

**Controversy:**

**Do Market Economies Allocate Resources Optimally?  
A Response to Dwight D. Murphey**

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**Introduction**

According to the conventional wisdom, libertarians favor freedom in both economic and social spheres, while conservatives agree with only the former position and liberals with only the latter. That is, right wingers advocate liberty in commercial but not personal affairs, while left wingers invert this stance, defending freedom in the bedroom but not in the boardroom.

This perspective must be modified at least as far as Professor Murphey is concerned. For he is a man with impeccable starboard credentials, and yet has serious reservations about laissez-faire as an economic system. To wit, he opposes what he takes to be “the linchpin concept in free-market ideology: the claim that a market economy makes an ‘optimum allocation of resources.’”<sup>1</sup>

Murphey provides several reasons for his suspicions. The first, he tells us, is “purely intellectual.” Yet, I am unable to determine from the paragraph devoted to this task the reason why my debating partner regards this claim as fallacious.

His second reason for rejecting the view that free enterprise optimally allocates resources does indeed exist, but it is not easy to see its relevance. It would appear that Murphey spurns the market’s allocation of resources for four principal reasons. First, because this position “will rapidly become a liability to classical liberalism as an overall theory of a free society.” Second, because technological advances are now occurring so quickly and fundamentally that it behooves us to “rethink virtually all aspects of ... economic thought,” certainly including the issue of whether or not resources are optimally allocated under capitalism. Third, because the new technology bodes well to move us to a “near workerless economy,” which will shake advanced economies to their

core and be a “catastrophe in less-developed economies.” Finally, the net result of these forces will lead to an unacceptably high level of income and wealth inequality.

One difficulty with all four of these “reasons” is that their connection with the claim that optimal resource allocation stems from free markets remains unclear. Murphey could be correct in all of these contentions, and yet the claim of optimal resource allocation could still be valid. It is as if someone maintains that ice cream does not taste good, and the critic points out that this food item is commonly eaten after and not before meals, is typically served cold, comes in different flavors, and is eaten with a spoon. The point is, even were it *true* that the optimal allocation of resource theory will become a liability and needs to be rethought, that current labor-saving innovations lead to great inequality, it could *still* be the case that markets allocate resources optimally.

### **Analysis of Murphey’s Reasons for Rejecting Optimal Allocation**

But are these four caveats correct on their own merits, apart from their connection with optimal resource allocation? The case for this is weak. Let us consider them in turn.

The first question to ask is, Will the theory rapidly become a liability to classical liberalism? Yes, it certainly will, in the eyes of left-wing clergy, pundits, editorialists, and philosophers. Indeed, in their mind, it already *is* an embarrassment. On the other hand, this goes for just about the entire gamut of libertarian ideas, ranging from opposition to affirmative action, socialized medicine, gun control, minimum wage legislation, and tariffs to advocacy of economic freedom, individualism, initiative, entrepreneurship, private property, and so forth. As far as people on this side of the aisle are concerned, the verdict is already in; all that is needed is the indictment. If this is the jury that Murphey has in mind, he is involved in a lose-lose situation; *any* element of the libertarian or conservative philosophy will be rejected out of hand. But this is no reason to cease and desist.

Second, the sign of the cultist is that he never rethinks his position. The true intellectual, by contrast, is *always* open to a reconsideration of his basic premises. The fact that technological advances are now occurring at a fast rate has little to do with this issue. We libertarians should be willing to rethink our positions regardless of the pace of innovation.

The third reason in Murphey’s list is the charge that technological breakthroughs will lead to unemployment. The underlying fallacy here is that there is a fixed amount of work to be done, and if machines, robots, or computers do more of it, there will be just that much less for us humans.<sup>2</sup> States Hazlitt:

“Among the most viable of all economic delusions is the belief that machines on net balance create unemployment. Destroyed a thousand times, it has risen a thousand times out of its own ashes as hardy and vigorous as ever. Whenever there is long-continued mass unemployment, machines get the blame anew.”<sup>3</sup> Murphey, writing in a time of *low* unemployment, is thus an anomaly. If his fears were realistic, and if we began our analysis from the perspective of two hundred years ago, there ought not to be virtually *any* labor available for *any* of us. For, if you consider the jobs that existed at the time of the birth of our nation, hardly any of them are now done by human hands. At that time, almost all citizens were farmers; now, only some 2 percent of the labor force is allotted to this task. Long gone, too, are most of the people who made kerosene lamps, bridles, saddles, tamed horses, mined coal, and so forth.

The reality is that there is a continually expanding list of jobs to be done. Introduce automatic elevators, and those who used to operate them manually take on tasks that would otherwise have been left undone. When steam shovels were introduced, tens of thousands of men with picks and shovels were freed to create other goods and services previously unavailable. When and if robots take over chores now commonly done by humans, the latter will become liberated and able to increase the GDP even more. Perhaps they will create additional medical research, or space exploration; or, more modestly, become burger flippers and thus reduce the price of meals at fast food restaurants. Our unemployment rate at the close of the twentieth century is no higher than it was at the beginning of the eighteenth century. But there have been numerous technological improvements in the last two hundred years. These improvements have not doomed work nor will they by the twenty-second century, or at any time in the future.<sup>4</sup>

The reason for the economic “catastrophe in less-developed economies” has nothing to do with new technology, as Murphey asserts. On the contrary, the plight of people living in the Third World stems from over-regulation, over-taxation, over-bureaucratization and over-politicization.<sup>5</sup> The solution to their problems is to allow for initiative, business freedom, free trade, and innovation—the very things about which Murphey is skeptical.

Finally, in response to Murphey’s fourth point, it is not clear that inventions lead to any inequality at all, let alone to “an unacceptably high level.” To be sure, when new breakthroughs are made, it is the rich who are usually first in line. They drove the first cars, wore the first nylon stockings, plugged in the first computers, and flew in the first airplanes. But under free enterprise, the middle class, and eventually even the poor, come to enjoy and expect these innovations. Better to be relatively impecunious in a capitalist country that allows new

goods, embodying innovative breakthroughs to be brought to the market, than even a comparatively well-off person in a nation that does not.

### **Why the Market Benefits Everyone**

There is a reason the market benefits all participants; it is no accident. Free enterprise is a positive sum game. The only way a Bill Gates can make money from computers is by providing people with this implement at a price below the value they place upon it. Yes, he gets richer with each sale, but in so doing, he *enriches* the lives of all of those who deal with him.<sup>6</sup>

As for unacceptable disparities, Robert Redford is more attractive than I, Michael Jordan can play basketball better than I, Mike Tyson can outbox me, and Michael Milken's insight into the stock market vastly outstrips mine. Is all this "unacceptable?" Moreover, Murphey complains about the market's "unequal level of income" but to what is this compared? The Socialist nations are based on an explicit notion of egalitarianism, but even there "some pigs are more equal than others," as George Orwell reminds us. Not everyone in the various people's republics or countries in Africa and South America owns a dacha and a limousine, or even a house with a garden and a modest automobile. Novak provides evidence showing far more income inequality in the underdeveloped nations with little technological advancement than for the developed ones with a greater rate of just the sort of innovations feared by Murphey.<sup>7</sup>

### **Murphey Misunderstands Mises**

My debating partner seems to rely on Jeremy Rifkin for his analysis. But this author is economically illiterate, a Luddite who never met a machine with which he was at all comfortable.<sup>8</sup> If resisting Rifkin's siren song becomes "hateful to ... billions of people" so much the worse for their economic acumen.

Citing Mises,<sup>9</sup> George,<sup>10</sup> Williams,<sup>11</sup> and Smith,<sup>12</sup> Murphey demonstrates that the phrase "optimal allocation of resources," is used in a (positive) value-laden manner, in addition to purely technically. Well and good. He is also quite correct in maintaining that these sorts of value judgments, e.g., looking upon the satisfaction of consumer sovereignty as a good thing, is an important element, a "linchpin," in free-market advocacy.<sup>13</sup>

But then, in his attempt to show why this is fallacious, he criticizes Mises, accusing him of "holism." Murphey thinks that Mises, in utilizing the concept of consumer sovereignty, maintains that there is some sort of aggregate "consumer" out there, over and above all real flesh-and-blood buyers of goods and services. Murphey is correct in denying that there is any "metaphysical"

consumer, a sort of *über Menchen* of a customer, who can validate market values. Yet this is an idiosyncratic and unwarranted reading of Mises.<sup>14</sup> Murphey could have directly offered his critique of the market—that it gives people what they want, but sometimes what they want is problematic, even immoral—without his gratuitous slap at Mises. Had he done so, he could have avoided these errors. For it is this latter claim, clearly, that is the gist of his unhappiness with free enterprise.

In Murphey's view, since some consumers value pornography, prostitution, addictive drugs, gambling, excessive alcohol, and other immoral<sup>15</sup> goods and services, and that, in the market, consumer sovereignty sees to it that these desires are met, then free enterprise cannot have a positive value. His concern about these products and services is a reasonable one but his analysis is misdirected. Murphey thinks that free-market advocates are logically required to extol the virtues of prostitution, for example, since this service is produced under the auspices of *laissez-faire*; although nothing could be further from the truth.

I think that Murphey would agree with me that, on the whole, typewriters, automobiles, beds, shovels, scissors, forks, knives, and cameras, are good things. Our lives would be more difficult were these items to be suddenly taken away. And yet, sometimes very bad actions occur with these implements. Should we therefore oppose them on moral grounds? No. Rather, we should act against the improper use of them. They themselves, like markets, are morally neutral; they can be used for good or bad purposes. Beds are not to blame for rapes, even though many attacks on women occur in them; rapists, rather, are at fault. We tilt at windmills if we impugn beds.

It is the same with markets. If capitalism did not exist, not only would our lives be immeasurably worsened, it is likely that some ninety five percent of us would die. And, yes, sometimes immoral activities are promoted through the intermediation of *laissez-faire*. But free enterprise, no more than beds or scissors, is responsible for these evil acts. Rather, this is due to immoral people.

Another consideration. Yes, markets constitute sufficient conditions for these vices, but they are by no means necessary. That is, vices existed before capitalism began, and will survive as long as people remain as they are, should that system ever disappear. Vice occurs even under socialism, which frequently claims a moral high ground. Prostitution, for example, is rife in Cuba. Tobacco is used the world over. Why single out free enterprise for sins that clearly transcend it?

The free-market economy indeed "makes the best possible allocation of resources," but this is predicated on the assumption of *given consumer tastes*. The desires of customers, however, Galbraith<sup>16</sup> notwithstanding, are not dictated by

entrepreneurs.<sup>17</sup> The market is no more culpable for the fact that some people like rap music than it is praiseworthy for the fact that others favor Mozart. People the world over lie, steal, and cheat. Some live under capitalism, some under socialism. *Neither* system is per se responsible for these sins.<sup>18</sup>

Moreover, “the optimal allocation of resources” is hardly the rallying cry of libertarians, and other radical advocates of laissez-faire capitalism. Yet this is the impression left by Murphey because it is the core of his critique of free-market philosophy. On the contrary, this phrase is part and parcel of the *critique* of free enterprise by orthodox economists. It is their view that only under perfect competition is “the optimal allocation of resources” attained but since this occurs rarely, e.g., reality is earmarked by “imperfect competition” and “market failure,” all sorts of interventions into the economy are justified on these grounds.<sup>19</sup> A far better target for an attack on libertarianism than optimal resource allocation would have been its basis in private property rights and the non-aggression axiom.

### **The Fallacy of the “Near-Workerless Economy” Idea**

Murphey reiterates his fear of “a near-workerless economy,” dismissing as Panglossian the view that “Human wants are without limit, and if prices and wages are left free to adjust, there will always be a demand for everyone’s services.” Either human wants are without limits or they are not. There is no viable third possibility that is not a combination of these two. Let us, then, consider each of these scenarios in turn.

First, by far the more realistic one, namely, human desires are without end. If this is true, we may in our mind’s eye compose a list, an infinitely long ledger of goals. This would include everything from artistic and cultural development, to a cure for all diseases, to infinite life, to exceeding the speed of light, to exploring the ocean depths and the core of the earth, to creating new species, to engaging in intergalactic travel and colonization. At any given time, the number of human beings, their skills and effort, technology, and capital savings, limits how far down on this “wish list” we may reach.<sup>20</sup> Every time a new innovation is developed, this is not the occasion for Luddite gnashing of teeth; instead, we should rejoice. The economy does not become more “workerless”; rather, we are enabled to move a little bit further down the inventory of things we want but do not have. Labor is no longer needed to do things the new technology (e.g., robotics) can now accomplish for us; instead, it is freed up to engage in tasks that will garner for us that which was previously unobtainable. And this process continues ad infinitum, given our assumption of endless desires.

Second, let us suppose that human desires are finite. They reach a certain

point, and then they end. We are not yet there, of course, but we will eventually arrive at such a point. And the more quickly we will do so, the more relevant Professor Murphey is about the sheer speed and depth of modern innovativeness.<sup>21</sup> Picture, if you will, a world composed of people with tastes similar to those of Mahatma Ghandi. Now introduce a spate of robots that can provide for all the remaining human demands. It is no longer a question of freeing up labor to provide for other still unmet desires because, by stipulation, there are none left. Rather, most of the hours spent by those previously employed in ministering to our needs will now be extraneous. We have arrived, in other words, at Murphey's dark scenario.

But be of good cheer, for the situation is by no means as awful as he fears. Let us suppose as a first approximation that the robots can provide for 90 percent of all (fixed) human desires; people are needed only for the other 10 percent. This will not mean that there are no jobs for most people; rather, it implies that the work week will tend to shrink from its present 40 hours to one tenth of that on average, or 4 hours.<sup>22</sup> True, you cannot make much money in this short amount of time, but we are positing that people's demands are very modest. With the improved productivity brought about by the robots we are relying upon, there is every reason to suppose that this tremendously truncated workweek will suffice to keep everyone's body and soul together.

But this is only on average. Suppose, to bring in the inequality part of Murphey's nightmare, that the robots are restricted to the northern hemisphere, and that people below the equator are too poor to afford them. If so, one possibility is that they can go on about their business as they were before; robots and greater productivity in the north cannot possibly hurt them. On the other hand, it is more likely that northern technology will so reduce prices that exports from this part of the world will undercut the labor in the south. If so, then, even though the southerners do not own these robots, they will still indirectly benefit from them in the form of lower prices. That is, instead of having to work their usual number of hours, they can get by with far fewer, for example, our four hours per week.

The pessimists cannot have it both ways. Either the northern technology impacts upon the south, or it does not. If it does, then the southerners, too, can survive and prosper with greatly enhanced leisure time. If it does not, then, by stipulation, they are no worse than before and, presumably, no Socialist nostrums need to be contemplated in order to protect them. If they want to enjoy economic development, there is a tried and true path trodden by many: free markets, private property, fewer regulations, and less reliance on government.

Speaking of socialism, I discern an ambivalence on the part of Professor

Murphey.<sup>23</sup> He concedes that just as in his own case, “Socialists, of course, have never accepted that the allocation of resources effected by a market economy is ideal.”<sup>24</sup> Moreover, he explicitly calls for a rethinking of capitalism, and advocates a “shared market economy,” similar to Kelso’s (Socialist) Employee Stock Ownership Plan.<sup>25</sup> He does this, of course, with the best of motives; he fears that new technology will bring about starvation for millions of poor people, thinks that only the owners of capital will prosper, and wants to include everyone in this largesse. But benevolence<sup>26</sup> can be ascribed, surely, to (most) Socialists as well. They are typically well-intentioned;<sup>27</sup> it is their economic analysis that is problematic. With all due respect, a similar analysis applies to Murphey’s calls for government intervention into the economy.

In a revealing passage Murphey states: “As a classical liberal, it hurts me to say it, but it’s true: ... impending technology is about to bring conditions that actually replicate much of what socialist thought has been saying...” According to the old aphorism, if it walks like a duck, quacks like a duck, it *is* a duck. Although it pains me to say it, the same applies here.

Or does it? The crucial issue is, does Murphey advocate his index mutual funds idea on a compulsory basis or not? On the one hand, he sees it as “something akin to a ‘guaranteed annual wage,’” which certainly is required by law. On the other hand, he never explicitly calls for government duress in this regard.<sup>28</sup> There are problems with this policy either way but in the former case he is a coercive socialist (at least in this one particular case), and in the latter he is guilty only of economic error.

What is this mistake? It lies in failing to realize that people are *already* free to take a position in the stock market, if they wish. They can now, with no help from Murphey’s plan, hedge their bets by purchasing mutual funds, which “hold securities broadly representative of the market.” Many companies even offer their employees part of their wages in the form of stock options. Experience has shown, however, that most people’s time preference is too high for such a program to take hold widely. They would rather buy that camper or holiday abroad than keep several thousands of their hard-earned dollars in investments of this sort. Furthermore, most people are risk-avoiders. If the product does not sell, they do not wish to lose their investment thereby. They would rather earn a salary that is guaranteed to them no matter how well what they produce sells at a later date.

If Murphey is content to exhort people to invest in the stock market in any case, he is playing the role of personal advisor, or management consultant. Under laissez-faire capitalism, he is free to do so, along with those who urge us to eat vegetables, get more exercise, stop smoking, and so forth.<sup>29</sup> But if he is



advocating a plan to force people to direct their savings to these ends as a political economist, then he is a coercive Socialist.

Are full and consistent free-market advocates immoral in that they advocate a system that allows addictive drugs, prostitution, gambling, and other such goods and services to be supplied? The fallacy here, I contend, is that it confuses the guilty party with a mere enabler. One might just as well blame the waiter for bringing, at a person's request, a calorie-intensive dessert. Moreover, there is the failure to distinguish between libertarianism and libertinism.<sup>30</sup> The libertarian axiom is that the only proper use or threat of force is in response to, or in defense against, the prior use or threat of force against an innocent person or his property. Libertinism, in contrast, is the advocacy of immoral activities. How do the two fit together? Murphey takes the position that since libertarians do not favor incarcerating pimps, prostitutes, drug dealers, and so forth, they, in effect, are complicit in these activities. But this is simply not so. It involves no internal self-contradiction to *oppose* vociferously such occurrences, while *also* arguing against the jailing of perpetrators of these deeds on the ground that even though they are vices, they are not violent. Rape and prostitution may both be immoral, but only the former constitutes an uninvited border crossing. It is a perfectly reasonable libertarian position to reject both on moral grounds, but to advocate incarceration only for the former.<sup>31</sup>

### Call to Professor Murphey

Dwight Murphey and I have been friends for many decades, probably more than either of us wishes to calculate. He calls for civility in this debate; this must always be the goal for intellectual exchange, certainly also in this case. My claim is that Dwight is and has been a classical liberal throughout his entire career. His present flirtation with socialism, I trust, is an aberration. It is my fervent hope that at the end of this dialogue he will once again be set upon his true path: in the direction of economic freedom, not bureaucratic meddling. For if the forces of liberty lose such a one as Professor Murphey to the Socialist tides of unreason, there is just that much less hope for us all.

### Notes

1. All otherwise unidentified citations will refer to Professor Murphey's lead article in this controversy.

2. The best remedy for this thinking is provided by Henry Hazlitt, *Economics in One Lesson*, 2nd ed. (New York: Crown Books, 1979), particularly chapters VII, "The Curse of Machinery," and VIII, "Spread the Work Schemes."

3. *Ibid.*, 49.
4. One realistic aspect of *Star Trek* is that people still have jobs they can do, even in the advent of all sorts of gizmos.
5. On this, see Peter T. Bauer, *Dissent on Development* (London: Weidenfeld and Nicolson, 1971); *Equality, the Third World, and Economic Delusion* (Cambridge, Mass.: Harvard University Press, 1981); *Reality and Rhetoric: Studies in the Economics of Development* (Cambridge, Mass.: Harvard University Press, 1984); Peter T. Bauer and Basil S. Yamey, *The Economics of Under-Developed Countries* (Chicago: University of Chicago Press, 1957); Hernando De Soto, *The Other Path: The Invisible Revolution in the Third World* (New York: Harper and Row, 1989); James Gwartney, Robert Lawson, and Walter Block, *Economic Freedom of the World, 1975–1995* (Vancouver, B.C.: The Fraser Institute, 1996); Steven H. Hanke, ed., *Privatization and Development* (San Francisco: Institute for Contemporary Studies, 1987); Michael Novak, *The Spirit of Democratic Capitalism* (New York: Simon and Schuster, 1982); and Gabriel Roth, *The Private Provision of Public Services in Developing Countries* (Oxford: Oxford University Press, 1987).
6. A numerical example can illustrate this point. I buy a computer from Microsoft for \$1000. It costs them \$600 to produce it, so they earn a profit of \$400. What value do I place on it? Could it be \$800? No. It must be greater than \$1000, or I would not purchase it. Suppose my reservation demand for it is \$1300. Well, then, I also earn a profit (consumer's surplus) of \$300. Neither of us exploits the other. On the contrary, we both gain from the sale.
7. Novak, *Spirit of Democratic Capitalism*, 380.
8. In theory, that is. In practice, he avails himself of airplanes, computers, electricity, and bathroom tissue, just like everyone else.
9. Ludwig von Mises, *Human Action* (Chicago: Regnery, 1949).
10. Henry George, *Protection or Free Trade* (New York: Robert Schalkenbach Foundation, 1966).
11. John K. Williams, *The Morality of Capitalism*, ed. Mark W. Hendrickson (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1996).
12. Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, 2 vols. (Indianapolis: LibertyClassics, 1981 [1776]).
13. However, see Murray N. Rothbard, *Man, Economy and State* (Los Angeles: Nash, 1962), 560–66, for a brilliant refutation of the notion of consumer sovereignty in favor of what he calls *individual sovereignty*.
14. As well, Murphey's example of resource misallocation ("the individual ... would almost certainly prefer an allocation that would bestow more resources upon him....") bespeaks a misunderstanding of this concept. Optimal allocation is predicated upon the concept of Pareto efficiency: no one can be made better off without at least one person being made worse off. The dissatisfaction mentioned by Murphey is unrelated to this concept; for here, the only way the individual who is complaining can be made better off is by making someone else worse off.
15. As a libertarian, not a moralist, I take no position on whether or not these activities are indeed vices; I only stipulate that this is so for argument's sake. However, as they do not violate the libertarian axiom of non-aggression, they are victimless acts, and thus should not be punished as crimes.
16. John Kenneth Galbraith, *The Affluent Society* (Boston: Houghton-Mifflin, 1958).
17. For a brilliant refutation of Galbraith's "dependence effect," see Friedrich von Hayek, "The Non Sequitur of the 'Dependence Effect,'" in *Studies in Philosophy, Politics, and Economics* (New York: Simon and Schuster, 1967).
18. Although see the chapter titled, "Why the Worst Get on Top," in Friedrich von Hayek, *The Road to Serfdom* (Chicago: University of Chicago Press, 1944), for the claim that these wrongs are more prevalent in the centrally controlled society. According to Hayek, this is no accident. Rather, socialism plays a causal role in reducing morality.
19. For the mainstream attack on laissez-faire, consult any economics textbook. For a rejoinder see Mises, *Human Action*; Rothbard, *Man, Economy and State*; Hans-Hermann Hoppe, *The Economics and Ethics of Private Property: Studies in Political Economy and Philosophy* (Boston: Kluwer, 1993); and Walter Block, "Total Repeal of Anti-Trust Legislation: A Critique of Bork, Brozen, and Posner," *Review of Austrian Economics* 8, 1 (1994): 31–64.
20. This is commonly depicted by a production possibilities curve in economic parlance.

21. I am an agnostic on this question.

22. Such facile illustrative numbers depend upon a whole host of subsidiary assumptions, which do not alter the main threads of this analysis.

23. One that is not apparent in his other writings. See, for example, Dwight D. Murphey, *Liberalism in Contemporary America* (McLean, Va.: Council for Social and Economic Studies, 1992).

24. He continues: "... one would think that they would have raised the criticism made here," e.g., that the existence of pornography, prostitution, and so forth, on the market, vitiates its claim to be good or valuable. In this Murphey is mistaken. There are indeed many socialists who have made this charge. In this regard, see Ezra J. Mishan, "Religion, Culture and Technology," and "Reply," in *Morality of the Market: Religious and Economic Perspectives*, ed. Walter Block, Geoffrey Brennan, and Kenneth Elzinga (Vancouver, B.C.: The Fraser Institute, 1985), 278–312, 330–40; A. Meiklejohn, *Education Between Two Worlds* (New York: Atherton Press, 1965 [1944]), 26–35; and John Gray, "Postscript," in *Hayek on Liberty*, 3rd ed. (London: Routledge, 1998). See also Friedrich von Hayek, *The Constitution of Liberty* (Chicago: Henry Regnery Company, 1960), 451, fn. 20, who mentions several other Socialist criticisms of the market along these lines. For a refutation of Mishan, see Kenneth Elzinga, "Comment on Mishan," in *Morality of the Market: Religious and Economic Perspectives*, 322–29; and David Friedman, "Comment on Mishan," in *Morality of the Market: Religious and Economic Perspectives*, 313–21. See also Hayek, *The Constitution of Liberty; Law, Legislation, and Liberty*; and Ludwig von Mises, *The Anti-Capitalist Mentality* (South Holland, Ill.: Libertarian Press, 1972), 12–16.

25. See Louis O. Kelso and Patricia Hetter Kelso, *How to Turn 80 Million Workers into Capitalists on Borrowed Money* (New York: Random House, 1968); and *Democracy and Economic Power: Extending the ESOP Revolution* (Cambridge, Mass.: Ballinger, 1986); Louis O. Kelso, *The New Capitalists: A Proposal to Free Economic Growth from the Slavery of Savings* (New York: Random House, 1961); *Equitable Capitalism: Promoting Economic Opportunity Through Broader Capital Ownership* (New York: Apex Press, 1991); Stuart M. Speiser, *A Piece of the Action: A Plan to Provide Every Family with a \$100,000 Stake in the Economy* (New York: Van Nostrand, 1977); *The USOP Handbook: A Guide to Designing Universal Share Ownership Plans* (New York: Council on International and Public Affairs, 1986); *Mainstreet Capitalism: Essays on Broadening Share Ownership in America and Britain* (New York: Horizons Press, 1988); and Bruce A. Ackerman and Anne Alstott, *The Stakeholder Society* (New Haven: Yale University Press, 1999). For an uncompromising critique, see Ludwig von Mises, "Observations on the Cooperative Movement," in *Money, Method and the Market Process: Essays by Ludwig von Mises*, ed. Richard Ebeling (Auburn, Ala.: The Ludwig von Mises Institute, 1990), 238–79.

26. Adam Smith famously said, "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages." *Wealth of Nations*, I, 26–27.

27. And we all know what the road to hell is paved with ...

28. But a question arises. His plan calls for all people to enter the stock market. For some, this would be but a diversion of resources from consumption to investment; all well and good if done voluntarily. But for others, e.g., the very poor, the only way they can become stock owners is with money taken (compulsorily) from the rich. If this is not socialism, it is difficult to know what is.

29. Suppose another 1929-style depression occurs in the future. Then, the poor people who have been encouraged (or forced) to invest in the stock market will suffer grievously. Murphey may be willing to bet his own resources that this will not happen, but is he willing to wager on this with the savings of other people? If not, he must withdraw his plan. If so, he is revealed as a socialist.

30. On this, see Walter Block, *Defending the Undefendable* (New York: Fox and Wilkes, 1991 [1976]); and "Libertarianism vs. Libertinism," *The Journal of Libertarian Studies: An Interdisciplinary Review* 11, 1 (1994): 117–28.

31. While we are discussing flaws in free enterprise, a favorite of mine (I owe this one to Stephan Kinsella) is that the market allows such purveyors of snake oil as Socialists, Communists, feminists, deconstructionists, and multiculturalists, to earn a living. True, some of this is state subsidized, but not all of it.