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The Inapplicability of the Market-Failures Approach in a Non-Ideal World

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A COMMENTARY ON Joseph Heath (2014), ***Morality, Competition, and the Firm: The Market Failures Approach to Business Ethics*** (Oxford: Oxford University Press), http://doi.org/10.1093/acprof:osobl/9780199990481.001.0001

ABSTRACT

Joseph Heath (2014) argues that the contribution of competitive markets to Pareto-efficiency generates moral constraints that apply to business managers. Heath argues that ethical behavior on the part of management consists in avoiding profit-seeking strategies which, under conditions of perfect competition, would decrease Pareto-efficiency. I argue that because (1) such conditions do not obtain; and (2) the most efficient result – under imperfect conditions – is not achieved by satisfying the largest possible set of the remaining conditions; it is (3) impossible to draw any substantive ethical guidelines from Heath's approach.

IN *MORALITY, COMPETITION,* *and the Firm*, Joseph Heath (2014) presents the most recent formulation of his Market-Failures approach (MFA).[2] According to Heath, the ethical constraints that apply to man-

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[2] See Heath (2006) for an earlier formulation. For other formulations of this view, see Brown (2013) and Norman (2011).