Rights and Trade, the Implications of Human Rationality

Send him mail.

"The Self Owner" is an original weekly column appearing every Wednesday at Everything-Voluntary.com, by Spencer W. Morgan. Spencer is a husband and father, and has studied History and Philosophy at the University of Utah. Archived columns can be found here*. OVP-only RSS feed available* here*.*

In today's column, I'd like to examine closely the role of reasoning and its relationship to our interpersonal actions. We've already defined some universal barriers that guide our interpersonal actions, and these we have labeled *rights*. But what is it about man that entitles him to these spheres of free action?

Last week we touched on man's unique nature. Unlike all other living organisms of which we know, man lives not by a set of instincts to guide his actions, but by reason in response to perceptions from the outside world. His actions are *volitional* and even his rational response to perceptions is itself *volitional,* or chosen. Unlike any other form of life, man survives and improves his life by the use of this rational judgment.

This has some very important implications on the way humans interact. The first is, as we have already discussed, that he is entitled to the exercises of this rational judgment and to act upon it in all self-owning spheres of action.

Another result of this rational nature, is the process of trade. Often, the financial world is characterized as a "dog-eat-dog" competition wherein every benefit realized by one person or group of people is at the expense of competing interests of others. This fallacy ignores the way exchanges are based on man's rational capacity, and how fundamentally *unlike* a battle between instinct-driven animals the marketplace of free exchanges is.

Fallacies About Exchange

This confusion has been aided by prevailing economic notions through the ages, even among the most pro-market voices, which held that value in an exchange was tied to labor, and could be treated as a fixed amount. If all items being exchanged are viewed as having a fixed, objective value then no exchange can be mutually beneficial. This has led to the "exploitation by trade" fallacy, because a trade then becomes a process by which one party must *lose* value (as compared against this supposed objective value). Such a theory of trade must hold that exchanges arise from immoral pressures or ignorance of the true value of the goods or services being traded. It would be impossible for both parties to any trade to benefit by an exchange.

As a group of Austrian economists observed in the late 1800’s, this characterization of value in exchanges is problematic, and does not explain why people choose to participate in exchanges. Carl Menger observed that value in an exchange is a function of a rational, *subjective* value determination by each of the two parties involved. When an uncoerced trade happens, it is because each party to the exchange has determined, based on their independent and subjective determinations of value that the exchange benefits each of them independently.

This ability to use abstract judgment based on varying circumstances and potentialities, and arrive at subjective value determinations to motivate a trade, is a uniquely human rational capacity. It is the capacity that allows humans to exchange with each other for mutual benefit.

Thus the implication of our rational nature is that the process of *trade* and barriers of *rights* become the moral guidelines for the interaction of rational, volitional beings. In next week’s column, we’ll examine how this principle of trade, along with the specialization it enables, has been the impetus for all of human civilization.