, as discussed in Section I and which Lindsey and Teles so admirably demonstrate (see Section III above). Helping people buy their own homes is not a bad thing and laws set to help in this way are likely to be approved of by many. The problem comes when some—those with the ability to convince government about *how* such laws should work—use that power to enrich themselves at the expense of others without enriching those others or receiving their agreement. Yet this is pervasive—and perverse. Regulatory capture—where those being regulated essentially do the regulating—is also pervasive. And perverse. The idea that some professional services should be licensed so as to protect consumers will likely meet with widespread approval (unfortunately). The problem comes when some use licensing laws to their advantage without enriching others. When licensing laws primarily enrich those who are licensed but add little to no value to consumers, or, worse, remove value by making it impossible to purchase the service at a lower cost—which is also pervasive, law is again perverse.

When law is perverted, some—usually those already well off—use it to enrich themselves at the expense of others—often the less well off—without their agreement. This is the opposite of what BHLs, as well as all other libertarians, want. We want a free market wherein, as already discussed, no one is coerced to trade with anyone else. A genuinely free market system is one wherein each is free to do as she wishes, trading with whomever would freely trade with her on terms they find mutually beneficial. When this is what happens, we have a system wherein people flourish by providing value for others. This is obviously morally permissible. It would be a mistake to consider it either selfless or altruistic, but it is a system wherein people do better by doing well for others.

When government interferes, some manage to do well for themselves by seeking and receiving rents from government action. They might receive higher pay because they have few competitors due to licensing requirements. They might receive their pay even if their investments failed in predictable ways. That pay comes from others, forced to pay taxes to support bad bets of those who can get the government to cover their risks. They might be able to charge more for their goods because they convinced the government to impose tariffs on competition from elsewhere. Etc. When this is the case, we have immorality built into a hybrid market system. While some trades may be freely entered into and mutually beneficial, others are forced (either literally, or by the artificial limiting of options by government power, or via other factors that make various trades such that genuine informed consent is impossible).

The point here is simple: when government interferes, it renders mutual benefit through consent impossible. When it does that, there is immorality in the system. The inequality that results is immoral and likely to be more extreme than otherwise. To

make this vivid, imagine you want to marry Donna.<sup>54</sup> Donna does not want to marry you. You are hurt by her rejection, but nothing immoral has occurred; she married me and you went on and found someone else (we hope). Imagine, though, that the reason Donna married me is that I convinced the government to require a “Donna marrying license” law that allowed only one license per decade and I, knowing it was being instituted, got to the licensing board first. Or imagine she married me because I managed to get the government to make your travel to Donna’s home town illegal. Or to make your profession illegal. Or to subsidize mine (making me more wealthier and so more attractive). In such situations, you would rightly be aggrieved. You failed to marry who you wanted but only (let us assume) because of unjust interference by the government on my behalf. Now imagine this example multiplied by a million—i.e., with government determining the outcome in millions of cases, leaving it impossible for millions to do what they wish.

Recognizing that every market transaction has winners and losers, one should worry about having an agency that operates in ways that determine the winners and losers. If I win Donna because of my superior charm, humor, intellect, looks, or what have you, it is one thing; if I win her because of undue interference on my behalf, it is another. If Microsoft, Apple, Google, or whomever sells the most software because it makes the best (most desirable) software, it is one thing. If it sells the most software because of undue interference, it is another. If medical doctors earn more money than professors because they work harder, longer, or are simply deemed to provide a more valuable service by most people, it is one thing. If they earn more money because of undue limits to their competition, it is another.



Import tariffs, immigration restrictions, agricultural and industrial subsidies, licensing requirements, government grants of monopolies of any sort, real estate zoning laws, etc., are all ways that the government aids some at the expense of others. These are all ways that markets are made less free and less fair.<sup>55</sup> Importantly, it's worse than this discussion thus far may make it seem—simply because we are not likely to have government determining the winner of a single transaction in isolation from all other transactions. More likely, if the government sets things so that I win and you lose in one transaction, it will set things so that I win in a lot of transactions (and perhaps that you lose in a lot of transactions) since the winner of a transaction will seek to persuade government to continue setting things in his favor and, by virtue of a “win,” will have the resources to do so, offering compensation to government officials that help him.

The objection raised earlier might now be restated: I remain blind to the problems of markets unimpeded by government interference. Of course, government does interfere and (most) BHLs want government to interfere—at least to protect property rights and the consensual actions of market participants. The claim might be that this always occurs and I've provided little reason to think interfering to ensure market transactions that are consensual is anything more than aiding a group of market participants at the expense of others. Those protected, after all, will be benefited at the cost of those they are protected against (as well as those who pay taxes to support the system). The response here can be made straightforwardly, even if its defense would need to be more extensive. Protecting those who consensually trade with others is protecting them from harm by those who would unjustly seek to set back their interests.

It is justified by the injustice. By contrast, interfering on behalf of some who are not the subjects of unjust attempts to set back their interests is interference not justified by injustice. It is itself an unjust use of force.

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<sup>2</sup> <http://bleedingheartlibertarians.com/2011/12/our-family-a-possible-taxonomy/>

<sup>3</sup> Regarding socialism, see Jason Brennan's *Why Not Capitalism?* (New York: Routledge, 2014), itself a response to G.A. Cohen's *Why Not Socialism?* (Princeton, Princeton University Press, 2009).

<sup>4</sup> Hayek himself famously believed in some form of guaranteed minimum income for all in order to protect "those who for various reasons cannot make their living in the market, such as the sick, the old, the physically or mentally defective, widows and orphans" (*Law, Legislation, and Liberty, Volume III: The Political Order of a Free People*, (University of Chicago Press, 1979), 54-55).

<sup>5</sup> See, for example, Matt Zwolinski "Social Darwinism and Social Justice: Herbert Spencer on Our Duties to the Poor," Camilla Boisen and Matthew Murray, eds., *Distributive Justice Debates in Social and Political Thought: Perspectives on Finding A Fair Share* (NY: Routledge, 2016: 56-76).

<sup>6</sup> <http://bleedingheartlibertarians.com/2013/12/stoney-hearted-libertarianism-or-bleeding-heart-libertarianism/>

<sup>7</sup> Paragraph 3 of "The Sins of Legislators," in *The Man Versus The State*.

<sup>8</sup> Frédéric Bastiat, *The Law* (Auburn, AL: Ludwig von Mises Institute, 2007), page 5.

<sup>9</sup> *The Law*, page 17.

<sup>10</sup> *The Law*, page 19.

<sup>11</sup> See Chapter 3 of my *Toleration and Freedom from Harm: Liberalism Reconceived* (Routledge, 2018).

<sup>12</sup> BHLs might be receptive to forced taxation that would help the poor without having any perverse affects, but would be concerned with the certainty that there be no perverse affects.

<sup>13</sup> Some BHLs are more pluralistic than others about the sorts of liberty that are of value.

<sup>14</sup> Minarchists favor a government that is *minimal* in that it interferes with individuals to a minimal extent (likely only when justified by a limited set of jurisprudential principles). Size of geographical territory or population, of course, are not relevant.

<sup>15</sup> For more on the positive liberty-negative liberty distinction, see Ian Carter, "Positive and Negative Liberty", *The Stanford Encyclopedia of Philosophy* (Summer 2018 Edition), Edward N. Zalta (ed.), URL = <https://plato.stanford.edu/archives/sum2018/entries/liberty-positive-negative/>.

<sup>16</sup> See Kenneth Pomeranz's *The Great Divergence: China, Europe, and the Making of the Modern World Economy, Revised Edition* (Princeton University Press, 2001). See also Eric Jones' *The European Miracle: Environments, Economies and Geopolitics in the History of Europe and Asia* (Cambridge University Press, 2003). The central claim is made at least as early as 1905 by Max Weber in his *The Protestant Ethics and the Spirit of Capitalism* (Revised Edition, Oxford University Press, 2010), though Weber attributes the divergence primarily to a religious difference. See also Joel Mokyr's underappreciated *The Lever of Riches* (Oxford University Press, 1992) and, more recently, Dierdre McCloskey's excellent trilogy *The Bourgeois Virtues, Bourgeois Dignity, and Bourgeois Equality* (all University of Chicago Press, 2007, 2010, and 2017).

<sup>17</sup> This was in November of 2017. See <https://www.brookings.edu/blog/future-development/2017/11/07/global-poverty-is-declining-but-not-fast-enough/>.

<sup>18</sup> See <http://www.worldbank.org/en/topic/poverty/overview>. Some raise concerns with the numbers (see, for e.g., <https://www.aljazeera.com/indepth/opinion/2014/08/exposing-great-poverty-reductio-201481211590729809.html>), but the overall prognosis is clearly positive.

<sup>19</sup> Why trade was able to blossom in and after the 19<sup>th</sup> century (some would say it started earlier), is not a question we can answer here, but see footnote 16 above.

<sup>20</sup> Property rights provide one way to protect economic freedom. If I am able to own a car—meaning, minimally, that I can use the car, exclude others from using it, and earn money with it (renting it, using it for a service, selling it, etc.), I have economic freedom—I can use my resources as I see fit without interference by others.

<sup>21</sup> Some BHLs may give up support of economic freedom if provided empirical evidence that markets do not improve human welfare. Some of us, though, also treat economic freedom as a central value of political thinking independently of its contribution to welfare. We all agree *at least part of its value* is in its relation to human welfare.

<sup>22</sup> Having increasing property is one way have increased wealth. I suspect it is the most likely way, for reasons that will be apparent below.

<sup>23</sup> See Thomas Piketty’s *Capital in the Twenty-First Century* (Belknap Press, 2014) and his earlier, but recently translated, *The Economics of Inequality* (Belknap Press, 2015). Piketty’s central thesis—that gains to accumulated wealth accrue more quickly than the economy grows—has been challenged by many. See, for example, “The Rise and Decline of General Laws of Capitalism” by Daron Acemoglu and James A. Robinson (*Journal of Economic Perspectives*, Volume 29, 2015: 3-28) and “*Capital in the Twenty-First Century*: A Review Essay” by Lawrence E. Blume and Steven N. Durlauf (*Journal of Political Economy*, Volume 123, 2015: 749-777). Also of interest are Deirdre McCloskey’s “Measured, unmeasured, mismeasured, and unjustified pessimism: a review essay of Thomas Piketty’s *Capital in the twenty-first century*” (*Erasmus Journal for Philosophy and Economics Volume 7*, 2014: 73-115) and Tyler Cowen’s “Capital Punishment: Why a Global Tax on the Wealthy Won’t End Inequality” (*Foreign Affairs*, May/June 2014, available at <https://www.foreignaffairs.com/reviews/review-essay/capital-punishment>).

<sup>24</sup> It’s worth noting that despite the prevalence of significant economic inequality, we now largely enjoy political equality, that many who might be considered poor nonetheless have regular access to food and shelter, and that, generally speaking, no one has to bow to anyone. (Two concerns worth noting about the U.S.: First, inner city youth, especially African-American males, are far too often subject to unwelcome encounters with police that might come close to including legally required subservience. Second, homelessness among children is a significant issue.)

<sup>25</sup> Book I, Chapter II, Paragraph 1, *An Inquiry Into the Nature and Causes of the Wealth of Nations*.

<sup>26</sup> For the original argument, see David Ricardo’s *On The Principles of Political Economy and Taxation*, perhaps esp. Chapter 19.1.

<sup>27</sup> See chapter 4 of my *Toleration and Freedom from Harm: Liberalism Reconceived* (Routledge, 2018). See also chapter 5 of Ryan Muldoon’s *Social Contract for a Diverse World* (Routledge, 2017)

<sup>28</sup> Book I, Chapter I, Paragraphs 5-8, *An Inquiry Into the Nature and Causes of the Wealth of Nations*.

<sup>29</sup> See footnote 27 above.

<sup>30</sup> Property rights, that is, allow us to prevent tragedies of the commons. See David Schmidtz “The Institution of Property” (*Social Philosophy and Policy*, Volume 11, 1994: 42-62) and “Property and Justice (*Social Philosophy and Policy*, Volume 27, 2010: 79-100).

<sup>31</sup> Also significant is the fact that the group of people that is “poor” changes over time. As David Schmidtz points out, looking at the distribution of goods (income, wealth, or resources) at a single instant is misguided. College students often have no income and substantially negative wealth (due to college loans), without being badly off. Generally, many of those in the lower quintiles of income earners move up those quintiles as they age (becoming earners, improving their ability to earn, etc.). Their children might move further up (or move down!). We do not live in a caste society where people have to live at the same income or wealth level their parents did. Moreover, those in the lower half (e.g.) of the income distribution do considerably better today than those in the lower half of the income distribution a century ago—indeed, almost all of us are materially better off today than people a century

ago. (This is true even though there are, obviously and unfortunately, some today who are as badly off as anyone ever was—homeless children in particular seem “left behind.”) See Schmidtz, *The Elements of Justice* (NY: Cambridge University Press, 2006), 126-139. See also Steve Horwitz, “Inequality, Mobility, and Being Poor in America” (*Social Philosophy and Policy* Volume 31, 2015: 70-91).

<sup>32</sup> *On Inequality* (Princeton University Press, 2015), 7.

<sup>33</sup> *Ibid*, 11. I should note that I am not here fully endorsing Frankfurt’s *sufficientarianism*, where once each has enough sufficient to lead the sort of life that is good for one, there is no further concern with inequality at all. I am inclined to think that neither that nor *prioritarianism*, the view that the least well off must always be given priority of some sort, is quite right, though both follow from important insights. A number of BHLs, though, are sufficientarian and thus more concerned with consequences of actions and policies than other libertarians. On prioritarianism, see Joshua Cohen’s “Democratic Equality,” (*Ethics* 99, 1989: 727–751) and Richard Arneson’s “Luck Egalitarianism and Prioritarianism” (*Ethics* Volume 110, 2000: 339-349).

<sup>34</sup> Oxford University Press, 2017.

<sup>35</sup> Worth considering in this light is the role (in the U.S.) of the Flexner Report of 1910. See <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3178858/>. Part of what this did was judge medical schools in terms of how they trained medical students and whether that method was in line with the methods used at Johns Hopkins University but without concern for how the resulting doctors succeeded. Schools that performed poorly on this score (roughly one third of the total number of medical schools at the time) ended up closing.

<sup>36</sup> See Morris M. Kleiner, “The Influence of Occupational Licensing and Regulation” (*IZA World of Labor*, 2017: 392), available at <https://wol.iza.org/uploads/articles/392/pdfs/the-influence-of-occupational-licensing-and-regulation.pdf>. There are more than six thousand sets of licensing requirements in the European Union (a “set” is the combination of the profession and the country). See <http://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=regprofs>. For a similar list for Australia, see <https://www.homeaffairs.gov.au/trav/work/work/skills-assessment-and-assessing-authorities/skilled-occupations-lists/combined-stsol-mltssl>. For an interesting discussion of licensing for lawyers in the European Union, see Mario Pagliero and Edward Timmons, “Occupational Regulation in the European Legal Market” (*The European Journal of Comparative Economics* Volume 10, 2013: 243-265).

<sup>37</sup> For those worried that, absent licensing, people will have no way to tell who is qualified to perform a service, it is worth noting that there are private certification programs (Consumer Reports, Angie’s List, Underwriters Laboratory, etc.) and college and university degrees (MDs, JDs, etc) that provide much the same information without the coercion raised by coercively required licenses.

<sup>38</sup> For example, “Through the Competitiveness and Innovation Framework Programme (CIP) alone, over 340,000 small businesses [in the European Union] benefited from the guarantees provided by the financial instruments.” See [https://ec.europa.eu/growth/access-to-finance/funding-policies/loans-guarantees\\_en](https://ec.europa.eu/growth/access-to-finance/funding-policies/loans-guarantees_en). Australia has a similar program; see <https://www.business.gov.au/assistance/loan-guarantees-nsw>.

<sup>39</sup> Lindsey and Teles also discuss securitization that also encouraged financial firms to make risky loans (see 40-42). See also my discussion of collateralized debt obligations in my *Toleration* (Polity Press, 2014), 106.

<sup>40</sup> New York: The New Press, 2010.

<sup>41</sup> See also Andrew Jason Cohen and William Glod, “Why Paternalists and Social Welfarists Should Oppose Criminal Drug Laws” (*Rethinking Punishment in the Era of Mass Incarceration*, Ed. Chris W. Surprenant. NY: Routledge Press, 2018: 225-241), esp. 227-232, and Gary Chartier, *Anarchy and Legal Order: Law and Politics for a Stateless Society* (Cambridge: Cambridge University Press, 2013), 328-333 and 343-351.

<sup>42</sup> To be clear the problem of overincarceration is predominately an issue for the U.S., which leads the developed world in incarceration rates. See <https://www.prisonpolicy.org/global/2018.html>.

<sup>43</sup> *The Law*, 14. For a recent argument that free markets help society by encouraging positive sum activity, see Christopher Freiman’s *Unequivocal Justice* (New York: Routledge, 2017), chapter 6.

<sup>44</sup> The problem may be less severe in Europe. See <https://www.theguardian.com/commentisfree/2018/jan/24/fairer-europeans-inequality-surged-us-europe>

<sup>45</sup> <https://www.cnn.com/2017/11/06/how-much-you-need-to-earn-to-be-in-the-top-1-percent-at-every-age.html>

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<sup>46</sup> <http://www.dailymail.co.uk/news/article-2082385/We-1--You-need-34k-income-global-elite--half-worlds-richest-live-U-S.html>

<sup>47</sup> Ostensibly, rent control helps those needing less expensive housing. However, results vary. Landlords of housing with rent control might not be able to afford to maintain the housing, reducing the living conditions of their tenants. New builders might prefer to make luxury housing to avoid rent control issues. In short, there is little incentive to produce and maintain low cost housing where the profit in doing so is legally restricted. (Another problem: legal restrictions preventing less expensive housing options like “small houses” & multi-occupant housing.)

<sup>48</sup> References here are to Anderson’s original paper on this topic, “What is the Point of Equality” (*Ethics* Volume 109, 1999: 287-337).

<sup>49</sup> For more, see 90-94 and 111-120 of my 2018.

<sup>50</sup> For more on this issue, see Anderson’s new *Private Government: How Employers Rule Our Lives (and why we don’t talk about it)*, especially Niko Kolodny and Tyler Cowen’s essays and Anderson’s responses. (Princeton: Princeton University Press, 2017).

<sup>51</sup> <http://www.latimes.com/opinion/op-ed/la-oe-merchant-iphone-supplychain-20170723-story.html>

<sup>52</sup> For more on this, see my 2014, especially 93-98.

<sup>53</sup> As others have pointed out, it is unfair to compare real (very flawed) markets with ideal governments. See Daniel Shapiro *Is The Welfare State Justified?* (Cambridge University Press, 2007), 2-8. Governments—including their efforts to reduce inequality—are themselves flawed. Comparing real market activity with real government activity is fair. Some of what I say here is meant to be suggestive of the sorts of considerations needed. See William Keech and Michael Munger “The Anatomy of Government Failure” (*Public Choice*, Volume 164, 2015: 1-42). Also see Roderick Long “Left-Libertarianism, Market Anarchism, Class Conflict, and Historical Theories of Distributive Justice” (*Griffith Law Review* Volume 21, 2012: 413-431).

<sup>54</sup> Nozick has a similar case. See *Anarchy State Utopia* (NY: Basic Books, 1974), 237.

<sup>55</sup> Consider again the extreme example that was the U.S. Federal Government having an official policy of not merely allowing but also enforcing enslavement. This clearly gave an unjust benefit to some while harming others. This may make reparations due. See David Boonin’s *Should Race Matter*, chapters 2 and 3 (NY: Cambridge University Press, 2011).