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Is the "Point" of the Market Pareto or Kaldor-Hicks Efficiency?

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A COMMENTARY ON Jeffrey Moriarty (2019), "On the Origin, Content, and Relevance of the Market Failures Approach," ***J Bus Ethics***: (first online 17 January 2019) 1–12,
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ABSTRACT

Moriarty argues that the Market Failures Approach (MFA) to business ethics is inapplicable to "real world" problems, because it treats "market failure" as a failure to achieve Pareto efficiency. Depending upon how it is applied, Pareto efficiency is either trivially easy to satisfy or else so demanding that no real-world market could ever satisfy it. In this Commentary, I argue that Moriarty overstates these difficulties. The regulatory structure governing markets is best understood as an attempt to maximize the number of Pareto-improving exchanges that occur. There is no reason to think business self-regulation cannot be guided by the same normative-conceptual framework.

IN HIS RECENT article, "On the Origin, Content, and Relevance of the Market Failures Approach," Jeffrey Moriarty (2019: 1) claims that this view of business ethics – defended by myself and others – has "little relevance to the real world of business." Since the primary motivation

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