Lars Lindblom
KTH

Equality of Resources, Risk and the Ideal Market

According to Ronald Dworkin, mimicking the ideal market from equal starting points is fair. This paper spells out the implications of taking the ideal market seriously for equality of resources. The ideal market is described by neoclassical economics, in which certainty reigns. There are no choices under risk in such a market. Therefore, there is no such thing as option luck in the ideal market. Consequently, when mimicking this market we cannot and should not hold people responsible for option luck. Moreover, mimicking this market implies that we ought to set up a social safety net, since rational individuals with perfect foresight would see to it that they always have sufficient resources at each point in life. Furthermore, the idea of insurance is incompatible with the ideal market. This suggests that insurance cannot play a fundamental role in equality of resources. This opens up the question of whether the goals of the insurance thought experiments in equality of resources would be better served by some other mechanism, such as the willingness to pay method.