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The Perception of Man and the Conception of Government

KARL BRUNNER and WILLIAM H. MECKLING*

1. INTRODUCTION

The long-run tendency toward expansion of government that has dominated social developments in the Western democracies for many years is attracting increasing attention from an array of social science scholars in search of a systematic explanation. This paper is an attempt to contribute a small fragment to that discussion. It addresses the rationale underlying conflicting views about the role, range and function of government. Alternative intellectual approaches to the "limits of government" appear to us to be critically influenced by the models of man employed by the various discussants.¹ The set of characteristics with which man is endowed in the development of social science theory inevitably controls the body of theory that is forthcoming. What is less frequently recognized is the impact that views about the nature of man have on the evaluation of political and market institutions.²

*The paper has been influenced by many discussions with Allan H. Meltzer and Michael Jensen. We also gratefully acknowledge valuable comments offered by William Dewald on a first draft.

¹Normative views about the role of government are also conditioned by the conception of justice employed. An enquiry into the impact of alternative views of justice on political and social ideas is postponed to another occasion.

²Professional articulators usually explain the dispute between advocates of severely limited government and the proponents of large and not clearly limited government in terms of different ideological commitments. This is a rather shallow and unrevealing answer. It is easily understandable, however, in terms of the characteristics of the "market for words" conditioning the intelligentsia's behavior. Of course, ideological dimensions enter all our intellectual endeavors. The occurrence of these ideological components does not justify per se the rejection of any hypothesis or theory. Whatever the ideological influences at work, the informative value of a hypothesis can only be judged by appropriate cognitive procedures.

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2. ALTERNATIVE CONCEPTIONS OF MAN IN THE SOCIAL SCIENCES

While the various social sciences address many of the same or at least widely overlapping phenomena, the division of labor among the various disciplines—political science, sociology, economics, anthropology, psychology—is difficult to rationalize. To some extent it is an accident of history. Economics deals primarily with the economic organization and man's behavior in that context. Political science, on the other hand, examines man's political organization. "Sociologists concern themselves mostly with the social effects of cultural heritage, mores, customs, ethnic background, taboos, value systems, and social classes in modern societies. . . . Psychology embraces an almost endless array of more or less disjointed topics. . . ." [5] Organizational or social psychology offers a more focused connection with the central concern of social sciences, since it looks at man's behavior in specified organizational contexts (e.g., the business firm).

The various disciplines have also tended to establish claims to specified subject areas. Crime "belongs" to sociology, markets and exchange to economics, government and political institutions to political science and primitive tribes to anthropology. Recent developments have somewhat blurred and eroded these classifications. Many economists, for example, have begun to write and research subjects traditionally assigned to political science, sociology, psychology, and even anthropology. For our discussion here, it will be useful to distinguish intellectual endeavors directed toward understanding social institutions and processes on the basis of the perceptions of man employed in those efforts. Four different models of man can be distinguished: A. REMM—Resourceful, Evaluating, Maximizing Man—the model of man developed in economics; B. the "sociological" model of man; C. the "political" model of man; and D. the "psychological" model of man.

These labels express the relative dominance of the ideas in the various fields, but the use of the models by various social scientists is not confined to the fields from which the labels are taken. For example, the political or sociological models of man are often encountered in the literature produced or arguments developed by economists, while at the same time, sociologists and political scientists sometimes use REMM as the basis of their research and analysis. The following summary of the characteristics of each of these models of man is largely based on [5].

A. *REMM—Resourceful, Evaluating, Maximizing Man*

The codification of the characteristics of man as a unit of analysis in economics is the product of at least two hundred years of research. While intensive attention to the formal codification can and has occasionally sidetracked attention from the underlying substance, this substance can be summarized in terms of three crucial strands.

1. Man is an evaluator. He is not indifferent. He cares about the world around him. He differentiates, sorts, and orders³ states of the world, and in this ordering he

³It is often argued by the intelligentsia that "men are not concerned and do not care." What they really mean is that many men do not care as much, comparatively, for the things the intelligentsia is concerned about. Men differentiate and sort; and different men sort differently.

reduces all entities encountered to a commensurable dimension. Things valued positively are preferred in larger magnitudes. Moreover, the evaluation depends on the context. Any given increment of a positively valued object suffers a lower evaluation as the total available to the individual rises. Man is willing to trade off in all dimensions. He is always willing to forfeit some quantity of any given valued item for a quantity of some alternative item that he values more highly. His evaluations tend to be transitive, expressing a consistency in his value system.

2. Maximizing man recognizes that all resources are limited, including his own time. Whatever his resources, man attempts to achieve the best position he can under the constraints facing him. This optimization occurs on the basis of less than perfect information, and it recognizes that decision making itself involves costs.

3. The resourceful aspect of man is analytically the most troublesome to handle. Resourcefulness emerges whenever man is confronted with new and unfamiliar opportunities, or when man searches for ways to modify the constraints and opportunities. Coping, groping, and learning all express man's resourcefulness and form an essential aspect of his systematic behavior.

The REMM model does not describe man as a brainy, but heartless calculating machine. Charitable behavior, love of family, compassions, can be consistently subsumed. Man appears as a search organism, responding systematically to incentives and stimuli. These are systematically associated with institutional arrangements surrounding man. Market and nonmarket institutions can be analyzed in terms of the incentives structures they generate. In contrast with the other models, the REMM model explains man's behavior as a consequence of interaction between the *individual's* value system and constraints or opportunities. This formulation is usually supplemented with the assumption that the variability of the constraining conditions dominates the variability of the preference system.⁴ Changes in behavior are thus dominantly attributed to variations in opportunities and not to variations in values.⁵

The basic ideas of the REMM model were introduced more than two hundred years ago by Mandeville, Ferguson, and Adam Smith. The idea of REMM was an essential building block in the analysis that led them to conclude that a social equilibrium results as an unintended by-product of the interaction of self-seeking men.

B. The Sociological Model of Man

"Sociological man is conformist and conventional. His behavior is a product of his cultural environment; the taboos, customs, mores, traditions, etc., of the society in which he is born and raised. . . . If behavior is determined by acculturation, then

⁴This assumption has been useful for explanations of many phenomena. It does not preclude an examination of conditions shaping preferences. The historical or cultural conditioning of preferences does not change the crucial propositions of the REMM model. Even changes in preferences are subject to REMM behavior.

⁵The emphasis on variations in values is frequently quite confused; two senses of the changes in values are, in much of the social science literature, not adequately distinguished. One sense means changes in the preference system and the other means changes in location of the state point within a fixed preference field. The latter occurs, of course, as a result of changing opportunities.

choice, or purpose, or conscious adaptation are meaningless. . . . Sociological man is not an *evaluator*, any more than ants, bees and termites are evaluators.” [5]

Cultural conditions and historical forces certainly affect human behavior, but the sociological and the REMM model differ in their treatment of this effect. In the REMM model acculturation conditions the constraints and the preferences of the individual in his coping, groping, and interested behavior. In contrast, the sociological model asserts that individual behavior is directly determined by social factors and cultural conditions. Man is neither resourceful nor an evaluator, he is a conformist enslaved by conventions.

Structuralist interpretations of sociology reveal some basic properties of the model. Members of a society are essentially viewed as role players. Society determines an array of social positions that determine roles assumed by members of society with specific role obligations. Social anticipations concerning the performance of specific role obligations are supplemented with appropriate sanctions to assure adequate performance. The interaction between social positions, role anticipations, and sanctions determines individual behavior. There is no room for adaptive creativity, or for evaluating responses to incentives. The sociological model attributes a crucial significance to the exogenous existence of social values and social norms. These values and norms establish the social order independently of individuals.

The sociological view of man is particularly prominent in Marxian writings. Lukasz stresses the role of “social totality” as an entity above and beyond all individuals and their interaction. This view is repeated by Adorno, who maintains that all social phenomena, including the individual, depend on the social totality. Others argue that a reduction of social phenomena to the behavior of men, i.e., the explanation of social phenomena in terms of individual behavior, is basically false and inadmissible. These scholars insist that individual behavior be traced to a social whole. Society determines individual behavior, not the other way around.⁶

The impact that the use of alternative models of man has upon the analysis of social phenomena and attitudes toward such phenomena is nowhere more apparent than in matters concerning crime. Those who start with a sociological view of man regard criminal activity as a reflection of the social environment. The sociological model fosters the view that society creates crime; that crime is the unavoidable consequence of particular types of social order exogenously imposed on individuals. This view denies that the range and frequency of criminal activities depends on

⁶A detailed analysis of the sociological conception can be found in Vanberg [12]. Vanberg’s excellent study also covers the individualistic approach developed by Georg C. Homans. A survey prepared by Hans Georg Monissen for the Third Interlaken Seminar on Analysis and Ideology indicates, however, that variations on the sociological model dominate the thinking and work of German academic sociologists. Vanberg also notes the tension between the sweeping and essentially programmatic meta-discussions elaborating in general terms the sociological model and the ad hoc individualism emerging in allusions to concrete problems or situations. A similar point was made by Meckling in [5]. But these allusions are not subsumed under a coherent framework. They occur as loose, disconnected fragments violating the essential thrust of the programmatic orientation.

The reader may also find useful information bearing on the thesis developed in the text in Tenbruck [10].

opportunities. Actions designed to modify relative opportunities (i.e., changes in expected costs and gains of criminal activities) are useless given the sociological interpretation of crime. Punishment itself is also useless. Crime can be brought under control only by changes in the social environment. Conviction of criminals can only be justified as a means of social rehabilitation. If conviction and deprivation of liberty palpably fail to rehabilitate, the rationale for conviction disappears. In one of the more extreme modern variants, the sociological model transforms criminals into more or less conscious political activists responding to a brutalizing social environment.

While the REMM model does not deny the role of social institutions, it directs attention to other factors. In particular, it directs attention to the individual's resourceful adjustment to relative opportunities—to the conditions shaping expected gains and costs associated with criminal and alternative activities. It suggests examination of the legal system, and how its operation lowers or raises the probabilities of conviction and of various degrees of punishment. It also leads to the study of the incentives shaping the behavior of policemen, judges, and prosecutors functioning in the legal system.⁷ It is hardly surprising that the policy conclusions drawn from the two alternative conceptions differ so radically.

C. Political Man

Political man is an evaluator and maximizer, but he evaluates and maximizes on behalf of the public interest, rather than his own. Political man predominates in public policy discussions, where good will or public interest guides the behavior of politicians, legislators, and functionaries in the bureaucracy. An increasing number of economists and political scientists have turned their attention in the past ten years to developing a better body of theory explaining the results produced by the political sector. Many of these attempts abandon the public interest theory and admit a measure of self-seeking behavior. Legislators are assumed to maximize their chances of reelection, or incumbent parties to maximize the proportion of votes cast in their favor. While these formulations approximate the REMM model, they are not identical to individual welfare maximization. Moreover, the public interest theory of political behavior continues to be widely employed by social scientists though in a subtle implicit manner. Thus, one of the favorite pastimes of economists is searching for circumstances (externalities, public goods, moral hazards) in which markets are nonoptimal. Once such circumstances are found, it is customary to jump immediately to the conclusion that government should intervene.⁸ Government is the *deus ex machina* that can be relied upon to remove negative external effects and produce positive external effects. Moreover, normative statements in-

⁷The reader may find an interesting description of the issue in [11]. Economists, using a REMM model, increasingly contributed to the analysis of criminal or illegitimate activities. The work of Gary Becker should of course be mentioned foremost in this respect.

⁸One of the unhappy results of this practice is the enormous talent and effort regularly devoted to unearthing some new set of circumstances under which markets are nonoptimal. If a fraction of that energy were devoted to understanding political processes, the social sciences would be in a far better position than they are to say some useful things in the policy arena.

volving optimization of social aggregates (optimal rate of inflation, optimal budgeting, optimal consumption and capital accumulation, etc.) are converted into positive statements about the world by suitable conjunction with a public interest theory. Much of the so-called theory of economic policy only makes sense in the context of a public interest theory.⁹

D. Psychological Man

Psychological man differs both from sociological man and REMM because his evaluations are incommensurable. His valuations are structured in a hierarchy. His needs are absolute. He will not trade off some of one source of value, e.g., physical hunger for another, e.g., security, until the former is completely satisfied. The psychological model of man produces an array of ad hoc motivational explanations with little systematic analytic coherence. Moreover, these motivational explanations are usually incompatible with evaluating trade offs and with the notion of resourceful search to adjust relative opportunities. This sketch of psychological man is included for the sake of completeness, but will not be used in the subsequent discussion.

3. THE ROLE OF THE PERCEPTION OF MAN FOR THE CONCEPTION OF SOCIETY AND GOVERNMENT

In the following three sections we attempt to clarify the role played by the conception of man in social and political discussions. Socialist doctrine and the liberal doctrine respectively offer excellent vehicles for this purpose. In the last section the problem of corruption provides a specific example showing how the sociological and REMM models yield fundamentally different evaluations of governmental institutions.

A. Socialist Doctrine

1. The Ideal Socialist State. The vision of the ideal socialist state has an important influence in contemporary society. It conditions the views of the intellectual establishment in Western societies in many and often very subtle ways. The socialist argument opens with a moral condemnation of the capitalist system. Market economies are inherently evil. They destroy man and prevent the development of his human faculties. Capitalist societies are suffused with commercial values that dominate human relations. These values obstruct the evolution of finer values. Men become the tools of corporate interests; and corporations are compelled by their place in the social totality to pursue dehumanizing behavior.

This perception of economies organized on the basis of markets, private property and voluntary exchanges is juxtaposed to the socialist vision of a New Society. This

⁹The reader should consider as an example the discussion of the relation between number of targets and number of instruments and the applications made over the range of policy problems, or the more recent analysis on controllability.

New Society is egalitarian and assembles men in a communal fraternity. It opens avenues for man's perfectability and the realization of his full human faculties. The prehistory of man in capitalism will be ended with the advent of the socialist state, and the true history of true man will emerge. The vision emphasizes the change in man's attitudes and nature that unavoidably occurs in the new society replacing the old capitalist system. The socialist argument looks to a society with men "acting according to finer motives than accumulation, to better values than manipulation, and evolving an ethic beyond the appetite of self" (attributed to Irwin Howe in [6]). An authentic socialism introduces a cooperative fraternity and equality without the individual competition so pernicious to finer human values.

2. *Sociological Man in the Socialist Vision.* Although this general theme has many variations, the essence of the argument is clear. The sociological model of man plays a crucial role in this socialist argument. The evil and injustice of capitalism are built into the social order. Men ensnared and enmeshed in the system are shaped by the social pressures of this totality. They cannot avoid behaving according to a pattern imposed by society. They are compelled to pursue roles determined by the social positions they have been allotted. The uselessness of efforts to patch up the market system is a natural consequence of this view.

In a curious way, the sociological model attributes self-seeking behavior to men in commercialized societies. Self-seeking, of course, really means economic man in the narrowest and meanest sense. But more than that, such behavior is not a matter of conscious choice on the part of individuals, nor a part of man's nature given the fact of scarcity. Self-seeking behavior is imposed by the social totality. Man is self-seeking in the same sense that ants and termites are self-seeking, but his self-seeking behavior is not genetic nor purposeful. It is culturally determined, in particular, by the existence of markets, private property, and exchange.

In centering attention on the "Produktionsverhältnis," the pattern of ownership in nonhuman resources, self-seeking behavior is equated with the profit motive and the predominance of commercial values. The theologian Niebuhr exemplifies this position with his admonition that self-interest is the cause of injustice and conflict. He argues that "the power residing in economic ownership cannot be made responsible" and, therefore, "must be destroyed." Self-seeking behavior and irresponsible control over resources will only disappear with a change in the social order, and the sociological model of man assures us that a new society will generate a new life-style, liberating man from the bonds of self-seeking behavior. Neither vision nor argument expresses any doubt that the restructuring of society with the abolition of private property will create a man with a new moral vision.

The apparent perfectability and malleability of man's basic nature, which is inherent in all socialist arguments, follows directly from the sociological model. In the Marxian versions, this result is linked with the materialist interpretation of history. Marx's interpretation of history depends crucially on the class struggle, which is nothing more than the reduction of individual behavior to the social totality. The social totality as an entity sui generis exhibits an *Eigengesetzlichkeit*, i.e., is subject to its own laws, independent of interacting individual behavior. This *Eigengesetzlichkeit* is expressed by the laws of motion of history, which move the social pro-

cess to its eschatological fulfillment. Sociological man is a crucial ingredient. He is a necessary condition to the social *Eigengesetzlichkeit*. With the individualist approach properly exorcised, an explanation of the social totality can only occur in terms of an *Eigengesetzlichker* process, subject to its own and independent laws of historical motion. Moreover, these laws imply that all specifically social laws are relativized to a phase in history characterized by the prevailing social order. This relativization of social laws assures an opportunity for alterations in the behavior of an essentially malleable man.¹⁰

3. *Socialist Doctrine and the Emergence of Social Order.* Beginning with the work of the Scottish philosophers, economic analysis has demonstrated that social order (equilibrium) emerges from interaction among REMMs in the marketplace. Market conditions confront each individual as an objective reality, but the same market conditions are also the net result of individuals' actions. The usefulness of the notion that equilibrium emerges from the interaction among individuals is, of course, not limited to the marketplace, but extends to a wide variety of organizational structures, e.g., the political organization.

It is important to recognize the unintended character of this social equilibrium. The social order does not emerge from intentional individual behavior directed to *that* purpose. This unintentional consequence, so clearly formulated by Adam Smith, was either uncomprehended, overlooked, or rejected in the sociological literature of the nineteenth century. Since in every individual's personal experience consequences seemed to be associated with directed, intentional behavior, the idea that social order would emerge from the interaction of REMMs without direction was ignored or rejected. It follows that society, social order, and institutions are the "total alien, objective reality outside and beyond all individuals." Every individual encounters society as an external force imposed on his activity and life experience. This psychological impression was the basis of the social determinism more or less explicit in the sociological model. These impressions, combined with an implicit argument that consequences and intentions must be correlated suggested the thesis that social phenomena and the social totality are ontological entities beyond individual volition, and "cannot be reduced to individual behavior."¹¹

4. *The Socialist Doctrine and Ideology.* The socialist vision and the socialist critique of capitalism are never accompanied by a description of the institutional arrangements that will prevail, much less a searching examination of the impact those institutional arrangements would have. The REMM model has led to the construction of a coherent body of theory relating individual behavior to specific institutional contexts. It has (testable) implications for behavior not only in the

¹⁰It is noteworthy that an endless literature invoking the laws of motion and producing mountains of discussions, meta-discussion and (meta)²-discussions never formulated such laws. We obtain vague classificatory sequential allusions in a descriptive *ex post facto* mood.

¹¹The continuing prevalence of these views is nowhere more evident than in discussions of national economic planning. Thus, a recent advertisement, endorsed by Nobel Prize winner Wassily Leontieff, which advocated national planning, said: "No reliable mechanism in the modern economy relates needs to available manpower, plant and materials . . . the most striking fact about the way we organize our economic life is that we leave so much to chance. We give little thought to the direction in which we would like to go."

context of markets, but in the context of nonmarket organizations as well. It implies, for example, (in contrast to the suggestion emanating from the sociological model as it is applied in the socialist argument) that there exists no society and no social order without individual competition. Such competition occurs in very different forms determined by the incentives fostered by the prevailing institutions. In the presence of scarcity, human wants conflict. An understanding of this fundamental fact directs our attention to the crucial question: How is this conflict resolved? Markets and private ownership represent one set of institutions that resolve this conflict; nonmarket institutions represent another. What is the nature of the competition generated by alternative institutional settings? The REMM model explicitly directs our attention to a range of questions that cannot be addressed in the context of the socialist argument because of the fundamental nature of the sociological model of man. The fact that every individual's goals conflict with the goals of others is swept aside with vague allusions to fraternity and community.

The pervasive neglect of institutional arrangements and incentive structures implicitly fostered by the sociological model separates the socialist vision from all sense of reality. This autonomy of the vision should alert us to its significance as a marketing technique in the sale of socialism as a way of life. Brunner has emphasized on another occasion [2] that man is the metaphysical animal. For millenia, man has manifested a pervasive and persistent demand for sweeping, all-embracing orientations. The viability of these orientations depends on a felicitous mixture of factual references, emotively satisfying valuations, and vast inherently unassessable speculations. The orientations offered to Western societies by Christian vision and theology have been gradually decaying over the past few centuries, and in this century, have faded to a pale shadow. But man demands a vision, and socialism has thus found a receptive market.

The socialist argument as developed and cultivated by the new clerics (i.e., the intelligentsia) provides the necessary theology by combining factual references and valuational speculation in a viable new mixture. But this implies that it is useless to expect adherence to relevant cognitive standards in the socialist argument, or to insist that the vision be disciplined by systematic reflection on persistent patterns of human nature operating under specifiable alternative institutions. Such cognitive requests miss the politico-religious purpose of the socialist argument.¹²

¹²The development of Protestant theology within the last hundred years offers interesting examples bearing on the general argument in the text. Bartley [1] said, "The Protestant liberals considered revolution in human motivation to be the chief political need of their time." Liberal theology argued that motives of helpfulness and goodwill must replace the motive for private gain, selfless behavior should replace self-seeking behavior. Bartley continues: "The vague liberal assumption about man's dignity; and their Kantian belief that the obligation to do one's duty was a universal human experience, led many of them to feel that such a change of attitude was possible on a large scale. Few of them were definite about just what kind of social institutions would accompany that change. But they agreed that in principle social and economic institutions existed which would be compatible with the ethic of the Sermon (on the Mount). Human motivation and social justice could, in principle, be reconciled. . . ." [1, pp. 34/35] Bartley effectively describes the substitution of religious commitment for an assessable empirical analysis of behavior under alternative institutional arrangements. The socialist theology continues thus a well-established tradition.

B. *The Liberal Argument*

Though the socialist argument is more prominent in Europe than in the United States, it is also very influential in intellectual and political circles here. It is, however, what we might call the *liberal vision* that dominates the intellectual establishment in the United States. The very diffusion of the liberal position makes it difficult to summarize its content. We have therefore chosen a specific example, Okun [8], as a basis for our discussion. Okun's standing as a professional economist assures us that we should find the liberal argument presented with as much skill and balance as can reasonably be expected.

1. *The Liberal View.* The liberal argument is cautiously reserved and somewhat suspicious of markets, or, more generally, of the role of voluntary exchange as a means of social coordination and organization. It recognizes that markets and exchange contribute to the efficient use of resources. It even concedes that efficiency results from REMMs interacting in the right (perfectly competitive) environment. But there is also substantial distrust of market institutions. They create inequalities, foster the appreciation of dollar values, and endanger the viability of noncommercial values: "The imperialism of the market's valuation accounts for its contribution, and for its threat to other institutions. It can destroy every other value in sight." The tyranny of the dollar "would sweep away all other values . . ." [8].

The "admissible" range available for market operations must be limited, moreover, by deliberate political action: "The basic transgression of the market place on equal rights must be curbed by specific detailed rules on what money should not buy." [8, p. 31] Political processes and institutions are necessary to balance the social effect of market mechanisms and market institutions. The apprehension concerning the "one-dimensional human values" resulting from market processes are not matched by similar apprehension concerning the political process. "The good sense of public officials and professional codes of ethics" [8, p. 26] can be expected to protect the working of political institutions. There are allusions to some problems associated with political institutions and political control, but these concerns are vague and muted. The relative size of the government sector or the range of government activities does not threaten individual liberty or the range of individual choices. Private ownership of resources does not involve "the same kind of basic liberty as freedom of speech or universal suffrage" [8, p. 38]. Moreover, "the issue of government versus private ownership of industry has little to do with freedom, but much to do with efficiency" [8, p. 61].

This view of government is in large measure a result of the central role of egalitarian objectives in the liberal vision. The liberal economist recognizes constraints encountered in the realization of the vision. Efficiency is lowered and material welfare sacrificed. Government's central function is to make the liberal vision a reality at as small a sacrifice in material welfare as possible.

2. *Liberal Doctrine and Sociological Man.* Okun's book shows clearly the intrusion of both the sociological and political models of man in the liberal argument. These models of man appear in the discussion simultaneously with REMM. Such eclectic combination of contradictory cognitive building blocks is characteristic of

the liberal argument. The obvious contradictions are removed by suitably partitioning the argument. REMM is confined to market processes; political man operates in the nonprofit environment, i.e., in government; and sociological man emerges in the discussion of broad social issues. This partitioning reflects the influence of the central theme in the sociological model—that the social environment determines man's life-style and individual values. Individuals enmeshed in market processes are socially compelled to pursue dollar values at the cost of other values. Individuals embedded in the political process, i.e., politicians and bureaucrats, behave as political man. They act in the public interest, meaning in accord with whatever the particular expositor would like.

Okun's contraposition of commercial values and other values provides a classic illustration of the application of the sociological model. The normative appeal of the argument is enhanced by identifying REMM with dollar signs, i.e., with the pursuit of commercial values, even though REMM behavior is perfectly consistent with the list of ultimate values (family, marriage, friendship, love, etc.) that Okun himself extols.

The influence of the sociological model can also be found in the discussion of political rights. Business and wealth endanger these rights and produce counterfeit votes, whereas the political manipulation exercised by labor unions and other special interest groups are no cause for concern. The dangers to noncommercial values (such as family, companionship, friendship, and love) arise from self-interested behavior in markets, but there is no danger that REMM behavior in the political arena might stifle the cultivation of higher values.

Okun's vision of the good society parallels the socialist vision in its failure to specify what institutional structures will be invoked, or provide any analysis of their impact. We are told that "equality of income would give added recognition to the moral worth of every citizen, to the mutual respect of citizens for one another and the equivalent value of membership in the society for all" [8, p. 47]. Hardly anyone would use this language to describe the effect of *any* of the income transfer programs we now have in the United States. Surely the opposite would be more accurate. Welfare must be one of the major sources of alienation—alienation of the recipients from the welfare bureaucracy, alienation of the welfare bureaucracy from the taxpayer, and alienation of the taxpayer from the recipients. The REMM model suggests that egalitarian patterns will have to be coercively imposed, and it is hard to see how such coercion can be used with the felicitous results so lyrically proclaimed by Okun. He finesses this problem with sociological man. When the vision is realized we will all happily accede to equality of *outcome*. Acculturation will make it so.

The sociological model is also reflected in the tendency to lend organizations, particularly society, human qualities, i.e., to treat them as if they were individuals choosing and acting on the basis of their own objective function. Thus, we read, "society does not try to ration the exercise of rights" [8, p. 7]. "Society refuses to turn itself into a giant vending machine that delivers anything and everything in return for the proper number of counts." [p. 13] "Society decides it will not let old people starve." [p. 19] "It explains why the political process rather than the

market place must judge the legitimacy of some preferences.” [p. 78] References to “the need for collective action or choices” whenever the “market fails in one respect or another” [8, p. 99] provide another example. The terminology “collective action or choice” obscures the fact that only individuals can act or choose. What is different about different choice situations is not that some are collective and some individual. What is different is the institutional framework through which the choices are exercised. The “collective choice” terminology injects a Rousseauesque flavor with the correct overtones of goodwill and public interest. In a similar vein, we note that the “Consumer Protection Agency . . . is one worthwhile step to strengthen the public’s power” [8, p. 29]. We are left to determine who that public is.

One of the most interesting facets of Okun’s analysis is that he apparently understands the agency problem—the problem a principal has in getting an agent to maximize the principal’s welfare—but he never realizes that this problem exists in government. Thus, he points out that “managers . . . have interests and objectives of their own, quite distinct from the profitability of their firm” [8, p. 42]. On the other hand, we are asked to believe that bureaucrats, legislators, the judiciary, etc., do not “*have interests and objectives of their own,*” or at least will not have such interests and objectives when the vision is realized. (This is discussed in [4].)

3. *Liberal Doctrine and Political Man.* Okun’s book skillfully demonstrates the usefulness of the sociological model as a sales technique in the political market. “Society,” treated as an entity with human characteristics, appears as a guardian of the ethical principle. The discussion is sprinkled with normative admonitions—“rights granted by society ought not to be traded,” [8, p. 25] or men “ought not to spend money for the purpose of influencing votes,” [p. 78] or “the legitimacy of individual preferences ought to be judged by society,” [p. 31] or lastly, that society should judge the admissible range of voluntary exchange.

Government’s role as ethical guardian means that the political model of man takes on crucial significance. Because of political man we can safely expect the results emanating from the political process to coincide with society’s (Okun’s?) goals. The political model eliminates the danger that the actual performance of politicians and bureaucrats responding as REMMs to specific institutional incentives will violate the ethical principles expressed by society. Okun’s faith in political man is unswerving. We are assured that “closing a bad escape valve (via the market) may be an efficient way of promoting the development of better ones through the political process” [8, p. 21]. We are also told that “absurdly low paid or risky jobs should be kept out of the market place.” No concern is exhibited that the institutions replacing or controlling the market might introduce incentives that convert the initial intention into radically different results.

The public interest theory of government service appears with remarkable explicitness in the view advanced that “the safeguards against special pleading” or the pressures and temptations resulting from lobbying activities “must lie in the good sense (and informed skepticism) of the public official and in stronger professional codes of ethics . . .” [8, p. 26]. Because they are political men, officials will adhere to moral codes in spite of the incentives created by the new institutions.

4. *The Liberal Vision and Freedom.* Perhaps the most important issue raised by the liberal argument bears on the relation between individual freedom and the role of government. The liberal argument generally denies any threat to individual freedom from an expanding government sector and the persistent replacement of market mechanisms with political institutions or processes. Okun asserts that the relation between collective and private ownership “has little to do with freedom, but much to do with efficiency” [8, p. 61]. The institution of private ownership can therefore only be justified in terms of efficiency [8, pp. 37–38]. It is furthermore suggested that the “misuse of powers by the government sector” occurs independently of the relative size of the government sector and its budget [8, p. 39]. The sociological model of man encourages this posture. Social dangers can only lurk in activities suffused with “dollar values.” Whatever dangers exist in institutions that control nonowned resources or regulate private activities are easily exorcised with professional codes of ethics. The public interest theory of government behavior, of course, reinforces this view. With freedom dismissed as an issue, the private sector can be justified only on efficiency grounds, and the case for an expanding government sector follows more easily. Again, the issue is of crucial significance in marketing the liberal vision.

Okun’s discussion of property rights and freedom comes down to a denial that private ownership has any relationship to freedom. He concludes that discussion with the statement: “Yet some people argue the case for private ownership of such items as though it were the same kind of basic liberty as freedom of speech or universal suffrage.” That statement makes the error so commonly made by those who employ sociological and political man, namely, confusing normative and positive propositions. As a positive matter, the right to property, the right to free speech, and suffrage, are on all fours. In each case, the law simply provides that the police powers of the state will be used to ensure with high probability that an individual will be permitted to engage in certain behavior—voting, speaking, selling, or what have you. What Okun is really trying to persuade his readers to accept is the proposition that these various rights do not occupy the same moral grounds—that property rights, the right to own a house or car, for example, should not be valued as highly as the right to vote or the right to speak out. If he had put his proposition in those terms, he would have encountered a much less sympathetic audience. The implicit normative nature of his argument is less damaging to his views than his outright denial that rights in property are freedoms. Carried to its logical conclusion, his argument implies that we would all be equally free if there were *no* private rights in *any* property, e.g., if *all* property were held in the name of the state. He is led to this conclusion by an argument perfectly analagous to the following. If a law is passed denying Okun the right to reply to these comments, we cannot tell whether that increases or decreases the range of human freedom. His freedom (right) to speak out has been decreased, but our freedom (right) not to have his comments appear has been increased—ergo, freedom of speech, per se, is not a value that we must be concerned about.

C. *The Case of Corruption*

The problem of so-called corporate corruption has attracted much attention in

recent months. This problem offers a useful vehicle for contrasting the results of an analysis of a social problem using REMM, and an analysis of that same problem using the sociological and political models of man. We are not here concerned with the question of whether or not the corrupt behavior is immoral. What we are concerned with is explanations for the phenomena. Unless we understand the institutional factors that foster the corruption, policy measures are likely to do more harm than good. Moral indignation, unaided by substantive analysis, usually produces measures extending the conditions favoring corruption or curtailing individual freedom of action without solving the underlying problem.¹³

Ranking members of the intellectual establishment have recently presented their views in two articles published in the *Wall Street Journal* [9, 7]. Arthur Schlesinger, Jr. contrasts a "self-policing" public (i.e. government) sector with a private sector apparently suffering under pervasive habits of corrupt behavior. Corruption in Schlesinger's judgment shows a clear case of delinquency on the part of business. The basic responsibility lies with the business sector. The low moral level of businessmen affects the government sector. Corrupt behavior by officials results from the influence of bad guys, i.e., the businessmen. All this means, of course, a "crisis in legitimacy of business." Schlesinger states moreover that "if business cannot clean its own house, the government will clean the house of business." He concludes with a warning that business must show a greater "capacity for collective self-discipline."

Ralph Nader and Mark Green argue that corrupt activities are criminal and should be subject to serious punishment. They also suggest that corrupt business behavior is the crux of the problem. Government corruption is a consequence of business corruption. A solution of the problem can be found, according to Nader and Green, with severe penalties imposed on businessmen and more extensive regulation of business by government.

Once again we see the influence of the sociological model of man combined with the public interest view of government service. Profit seeking is at the heart of the corruption. The involvement of government officials in these corrupt transactions is a "fall from grace," but is not inherent in the role government is being asked to play. To protect itself and the public, the government sector must extend its role and powers even further.¹⁴

A radically different interpretation of the phenomenon and very different policy conclusions emerge from an application of the REMM model. The REMM model directs attention to the large array of government agencies with arbitrary powers to interpret mandates and regulations. Shifting interpretations, procedures, and criteria can and do involve for "the clientele of the agencies" large capital gains and

¹³A peculiar immorality of professional moralizing can be observed at this point: They refuse a moral commitment to recognize the proper conditions for effective action.

¹⁴It is noteworthy and typical for arguments influenced by the sociological-political model that corporate criminality is viewed somewhat differently than street criminality. Both criminals are the product of their social environment, but corporate criminality results from the evil greed of corporate profit motives, whereas street criminality results from socially deprived, disadvantaged and brutalizing conditions. The street criminal deserves compassion and understanding, whereas the corporate criminal deserves harsh injunctions and penalties. This attitude is clearly reflected in Nader and Green's piece. It is also remarkable that some legal procedures affecting Swedes accused of tax law violations are much harsher than Swedes accused of street criminality.

losses. Thus, controls and regulations offer an opportunity to the controllers and regulators to accept (or extract) payments of money or favors in exchange for favorable treatment.

Transactions involving purchase or acquisition of resources (including appointments of staff) or sales and disposal of resources (sale of land, supply of various licenses, etc.) also offer opportunities for government officials to engage in corrupt exchanges. The expectation of corruption associated with sales and disposal (e.g., licenses) are enhanced to the extent that the item supplied is officially priced below its market value.

A recent review of nationalized banking in India provides an excellent example of the kind of analysis of the corruption phenomenon the REMM model produces.

Because profit criteria are, as a matter of policy, no longer being stringently applied to many of the banks' operations, opportunities for corruption also have increased and the chances of detection diminished. Once loans are made on the basis of social and political rather than commercial criteria these can easily be juggled to the mutual profit of the recipient and the bank official. . . . It is perhaps not surprising that the most popular Marathi play currently being performed in Bombay (*Kashi Kai Wat Chuklan?* or *How come you lost your way in this poor neighbourhood?*) deals with the problem of bank corruption in India!

Even before nationalization there was, admittedly, a problem of fraud and senior bank officials were sometimes known to use bank funds to buttress their own private businesses. However, there were strong independent checks on them provided by the auditors, the government inspectors and the law courts. Since nationalization these groups are not radically separate bodies acting as a constraint on the banks from outside; rather they are all part of a shapeless inter-related government bureaucracy. Furthermore, there is no clear owner who loses by these depredations and who might be expected to combat them vigorously since his self-interest demanded it. Since nationalization, fraud has become democratic in the sense that far more people have an opportunity to participate in it and the new fraud-enfranchised groups have not been slow to exploit these opportunities. [5, pp. 1205-6]

The existence of potential gains from corruption does not by itself imply that the potential will be exploited. The extent to which corruption occurs will also depend upon the costs confronted by government officials, and those costs will be a function of the probability of detection as well as of the size of the penalties assessed if detected. As the article on corruption in the Indian banking system suggests, there are some analytical reasons for suspecting that the costs a government servant can *expect* to suffer as a result of corruption are lower than what his business counterpart can expect, probably because detection costs are higher in government. This is not inconsistent with the fact that most of the corruption that has been brought to light has taken the form of payments to government officials rather than payments to executives in other private firms.

Neither the inadequate analysis nor the sketchy evidence we present here on the corruption problem is intended to be definitive. We are simply trying to emphasize that the REMM model generates one framework within which to consider such questions, while the sociological and/or political models may yield an entirely different framework within which to consider those questions.

CONCLUDING REMARKS

The conflict between those who believe that human welfare can be improved only by enlarging the role of government and those who believe the opposite has occupied center stage in the social sciences for many years. Differences of view in that debate are often attributed to different ideological commitments. What appears to be ideological, however, often turns out to be substantive. One of the most important substantive issues that lies at the bottom of differences about the role of government is the perception of man used in analysis of social questions. In the social sciences two radically different models of man have come to be used: REMM and sociological man. Political man has been introduced as a special case derivable from the sociological model. REMM and sociological man yield substantially different analyses of the operation of political and market organizations, and have very different policy implications. Much of the conflict about government can thus be reduced to the conflict between alternative models of man.

These models contain propositions about man and his behavior that are in principle assessable. This assessability pushes questions of value, ideology, and social norms another step backward in resolving the disputes over the role of government. The dispute contains a cognitive core that we propose to emphasize in the marketplace for ideas.

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