

Individualist Collectivism

Is the free market an individualist or collectivist social arrangement? Don't answer too quickly. It's a trick question.

Most people — free-market friend and free-market foe alike — will answer “individualist.” And that makes perfect sense. The free market describes a political/legal environment in which individuals are at liberty to engage in any peaceful activity, with only force and fraud prohibited. No one may aggressively interfere with another human being's peaceful projects. This environment leaves it to each person to define himself or herself through the pursuit of subjective preferences. If that's not individualism, what would be?

A popular line of attack against the free market is that it leaves people little or no say in important matters that affect their lives. It's an appropriate concern. Libertarianism is about controlling your own life. The question is, Which social system gives the individual more control? Clearly it's the free market (not to be confused with current corporatism) that allows far more control, even in the midst of “impersonal market forces.” When competition is not limited by government privilege and other restrictions, the individual has a wide range of choices in consumption and production activities. If you don't like one offering, chances are there will be others. The key to choice is the absence of barriers to competitive entry — barriers like taxes, regulations, land-use restrictions, government-sponsored cartels, intellectual “property,” and more.

The control that an individual exercises in the market far exceeds the alleged influence he or she has in a political democracy, where no person's vote is decisive, and the benefits from government actions are concentrated on well-organized interest groups — while the costs are spread thinly, almost invisibly, throughout the population.

So where does collectivism figure in the free market? This is a dimension of the market that cannot be ignored without missing something essential. If I wanted to be especially provocative, I'd call this the collectivist or socialist dimension.

If social democrats dropped their prejudice against moneymaking and took a fresh look, they would be struck by how closely the freed market would approach what they say they want. Ludwig von Mises held that the “market economy is a democracy in which every penny constitutes a vote. The wealth of the successful businessman is the result of a consumer plebiscite.” It is true that someone with more money has more “votes” than someone with less money. But the person with less money can still obtain things she wants, which makes the market superior to political democracy, in which anyone who votes with the losing side gets nothing. That's where the democratic analogy breaks down in favor of the market. As the liberal legal scholar Bruno Leoni noted, in a democratic vote 50

percent plus one effectively equals 100 percent, while 50 percent minus one effectively equals 0. In the market, minority tastes are catered to. It's not winner-takes-all.

Mises made one more point that should impress good-faith social democrats: "In the last analysis, all decisions are dependent on the will of the people as consumers." Elsewhere he wrote,

If a businessman does not strictly obey the orders of the public as they are conveyed to him by the structure of market prices, he suffers losses, he goes bankrupt, and is thus removed from his eminent position at the helm. Other men who did better in satisfying the demand of the consumers replace him." [Emphasis added.]

In a free market (and even today within limits), we *collectively* decide who controls the means of production. A defiant individual hasn't a chance against the consumers' verdict. Who was responsible for the bookseller Borders's bankruptcy last year? Individually, you or I could not have driven the chain from the market. But we did it collectively by our individual decisions about where and how to buy books. In effect we said, "Borders, we think there are better uses for your assets, so we want them transferred to someone else. And we prefer that your 10,700 employees produce something else, because other people are already satisfying our book-buying needs."

That sounds like the kind of collective decision-making the social democrats say they want. (Without corporate protectionism, consumer power would be even more pronounced than it is today.) Had our language evolved differently, the free market might today be known as *socialism*, since decisions about who controls the means of production would be made socially. The opposing position — which favors decision-making within the state — would properly be called *statism*. In fact, Benjamin Tucker and the other radical pro-market individualists of his era called themselves socialists.

In the free market, therefore, we have a beneficial combination of individualism and collectivism. F.A. Hayek, in his essay "Individualism: True and False," alluded to this irony when he wrote, "What individualism teaches us is that society is greater than the individual only in so far as it is free. In so far as it is controlled or directed, it is limited to the powers of the individual minds which control or direct it."