

How to Uplift Free and Equitable Market Societies in Practice?

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Summary

The headline of this article poses one of the most challenging questions of modern welfare economics and policy. It is about to truthfully demonstrate that it is not only imaginable but utterly possible harmonizing the ideals of freedom of choice and distributive equality without sacrificing the most acknowledgeable libertarian principles, entrepreneurial innovation, and economic efficiency. Following the course of a sort of vector inflection by which both ideals converge in a common direction and arrival point, it is certainly not a mere rhetorical discourse. As science and moral philosophers would surely point out, so great conciliation of ideals means a truly «development paradigm shift» in the sense that it openly defies and disrupts the structure of neoliberal beliefs and dogmas, always unfriendly concerning to bring together both ideals as a matter of economics and distributive economic policy. Obviously, the plausibility of harmonizing freedom and equality ideals to be a credible endeavour must be validated in the real world to discard whether any rude criticism from orthodox economists or any benevolent scepticism from their heterodox peers. The question of how to harmonize both ideals in practice is, in brief, the core subject of this paper that focuses not only on methodological but hermeneutical dimensions of human development in the quest for uplifting free and equitable market societies. This article is structured into five sections. The first gives a brief account of the theory that sustains freedom and equality ideals. The second section delivers an introduction to the concept of hermeneutics as a keyword to guide processes of doing and transforming. The third section illustrates the application of hermeneutical thinking while formulating welfare economic reforms and policies. The fourth section explains the general assumptions upon which a balanced model of freedom of choice and distributive equality may be built in real life and in real-time. Finally, the fifth section deploys a type of strategy game led by skilled players and propelled by key driving forces that interact with each other to realize in practice wealth and income distribution ideals and principles.

From Theory to Praxis

In my three previous essays under the generic umbrella «Normative Readings on Equality and Development Economics» published by the Africa Growth Agenda, I comprehensively exposed and discussed the essentials of the (in)equality question from philosophical and theoretical insights.¹ After a long conceptual journey, I concluded that Amartya Sen's paradigm of human development is the most genuine political philosophy

and economics to host freedom and equality ideals. The well-known Sen's approach of «Basic Capability Equality», deemed as a path-breaking in economics, offers an excellent framework to construct a comprehensive social welfare equation in exchange for the rigid selfish and individualistic utility function as pursued by orthodox neoclassical economics. More precisely, Sen's wellbeing optimization model rather than a linear function with one or two variables -as featured by individual utility preferences- acquires the shape of a multivariable equation that tends to make equal human capabilities (associated with the concept of demand) and societal opportunities (associated with the concept of supply). In more explicative words, the demand for capabilities also understood as needs, is to have a greater life expectancy, literacy, and a decent living income. The supply of opportunities also understood as welfare, is to empower and drive the economy and people's energy to fully meet those needs within a wide-ranging framework of extensive public responses, employment, people's access to means of production, social security, and a healthy and sustainable environment. Using an elementary mathematical language, a novice economist can imagine an equation that depicts Capabilities (C) \cong Opportunities (O), where C = f (life expectancy, literacy, decent living income), and O = f (massive public goods and services, employment, access to means of production, social security, and healthy environment). By making equal both sides of the equation, the resultant force is labelled as an accomplishment of the highest-ranking of human development, employment, economic growth, and distributive equality. This is what I would like to call a 'vector inflection' where both magnitudes (C \wedge O) converge in the same direction to arrive at a common endpoint, simultaneously.² So, having this equality formula in mind (C \cong O), now, our major task is to translate this welfare equation into practical settings in the real world bearing in mind that some people own capabilities but fewer opportunities (C > O) while other people own opportunities but fewer capabilities (C < O). In some common cases, both capabilities and opportunities seem to be indifferent to each other (C \neq O), so this regrettable condition represents one of the greatest welfare challenges to face by those societies where such extreme disparities are present and where governments are

willing to correct failures and distortions.

Hermeneutics of Doing and Transforming

In the search for uplifting free and equitable market societies, how could be done equal capabilities (C) and opportunities (O)? That is an overly complex question whose answer goes beyond conventional ways to solve problems. In my view, the problem of equalizing both components ($C \cong O$) rather than a pure methodological procedure, it is above all a hermeneutical matter in the sense that more than trying to solve problems mechanically most importantly is to know and understand the nature and aetiology of the societal adversities to find true and durable solutions. Just to remind, «hermeneutics» in modern (or better) postmodern terms (following to Ortiz-Ozés) is the art of understanding (subtilitas intelligendi), explaining (subtilitas explicandi), and applying (subtilitas aplicandi) to comprehend and ultimately transform adversities into prosperity³. With this background, I would like to acquaint the reader with the concept of hermeneutics because of a couple of main reasons: one, it suits very well my attempt to demonstrate how to equalize human capabilities and wellbeing opportunities in the real world, and two, hermeneutics seems to be a loving approach as adopted by modern welfare economists whilst pursuing to explain the historical and structural origin of inequalities, and most importantly while seeking for innovative and transformative solution-options. Let me briefly illustrate the latter statement by bringing a comparative and allusive example from the economics of the public sector. Most conventional economists often limit in solving social and economic inequalities through standard fiscal policies and methodologies claiming progressive taxation to the wealthiest and increased social grants (money transfers and subsidies) to the poorest. This traditional fiscal methodologism to alleviate poverty looks reasonable, indeed; however, it may somehow turn inconsequential if the roots of inequality are not touched and public expenditure procedures lack optimization models for funding allocation. As inequality is an illness inherent in the whole social structure of market societies, as remarked by Anthony Atkinson, one of the most memorable thinkers of modern welfare economics and politics, public responses to reverse inequality must encompass, besides smart distributive fiscal actions, a complex set of ambitious redistributive reforms and innovative policies addressing, for instance, technological change and countervailing market powers; employment and pay in the future; social security for all; the sharing of capital, and progressive taxation schemes of course.⁴ So, as illustrated, Atkinson's hermeneutics of doing and transforming is not a partial unilineal but rather a multidimensional approach to reducing inequality. For him, inequality is not only a problem of cash flow but essentially a structural failure laid in the historic formation of wealth and income distribution pat-

terns of most market societies. In his studies, Atkinson makes particular reference to the United Kingdom and Europe, where both expressions of our welfare equation have been conversely interacting, sometimes positively (from 1945 to the 1970s) when inequality declined, and sometimes negatively as it has been the case for the past forty years (from the 1980s until today) when inequality soared. This latter period just coincides with the reign of neoliberalism and the rise of its distribution theory known as «trickle-down economics». Atkinson's approach to inequality assumes that disarrangements between capabilities and opportunities may be perfectly corrected through deep reforms and distributive policies that are available as part of the institutional and political deals for taxation and resource allocation in advanced democracies and market societies, so policymakers shall learn from history to guide a better equality future in those societies. That is a promising prospect, indeed. Nonetheless, my major concern embraces another much bitter scenario in other parts of the world, where the welfare equation does not exist as such or shows a lot of shortcomings in the relationships between both components. What to do in such an awful scenario, where also most likely, there is a lack of political will and power and a weak institutional environment to undertake basic reforms and policy interventions to reduce inequalities? This case mostly draws my attention, so in the following, I will attempt to describe the pillars for the construction of a model of distributive equality to be built based on certain fundamental assumptions, principles, and conditionalities to simplify reality.

Modelling Distributive Equality in Societies with Extreme Inequality Conditions

A general assumption

As inequality, historically seen, is above all a question of distribution of political and economic power among social classes, obviously, some fundamental assumptions need to be done before starting to figure out any possible transformation in those societies that show extreme wealth and income inequalities. A general assumption in this paper states that to enforce equality as an economic policy goal, it should necessarily exist a favourable power correlation between competing political forces that make it possible -by democratic consensus and a solid social contract- the adoption of equality ideals and their implementation through extensive and sometimes radical structural reforms to remove political and economic obstacles that legitimate inequalities.⁵ So, by adopting this general assumption, the way is open to modelling a hermeneutical transformation.

A guiding principle

In conventional development policy language is common to talk

about «beneficiaries» as the target population that derives advantages from any public action. This could be a correct denomination in the case of groups or individuals in need of charity or money granted from public funds (e.g. children, widows, disabled, elderly, forced migrants). However, in the case of poor and middle-class working people that do not belong to this classification i.e. people that can make public investment or expenditure a socially returnable operation, the denomination changes for «process owners». The transition from beneficiaries to process owners obviously requires changes in the social theory and praxis by considering disadvantaged people (with working potential) as social assets rather than social burden at 'lost fund'. Thus, conspicuous institutional reforms are needed to enable poor people's capitalization through access to means of production, and labour and product markets; it is then about carrying out structural reforms aimed at expanding people's capabilities and opportunities beyond any paternalistic misconception of the spirit of public action. From a fiscal point of view, what it is expected as an outcome of the transition from beneficiaries to process owners is simply to increase the number of taxpayers as individuals or formal businesses to get healthy public finance that shall ultimately enforce progressive fiscal distributive policies, so everybody is contributing to that aim.

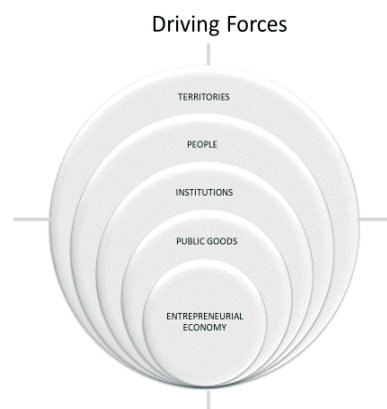
A methodological conditionality

Undertaking experimental models in real-time with real actors, scenarios, and scripts to test (validate or invalidate) hypothesis, is a crucial methodological conditionality before influencing global policy design and adoption. Given the holistic nature of Sen's capability equality approach and the obvious complexities of our welfare equation, such experimental models in real-time are due to take place at a local level where live scenarios can be recreated to identify behaviours, performances, and development patterns of people, businesses and governments that may guide researchers and strategists to extrapolate conclusive outcomes and lessons at broader and higher levels, labelled nationally or globally. This can happen based on the axiom that a local level of society somehow synthesizes the main characteristics (or genes) inherent in the national society to which she organically belongs. This underlines the existence of a kind of social DNA as wisely featured by anthropologists.

Developing a Strategy Game

Having this set of master statements in mind, I can now describe a type of cooperative strategy game aimed at assembling the equality equation in real life and real-time. Like a puzzle game, the strategy game consists of putting together in a logical way several irregular pieces to visualize a final picture, which in our case is a human and natural portrait where capabilities and opportuni-

ties are equalized. This can happen upon the accurate interaction of skilled game players and the sound propulsion of key driving forces. The game players are real actors representing government powers, economic forces, civil society, and others (for instance, politicians, legislators, and the international community), who want to cooperate in playing the strategy game in a selected political-administrative jurisdiction at a local level. In its turn, the driving forces are territories, people, institutions, public goods, and an entrepreneurial economy. These entities overlap each other building a type of macro model (or puzzle) as shown in the diagram below.



Every driving force is supported by theoretical, informational (database & mapping), and methodological platforms and algorithms that can be adjusted according to the specific realities and requirements of the selected local or regional jurisdictions. Let me offer a brief outlook on the main features and roles of each driving force taking it as a model to sculp.

Territory's Model

Territories are geographic spaces demarcated by a political-administrative jurisdiction. They are endowed with vital natural resources and physical infrastructure which are essential for the survival and reproduction of all living human beings and other species. The strategic task consists of identifying any territorial disparity and inequality attributed to location factors that severely affect human wellbeing in terms of showing serious disarrays between capabilities and opportunities. Those location factors can be featured spatially (i.e. market distance and transportation costs), environmentally (i.e. quality and quantity of natural resources), and/or institutionally (i.e. land use and land tenure). The idea behind this exercise is to reinvent a new model of territorial ordering that responds more effectively and efficiently to the development needs and opportunities of all human settlements, ecosystems, and business activities in the selected jurisdictions. A new territorial ordering shall display a hierarchized system of administrative and market centres (including their hinterlands), well interconnected

by physical and digital infrastructure accessible and affordable to everyone, so no one living in that territory can be marginalized due to location factors. The classic and modern location theories and spatial models of Johann Heinrich von Thünen, «Der isolierte Staat» and Walter Christaller, «Central Place Theory», among others, are perfectly applicable to reduce locational inequalities and therefore to achieve better distributional spatial schemes in benefit of everybody. Location theories can also guide the implementation of further structural reforms (i.e. rural and urban land reforms) and fiscal actions (i.e. cadastral surveys and mapping) needed to improve social equality, productivity, economic efficiency, and fiscal taxation.

People's Model

People are individuals who inhabit geographical spaces, adapt, and transform them to live on them. People's model refers to the construction of a new social participatory system from the bottom-up responsible for the care, management, and promotion of the territorial models as spatially ordered through epicentral markets and administrative hierarchies. It is a horizontal network that operates at community and interpersonal levels in an autonomous way, where citizens freely pursue common objectives in the search for the common good of both human beings and other living species. Communities are empowered to plan and make decisions that concern their everyday challenge of equalizing capabilities and opportunities. Sociology theories e.g. of Max Weber, «Social Action», Talcott Parsons «The Structure of Social Action», and Jürgen Habermas «Theory of Communicative Action and Public Sphere», among others, can help lay the foundations for developing a meaningful participatory and transformative action that organically involves people's interest and the rationality of the public sphere.

Institutions' Model

Institutions are values, norms, and principles that govern human organizations and regulate social interaction between individuals or groups of them with the purpose to reach a harmonious relationship between the individual interest and the common good involving environmental matters. A new development paradigm, as hereby encouraged, often means a drastic institutions' shift in terms of world vision, values, norms, and individuals' behaviour and performance. So, the challenge of equalizing capacities and opportunities requires a new institutions' model composed of individuals and organizations able to improve performances and connect people's interests with the public sphere in a way to ensure a wide spectrum of direct democratic governance schemes and options⁶. The creation of a deliberative democratic institutional environment to deal with the challenge of equalizing the

welfare equation at a local level is a masterpiece of the strategy game. The idea of connecting citizen's interests with the power of the public sphere can find firm grounds in James Buchanan's «Public Choice Theory», that examines linkages between economics and politics, and Jürgen Habermas' «Reflexive Democracy and Public Sphere», that discusses the deep transformation of democratic societies while connecting citizens' interest with every day public affairs. Just to mention two great authors from two different disciplines and schools of thought.

Public Goods' Model

Distributive justice thinkers and strategists often claim for budgeting extensive funding in the provision of public goods and services to reduce inequalities. A (pure) public good can be defined as one that the market cannot provide cost-efficiently, and that everyone can enjoy its consumption (for example, primary and secondary education, basic medical services, water and sanitation, shelter, street electrification, roads, police protection, clean environment, etc.) even without having paid for it. Excluding any person from its consumption is unpractical, costly, and ethically undesirable as no one is detracted from that benefit to other users. Thinking in line with our welfare equation, the supply of public goods and services can get its greatest distributional impact upon the basis of using the three previous driving forces as a vehicle for public funding allocation. So, allocating public goods and services in hierarchized marketplaces, through networking communities, and taking into account people's free choices seems to be an optimal way to generate positive externalities (no paid benefits), ensure distributional consequences (nobody is excluded) and increase economic efficiency (less production and transaction costs). Our aggregate system of models that brings together markets, people, and institutions, all of them envisaging equality ideals, is a powerful engine not only to meet people's needs but to boost opportunities in terms of economic growth, employment generation, and entrepreneurship in that local places. The literature on public goods is immense. In the books of Arthur Pigou «A Study in Public Finance», Paul Samuelson «Theory of Public Expenditures», Joseph Stiglitz «Economics of the Public Sector», and Richard Cornes and Todd Sandler «The Theory of Externalities and Public Goods», one can find the essentials for modelling equality and development even with empirical applications as derived from the modern game theory for public goods within a cooperative environment.

Entrepreneurial Economy Model

Our strategy game towards equality would be an incomplete endeavour if a genuine model of the entrepreneurial economy is not considered to boost full employment, sustainable economic

growth, and market competitiveness. These are unescapable welfare economic objectives to be pursued by all game players while formulating policy interventions for the selected local jurisdictions. The word genuine used here refers to a virtuous combination of two branches of economics, namely: entrepreneurship economics and development economics. The first field copes with human capital, knowledge, and innovation matters. The second discipline deals with the roles and social responsibilities of entrepreneurs in the development process. A model grounded on such an entrepreneurial approach is catalytic for uplifting the equality equation as chased by our aggregate system of game players and driving forces. So, for instance, it can strengthen the model of hierarchized marketplaces by attracting investors and entrepreneurs committed to an ethical culture and environmental responsibility; it can impregnate social networking systems with an entrepreneurial spirit by triggering community energy, for instance, towards the promotion of the solidarity economy (i.e. Co-operatives); it can influence government bodies in making innovative public-private partnerships for the provision of public goods and services beyond controversial arrangements (for example, privatization of public enterprises); it can improve economic cooperation and competitive advantages among large, medium and small enterprises and businesses by clustering them in common commodity systems and value chains that bring benefits for everybody. These are a few examples that certainly can impact people's wellbeing in and off the workplace. The study of the entrepreneurial economy has a large tradition that goes back to Joseph Schumpeter's «Essays on Entrepreneurs, Innovation, Business Cycles...», Erik Boettcher's «Kooperation und Demokratie in der Wirtschaft», Michael Porter's «The New Competitive Advantage: Creating Shared Value». The European Commission provides interesting actual theoretical insights by exploring what she calls «Drivers of Regional Systems of Entrepreneurship». Anyhow our entrepreneurial economy model is still under construction, so there is still a wide room for innovation in this regard.

Viability of the Strategy Game

At first sight, the overall cooperative strategy game towards freedom and equality gives the impression of being a complex exercise that demands a lot of time and money. It is not so. Rather, the cooperative strategy game is thought to reduce the time and costs of development processes. Otherwise, it would be a meaningless exercise. It is a game that essentially depends on the quality of the information in addition to high doses of strategists' talent and imagination. But such conditions do not represent huge constraints in the era of Big Data and Artificial Intelligence that jointly allow collecting, storing, managing, processing, analysing, and visualizing immense quantity of information on people, places, markets,

institutions, enterprises, and sectors of the economy at an unimaginable scale, speed, and productivity as it is never been done before.

Concluding Remarks

Once the game players have meticulously moulded all five models, they should be ready and able to ensemble them in one single suitable screen to visualize areas of reforms and design strategies and policies, which are necessary to solve the equality equation in the selected jurisdictions. This outcome is one of the most powerful arguments to attract politicians' interest and ultimately gain their support in mobilizing the fiscal and financial resources needed to put the freedom of choice and distributive equality strategy in motion. This happens by formulating a formal proposal for changing the order of things to government authorities and legislature. I italicize freedom and equality because the harmonization of these two ideals was set up at the beginning of this paper as a philosophical enigma to solve. I hope having accomplished this attempt, and that the reader can appraise it positively.

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Footnotes

1. See my essays as listed in the bibliography of this article. These are recommended readings to broadly understand the contents of this paper.

2. This model could be taken as a reference framework to better organize the complex and sometimes disperse set of 2030 Sustainable Development Goals, which can occur by hosting the aim of wealth and economic equality as a unique teleological goal as discussed in my previous essays.

3. As is known, the old classic notion of hermeneutics refers to the art of interpreting biblical or religious texts, but its meaning has evolved until becoming a common universal procedure of analytical understanding in both natural and social sciences.

4. Around these five areas, Atkinson sets out fifteen concrete wealth and income distributive proposals to substantially reduce the extent of inequality in the United Kingdom, most of them perfectly applicable to other advanced and even less developed economies that suffer from high levels of inequality and poverty.

5. This statement is necessarily linked to the latest work of Thomas Piketty «Power and Ideology», where the author describes the dynamic of inequality across history and through the prism of the property. As inequality is supported by ideologies and institutions that legitimize certain types of appropriateness system of the means of production, that system must be structurally touched to start with changes towards free and equitable market societies.

6. This can wisely happen in a way of reinforcing rather than substituting the representative democracy and the essential role of political parties.

