

Fallacy #2 - The Fallacy of Self-Interest as Rational, Simplified Human Behaviour

Central Question - Can ^{stable & economic} social order be created in a modern and complex world simply by unleashing individual freedom and self-interest?

Primary Source - The Trap Part 1 "F**K You Buddy" (2007 BBC Documentary by Adam Curtis)

(A) Taking Aim at the Claim - Individual freedom allows for self-directing individuals ^{to maximize personal adv.} by acting in their own self-interest according to _{market} incentives and performance targets all the while balancing one's self interest against all others.

(B) Origins of Claim - Public Good vs. Public Choice Economics ^{around certain set of ideals}

① F. von Hayek - The Road to Serfdom - centralized planning of freedom ^{leads to tyranny of dictatorship.} spontaneous and self-directing action by individuals unleashes individual self-interest and is the best way to create stability, wealth, freedom and social order.

② J. Nash - Game Theory - a model that predicts human behaviour by assuming individuals are constantly strategizing against each other in a cold, rational way, based on personal advantage, incentives, suspicion and self-interest.

Nash Equilibrium

- self-interest leads to stability, not chaos as an equilibrium is reached where everyone's self-interest is balanced against everyone else.
- The Prisoner's Dilemma - most rational choice is to betray the other as one cannot trust the other ... thus betrayal preserves self-interests.

③ R.D. Laing - anti-psychiatry movement that argued that 'madness' is a label used to lock-up those who want to break free of existing power structure
- normal vs. abnormal behaviour is a diagnostic tool used to define rationality and what one ^{should aspire to} \wedge
* argued that those motivated by public duty/good and a desire to help are really part of a system to control one's mind and suppress freedom to maintain power & privilege (Rosenhan's "Thud" experiment).

④ T. Schelling - Notions of public good are a fantasy b/c creating shared goals & altruistic motivations

⑤ J. Buchanan
cannot exist in a world dominated by self-interest / human nature.
- economists embraced the objective power of numbers and sophisticated mathematical techniques to prove the idea of public good economics as a sham.
- Game theory used to prove that public good economics led to chaos as elite directed 'public good' to maximize own personal advantage.
- all human judgement must be removed to create objective measures of performance.
- birth of public choice economics - freedom by government decree is an illusion.

⑥ M. Thatcher - economic system not run by ideas of public duty, but by ^{rational} incentives, targets and performance measures that rely/spur on the pursuit of self-interest.
- emotional, subjective and irrational values confuse and corrupt economics.
- economics must be analytical in nature (no room for normative influences in the free market)
- no sense of the collective or being part of something large than one's self.
- competition driven by incentives is the most efficient market structure.

↳ heavily influenced by Milton Friedman (Ayn Rand); F. von Hayek

↳ heavily influenced Ronald Reagan, George Bush Sr., Bill Clinton & George Bush Jr. administrations in U.S. and Canadian politicians & governments

- © Criticisms - this kind of individual freedom promising to liberate the masses from class and pre-destined roles has led to a return of power and privilege through free market ideology and social control.
- the view that individuals are selfish, isolated, suspicious creatures who constantly strategize against each other does not seem to fit our reality.
 - this view is inaccurate, yet convenient and necessary to make the models and free market theory work.
 - market economy has become a market society where important non-market values have been displaced / crowded out (moral and civic values).
 - ultimately this kind of freedom is a narrow version of freedom that has limited other measures of freedom (i.e., economic freedom paramount).
 - like the objective diagnostic approach to mental health (where the objective purity of mathematical analysis has silenced all human judgement in decision-making), standard economic analysis has adopted a similar rational approach in diagnosing economic health.
 - leaving hard ethical choices to markets has created a moral vacuum where market triumphalism has turned almost everything into a commodity (marketizing everything).
 - economism - tendency to apply economic reasoning or market thinking to every human problem has limited freedom and the definition of public good.
 - economics has crowded out politics and has left out the bigger questions about justice, fairness, the meaning of the public good and what we owe one another as citizens.