

Capitalism and Individualism. By Tibor Machan. New York: St. Martin's Press, 1990.

Tibor Machan is not the philosopher than whom no more productive can be conceived—that distinction belongs to Nicholas Rescher. But no other philosopher rivals Machan in his relentless stream of books, articles, and—not to be forgotten—letters to the editor in defense of a free society. *Capitalism and Individualism* ranks as one of Machan's best works. Its thesis deserves to arouse wide discussion among economists.

Although most American economists look favorably on the free market, Machan finds their characteristic defense of it lacking. As he sees it, economists uncritically assume that morality is not objective. Values consist entirely of subjective preferences, no more and no less.

This position appears to place its advocates in a difficult position. If they wish to support a particular social policy, are they not merely expressing their preferences? Why should others listen? Economists such as Milton Friedman and James Buchanan who favor moral subjectivism claim that they nevertheless can adequately defend the free market.

They assume that most people want material wealth. Given this goal, the economists can prescribe the method that offers the best chance toward its attainment. But goals are not confined to material wealth, important as this ranks. People wish to realize their preferences, whatever they may be, and the free market enables them to do so better than any alternative system. Every trade makes people better off from their own point of view.

Machan finds this approach "weighed, and found wanting in the balance." It rests, he thinks, on reductivist materialism and denies free will. Besides depending on these dubious philosophical underpinnings, the view fails on its own terms. People are not always better off when they make an exchange: is a drug addict better off when he

buys narcotics (p. 10)? Further, many people do not rank material wealth first above all else. If the "neo-Hobbesians" then shift to the claim that people in the free market select their highest valued preference, whatever it is, they have arrived at a tautology. Finally, the economists' defense of the market does not inspire people. Even so wrong-headed a philosophy as Marxism does better on this score.

What is one to think of Machan's provocative diagnosis? Machan seems to me entirely on target in challenging the uncritical assumption among many economists that value subjectivism is correct. I am less sure of his amalgamation of this view with materialism and determinism. Value subjectivism, so far as I can see, implies neither of these doctrines. James Buchanan, one of Machan's prime targets, advocates free will; and Ludwig von Mises, who to some extent fits Machan's model so far as value is concerned, supported dualism and free will as methodological assumptions. Nevertheless, I think Machan is right to assume some affinity between the various strands of the "neo-Hobbesian" account. The nature of the connection, if indeed it exists, needs to be spelled out.

Machan argues that those who say that we always choose our most highly valued preference have fallen into tautology. This seems to me mistaken. "Most highly valued preference" is not, after all, defined as "whatever we in fact choose," and some people, e.g., the proponents of satisficing rationality, deny that the statement is true. As they see it, we need only choose what is good enough: we need not select our highest ranked choice. Whether they are right is another question, but surely their contention is not self-contradictory. How then can the principle that we always choose our highest-ranking preference be empty of content?

Fortunately, this point does not much affect Machan's argument. Together with his criticism of the economists, he offers a proposal of his own. Defense of the market should rest on an explicit philosophy. It will come as no surprise that the philosophy Machan supports takes its chief inspiration from Ayn Rand.

Values in this system are objective, though not intrinsic. The world consists of multiple layers of being; he rejects mechanistic materialism in favor of a philosophy of emergence. Machan argues strongly for free will, citing the work of R.W. Sperry in its defense.

If people have freedom of choice, they bear responsibility for their actions. They are not passive products of changing circumstances. To meet their responsibilities, the cultivation of virtue is essential, and this vital task demands freedom for its realization. Attempts to impose virtue on others neglect this crucial condition. Here in essence

is Machan's argument for freedom: it rests on the requirements of virtue rather than the vagaries of skepticism.

Machan's case for freedom does not reject economic efficiency. Rather, he maintains that arguments based on economics require philosophical support. He contends that without such support, the calculation argument of Mises and Hayek achieves little. True enough, only a market economy can produce a wide variety of consumer goods efficiently. But what if the government does not care about this? It may demand that consumer tastes be sacrificed (pp. 120–21).

Machan quite correctly notes that not all regimes aim at consumer welfare. But the calculation argument does not assume the contrary. It applies as much to a dictatorship that wants tanks as it does to consumers who demand video games. The nub of the argument is that only a market can efficiently operate a structure of production. It deals with "higher order" goods rather than consumption.

If Mises is right, the efficiency argument case for the market has more strength than Machan allows. So long as the goals of people living in a modern society do not require economic chaos, their establishment of a socialist economy is irrational. If this is regarded as an argument against socialism, certain value judgments are assumed; but they hardly seem controversial. To make an economic case for the market, one need not put material wealth first. To accord it some weight suffices. (I have placed to one side the case of socialist regimes that can use the prices of capitalist economies.)

Several other remarks in the book seem dubious. Arrow's Theorem does not merely contend that intransitive preferences are possible: it sets forward certain conditions that *cannot* be mutually fulfilled (p. 126). Thomas Sowell's *Marxism* is not, except for its final chapter, anti-Marxist; Sowell defends Marx against Böhm-Bawerk's criticism (p. 10). Thomas Nagel does not contend prudence is irrelevant to morality. The principal argument of *The Possibility of Altruism* is that if prudence is rational, so is morality.

Although Machan sometimes errs in detail, his main contention in *Capitalism and Individualism* strikes home. Economists who reject moral objectivity need to examine their premises. Machan's hard-hitting book is a good place to begin.

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