Euvoluntariness and just market exchange: Moral dilemmas from Locke's Venditio

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Abstract

It is a maxim of Public Choice that voluntary exchanges should not be interfered with by the state. But what makes a voluntary market exchange truly voluntary? We suggest, *contra* much of the economics literature, that voluntary exchange requires consent uncoerced by threats of harm, but that this is not sufficient. In particular, a person pressured to exchange by the dire consequences of failing to exchange—e.g., dying of thirst or hunger—is still coerced, and coerced exchange cannot be voluntary. The weaker party's desperation gives the other party unconscionable bargaining power. We argue for a distinction, based on a neologism: in the case of coercion by circumstance but not by threat, exchange is still voluntary in the conventional sense, but it is not euvoluntary (i.e., truly voluntary). We will argue that all euvoluntary exchanges are just, while non-euvoluntary exchanges may or may not be unjust; that in competitive markets all exchanges are just, even those that are not euvoluntary, while in bilateral monopolies some exchanges are neither euvoluntary nor just. We will propose a mental devise, the "fictitious negotiation", to determine the just price in non-euvoluntary market exchanges. A primitive version of these ideas can be found in a little known monograph by John Locke, which we will analyze in detail.

1 Introduction

In this essay we will investigate the moral obligations of the participants in market exchanges. We will argue that a voluntary exchange can be just, even if it is not euvoluntary (i.e., truly voluntary). By voluntary we mean that neither party is coerced into exchange by threats of active aggression, such as physical assault, vexatious litigation, or the disclosure of embarrassing secrets. By euvoluntary we mean that two additional conditions are met: neither party is coerced into exchange by dire necessity, and neither party has enough bargaining power to impose an abusive price (mercilessly high if he is the seller, cruelly low if he is the buyer) (Munger 2011).

We will begin by delving into the notions of economic freedom, voluntariness, and euvoluntariness. Then we will analyze a fascinating and little known monograph by John Locke (Locke 1661), who offers us some challenging moral dilemmas. Through these examples, Locke formulates two principles of justice that, according to him, should govern any free market exchange: non-discrimination and non-extortion. Building on Locke's pioneering work, we rough out ideas for a theory of just market exchange developed more formally in Guzman and Munger (2013).

2 Economic freedom

Economic freedom is based on two intimately connected rights (Epstein, 2003):

1. Freedom of contract: the right to enter voluntarily into binding agreements, violation of which leads credibly to punishment for the violator or compensation for the victim.

2. Property rights: the rights to control the use, benefit from, transfer or sell, and exclude others from your property.

When presented in these abstract terms, many people agree the State is obliged to enforce freedom of contract and property rights.[1] In fact, the ability to enter enforceable contracts is a fundamental reason the State was founded in the first place. The famed British jurist Sir George Jessel put it this way (Jessel, 1875: Eq 462; emphasis added):

> If there is one thing more than another public policy requires it is that men of full age and competent understanding shall have the utmost liberty of contracting, & that their contracts when entered into freely & voluntarily shall be held sacred and shall be enforced by courts of justice. Therefore, you have this paramount public policy to consider —that you are not lightly to interfere with this freedom of contract.

[1] An interesting paper on the problem of consent in contractarian theories is Müller (2002).

Despite all its sacredness, when the time comes to uphold freedom of contract, we quickly confront moral dilemmas.

For example, do I own my time and effort? To many people, the answer seems to be yes, but then it is also no. For better or worse, the law implements this contradiction. You may work as hard as you want, except that you cannot take a job for more than 40 hours a week. You are praised if you donate labor to a charity for free, but you if you get paid you cannot accept less than the minimum wage.

Property rights over material goods can also be morally questionable. For example, do farmers own the wheat they produce? During a famine, the answer may be not really. The law may prohibit farmers from "gouging" buyers—even if the buyers seem eager to be gouged. Yet the farmers are still free to export their wheat to other places where they can earn a higher profit (and they probably will).

Employment contracts and commodity sales are cases of the simplest type of contract: market exchange. Legal restrictions on market exchange, such as the ones mentioned above, are not haphazard. They are based on an entrenched moral intuition: abusing the economically weak or marginal is wrong. But limiting economic freedom is not a decision to be made on the basis of a mere intuition. Not only from a moral point of view, also for its practical ramifications. We must find more solid grounds to decide for or against.

3 Voluntariness

Like many other philosophical disputes, the struggle over voluntary market exchange is largely caused by the lack of a clear definition. What does voluntary mean? Is it sufficient that consent not be extorted at gunpoint? Many believe—and we agree—that this condition does not suffice. Michael Sandel formulates the objection in the following way (Sandel 1998: 1994):

> The... objection [to the claim that an exchange is truly voluntary] is an argument from coercion. It points to the injustice that can arise when people buy and sell things under conditions of severe inequality or dire economic necessity. According to this objection, market exchanges are not necessarily as voluntary as market enthusiasts suggest. A peasant may agree to sell his kidney or cornea in order to feed his starving family, but his agreement is not truly voluntary. He is coerced, in effect, by the necessities of his situation.

To eliminate the ambiguity in the meaning of voluntariness, Munger (2011) proposed the formal notion of euvoluntariness,[2] or "true voluntariness." For a market exchange to be euvoluntary six conditions must be met:

1. The parties own the objects or services being exchanged, according to the conventional interpretation of ownership.

[2] The Greek prefix "eu" means well, truly, pleasing, or happy.

2. The parties have both the legal and practical capacity to transfer these objects or services.

3. There is no fraud, and no psychological compulsions such as addiction or neuropathy.

4. The exchange does not produce large-scale uncompensated non-pecuniary externalities, and does not impose costs on third parties without their express voluntary consent.[3]

5. Neither party is coerced in the sense of being forced to exchange by threat of violence or other form of active aggression.

6. Neither party is coerced into exchange by dire necessity, and neither party has enough bargaining power to impose an abusive price.

Conditions 1–6 are standard requirements for a valid contract in the common law. Conditions 5 and 6 could be summarized as "no duress." A market exchange is voluntary if conditions 1–5 are satisfied, but it is not be euvoluntary unless condition 6 is satisfied as well.

Condition 5 states that voluntary exchanges cannot be coerced, meaning that neither party can use its power to extort consent or impose an abusive price. Here, power is understood in its conventional sense, as the ability to impose one's will on others through the threat of active aggression.

In market negotiations, power has a different meaning. "Bargaining power" is the ability to cause harm through inaction, by refusing to exchange. Condition 6 states that euvoluntariness requires that no party has unconscionable bargaining power over the other. Note that condition 6 says nothing about the exercise of bargaining power during the negotiation, only that if one of the parties is in grave danger, the parties should be close in bargaining power. The balance in bargaining power makes a negotiation fair, in the similar sense that weight classes make boxing matches fair. The boxers need not weigh the same, but fairness requires that the disparity in weight must be within a reasonable range. This requirement is necessary because boxing is a dangerous sport: if a brute knocks out a wimp, the wimp can die.

David Hume gives an example of coercion by circumstance (Hume, 2000, Book III, Pt. II, p. 11):

> A man, dangerously wounded, who promises a competent sum to a surgeon to cure him, wou'd certainly be bound to performance; tho' the case be not so much different from that of one, who promises a sum to a robber.

[3] There is a substantial literature on the nature consent, and coercion and voluntary aspects of consent. Olsaretti (2003) examines the problem of voluntary consent and desert, and reviews the literature. But it is worth pointing out that "consented" coercion is an old, and highly contestable, concept. It was discussed at length by Gramsci (1929 / 2011), in the context of the pretext of "consent" in a capitalist system. We intend the consent to be explicit, and of course voluntary. Gramsci claimed the consent is involuntary, and is itself coerced. For practical considerations of when consent to bargain is "coerced" see Lamba and Mace (2013).

The surgeon has an unconscionable bargaining advantage because the injured man is dying and has no time to call another doctor. Hume's view on this case coincides with that of most people: the exercise of bargaining power by the surgeon is a form of extortion. But then what price is the surgeon justified in charging? More generally, what considerations are relevant for a moral person in deciding what a just market price would be?

Surprisingly, the intellectual father of the modern theory of property gives us some hints.

4 Venditio: Locke's four moral dilemmas

4.1 Background

Venditio is a Latin noun, meaning "a sale." The word is a cognate of the English word "vendor", and the root of the Spanish word "vender," "to sell." "Venditio" is also the title of a short (less than 2,000 words) monograph written by John Locke in 1695.[4] The piece seems more of a meditation or notes for a later publication than a self-contained paper or chapter. It consists of four moral dilemmas that represent a significant contribution to the ideas of market price, just price, and voluntary market exchange.

We will analyze Venditio in detail, as it has been mostly ignored by economists, and even by philosophers. By necessity, our approach to the job is exegetical: Venditio is an intricate text, in which many things are said in passing or are simply left implicit. However, we believe there is an underlying logic to the moral dilemmas posed in the text.

Locke distinguishes two cases of market exchange: competitive markets and bilateral monopolies.[5] We will discuss each in turn.

[4]The paper, initialed by Locke, captioned "Venditio" and dated "[16]95," was found in Locke's "Adversaria 1661." This was a large folio notebook containing 321 numbered leaves and 149 blank leaves. "Adversaria 1661" was written (apparently by Locke) inside the front cover. The earliest entries in the book date from 1668 and was in use through at least 1669. The notebook was formerly a part of the Lovelace Collection and was used by Lord King in his Life of John Locke (1829). It became separated from the collection before their acquisition by the Bodleian Library, and has remained in private hands. For a time, it was owned by Arthur O. Houghton, Jr.; it is presently in a private collection in France. Microfilm copies are available in the Houghton Library, Harvard University (MS. Eng. 860.1) and in the Bodleian Library (MS. Film 77). This reference is from the URL http://www.libraries.psu.edu/tas/locke/mss/c1695.html#m0006 , at the Penn State University Libraries, accessed January 4, 2013. Our copy of the document comes from Wootton (1993: 442-446). David Wootton got permission from the private owner to reproduce the document. Wootton gives the source as "From the Commonplace Book, 1661

[5]It would be a mistake to think that Venditio represents a complete statement of Locke's economic thinking, and we make no such claim. For a much more complete vision of Locke's economic writings, see Lamb (2010). For an authoritative overview of Locke's writings and life, see Rowley (1998).

4.2 Case 1: Competitive markets

Locke opens the text with a bold proposition: In a competitive market, the just price of a good is its prevailing market price.

4.2.1 The price of wheat skyrockets

Suppose the market for wheat is competitive. Last year the market price was 5s (five shillings) per bushel. Today, it is 10s per bushel. What is the just price of wheat?

To this, Locke responds: The just price of wheat is its prevailing market price, which is 10s per bushel.

Locke justifies his answer with a three-part argument: the first part is based on the possibility of arbitrage, the second part is based on the supererogatoriness of charity, and the third part is based on a principle of non-discrimination.

Part 1 (possibility of arbitrage) If you sold the wheat at 5s per bushel to anyone who wants to buy, the arbitrageurs would buy wheat from you and resell it at the market price of 10s per bushel. The arbitrageurs would earn a profit of 5s per bushel at your expense, while the consumers would obtain no benefit. That would be unjust to you.

Part 2 (supererogatoriness of charity) If you sold the wheat at 5s to the poor, you would lose 5s per bushel by not selling at the market price of 10s. That would be charity, and acts of charity are supererogatory. (In fact, selling one bushel at 5s to a poor person is the same as giving him 5s in cash, since the poor person can resell the bushel at 10s and pocket 5s).

Part 3 (principle of non-discrimination) If you sold the wheat at 5s to the poor and at 10s to the rich, you would be discriminating against the rich. That would be unjust to the rich ("for justice has but one measure for all men").

We must conclude that the market price of wheat is the only just price. (Higher prices could be asked, but no buyer would accept them.)

From this argument, Locke derives a corollary: in competitive markets, the just price of a good is not pegged to its "natural value" (e.g., in the case of wheat, its nutritional value).

4.2.2 The merchant of Dunkirk

Locke poses the following dilemma: "[L]et us suppose a merchant of Danzig sends two ships laden with corn, whereof the one puts into Dunkirk, where there is almost a famine for want of corn, and there he sells his wheat for 20s a bushel, whilst the other ship sells his at Ostend just by for 5s. Here it will be demanded whether it be not oppression and injustice to make such an advantage

of their necessity at Dunkirk as to sell them the same commodity at 20s per bushel which he sells for a quarter the price but twenty miles off?"

Locke responds: It is not oppression. The just price of corn is its market price in Dunkirk.

As in the previous example, Locke's argument is based on the principle of nondiscrimination and the possibility of arbitrage (the supererogatoriness of charity is left implicit). This time, however, he complements his deontological argument with a consequentialist argument: Fixing the price of corn below its competitive equilibrium level could reduce or cut the flow of corn to Dunkirk.

Part 1 (principle of non-discrimination) According to Locke, the merchant does not act unjustly if he sells corn in Dunkirk at its local market price, as long as he does not discriminate prices ("sells no dearer to Thomas as he sells to Richard"). The fact that the market price of corn is lower in Ostend is irrelevant.

However, the non-discrimination principle is insufficient, because the merchant could sell at 10s to everyone and not violate the non-discrimination principle. So Locke adds the following.

Part 2 (possibility of arbitrage) Says Locke: "[If the merchant] should sell for less than his corn would yield [i.e., the prevailing market price, 20s], he would only throw his profit into other men's hand, who buying of him under the market rate would sell it again to others at the full rate." That would be unjust to the merchant.

Part 3 (incentives to commerce) The merchant takes a risk when he brings corn to Dunkirk: there is uncertainty as to the market conditions, and the merchant could end up taking a loss. The high price at Dunkirk compensates the merchant for that risk, plus other costs that Locke does not mention, such as transportation costs. Only merchants know the exact magnitude of these costs. The authority can an at best make an estimate. If the authority is wrong in his estimate and fixes a price below the true costs, the merchants will cut the much needed supply of corn. In Locke's words, "This obligation to a certain loss often, without any certainty of reparation, will quickly put an end to merchandizing."

Locke's first proposition, that in competitive markets the prevailing price is always just, extends naturally to the obverse case where the sellers are desperate. For example, if the sellers are unskilled workers who have no choice but to sell their labor to sweat-shops. From Locke's perspective, starvation wages are just, as long the labor market is competitive.

4.3 Case 2: One buyer and one seller

Locke's second proposition sets a strict moral limit to the market price: If there is only one buyer and one seller, and the buyer is desperate, the just

price corresponds to the seller's valuation of the good. (Locke calls this price the "market price", but it is not what modern economists understand as the market price. He meant a "mutually agreed price.")

4.3.1 My kingdom for a horse

Pedro owns a horse. The horse is materially indistinguishable from any other horse for sale in the nearest market, where horses are sold at £20 each. However, Pedro is fond of his horse and he values it at higher price: £40.

Juan, a stranger, comes to Pedro's farm desperate to buy a horse (if Juan "should fail of it, it would make him fail a business of much greater importance"). Pedro knows that Juan values the horse in £70 and that he has no time to get to the nearest horse market. What is the just price for the horse?

Locke responds: The just price is Pedro's valuation of the horse, which is £40.

The argument has three parts: the first part is based on the supererogatoriness of charity, the second part is based on a principle of non-discrimination, and the third part is based on a new principle of non-extortion.

We will not follow Locke's reasoning to the letter, because it is somewhat convoluted. Instead, we will reconstruct his argument in a slightly modified way. The original and modified versions of the argument are essentially equivalent, and we think our interpretation is faithful to the message that Locke sought to convey.

Part 1 (supererogatoriness of charity) If Pedro sold the horse at less than his valuation (£40), he would be harming himself. That would be an act of charity, and charity is supererogatory.

Part 2 (principle of non-discrimination) Suppose Pedro asked £50 for the horse, which is more than his valuation. That would be discrimination against Juan, and discrimination is unjust.

To see where the discrimination lies, imagine that Juan valued the horse in £40. In that case, Pedro would readily cut the price to £40, since he knows that the imaginary Juan would not pay more than that. The imaginary Juan would end up paying £10 less than the real Juan, and that would be discrimination.

Locke writes: "[W]hat anyone has he may value at any rate he will and transgresses not against justice if he sells it at any price provided he makes no distinction of buyers, but parts with it at cheap to it as he would to any other buyer." This principle applies to all serious buyers, including the real and imaginary versions of Juan.

But, who counts as a serious buyer? A buyer who values the horse at least as much as Pedro. Someone who is not prepared to offer £40 cannot be considered serious. He would be asking for charity, not offering a business opportunity.

In consequence, the only just price is £40, because it is the only price that all serious buyers would take. This implies that Pedro must give the whole surplus

of the actual negotiation to the real Juan, which is given by £70 minus £40; that is, £30.

Part 3 (principle of non-extortion) It is unjust to take advantage of John's desperation to extort from him a high price. This principle can be implemented in the following manner: Pedro must devise a "fictitious negotiation" with a less desperate version of Juan, and negotiate with the fictitious Juan as he would negotiate with the real Juan.

In negotiations, to be less desperate means "valuing the horse less." But how much less?

Locke implies that the fictitious Juan should value the horse in £40. If he valued the horse in less than £40, no exchange would be possible between Pedro and Juan, since Pedro would never sell in less than that amount. That would be disastrous to the real Juan, who is desperate for a horse. It would be absurd to prevent a mutually beneficial exchange in order to uphold justice, especially since the desperate party would be the most damaged.

Since Pedro and the fictitious Juan value the horse in the same amount, there exists only one price that will satisfy them both: their valuation. Therefore, Pedro must sell the horse to the real Juan in that sum. Equivalently, Pedro must give the whole surplus of the real negotiation to the real Juan, which is given by £70 minus £40; that is, £30. Otherwise, says Locke, the seller would be "guilty of extortion."

To sum up, the seller's valuation of the horse is the only just price.

4.3.2 A ship without an anchor

One ship in the open ocean comes upon another ship. One ship has lost all its anchors in a storm, and the other has "an anchor to spare." A sailing ship with no anchor, in an era of dead reckoning navigation, is in big trouble. The ship can go, but it cannot stop. And if the ship is ever to approach shore, or spend a night near shore, or have a storm pass over, then the likely result is a wreck with the loss of the ship, the cargo, and all hands.

In such circumstances, the ships negotiate the sale of the spare anchor. What is the just price?

To this, Locke answers: The seller ship's valuation of the spare anchor.

Locke's argument has two parts. The first part is based on the principle of nondiscrimination, and the second part is based on the principle of non-extortion.

Part 1 (principle of non-discrimination) The seller ship must ask the same price from all serious buyers, including the real and imaginary versions of the distressed ship. One can imagine a serious buyer who values the anchor as much as the seller. That buyer will not pay more than the seller's valuation of the anchor. Hence, the only price that would be accepted by all serious buyers is the seller's valuation. In Locke's words, "[...] the master of the vessel must

make an estimate by the length of his voyage, the season and seas he sails in, and so what risks he shall run himself by parting with his anchor. Which all put together perhaps he will not part with it [because his valuation may be extremely high], but if he would, *he must then take no more from it from a ship in distress as he would take from any other.*"

Part 1 (principle of non-extortion) In the lost anchor dilemma, Locke makes the fictitious negotiation explicit: The just price is "the same price that he [the seller ship] would sale the same anchor to anybody who was not in distress and absolute want of it."

It follows that the just price is the seller's valuation of the anchor. This implies that the seller should give the whole surplus to the buyer.

Once again, Locke affirms that the just price of a good is not pegged to its "natural value." According to him, the prevailing price at the nearest anchor market "makes no part of the measure of the price which he fairly sells it at the sea." Here he makes a mistake (that we will excuse, since he wrote this piece 81 years before the invention of classical economics). Assuming there exists a secondary market for anchors, the seller ship must take into account the opportunity cost of not being able to sell the spare anchor when it reaches port.

Finally, it is easy to see but tedious to explain that Locke's second proposition encompasses the obverse case in which the seller is desperate and the buyer is not: If there is only one buyer and one seller, and the seller is desperate, the just price corresponds to the buyer's valuation of the good.

5 Discussion

In Venditio, Locke makes two bold propositions. The first asserts that, if the market (in modern terms) is competitive, then the market price is just. The claim would have been controversial in Locke's time, and remains so today. New demands for stricter enforcement of anti-gouging laws resurface after every natural disaster. The plight of the chronically ill dominates the debate over rising healt care costs. The endless political struggle over the minimum wage is likewise a manifestation of the same dispute. These three examples have something in common: the survivors of a disaster, the chronically-ill, and the unskilled workers have no viable alternatives to the exchange the market offers them. In all three cases, it is perfectly true that market exchange is not euvoluntary. The survivors, the ill, and unskilled are each in their own way coerced by circumstance. It would seem that markets preclude justice.

But Locke is adamant: even in extreme circumstances, the market price can be just, provided the market is competitive. He justifies his claim using three deontological arguments: the possibility of arbitrage, the supererogatoriness of charity, and the principle of non-discrimination. He reinforces his claim with a consequentialist argument: the free price system provides the right incentives

to supply the much needed essential items. Locke's deep economic insight is astounding, considering the moment in history in which he writes: almost a century before Smith's Wealth of Nations.

Locke's second proposition deals with bilateral monopolies or classic closed negotiations between one buyer and one seller. Locke argues that if the buyer is desperate, the just price corresponds to the seller's valuation of the good, calculated as if the seller was unaware of the desperate position of the buyer.

In a sense, Locke comes up with an entirely new idea, one that could achieve status as a second "Lockean proviso." He claims that in certain extreme circumstances property rights cease to be sacrosanct. If you own an object that someone else desperately needs, that person has a claim over that object. You still own it in the limited sense that you have no moral obligation to give it away. If the other person wants to have the object, he must pay for it. However, you are not free to set the price. The price must be barely sufficient to leave you indifferent between selling and not selling.

When Locke formulates his second proposition, he has in mind a very sophisticated conception of voluntariness. If you have lost all your anchors, to buy or not buy a replacement is not a real question. Locke captures this intuition in his non-extortion principle: you cannot use a buyer's dire need to make a profit. Nevertheless, you are not obliged to take a loss: acts of charity are supererogatory.

The second proposition has a corollary: Voluntary exchange can be just, even if it is not euvoluntary. Even though the ship adrift is coerced by its circumstances to buy the anchor, the sale can be just. All that is required is that the seller complies with the non-extortion principle.

6 A new theory of just market exchange

Locke's second proposition has a seemingly bizarre implication: It proscribes normal bargaining as immoral. In the absence of a competitive market, Locke dictates, the seller must give the whole surplus to the buyer. This dictum contravenes our moral intuition, derived as it is from competitive market settings. We are accustomed to negotiate in our everyday lives, and in most cases we gladly share the value created by our market exchanges. Bargaining can even be, on occasions, a source of amusement.

In Locke's defense, he makes clear in his examples that he refers to cases in which the buyer is extremely desperate. In those cases, the proscription of bargaining makes sense. But how desperate is desperate? In the event of a famine, a mother is not equally desperate for corn, milk, meat, a fancy dress, a new carriage, a diamond necklace. There are degrees of desperation in life. At which point does want become need becomes dire need?

Suppose you are the only butcher left in Dunkirk (all others have run out of meat). Are you morally obliged to sell your meat at cost to a desperate mother? Probably not. Is it just to charge the higher price that you can get? Probably not, either. It seems that there is not one, but many possible just

prices. Intuition tells us that the maximum just price falls with the buyer's desperation, and it eventually converges to the seller's valuation. The speed of convergence will depend on the observer's aversion to the disparity of bargaining power.[6]

7 Conclusion

Free markets are usually defended using a circular consequentialist argument: A voluntary market exchange benefits both parties, without harming anyone else. How do we know that both parties are benefited? Because they voluntarily consent to the exchange. Therefore, there are no logical reasons to affirm that a voluntary exchange could be unjust. On the contrary, injustice is caused by preventing voluntary exchanges.

But this argument assumes too much about the true voluntariness of consent. Not having the tip of a gun resting on your forehead is insufficient to affirm that a "yes" is truly voluntary. Desperation can compel you to accept any price suggested by the other party. You may end up being abused voluntarily, which is absurd. Voluntariness as understood in the consequentialist argument proves that all voluntary exchanges are welfare-enhancing, but it cannot prove that all voluntary exchanges are just.

Justice can only be assured if both parties have a genuine capacity to say "no." This means that only euvoluntary exchanges can be certified to be just. However, that an exchange is not euvoluntary does not immediately imply that it has to be unjust. The stronger party to the negotiation may have the power to abuse the weaker party, but he can always choose not to exercise that power. Injustice is sometimes possible in market exchange, but it is never necessary.

Locke suggests a method that the stronger party can apply if he chooses to act justly: negotiate as if the weaker party was not in distress. We call this mental devise the "fictitious negotiation." Locke also explains that competitive markets eliminate the possibility of abuse. In competitive markets, all market exchanges just, even of they are not euvoluntary.

Does the possibility of abuse call for State intervention in voluntary market exchanges? For example, should the State establish a minimum wage or enact anti-gouging laws? From Locke's ideas we can infer an answer: never intervene if the market is competitive, but possibly intervene if there is some kind of bilateral monopoly. But even then, it may be possible to rely on the moral character and forbearance of market participants, rather than try to impose restrictions that do nothing to improve the lot of weaker bargainer.

The central point is that even though he has identified problems with using price in just exchanges, Locke warns against State intervention, and we agree with him. Guessing the just price of a good is a very difficult task, if not impossible. Only the seller can know with precision what the good is worth for him. A miscalculation can eliminate the incentives to supply the good,

[6] We develop these ideas *in extenso* in (Guzmán and Munger 2013).

precisely at times of extreme need. We may end starving the hungry in the name of justice.

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