

CISEPS Seminar

Markets, Morals and Policy-Making: A New Defence of Free-Market Economics

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Building U6, room 3061

Abstract

When the so-called subprime crisis reached its zenith at the beginning of 2009, economists admitted – albeit some of them only grudgingly – that optimally-designed regulations were not that optimal, after all, and swiftly suggested proposals for institutional reforms: new restrictions on individual behavior and enhanced discretionary powers of the policy-makers, nationally and internationally. Different schools of thought varied in the details. Yet, all the basic “lessons” drawn from the crisis have seemed to share a belief in some underlying social contract that legitimizes coercion for the sake of the common good. Such a contract would need no confirmation, but its scope should be extended and made more credible. By contrast, we argue that free market economics is first and foremost the denial of a social contract characterized by compulsory solidarity and social rationality, and that the foundations of free-market thinking originate from moral philosophy, rather than from political expediency. In other words, free-market supporters believe that state intervention and other forms of centrally-defined common good are objectionable because they violate a principle of justice, not because they violate a criterion of social welfare maximization. Likewise, free-market ideas do not deserve recognition because they perform well. We do not deny that respect for the free-market values – freedom from coercion, private property and freedom of contract – might also produce efficient outcomes and prosperity. We insist, however, on the fact that efficiency and economic performance are not the core argument in support of the free-market vision; and that a free-market approach built on consequentialism or wishful thinking will falter whenever a crisis strikes, and necessarily force its advocates to acquiesce to some version of the third way.

CISEPS

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