

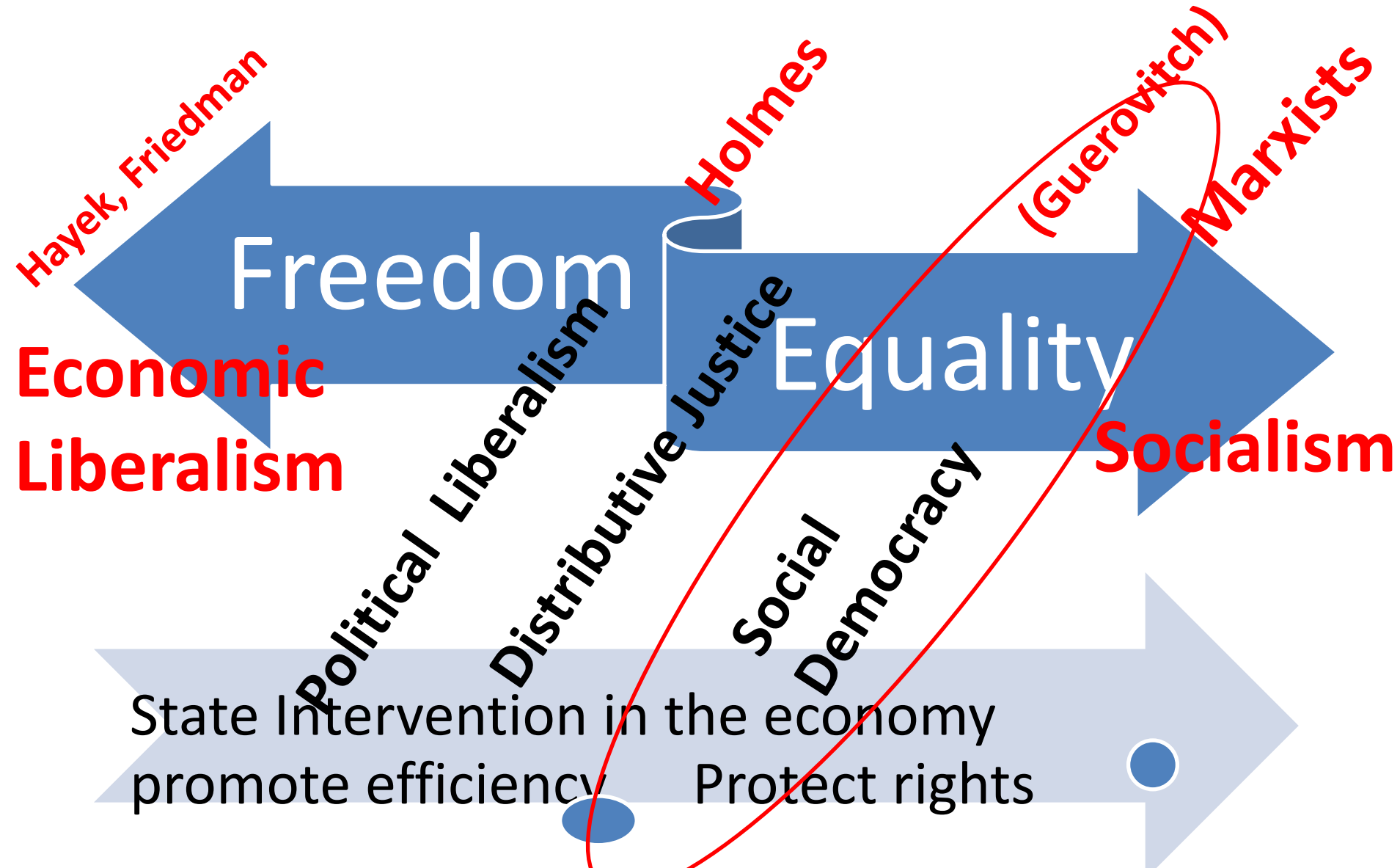
# What is your tolerance for economic inequality?

- A. **High** I know that the market creates inequalities but everyone is better off in a market economy than in any other type of economy
- B. **Medium** I want a short-medium term social safety net to allow those who have failed in the market to get back on their feet.
- C. **Low** I believe that society should maintain the market but provide the government with the capacity to redress the economic inequalities that it creates.

# Political Liberalism and the Clash between Markets and Democracy

- Today we will.....
  - Review how Political Liberalism fits into the spectrum of theories of Political Economy
  - Show that both political and economic liberalism reject **arbitrariness**
  - Review and expand Political Liberalism's rationale for distributive justice
  - Explore the tension between Markets and Democracy and why Political and Economic Liberals have different views

# The Freedom-Equality Spectrum



Review: Liberalism inherited the values of both Freedom and Equality + **both reject arbitrariness**

- Economic Liberalism: rich and poor have **equal freedom** in the market under the non-arbitrary “Rule of Law”
- Political Liberalism: market freedom + emphasis on **equal rights and freedom from want**
  - Market is arbitrary so
  - State must take action to ease economic inequality
  - And protect the needs of society

# Political Liberalism's Theory of Economic Allocation: What is Fair? (What is Just?)

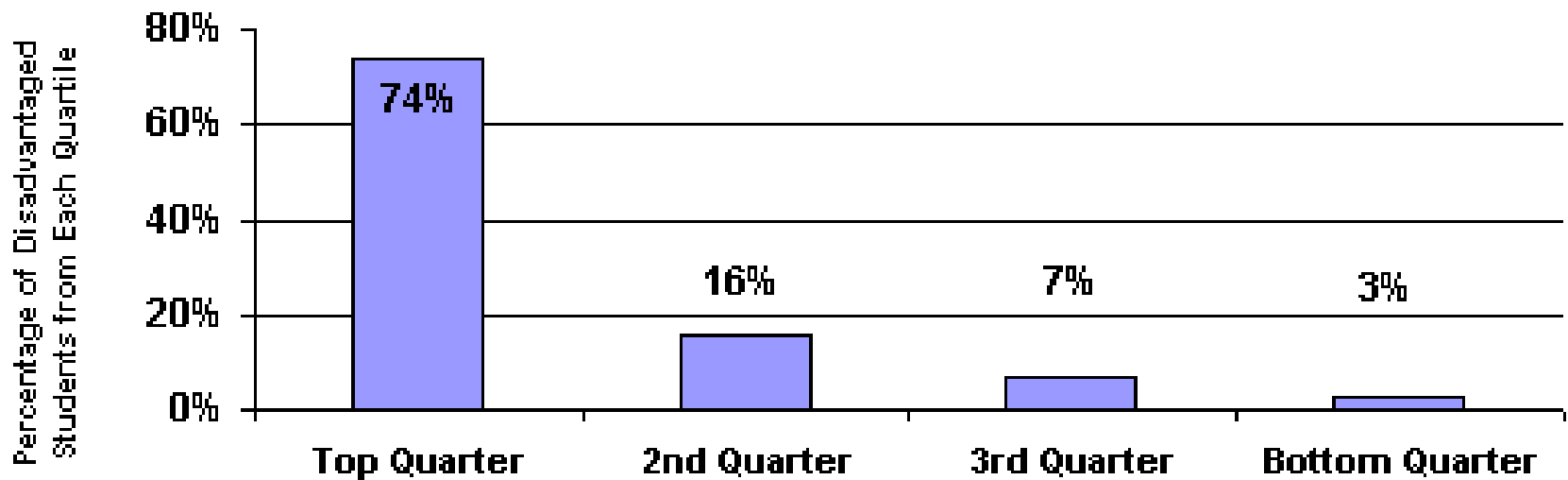


# What is “justice” or “fairness” in the distribution of wealth?

- **Feudal /caste system**: distribution based on factors for which people couldn't claim credit—arbitrary
- **Economic Liberal concept** : Blind Justice. **distribution of opportunities and resources should not be based on factors for which people can claim no credit.** It applies to all equally (not arbitrarily). Everyone gets to enter the race. Efficiency and merit are talents needed
- **Political Liberals**: The market system with formal equality is more just, still arbitrary and creates inequalities **meritocracy** with equal opportunities
- **For some liberals—still not enough**
  - If we are born into wealth, it's an accident of nature
  - Even talent is an accident of nature
  - So if the system is still arbitrary what should we do?
- **Political Liberals: The Redistributive Principle** best meets criteria of both freedom and equality:

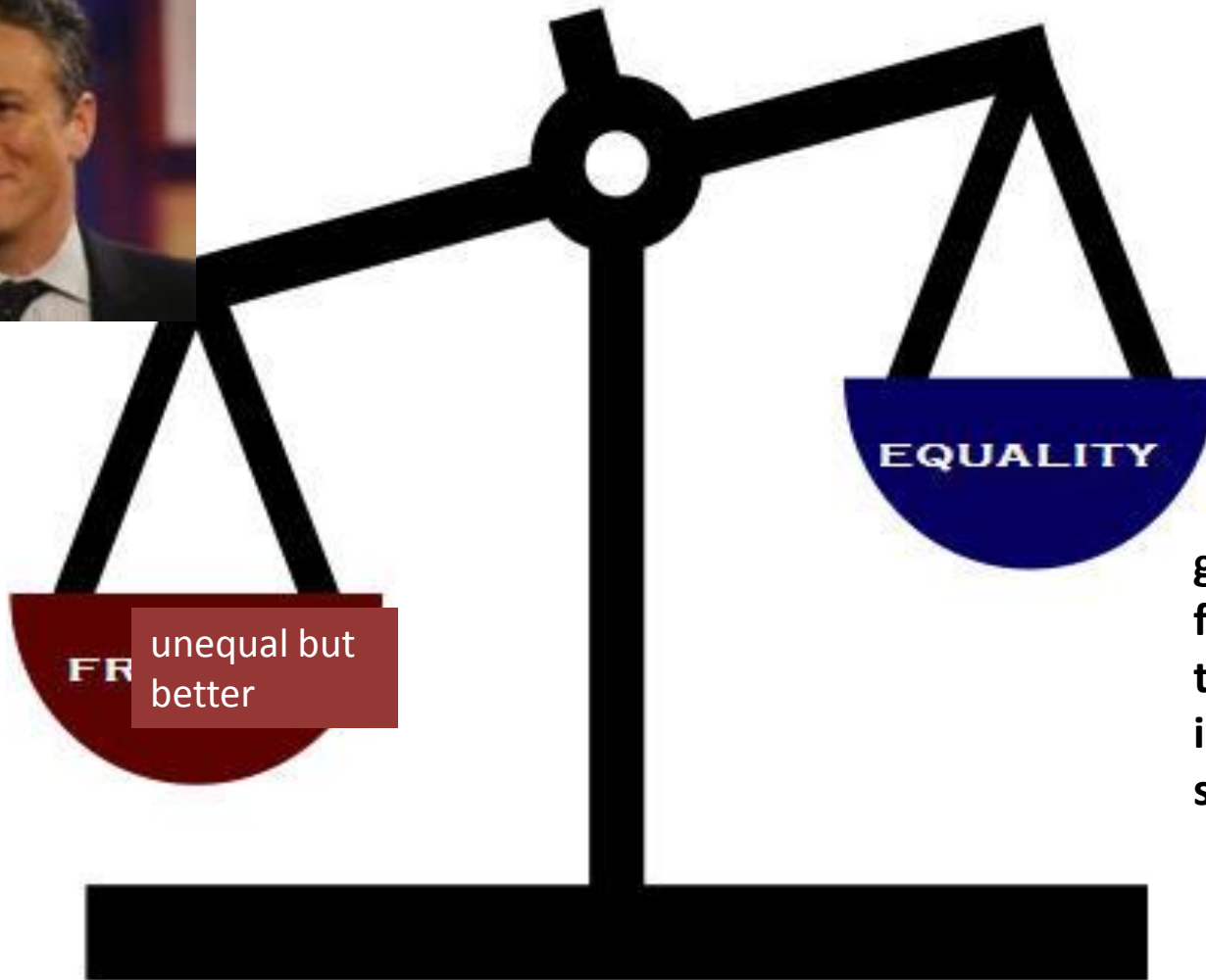


## Socioeconomic Status of Students in Selective Colleges



Percentage of Disadvantaged Students Admitted to Selective Colleges  
by High School Class

# Egalitarianism and the Redistributive Principle



gain from good  
fortune only on  
terms that  
improve the  
situation of all. .



## The Market system

- Economy : Market provides entitlements but not what we necessarily deserve

Society

If we are all equal, should we be free to own ALL the fruits of our talents?

A. Yes

B. No



Both Economic and Political Liberals face  
another problem: The tension between Markets  
and Democracy



# Why markets and Democracy are good for each other....

- Markets create more wealth than any other system
- Markets spread the wealth
- And markets also diffuse power
- Democracy is the best way to organize diffuse power

# In fact, Markets create democracy!

- “habits and values of a market economy, when transferred to the political sphere, make for a democracy.”
- Even China has a growing middle class which will press the state for democracy.
- And it will eventually win

# And Democracy creates markets!

- Democratic governments provides more constraints, more separation of power than authoritarian governments.
- They diffuse power
- Concentrated power is a barrier to individual freedom
- Individual freedom and competition are necessary for markets



# Economic liberals sometimes argue that Democracy Undermines the market:



*Pundits like Thomas Frank deplore the role of interest-group lobbying, but aren't we all part of some interest group or other?*

Political liberals make just the opposite argument: Free, unfettered Markets lead to income inequality and don't lead to democracy

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Political Liberal argument: wealth inequalities lead to power inequalities



THE SUPREME COURT OKS ELECTION SPENDING BY CORPORATIONS

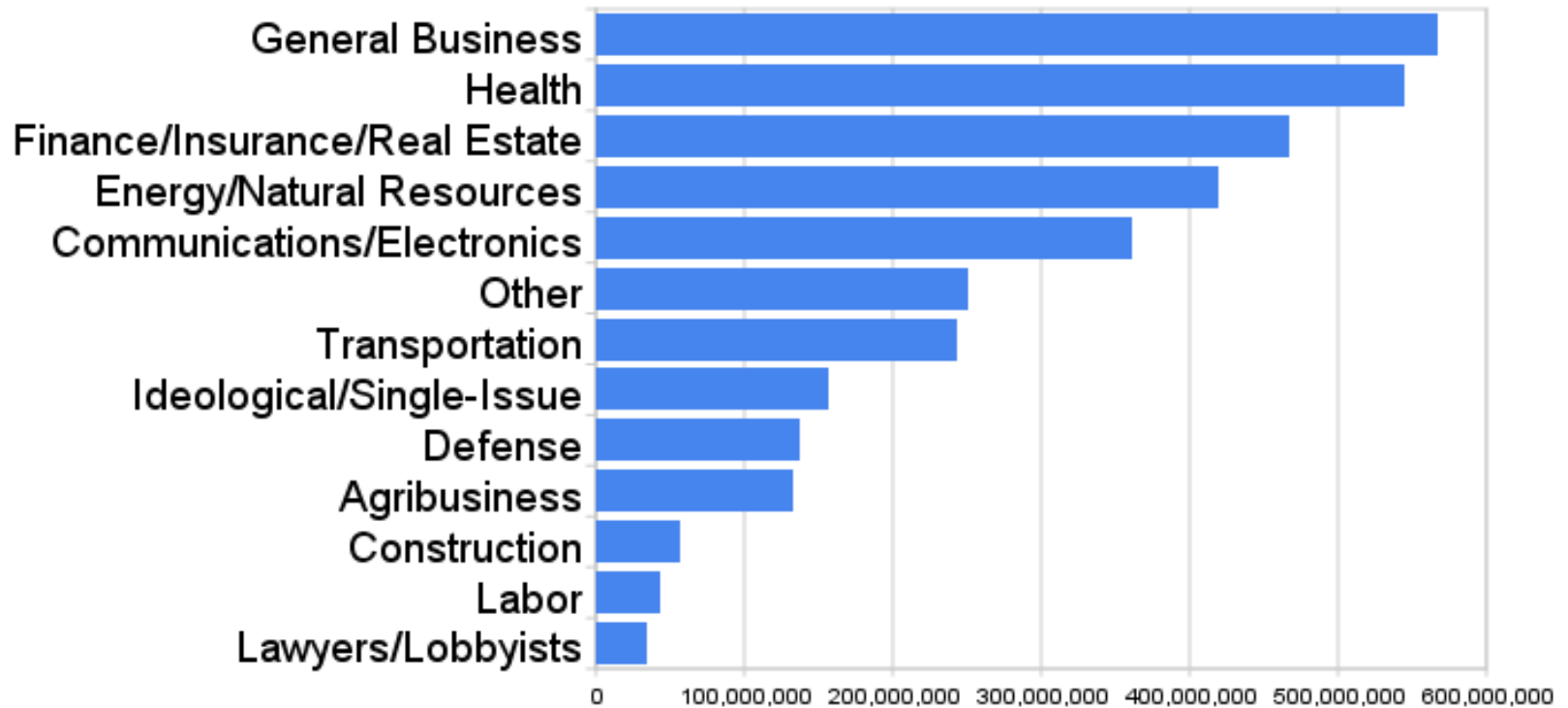
...AND TO THE CORPORATIONS,  
FOR WHICH IT STANDS.



2010  
**STAHLER**  
THE COLUMBUS DISPATCH

# Large corporations spend the most lobbying congress

**Lobbying Expenditures in 2009 by Industry**



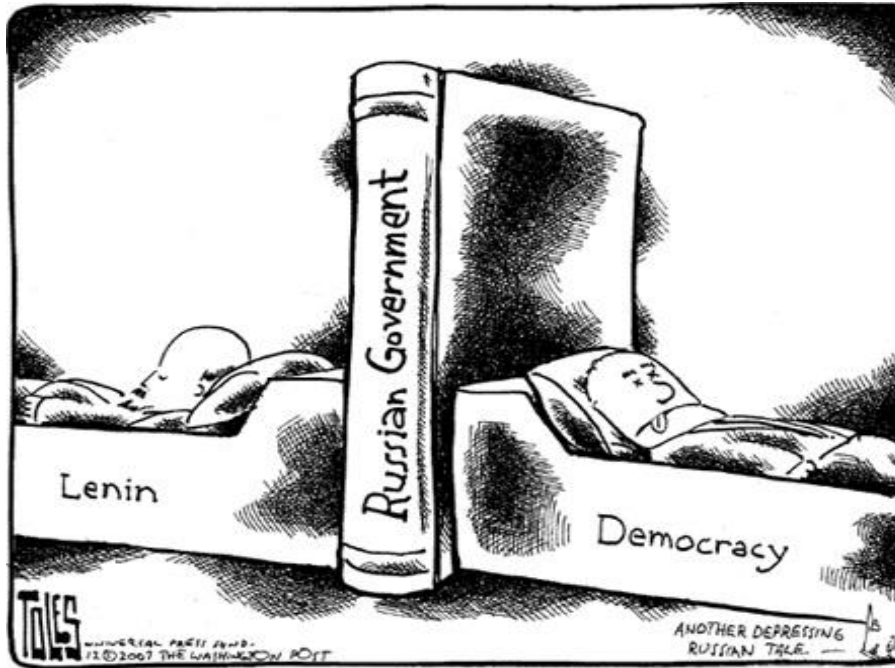
Also...Double movement is inevitable: People will protest economic inequality because it undermines political equality



# Protest leads to repression



# Empirical evidence that Markets don't lead to democracy





# Not only do Markets NOT create democracy.....

- They may actually destroy Democracy!



In fact, some say that democracy requires a redistributive state! Social democracy



# Summary of The Possibilities: Know the logic behind each one

- Two economic liberal perspectives
  - “Free” Markets and Democracy work together
  - Democracy undermines the free market
- Two Political Liberal Perspectives:
  - “Free” Markets hurt democracy
  - Democratic Socialism!



Some problems with all of the above:



contingent nature of the relationship

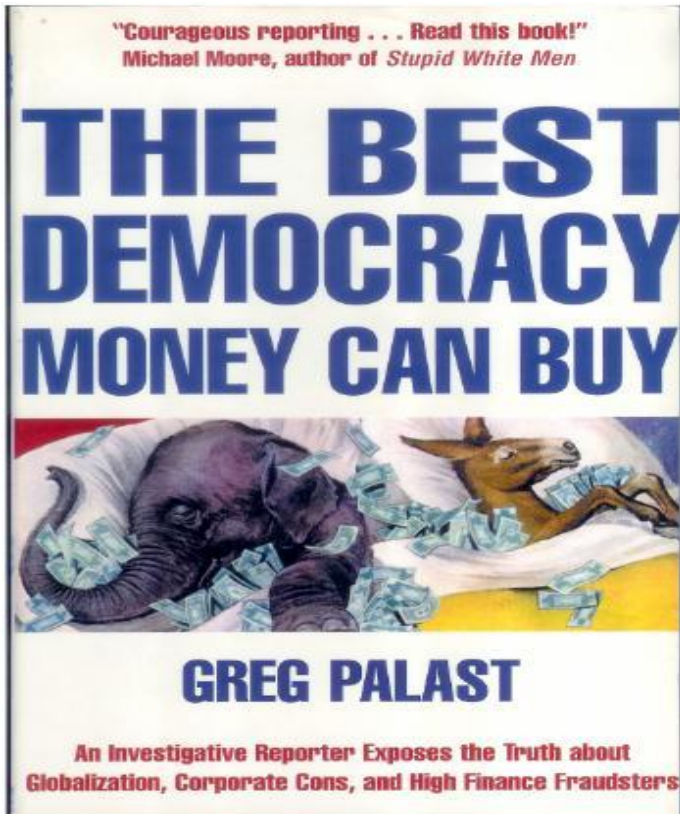
- Whether democracy and markets fit well together depends on
  - When countries enter the market
  - When they industrialize
  - Where they fit in the international system of power and wealth
  - We will talk about this later in the course



# And how we define democracy

- we often conflate liberalism with democracy.

**Dysfunctional Democracy**



**Illiberal Democracy**



What happens to the political economy of freedom in all of this?





What happens to the political economy of freedom in all of this?

