

“How Do You Expect Me to Earn a Living?”

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“How do you expect me to earn a living?” These are the final words of Mohamed Bouazizi. He then ended his life by self-immolation after government officials confiscated his street vending wares for not having a proper permit.¹ 2011 will be known as a year of global protest, but it began the preceding December, in Tunisia, with one street vendor protesting government regulation. Dictators in Tunisia, Egypt, and Libya have since fallen and large protests have happened in Bahrain, Yemen, Syria, the United Kingdom, and the United States. Bouazizi’s final words make him a perfect candidate for a Randian hero.

Not all protesters have shared Bouazizi’s commitment to earning his living. Many protesters have used this strife as an opportunity to talk about rising income inequality. The movement that has sprung out of the Occupy Wall Street protests was originally requesting the separation of money from politics.² Once the protest gained momentum, many other ideas latched on, including the “99%” versus the “1%.” The slogan “We are the 99%” has become a rallying cry for modern day Robin Hoods.

This paper will discuss the Robin Hood folktale, Rand’s criticism of it and her alternative. It will also look at modern protests regarding inequality and survey economic literature on the subject. Different methods will be examined in which the government redistributes wealth through fiscal and monetary policy. These methods can be corrosive to capitalism by introducing known and unknown elements of coercion to a free society. This can lead to corruptive effects where citizens begin to doubt the morality and pragmatism of capitalism while citing non-capitalist elements of the American economic system. The morality

¹ Simon

² Adbusters

of capitalism is as sound as it is natural to us on an individual level when we attempt to maximize value; thus it is reasonable to construct a system which rewards our own nature.

The Robin Hood folk tale has taken several formats and various details since the thirteenth century, but the basic idea is well summarized in a version by Alexandre Dumas. “Robin Hood, with inexhaustible generosity, relieved the cruel sufferings of the poor in Nottinghamshire and Derbyshire, and he was the idol of them all. But if he gave to the poor, he took from the rich in return, and Normans, prelates, and monks contributed largely, to their great vexation, to the good works of the noble outlaw.”³

That can be view as an example of how humans from an earlier time period processed ideas of income and wealth inequalities. Moral theorists throughout history, such as Jesus of Nazareth, Thomas of Aquin, and Muhammad ibn Abdullah have spoken and written on this topic as well, with recommendations about how to limit it. Jesus warns the rich and blesses the poor, Thomas argues for the concept of a just price, and Muhammad forbids usury of any rate. All of these would be rejected by most economists, and certainly by Ms. Rand.

Economists have tended to focus more on growth and efficiency than on income and wealth inequality, but the general public might tend to focus the other way. It is for this general audience that Rand intends *Atlas Shrugged*, and it was quite popular from its release to the present. The novel is a dystopian fantasy with all of the traps of that genre, but also the triumphs. A major strength is Rand being able to fully deliver her objectivist philosophy.

³ Dumas, 101

The main trap she falls into is simplistic characters that are illustrated in an “us versus them” mentality (the competent versus looters). This leads to much more conflict and drama, but it does not resemble real life. Rand often sacrifices realism for plot development and philosophical statements. As such, it is difficult to read *Atlas Shrugged* as an example of economics, but it should be read as philosophy. While her “us versus them” narrative belies the heterogeneous aspects of individuals in a real economy, it lends itself perfectly to the logical nature of philosophical arguments and this is Rand’s intent.

Rand creates a converse Robin Hood in Ragnar Dannekjöld who said, “I’m the man who robs the poor and gives to the rich – or, to be exact, the man who robs the thieving poor and gives back to the productive rich.” The pirate Dannekjöld goes on to say that he robbed government relief and subsidy ships, but left private and military ships alone. This is in step with Rand’s beliefs about the role of government. She writes that government’s role should be “to police, to protect men from criminals – the armed services, to protect men from foreign invaders – the law courts, to settle disputes among men according to objective laws.”⁴ Dannekjöld fights for the idea that “all of us must live with our work.” He then refers to the ideal that Robin Hood immortalized is viewed as “not a defender of the robbed, but as a provider of the poor.”⁵ This ethic continues to color our conversations today.

The idea that a hero or a government is desirable to provide for an individual is akin to the idea of a kept person or someone incapable of providing for themselves. This is the modern Robin Hood ethic in practice rather than in protest. The idea that the government handcuffs the individual through overly burdensome regulations and taxation, but appeases them with welfare

⁴ Rand (1966), 288

⁵ Rand (1996), 532

subsidies is a very real concept in the United States and throughout the world. Examples of this include minimum wage laws, accompanied with extended unemployment benefits.^{6,7} Rand might say that this is not real life.

Rising income inequality has been a well-studied subject in economics, but there is still an incomplete understanding of its causes. Two major factors have been observed. Demand shifts for low skilled workers in the U.S. have stemmed partially from international changes in manufacturing. These have been observed after trade deficits began to appear in the 1980's and led to a decline in real wages for American low skilled workers.⁸ The other factor is that technological changes, especially in the past forty years, have been skill-biased, and that bias has been increasing.^{9,10} This has led to increased wages for highly skilled and specialized workers, despite the fact that the supply of highly skilled workers has also increased over the same time period. Daron Acemoglu asserts that the first contributes to the degree of the second.¹¹ Thus, a large factor of income inequality can be seen as an inequality of education, skills, and productivity. One frustrating aspect of the "We are the 99%" movement is that they are not interested in a serious study of inequality, but rather in aspects of rent seeking such as wealth redistribution.

Analysis of the United States on Randian terms is difficult, in part, because Rand's capitalism is much more pure than modern American capitalism. Rand's style demands a government that is more limited. The deteriorating nature of rights in the mature American

⁶ Teuling, 832

⁷ Poterba & Summers, 207

⁸ Katz & Murphy, 76

⁹ Heckman, Lochner, & Taber, 46

¹⁰ Acemoglu, 31

¹¹ Acemoglu, 52

democracy causes James Buchanan to observe, “The founding fathers did not foresee the necessity or need of controlling the growth of self-government.”¹²

An explanation for this deterioration may come from Allan Meltzer and Scott Richard’s model in “The Rational Theory of the Size of Government.” In a democracy there are many identical voters with heterogenous preferences as to demands for wealth redistribution, size and scope of government. They hypothesize that the decisive voter is the median income voter. To the proportion that the mean voter income rises relative to the median, a more redistributive government will be elected. They write, “This analysis explains why the size of government and the tax rate can remain constant yet be criticized by an overwhelming majority of citizens. The reason is that at the voting equilibrium nearly everyone prefers a different outcome.”¹³

So-called “progressive” taxation, or the taxing of lower income individuals at graduated, lower tiers than higher income earners, is a method of wealth redistribution. It skews public goods, and other governmental costs towards high income earners. Political candidates skew services and tax breaks further towards select special interest groups. When current government income (taxation) is insufficient to cover expenses, politicians use credit to further facilitate wealth distribution from one generation to the next.¹⁴

An important moral aspect to financing governments through credit is that it constrains future generations in ways that they did not consent to in any sort of election or social contract. Exceptionally poor fiscal planning also risks future defaults and binds the hands of monetary policy makers. Thomas Sargent writes on that subject, “monetary and fiscal policies simply have

¹² Buchanan, 162

¹³ Meltzer & Richard, 925

¹⁴ Lizzeri, 909

to be coordinated. The question is, ‘Which authority moves first, the monetary authority or the fiscal authority?’ In other words, ‘Who imposes discipline on whom?’¹⁵

In modern fiat monetary standards, policy decisions have enormous impacts on the lives and decisions of populations. While these policy decisions are made to optimize economic conditions and mitigate effects of the so-called business cycle, they can also introduce gross distortions of value on an unwitting public. Asymmetric information with regard to fiduciary media is an essential element of modern, Keynesian monetary policies. For expansionary policies to be effective at all, it infers that a public either be somewhat unaware of changes to the money supply and their implications. As with all asymmetric information problems, the public solves them. In this case through expectations. The central bank is always tied in a feedback loop with the public’s expectations, and because of this, long term expansionary policies accompanied with price stability are difficult or impossible.¹⁶

In the mean time, most members of the public are somewhat unaware of these forces and view inflation as either natural or resulting from factors of decreased supply and increased demand. As this is an incomplete understanding of inflation, at best, every transaction involves significant aspects of information asymmetry which distort the market through consumers’ misperceptions of value. Even if one views that this can have positive effects on macroeconomic conditions, it can be disastrous for individuals who are least able to understand and adjust to it. One example is the effects of inflation targeting over a long period of time on long-term fixed income individuals.

¹⁵ Sargent & Wallace, 7

¹⁶ Friedman (1968), 6

Friedrich Hayek wrote of freedom as “the absence of coercion.”¹⁷ One of the most pervasive forms of coercion is the corruption of value perception, and which can be viewed as a threat to freedom as well. There are several ways of determining natural values, such as the satisfaction of wants, but most values in a modern society are necessarily described as values in exchange.¹⁸ This is largely due to modern society’s increases in trade and specialization.

Information is one of the largest barriers to Ayn Rand’s idea of rationality for most people. Many aspects of the government serve only to increase that barrier. With that in mind, it can be somewhat rational to be irrational as an economic agent when decision costs relating to information go up.¹⁹ Reintroducing something such as a real price system can be seen as a step towards individuals being able to make more rational decisions, unadulterated by immoral distortions of policymakers or the individuals’ own misperceptions of monetary policy actions.

Similarly, other increases in economic freedom, such as freedom of human action, are also key and moral. Milton Friedman argues, “A citizen of the United States who under the laws of various states is not free to follow the occupation of his own choosing unless he can get a license for it, is likewise being deprived of an essential part of his freedom.”²⁰ This was Mohamed Bouazizi’s dilemma, as it is ours. It can be said that economic freedom has a direct correlation with political freedom. If one is threatened, the other is as well. By taking our political freedoms seriously, not only will we be more likely to be a friend of John Galt, but we’ll also protect the economic freedoms, or capitalism that we respond to so naturally.

¹⁷ Hayek (2011), 199

¹⁸ Wieser, 54

¹⁹ Smith, 888

²⁰ Friedman, (1962), 9

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