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Source: *The American Journal of Economics and Sociology*, Jan., 1984, Vol. 43, No. 1 (Jan., 1984), pp. 91-101

Published by: American Journal of Economics and Sociology, Inc.

Stable URL: <https://www.jstor.org/stable/3486399>

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Complexity and the Meaning of Freedom:

The Classical Liberal View

By STEVEN R. HICKERSON*

ABSTRACT. The classical *liberal* view of *economic freedom* as the absence of coercion in *economic affairs* is examined in its *historical and epistemological foundations*. The contributions of *Descartes*, *Bentham*, *Newton* and *Locke* are emphasized. This view is found to be unduly restrictive in relation to the complexity and synergistic interdependencies of modern *technology* and economic arrangements. More specifically, it is found to be atomistic, negativistic, irresponsible, and historically perverse. It is based on the notion that *markets* somehow exist prior to and independently of *social control*—an error of which *Adam Smith* and the *classical economists* were not guilty. The complex and interdependent characteristics of contemporary *society*, with its maldistribution of *income*, *wealth* and *power*, have rendered it obsolete. The *instrumentalist* view of freedom outlines the competing alternative.

I

Introduction

THIS IS A REPORT OF AN INVESTIGATION designed to explicate the instrumentalist view of freedom in a complex and evolutionary setting. This explication is taken up in a forthcoming article.¹ The present paper seeks to lay the groundwork for that discussion and to emphasize the need for a more continuously relevant, instrumentalist conceptualization of freedom. This is pursued by way of an historical summary of the individualistic, classical liberal view of freedom, and a specification of what I see as the inadequacies of that view.

II

Individualistic Liberalism as Freedom

THE POPULAR CONCEPTION of economic freedom is that of individualistic liberalism. This view permeates “mainstream” economics from its classical beginnings to its latest most elegant mathematical refinement, and from its

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American Journal of Economics and Sociology, Vol. 43, No. 1 (January, 1984).
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libertarian wing on today's right to its liberal wing on the left.² It has become a popular conception as a result of the hegemony of the language of economic discourse, thus constrained, to economic education and the discussion of public policy at large. The intent in this section is to analyze the basic tenets and the epistemological foundations of this view.

The individualistic view of freedom is a torch which has been passed forward from Adam Smith and the classical economists. It is, as numerous writers have observed, an entirely negative connotation of freedom consisting, in essence, of the absence of coercion in economic affairs. Here economic agents, either as producers or as consumers, decide and *choose*, largely unfettered of incursion or restraint other than that imposed by the influences of the market. This, of course, is the "simple and natural liberty" which forms the heart of the classical economics of Adam Smith and his followers.³ In this familiar scenario the consumer is the locus of discretion, dictating the solution to the question "what to produce?" by casting "votes" in the market. Societal valuation, thus, consists of nothing more than an individualistic nose count of "what people want." Such unreflective and unexamined instances of "choice" are the embodiment and expression of freedom in the classical regime of "simple and natural liberty."⁴

This view has a strong cohort of contemporary spokespersons, the most prominent being Milton Friedman. In stark contrast with the position taken here Friedman perceives economic freedom as both an end in itself and as a necessary means to other ends, most notably political freedom. As stated in his book, *Capitalism and Freedom*, Professor Friedman believes that,

Economic arrangements play a dual role in a free society. On the one hand, freedom in economic arrangements is itself a component of freedom broadly understood, so economic freedom is an end in itself. In the second place, economic freedom is also an indispensable means toward the achievement of political freedom.⁵

The link to political freedom in this recipe is viewed as a competition-induced separation of economic power from political power. In a more recent work Friedman states that "[E]conomic freedom is an essential requisite for political freedom . . . by dispersing power, the free market provides an offset to whatever concentration of political power may arise."⁶

Milton Friedman, of course, is hardly a middle of the road economist. He represents the libertarian extreme within the spectrum of contemporary individualistic liberalism. But, as suggested above, this basic view of the meaning of economic freedom permeates mainstream economics, "libertarian" and "liberal" alike. In degrees, ". . . all orthodox economic opinion insists upon the necessity of justifying state intervention into the economic process."⁷ At one end of this spectrum libertarians reject all State action as reducing freedom. The liberal stance, on the other hand, is to justify this or that particular

bit of State action *piecemeal* on the basis of various types of market failures.⁸

Both positions stem from the erroneous premise that the market is somehow a prior and deservedly predominant institution while everything government does (beyond specific limits) is an "intervention" in the "natural" function of the market which must be either disallowed or justified. Indeed this position is historically inaccurate as well. Governmental "intervention" was required from the very outset of the transformation from the feudal to the market system in order to make the emergent institutional arrangements consistent with the needs of a human society.⁹ The point, then, is that the individualistic view of freedom which permeates all of orthodox economics is both erroneous in premise and historically inaccurate.

Philosophically, the freedom of individualistic liberalism is the intellectual descendant of a confluence of "natural law," "utilitarian," and "hedonistic" world views. In a more specific, epistemological sense, the freedom of individualism grows upwards from the methodological atomism of Newtonian science and its ideational embodiment in the Cartesian ego and the Lockean ideology.¹⁰ Though much has been written concerning these matters the present analysis is necessarily limited to a few brief observations.

Consider first the natural law foundations of individualistic freedom. According to this view there exist certain tried and true verities, an immutable scheme of things, which enhance individual freedom *and* community welfare. Among the natural law philosophers of the 17th century most influential in the subsequent development of economic thought were Hugo Grotius, Thomas Hobbes, John Locke and, to a lesser extent, Samuel von Pufendorf.¹¹ Yet, ". . . they were but a link in a sequence that runs far into the 19th century."¹² [And, we might add, the present century as well.] This philosophy is, neo-orthodox disclaimers notwithstanding, an essential cornerstone of orthodox economic thought. As one historian of economic thought puts it:

The divorcement of economics from politics *required* the development of the concepts of natural order and natural law. . . . which became the vehicle for the political and economic liberalism of the Physiocrats and Adam Smith in the 18th century. This . . . conception of natural law . . . was especially significant in regard to defining the natural rights that *reason demonstrates* as belonging to individuals by virtue of their humanity. These are the inalienable rights . . . which John Locke later formulated as the "right to life, liberty and property."¹³

These "natural rights" that "reason demonstrates" are, to coin a phrase, the freedom insurance of liberalism. They derive from a higher order which is beyond "mere" social consensus or cultural creation and re-creation. Accordingly, appropriate (natural) institutional arrangements emerge "autogenetically" and, left unmolested by "interference," provide further insurance that individualistic freedom will prevail.¹⁴ That belief in such a natural

scheme of things has not abated in mainstream economics is evident in continuing reference to the “natural rates” of unemployment, growth, and interest.

Jeremy Bentham was a central contributor to the utilitarian and hedonistic foundations of the individualistic view of freedom. In his *Principles of Utility* Bentham argues that the proper criterion for judging actions as appropriate or inappropriate is their “. . . tendency to augment or diminish the happiness of the party whose interest is in question.”¹⁵ Bentham simplified the concept of utility by eliminating a series of contradictory definitions left over by Hume, thus reducing the matter to the *compulsion* of pleasure and pain, and in positing the identity of private utility with public utility.¹⁶ As he stated,

The community is a fictitious *body*, composed of the individual persons who are considered as constituting as it were its *members*. The interest of the community then is, what?—the sum of the interests of the several members who compose it.¹⁷

Herein lies the connection of the hedonistic psychology with the “greatest good for the greatest number” principle of utilitarianism. This theoretical cornerstone engenders a dualism of society and individual which is unacceptable in the instrumentalist conception of freedom as an element of an evolutionary, systemic process.

A final element in the philosophical foundation of individualistic freedom is its basis in the atomistic Newtonian epistemology. This is contiguous with and reinforcing of the aforementioned dualism in Bentham, and is perhaps the most profound of the elements mentioned here in its contribution to the continuing confusion surrounding freedom. This stems partially from cosmetic changes in the language of orthodoxy. “Natural law,” “hedonism,” and, to some extent, “utility,” have been dropped from the standard lexicon as developments have rendered them a somewhat embarrassing part of economics’ intellectual baggage. But the summational Newtonian paradigm remains a central part of the standard fare.

In actuality, however, it is not only Newtonian atomism, but also the Cartesian ego and the Lockean ideology which contribute to this epistemological posture. Ray Canterbury summarizes these contributions rather succinctly.

To Descartes, . . . mathematics was more reliable than sense perceptions. Things outside the mind could only be described through concepts created *inside* the mind; . . .

The basic notion derived from Descartes is the use of imaginary states. . . . The imaginary state used by John Locke the seventeenth-century natural-law philosopher who advocated limits to sovereign rule, was the “state of nature.” The imaginary state used by Isaac Newton is the mechanical state of nature. . . . [I]t was Newton’s imagery of the motion of the heavenly bodies in space that provided a philosophy for Adam Smith,

the elements of mechanism were to remain in economics, devoid of the rich historical tapestry of Smith.¹⁸

Descartes provided the basis for the *unreality* and fictiveness of economic thought in his dictum that “correct thinking” proceeds from the premise that “we possess no senses.”¹⁹ “Pure” thought, unconfused or distracted by the trivialities of the experiential world, becomes the sole source of reliable understanding in this framework. Thus the Cartesian ego is analogous to a narrowing of the intellect; a narrowing which “his contemporaries understood . . . to produce a *coincidence* of thinking and being.”²⁰

To this Newton added the force of his scientific method; a method which can be characterized as mechanical, atomistic and, retrospectively, a revolutionary new scientific world view which captured the intellectual spirit of the times. Newtonian thought was consistent with the Cartesian duality of reason and experience. Here the detached observer (as distinct from the participant observer) grasps the meaning and relationships among objects and events through an exercise in pure intellect. That is, the “natural laws” governing the relationships among the autonomous elements of a system were deemed discoverable through the application of pure reason. “The goal of this pattern of thought was to predict future events and to arrive at determinate solutions in all dimensions of reality. . . . This paradigm, as applied in economics, was connected with a belief in the beneficiality, justice, and fairness of the free market . . .”²¹

Finally, it was John Locke who pulled these strands of scientific and philosophical thought together to form an internally consistent world view. We speak, even today, of the Lockean ideology as one of the philosophical cornerstones of capitalism. It was Locke, for example, who carried the Newtonian vision of physical particles in motion into his philosophy of the relationships among the “societal atoms,” that is, *individuals*. It was also Locke’s contribution which connected the Cartesian ego and Newtonian atomism with the individualistic view of freedom.

He saw reflected in Newton’s physics a radically new and, for him, entirely correct conception of the nature of the individual man and of his relation to nature, religion, and the State. . . . Locke’s view [of Newton] led him to conclude that the individual person is absolutely free . . . and that there are no principles . . . that allow the State anything more than a conventional status.²²

In these few pages we have attempted to outline the basic epistemological contours of the classical liberal, individualistic view of freedom. Benthamite utilitarianism, the Cartesian ego, Newtonian science, and the Lockean ideology all loom large in the scientific and philosophical foundations of this view. These observations are, perhaps, old hat for many readers. It is im-

portant nonetheless for economists to review these things from time to time. This is particularly so here for this background provides a necessary starting point for a detection of the inadequacies of this view; a problem to which we now turn.

III

Inadequacies of the Individualistic View

THERE ARE FOUR FUNDAMENTAL FLAWS in the individualistic conception of freedom. The first flaw stems from the atomism of this view which contributes directly to the second, its negativism. This atomism and negativism combined give rise to the third flaw, which can be described as aresponsibility. The fourth flaw was alluded to above, that is, the erroneous premise and historical inaccuracy in the view that the market is a chronologically precedent and deservedly predominant sort of institution. Consider these in turn.

The great contribution of Newtonian science was its *specialized* method. The "correct" approach to analysis and understanding is, here, to break things down to the level of their indissoluble constituent elements. Thus exposed, the constituent parts revealed their eternal truths, and the means to the creation of the most powerfully productive *and* destructive technology humankind has ever known. When applied to the social realm this search for the indissoluble element comes down ultimately to the individual. The focal point of study is thus determined; the atomistic framework of analysis is set into place. Here, it is thought, lies the locus of discretion and here must lie the fountainhead of freedom as well.

But the individual of the social realm is qualitatively different from the atomic, indissoluble elements of the physical realm. Human behaviors, attractions, repulsions, and valuations are learned; they are cultural in origin, not physically inherent or given in any other *a priori* sense. As Clarence Ayres put it,

[I]n a very real sense—as we should all understand by now—there is no such thing as an individual. That is, human individuality does not antedate social experience, and therefore social principles such as freedom cannot be derived from the supposedly prior existence of the individual.²³

The flaw, then, is in the presumption that freedom is innately characteristic of the bedrock, indissoluble unit of analysis, the individual; that this characteristic is prior to and independent of association in groups; and that a theory of social and economic inter-relations can be built upwards, so to speak, from this starting point.

As an outgrowth of this atomism, individualistic freedom is largely a negative conceptualization. Beginning with the presumption that freedom is

an innate quality of individuals, it is but a short step to the proposition that this quality is best safeguarded through “proper” institutional arrangements (private property, markets, competition, limited government, and so forth) which insure minimal coercion. In this way, freedom is placed in a social context, but it is placed there in entirely negative terms. That is, the type of freedom envisioned is a negative absence of restraint, a “freedom from. . . .”

What positive content there is is limited to the “freedom to” normally associated with participation in markets. In historical context liberalism replaced the medieval mind set, and the stopgap measures of mercantilist interventionism. “[L]iberalism reshaped the nature of State intervention to fit the needs of the business culture. . . . [I]ts birthmark left . . . a distorted view of freedom, which remains largely one of freedom from government dictation rather than freedom to develop one’s capacities or even freedom from dictation at the hands of private power.”²⁴ The second flaw, then, is bound up in the limitations of the negative conceptualization. Its vision of “freedom to” falls short of genuine and meaningful freedom, which includes the exercise and extension of human developmental capacities.

The third flaw, here described as aresponsibility, is exemplified in the pervasive and persistent belief that the only *real* responsibility of business is to make a profit. In some quarters this is thought to be the alpha and the omega of the ethical dimension of industrial and commercial affairs. How could it be otherwise in this scheme of things? Corporations, after all, are just “persons” in the eyes of the law, and therefore entitled to the same privileges and immunities as any other atomic individual.²⁵ The type of freedom envisioned, again, is a “freedom from.”

As such, business is inflicted only with those restraints expressly provided by law—all else is “rightfully” within the sphere of freedom. All types of synergistic consequences which the organization visits upon its environment are legitimized in this view. If something does not show up in market relations or the magnitudes of narrow financial accountancy, it is not part of the *real* responsibility of business. An aresponsible organization is one which does not publicly provide a detailed account of the rationale underlying its decisions. Legislatures, in this sense, are aresponsible; the judiciary is not. Business organizations remain substantially aresponsible in this sense, with their decision making shrouded in the protective cloak of emotive symbols such as “private property” and “free enterprise.”²⁶ The third flaw, then, stems from the failure to develop a detailed consensus on the positive responsibilities of freedom which is on equal footing with its negative perquisites.

Finally, the fourth flaw of the individualistic view of freedom centers on

its attendant vision of the “place” of market institutions in the social and economic fabric. This false vision inheres in the erroneous and historically inaccurate premise that markets somehow exist prior to and independently of social control; that their functioning is in some sense “natural”; and that any form of tinkering with this order constitutes unnatural “intervention.” In short, markets are “natural” and conducive to freedom—all else jeopardizes freedom. That this position begs the questions of “whose freedom to do what to whom?” is well known, but not the main focus of present concern.²⁷ Our interest lies instead with the analytical fallacy and historical inaccuracy of this view. It would be difficult to improve on Karl Polanyi’s incisive statement in this regard.

The road to the free market was opened and kept open by an enormous increase in continuous, centrally organized and controlled interventionism. To make Adam Smith’s “simple and natural liberty” compatible with the needs of a human society was a most complicated affair. . . . Administrators had to be constantly on the watch to ensure the free working of the system. Thus even those who wished most ardently to free the State from all unnecessary duties, and whose whole philosophy demanded the restriction of State activities, could not but entrust the self-same State with new powers, organs, and instruments required for the establishment of *laissez faire*.²⁸

The fourth flaw, then, is based to a considerable extent on the natural law philosophy of individualistic liberalism. In a sense, this view takes the position that “the game” developed prior to and independently of “the rules,”—which are thought to have been attached later as an unfortunate and unnecessary afterthought, an “intervention.” But this is not the way things work either in actual games or in the evolution of the economy. Games without rules are not games at all, they are merely uncoordinated and chaotic activity. The “rules of the game” must develop concomitantly with the game itself.

In concert these flaws point to the need for a more expansive and continuously relevant conceptualization of freedom. The atomistic, negativistic, irresponsible and historically perverse view which continues to dominate thought and action provides little more than a caricature of freedom for too many people today. The complex interdependencies of the modern setting and the skewed distribution of income, wealth, and power have rendered it obsolete.²⁹

The instrumentalist view of freedom of John Dewey, Clarence Ayres and others provides at least an outline of the alternative which is needed. In the paper forthcoming in this *Journal*, the contours of the instrumentalist view, founded as it is in the principle of the continuity of the life process, are discussed. This view offers the possibility of continuing relevance in a world of increasing complexity and synergistic interdependencies.

Notes

1. Steven R. Hickerson, "Complexity and the Meaning of Freedom: The Instrumentalist View," *American Journal of Economics and Sociology* (forthcoming).
2. On the irrelevance of both these wings of orthodoxy to present circumstance see: J. Ron Stanfield, *Economic Thought and Social Change* (Carbondale: Southern Illinois University Press, 1979), pp. 58–68.
3. That Smith and the classical economists took a more sophisticated view of the relationship of freedom and social control than is commonly attributed to them is a theme which has been developed by Warren J. Samuels, *The Classical Theory of Economic Policy* (Cleveland: World Publishing, 1966). To the extent that Samuels is correct in this analysis, much of contemporary orthodoxy (both in its narrow methodological orientation and its anti-State bias) would seem to be a convenient misinterpretation of the groundwork laid by the classical masters.
4. The "choice is the essence of freedom" view of the individualists seems to overlook at least two other important elements. As Mortimer Adler points out [Mortimer J. Adler, *The Idea of Freedom*, V. 1 (Garden City, New York: Doubleday, 1958), p. 602] the "man of common sense" would likely think a man to be free (1) if he can choose the course he wishes to follow, (2) if, having made his decision, he is able to carry it out in action, and (3) if, through both choice and action, he has the power to achieve a desired objective. Thus the "power to make one's will effective," as John R. Commons might have put it, is an important additional consideration. Genuine freedom is not merely a negative absence of restraint, but also a positive power of participation. Where economic power and the distribution of income and wealth are highly skewed, freedom is also and necessarily unevenly distributed, as Kenneth Arrow has noted. However, even the positive power of participation is not in and of itself all that is required. To this the instrumentalist would add a knowledge requirement. That is, meaningful participation must also be founded in warranted knowledge of the foreseeable consequences of a course of action. This is closely related to the epistemological basis of scientific humanism. Contrary to the natural law philosophy of a fixed and unchanging "best of all possible worlds," and a fixed and unchanging (hedonistic) human character, the humanist proceeds from the following assumptions: (1) nature can be known and handled, and (2) the world, that is, nature both human and non-human, can, at least in degrees, be changed. [George R. Geiger, *Philosophy and the Social Order* (Boston: Houghton Mifflin, 1947), p. 392]. The upshot of this is that genuine freedom involves much more than simple "choice." It involves the exercise of discretion over the laws, rules, and codes of right conduct through which the economic process is institutionalized.
5. Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962), p. 8.
6. Milton and Rose Friedman, *Free to Choose* (New York: Harcourt Brace Jovanovich, 1980), pp. 2–3. That economic and political power are typically interconnected and mutually reinforcing, rather than offsetting, is a fact which has escaped Professor Friedman's attention. Further, the political freedom which he believes his type of economic freedom engenders is not altogether satisfactory to him anyway. As he states on page 65 of this same book, "When you enter the voting booth once a year, you almost always vote for a package rather than for specific items. If you are in the majority, you will at best get both the items you favored and the ones you opposed but regarded as on balance less important. Generally, you end up with something different from what you thought you voted for." While this is no doubt true (as many who voted for Reagan later found out), he follows one sentence later with the incredible statement that, "When you vote daily in the supermarket, you get precisely what you voted for, and so does everyone else." (emphasis added) It is remarkable that Friedman thinks Americans vote for nutritionally

bankrupt and carcinogenically contaminated food. Compare Friedman's remark with the following quote from Jim Hightower regarding the tomatoes we *choose* in the supermarket. "Beginning at least as far back as 1947, researchers at tax-supported colleges of agriculture began to tamper with nature's design of this popular fruit. The objective has been to make a tomato for industry that can withstand the rigors of mechanical harvesting, both for processing tomatoes and for the fresh market. Genetic scientists developed a hard tomato for that purpose—one with firm walls, thick flesh and free from cracks. Now they even changed its shape to square for easier handling and packing. In order to harvest these 'love apples' of industry in one sweep of their machinery, they are sprayed with ethylene gas, which causes them all to turn red at the same time. . . . The gassed tomatoes generally lack the vitamin A and C content of nature's own beauties." Jim Hightower, *Eat Your Heart Out: Food Profiteering in America* (New York: Crown Publishers, 1975), p. 176. One can only wish that we might all shop at the same supermarket that Friedman does (or *thinks* he does).

7. Stanfield, *op. cit.*, p. 59.

8. *Ibid.*

9. Karl Polanyi, *The Great Transformation* (Boston: Beacon Press, 1944), *passim*.

10. See, in this regard, James Bonar, *Philosophy and Political Economy in Some of Their Historical Relations* (1983) (New York: Humanities Press, 3rd ed., 1922) and Piero V. Mini, *Philosophy and Economics: The Origins and Development of Economic Theory* (Gainesville: University Presses of Florida, 1974).

11. Joseph A. Schumpeter, *History of Economic Analysis* (New York: Oxford Univ. Press, 1954), pp. 115–122.

12. *Ibid.*, p. 116.

13. Ingrid Hahne Rima, *Development of Economic Analysis* (Homewood, Ill.: Richard D. Irwin, 1978, 3rd ed.), pp. 15–16. (Emphasis added).

14. Marc Tool, "Constructs of Value, Freedom and Equality in Institutional Economics," *Social Science Journal*, Vol. 15, No. 1 (January, 1978), p. 34.

15. Jeremy Bentham, *An Introduction to the Principles of Morals and Legislation* (1789) (Garden City, New York: Anchor Books, 1973), p. 17.

16. John R. Commons, *Institutional Economics*, Vol. 1 (Madison: Univ. of Wisconsin Press, 1961), p. 224.

17. Bentham, *op. cit.*, p. 18. That Bentham was himself aware of the creation of convenient fictions in his own work is a point worth noting. See, for example, Mini, *op. cit.*, p. 50.

18. E. Ray Canterbury, *The Making of Economics*, 2nd ed. (Belmont, CA: Wadsworth Publishing, 1980), pp. 32–33.

19. Quoted in Mini, *op. cit.*, p. 17.

20. *Ibid.*, p. 23.

21. Walter A. Weisskopf, "The Method is the Ideology: From a Newtonian to a Heisenbergian Paradigm in Economics," *Journal of Economic Issues*, Vol. 13, No. 4 (December, 1979), pp. 870–71.

22. George C. Lodge, *The New American Ideology* (New York: Alfred A. Knopf, 1976), pp. 91 and 93.

23. C. E. Ayres, *Toward A Reasonable Society* (Austin: Univ. of Texas Press, 1961), p. 175.

24. Stanfield, *op. cit.*, p. 57. Also see: Tool, *op. cit.*, and Marc Tool, *The Discretionary Economy: A Normative Theory of Political Economy* (Santa Monica, CA: Goodyear, 1979), pp. 320–325.

25. This is true at least in so far as the due process clause of the 14th Amendment is concerned. See: *Santa Clara County v. Southern Pacific R.R. Co.*, 118 U.S. 394 (1886).

26. There is convincing evidence on both sides of the argument that this situation is changing. Widespread interest in "corporate social audits" may develop into a positive, viable institutional adjustment. But the internal Ford Motor Company cost-benefit analysis which led to the conclusion that it would be more "economic" to pay off an estimated number of law suits than to equip each Pinto with an \$11.00 part to prevent gas tank eruption is *tragic* evidence to the contrary.

27. This is a persistent theme in the neoinstitutionalist literature in law and economics. See, for example, Warren J. Samuels and A. Allan Schmid, eds., *Law and Economics: An Institutional Perspective* (Boston: Martinus Nijhoff, 1981), *passim*. In a similar vein see, Gordon C. Bjork, *Private Enterprise and Public Interest: The Development of American Capitalism* (Englewood Cliffs, N.J.: Prentice-Hall, 1969), pp. 10–11 and *passim*.

28. Polanyi, *op. cit.*, pp. 140–41.

29. See, in this regard, Wallace C. Peterson, *Our Overloaded Economy: Inflation, Unemployment and the Crisis in American Capitalism* (Armonk, N.Y.: M.E. Sharpe, 1982), *passim*.

Stump Creek, Pa.: Object Lesson in Tax Policy

IN 1922 A COAL MINE nearby built the village of Stump Creek in rural Jefferson County, Pennsylvania, 85 miles north of Pittsburgh, to house employees and their families. Foundations for 100 frame houses were dug by ox teams. The village became a model community where families vied for distinction on the basis of the beauty of their gardens and the neatness of their homes.

Then times became harder and harder for the coal industry and the local mine. In 1949 the mine sold the houses to another landlord. Ten years later the mine closed for good. The community went into decline and the houses became neglected and dilapidated. Miners and their families moved away to seek work. Eventually only 43 houses were occupied. The water system developed leaks. Outhouses polluted the ground water.

Up to that point the story of Stump Creek was a sad one. Then the plight of the blighted coal town was brought to the attention of officials of the Institute of Man and Science, a non-profit educational center in Rennselaersville, N.Y. The institute has aided in the revitalization of several blighted communities. The institute bought Stump Creek for \$175,000.

The institute helped the community get a \$150,000 grant from the Pennsylvania Department of Community Affairs and about \$100,000 in other government money. With the money the institute paid for new roofs and windows and sold the houses to residents for \$2,700 to \$5,000, with banks providing mortgages up to 100 percent of the purchase price. The residents converted an old four-room schoolhouse into a community center and built tennis courts and a playground around it.