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ABSTRACT ECONOMICS AS ABSOLUTE ETHICS

FRANK H. KNIGHT

At a time when the public in democracies is inclined to turn away from liberalism in the older and proper meaning, which connected it with liberty, in favor of state paternalism, and even to embezzle the old term to designate the latter, there is real need for a strong defense of classical liberalism. Many of the defenses, however, are so oversimplified and sound so much like extremist propaganda that they largely defeat their purpose. They seem to ignore the fact that there has been much desirable or necessary change in both theory and practice since the beginning of the nineteenth century and also that the problems of modern society are too complex to yield to any simple, general solutions.

A recent book (Henry Hazlitt's *The Foundations of Morality*),[1] which has good workmanship and much of the makings of a good treatise on sociopolitical ethics, but which also has in conspicuous degree the faults mentioned above, provides an occasion for considering some of the issues. The doctrines most in need of criticism are not peculiar to the author; and some, not the least important, of them are shared by his opponents.

The heart of Mr. Hazlitt's polemic—what his book essentially is—is found in two late chapters (xxx and xxxi) on "The Ethics of Capitalism" and "The Ethics of Socialism." They are really one, arbitrarily divided, and continue the discussion of "Justice" (chap. xxiv), centering on distributive justice in economic relations. It is, of course, an ethical problem—what "action or rule of action would be more *desirable* in the long run for the individual or the community" (p. 301)—in contrast to an economic one—"*description, explanation,* or *analysis*" of actions and decisions; some solution is necessary for comparing economic policies. The questions have largely been answered in preceding chapters by defining human good as desire satisfaction, *assuming* that each individual should always be the final judge for himself of what use of means will best achieve that good and defining society as "nothing else but" co-operation for that purpose. This is *assumed* to follow from individual freedom, limited only by known rules enforced by "the state"; and it is also assumed that all means for satisfying each individual's desires are controlled by that individual. As noted before, the author concedes at one point that ethics deals with the valuations that people *would* make if they always

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had benevolence, as well as foresight and wisdom, but these traits they are now assumed to have. And the rules of action, which men must always follow (unless there are *clear and strong* reasons against it) are assumed to be known by everyone. The author notes that "capitalism" is a name given to the system by its enemies—a "smear word" (p. 302). This is historically sound, but he does not note that the designation is false, confusing property-owners with entrepreneurs. The Soviet system miscalled "communism" is really as "capitalistic" as any that is called free enterprise and is in fact further from communism.

After stressing that "private property and free markets are not separable" (p. 304) and noting that socialist countries "imitate" the free-price system (p. 304), the author moves to some general discussion of competition—meaning what goes on in the division of labor and in the ideal market of theory where "real" competition, that is, rivalry, plays no part. Then a section argues, correctly in part, that the actual market system is a method of organizing co-operation (citing Adam Smith and other economists) and that it brings about "the true reconciliation of 'egoism' and 'altruism' " (p. 313). Next, the question of the justice of capitalism is settled by citing John Bates Clark's book, *The Distribution of Wealth;* its thesis "is that 'Free competition tends to give to labor what labor creates, to capitalists what capital creates, and to entrepreneurs what the co-ordinating function creates. . . . [It tends] to give each producer the amount of wealth that he specifically brings into existence' " (p. 315). This book was written in 1899, and it has long been recognized by economic theorists that the statement is fallacious. There is only a general tendency to remunerate each productive agent, or unit of an assumed homogeneous factor, with something near its incremental contribution. In fact, under the conditions unrealistically idealized to make possible a precise statement—assuming two homogeneous factors—the product increment due to an increment of either would be divided between the two in a fixed proportion.

Incidentally, taking "capital" and "labor" as the two homogeneous factors (which they are not) in something like their statistical proportions in the United States, "labor" would receive about three-fourths, to one-fourth for "capital," and it happens that these are about the shares statistically ascribed to personal services and property in the nation. Such a distribution among *individuals* obviously would be impossible and a close approximation socially intolerable. Society does not consist entirely of producers, nor are real producers "economic men." And productive contribution depends on economic capacity, labor power, and managerial ability or property owned, plus a large influence of "luck." And an individual's production is due much more to biological and social inheritance, for which the individual is not responsible, than to the individual's past efforts. An infant has no direct productive capacity at all, and he has neither freedom nor incentive; but as a consumer he has rights which any society must define, protect, and support. But Hazlitt explicitly applies the principle to "every social group, and to every individual within each group" (p. 330). In any population a majority of individ-

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uals, and a large proportion of families—much more the real unit—have no productive power worth employing, or not enough to suport life, or life at a socially tolerable level.

Finally, distributive justice has several meanings, conflicting among themselves, yet all valid within limits, and any society must take all into account and use judgment; the alternatives cannot be measured, and there is no formula except the best achievable compromise. Much weight must be given to individual or family productivity for the sake of incentive to produce; and the principle surely has some ethical validity, though by no means that attributed by Hazlitt, or in general by the public under our post-Renaissance "individualism." But this must be qualified by the principles of need or "sacrifice" (the disagreeableness of different roles), by equality in the sense of limiting extreme inequality, and by many social requirements or cultural values which cannot be apportioned among individuals or families. These must be supported at a cost apportioned in accord with, first, manifest ability and, then, expediency and the public sense of justice in which "sacrifice" again takes a prominent place. Since justice as such cannot be defined, it would seem advisable to stop discussing it and deal with specific *in*justice on which there is hope for agreement on meaning and effective action. The advent of "liberalism" has completely transformed this problem. Previously, Hazlitt's principle of following known rules rather accurately defined justice; but under liberalism the major problem is the justice of the rules themselves since they now have to be partly made—meaning changed.

The author repeatedly recognizes that the productivity rule does not work perfectly *in every instance* (e.g., p. 316), but his clinching argument for it is that "whatever [its] shortcomings . . . no superior system has yet been conceived" (p. 316). But obviously a mixture of this with other norms is not only superior to it alone but is inevitable, the only possibility in any real social economy, however named. The "communist" nations also must follow extensively the principle of productivity or "middle of the road," and even "marginalism," to achieve any efficiency or to make the economy function at all. And they lose much efficiency by pretending to the contrary, and especially by pretending not to recognize "capital" as productive. This is true regardless of who has title to the property in which it is embodied or what the status of laborers or managers is. The general principles of marginalism are arithmetically valid, whatever the form of government or the value scale used in distribution. But any economy must also take extensive account of other norms, however defined in detail, especially need and "sacrifice" and avoidance of extreme inequality. It is impossible to motivate production solely by "political" methods such as the lash or execution. Some consideration must also be given to personal preferences among occupations *and* to general ideas of justice and of honor.

Even a dictator, and even one overtly deified, if he is to keep an economy going, must limit the inequality of real incomes, which is humanly destructive at both ends of the scale—especially at the lower end where destitution degrades children who are human beings and future members of society, but also

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at the upper end, since power and luxury corrupt as do weakness and poverty. A powerful ruler can manipulate the "psychological" factors to some extent by "education"—in fact, to an extent disappointing to liberals, as recent world events have shown and as "religious" indoctrination showed throughout known history. But these factors cannot be abolished while human beings are human.

Individualism—more really "familism"—is a recent product of history, and its ideal of justice is still a rather weak growth. Hazlitt's ethic is individualistic to an extreme; he never mentions even the family. Such an ethic must condemn the unfairness of an unequal start in the competition of life by the members of each oncoming generation, an inequality inheritance tends to increase through succeeding generations. It is only made tolerable by counteracting political compulsion. It is true, as the author states, that an employer has an interest in having his work force feel justly treated (p. 314). That is doubtless impossible, human nature being as irrational as it is; and when he says that they do feel so "when they are free to get and to keep the fruits of their labor" (p. 324) he contradicts familiar facts. They claim from society other rights, justifiably, and will also impute to their labor far more than is due to it; and they commonly "feel" that they work to make profits for the employer when in fact they are working for themselves, as he works for himself by working for them, as employees and as consumers. (And profits are surely zero or negative on the whole.) The classical economic tradition taught that only labor is productive, a point on which Ricardo "corrected" Adam Smith. Socialists took over the doctrine, and labor unions and the public still largely "believe" it, though they know better.

Hazlitt, correctly of course, points out that the system should be called that of Profit *and Loss* (p. 302, my italics) and that the employer does not rob the worker of his product, as Proudhon (not mentioned) and socialists in general have held. Profit and loss, correctly defined, affect the entrepreneur in relation to both employees and property-owners; but Marx and Engels and their followers were blind to such analysis—again largely following the early classical economists. Only "marginally" can shares be imputed to factors, or any variable cause distributed among a number of joint effects. But market competition does not even "tend" to impute accurately and would not unless entrepreneurs were omniscient of the future and still competed as individuals. And if this were done the result would be intolerable, even taking the family (or unattached adult) as the unit.

The summarizing statement on capitalist ethics, that "the system . . . is one of freedom, of justice, of productivity" (p. 324), is false on all three counts; in fact, none of them can be precisely defined. Absolute freedom is unthinkable as it depends on the existence of selves, chiefly produced by prior processes. And effective freedom depends on power; it *is* freedom to use power possessed and has content only insofar as the person has "means." Hence it has little meaning for the half of a normal population which does not have the minimum requisite for living at a socially tolerable level. Justice is a complex of conflicting principles, with

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no formula for the best compromise, and productive contribution has no objective measure. Nor is receipt of output the "maximum incentive to maximize it" (p. 324), though some correspondence is a major and doubtless necessary *economic* incentive to produce and to "cooperate in helping each other." Its social justice grows *partly* out of the freedom it insures; and its productivity grows *partly* out of recognition of its *partial* justice. The efficacy of the system in practice probably depends as much on rivalry (real competition, the game spirit), which seems to be an innate human trait. But the economic theory of the market excludes this motive, along with the will to achieve or "succeed" and the "instincts" of workmanship and sportsmanship. Both are inseparable from the craving for power and dominance, while the latter derives from the play spirit with its recognition of the necessity of respecting the rules. The importance of these motives in both the economic and the political order, along with the economic motive, greatly complicates both the problem of causal analysis and that of social ethics.

The economic motive itself is "self-interest," as stated by Adam Smith, plus a minimum sense of mutuality and more of rules of the game. On the whole, this—the real "invisible hand"—plus action by law and government, generally has predominated over crude selfishness and undisciplined rivalry. But there have been wars and civil wars, the latter notably in Britain and the United States, the main home of liberalism. The role of pure rivalry and its negative effects cannot be measured, nor can the love of freedom over which the former often predominates. The ideal market is the one form of association allowing complete freedom—to the participants, with their given wants and given means. And democracy, imperfect as it is, is the nearest possible approach to political freedom. But several nations have had both and, after a short trial, have given them up in favor of dictatorship. Russia is hardly a case in point; Italy and Japan are borderline cases; Germany is the worst other example, though as advanced as any nation in science and general education. How far a society can freely choose its regime is also indeterminate. Hazlitt asserts that the "system of freedom" is "one that has been 'chosen' by the men and women who live under it" (p. 321) and that its justice "evolved *because it was the only rule on which it was possible to secure agreement*" (p. 255). There is truth in this insofar as any regime that prevails, and while it does prevail (until it is overturned by a war or politics), can be said to be *accepted* by agreement—of those who have power. If it means general free agreement, reached by intelligent discussion, it is mostly false. Most institutions are like languages, which clearly are not "chosen" by the communities using them, which are virtually powerless to make changes, even in spelling. What is called "capitalism" arose partly through "drift," partly because powerful interests, chiefly in Britain, wanted "liberation" from the economic controls in force before the Civil War—control by state action after the Reformation and its aftermath of war had replaced church supremacy with absolute monarchy, and especially after this gave place to representative government.

In modern free society the problem

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of capitalism-socialism is one of dividing functions and maintaining a balance between the two systems of organization. The extreme nineteenth-century form of laissez faire has been rapidly modified by more and more political regulation and replacement in many functions. How far the change will go in the future is a question for prophets; how far it should go depends both on value judgments and on factual details that are highly unpredictable. The main point is simply that a realistic treatment would have to discuss *comparatively* the relations between the market system, voluntary groups, and the state, assumed to be formally democratic.

A realistic treatment should recognize both the necessity of a democratic political order and also its inherent limitations, notably its limitations on freedom. At best it means rule by a majority (of citizens, legally defined), which may be a tyranny over one or more minorities; and a majority decision on concrete issues cannot be closely approximated in real life. Furthermore, general discussion in a sizable group is impossible, for it requires give-and-take; and, while one person may communicate *to* any number of others, one can receive communication from only one other at a time. Group deliberation itself must be conducted under rules ("laws") with suitable provision for their enforcement, interpretation, and occasional revision by legislative action. Just what freedoms are to be allowable depends on an agreed conception of human nature—how far real people *will* freely agree on social values and act only in ways that as a society they can and will tolerate, including the support of "dependents."

Much can be said conclusively or cogently for what is roughly described as free enterprise, *in comparison* with any possible alternative, which would generally replace "business" with "politics," giving rise to what properly would be called "socialism." The alternative to the mixed system called "capitalism" is an extensive development of the "politics" element in place of "business." It now seems to be generally recognized that if carried far this would become incompatible with political democracy, requiring a dictatorship to preserve the necessary degree of order. At any rate, in many features most objected to in "capitalism," politics is in general similar and very often obviously worse. Socialism must be defined by considering some particular form of government—real, publicly proposed, or imagined—first of all by contrasting dictatorship with democracy; and no possible state could strictly fit either pattern. The latter means, in theory, rule by a majority of the citizens; the former means rule by a single "party" monopolizing authority by force. One or the other would, within its always limited power, direct production and distribution as it pleased, both almost wholly unpredictable, including the amount and kind of freedom it would allow individuals or families. The one certainty is that either would suppress attempts at "revolution."

Any regime that is possible on a national scale will extensively involve elements of both "free" exchange and politicolegal control, and also more or less control by fiat. A government in power "could" own all wealth and, by leasing, allow private competition in management, in free response to free consumer demand, and free choice of

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occupations. (These two freedoms formally prevail in Soviet Russia.) Or, it could allow private ownership and still control production and distribution to any extent by taxation and subsidies and "regulation." It "must" manage a monetary system and use a price system in administration. Control would surely be carried much farther under dictatorship and also under a responsible government that might be called socialistic; but there must be limitations under either type of regime. Pope's silly doggerel on fools contesting for forms of government may still remind us that it is easy to exaggerate the difference between "communism" and "democracy" with "free" enterprise, important as it is. A dictatorship must respect such public opinion as exists, getting power as far as it can manipulate this; and it will mean rule of a group within which there will be problems of organization similar to those confronting a society as a whole.

The two kinds of organization—market and political—are much alike in that a member of a large group has little direct power of control over it and so must obey its laws and the orders of its legally established managers. They differ, first, in that one has no power (effective freedom) to form a state or jurisdiction, whereas there is some power, but for most persons still quite limited, to start a business enterprise. Thus, the main effective freedom for most people is that of choosing membership among organizations and moving from one to another. In these respects there is an overwhelming balance, so obvious as hardly to need discussion, in favor of capitalism. One is born into a state; and distance, language, and culture differences would make transfer difficult anyway; and states add arbitrary restrictions on exit and, especially, on entry. A laborer normally has a wide range of choice among employers, while for property there are practically no impediments to freedom of movement. Moreover, practically complete control over current operations is in the hands of consumers through competition for their patronage, though policies are also influenced by the choices of resource owners, both laborers and those who furnish property to enterprises, either for a rental or through a loan of money as capital.

In their working reality the two systems are again alike in that functionaries in direct control, and other persons, inevitably have much arbitrary power and get their positions chiefly by competitive persuasion, or simply by accident. Rivalry, an instrumentally irrational motive, is more natural to men than rational co-operation; and while in theory it has no place in either exchange relation or politics, it permeates both and often dominates. It is much more conspicuous in politics than in business. In the former it is expressed in propaganda and in the latter by selling activity, both based more on emotional appeal than on real discussion. Rivalry is the spirit of (most adult human) play, along with the gambling motive.

Under changing conditions, which of course are omnipresent in the modern world, both the economic and political order depend on "functionaries," leaders who act as agents. In politics the various officials—judicial, executive, and legislative—represent the citizen body of the state or some jurisdiction; in business the entrepreneurs are agents at the same time of the consumers or

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buyers of products and of the suppliers of productive capacity used in production. Men live and act in groups; any human group, or one of substantial size, must act through leaders, and finally, through individuals, as to details. Modern democracy involves an infinitely complex hierarchy of groups, from families up to the sovereign state and beyond, in some kind of world order. Theorists have been fond of stressing "government by laws and not by men," but taken literally this is absurd. The rules of both the business and the political game as recognized in any society at any time are largely moral; but these rules are vague and have to be defined and supplemented by laws, formally made as well as enforced. For both organizations and their interrelations, this is mainly the task of the political order, that is, of its officials, the agents chosen to represent the citizens. Specific laws are made and enforced by men; and the rule of law prevails insofar as private persons and these men obey laws, moral and jural. Laws in the jural sense in part are made (formulated) arbitrarily, but in general they respond to public opinion or attitudes on what is right and expedient, insofar as there is a general public opinion and it finds expression in the pull-and-haul arguing of democratic politics.

This permeation of the social order by agency relations, a new form of responsibility, sets hard problems—in fact largely insoluble—for both intelligence and conscience or judgment of values, and any realistic discussion must give agency relations serious consideration in both respects. (But the relation is nowhere recognized in this book, nor is any responsibility of anyone for anyone else.) On the one hand, there is no way for a principal to make the delegation of power very definite or to hold the agent to the responsibilities meant to be delegated. The agent, assumed to be conscientious, must, in varying degree, judge what is good for the principal, as well as judge the procedure for its achievement and his own competence to judge and act. Under anything like the conditions of modern civilization, these difficulties exist even in the most individualistic of small-scale association, that is, where only two parties are directly involved. This results from the specialization of knowledge and skill, due to the complexity of science and technology and to human limitations. A familiar example is the relation between a patient and his doctor. The relation once established, the doctor has power of life or death. The freedom of patients lies in choosing doctors and changing at will. But this choice is limited in scope and cannot be very intelligent. That would require the principal to know medical science himself—largely removing his need for the service—where in fact he needs a doctor to tell him whether he does need one or whether treatment or advice will be beneficial. And the prospective patient further needs to know the professional competence and moral reliability of the candidates available—at a possible price. The situation is similar in all degrees for innumerable other expert or counseling services. In most cases (the doctor is traditionally a nearly complete exception) the choice is made through aggressive rivalry for the agency role, with public solicitation using the techniques expected to be most effective, short of fraud or "duress" which are punishable by law but

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are only vaguely definable. This procedure applies impartially to business, politics, and all efforts to secure "influence" over private persons or the public.

In nearly all cases, too, the advisory service, and even the mandatory direction by public officials, is "sold" at a price fixed in a more or less freely competitive market—medical practice not excepted. In the medical field in particular the "consumer" is so poor a judge of quality that legal intervention has been found necessary to protect the buyer's interest and the social concern for health and other values. The limited ability of the public to judge in advance the competence and trustworthiness of candidates for political office is a major weakness of democracy, a disadvantage of political freedom. Education is doubtless the field in which "intervention" is most extensive, public agencies largely taking over the provision and making service not only free but its acceptance compulsory. Here the direct recipients are wholly or largely unable to judge, and someone must choose for them; authority is divided between parents and the state —and churches which claim power over both. In more and more fields, notably food and drugs, the public attempts by law to insure standards of quality and objective labeling. In addition, many private or semipublic agencies have been developed for safeguarding the consumer interest, and enterprises of substantial size have purchasing agents who more or less take the initiative in the face of the "pushing" of products by sellers. The vendors of many vocational services, or goods in which they are embodied, are organized on the pretense of assuring quality; but they are more active in fixing monopoly prices, and such monopolies are largely supported by public opinion and even by politicolegal action. (It is noteworthy that Hazlitt's treatise on social ethics, with respect to modern free society, says nothing about trustworthiness and, as noted above, nowhere recognizes the responsibility of anyone for anyone else.) Endless are the ramifications of devices interfering with or supplanting atomistic market competition on various grounds or pretexts. Some, of course, are needed to protect weaker parties against stronger ones; but in reality the aim is more often power to promote a selfish advantage contrary to the general interest.

A realistic discussion of "free" society as a fact and as an aspiration would have to consider candidly "human nature" as a product of history, which is chiefly institutional or cultural. Law and morals in particular are such products, and their history presents a tissue of controversial struggle between advocates of "theories" of the origin and justification of the many freedoms and compulsory restrictions of freedom that we confront or find advocated in the contemporary world, along with freedom's natural limitations, old and new. Freedom in the meaning of what is called individualism or liberalism has resulted in recent history from a two-stage revolution during the Renaissance and the Enlightenment, the former a few centuries ago, the latter a few generations. The basic freedom was religious "toleration," with its counterpart in the liberation of scientific inquiry, publication, and discussion of morals, politics, and law. During the Renaissance this was largely achieved with the supplanting of church authoritarian-

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ism by that of the new states. These were absolute monarchies under sovereigns ruling by divine right and considered semidivine (cf. Hamlet on "the divinity that doth hedge a king"). The following centuries brought about the "democratization" of politics, establishing responsibility of "the people" through representative government. This movement was largely a "means" for cultural and economic liberation. "Laissez faire" developed chiefly in Britain, where the "Reformation" took a distinctive course culminating in the seventeenth-century revolutions through civil war, more bourgeois than religious, as on the European continent. The victory of Parliament meant some advance in governmental responsibility and a greater one in economic freedom, and it put an end to divine right, while events on the Continent fastened on the leading countries the dual absolute sovereignty of states over peoples and of hereditary rulers over the state.

The eighteenth century brought the struggle for world power between Britain and France, with the victory of the former, physically much weaker but possessing more freedom. In the New World Britain followed a more liberal colonization policy, and in Britain itself the Industrial Revolution brought about economic freedom. Partly an incident of the struggle with France was the revolt of Britain's major American colonies establishing independence (with French aid) under a republican form of government. Partly a sequel was the French Revolution, at first libertarian but leading to the Napoleonic Empire and, with his fall at Waterloo, mainly to British power, to general reaction in continental Europe, and to a setback to liberalization in Britain. But in Britain, and especially in the United States, democratization proceeded with extension of the suffrage and with establishment of free education. In Britain economic laissez faire was promoted by the new political economy proposed by Adam Smith in 1776, the year of the American Declaration of Independence. The immediate result—or sequel—was that conditions were recognized as intolerable and that a reaction set in toward governmental control of economic affairs. At first this was to protect children and helpless women, to whom application of libertarian principles was clearly absurd from the start. More and more governmental action has followed, everywhere in the Western world, for less inequality in power and so more effective freedom. This is the background of the social problems of today wherever freedom has not given place to outright dictatorship. The major social-ethical results of liberation have been, first, to reveal or develop *rivalry* as a basic human trait, with its strong tendency to oppose freedom and rational co-operation of individuals and groups. Especially troublesome is group rivalry; and group unity is largely rooted in more effective rivalry with other groups, or domination over nonmembers. Rivalry is also inimical to peaceful and pleasant or fruitful co-existence in social relations generally. Another result of freedom is the proliferation of agency relations, already stressed, which are crucial for organization problems and give rise to entirely new ethical problems.

The facts just mentioned reflect inherent weaknesses in the principle of social freedom—human nature being at all as it is and gives a prospect of

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being, and its environment likewise, as both have evolved under what we call free institutions. Where people do not have a status by birth that unalterably prescribes their position and relations, rights and duties, they will strive to "improve their position" by increasing wealth and income and by gaining distinction and power in any way that seems to be open. That means "influencing" others—individuals, groups, and the public—using any form of power already possessed, of which persuasion is the most universal and important form. For influence, one must first get *attention,* which people want anyway, apart from its use to pursue any separate end. At this point social rivalry is most acute, and free society often seems to be mostly a phenomenon of competitive "screaming" for notice in one connection or another. The ability, skill, or "tact" for getting attention in a favorable or not too unfavorable sense—or avoiding it according to circumstances and one's interests—is a main requirement for living "effectively" in our competitive culture. And one needs similar finesse in developing favorable action (or preventing the unfavorable).

To most persons, or those of "refined" sensibilities, this is repugnant, an inherent "evil" of free institutions. It is what the Marxists should have especially hoped their dictatorship would "educate out" of human nature. Freedom and power are different dimensions of the scope of voluntary choice; inert impediments which one lacks the power to overcome do not coerce. Of course one chooses, under conditions, between the alternatives open or thought to be since one can try to do things he cannot. Most in question in society, to be sure, are freedom-from coercion (positive or negative) by other persons or groups with power and freedom-to act on nature and combine with others in co-operation for more power over nature. But freedom-for play and other non-instrumental activities, like pursuit of beauty and truth, is as important as freedom to use means to achieve ends. And, besides, social policy must deal with power and weakness as well as with freedom. The most misrepresented form of power is "moral" force, the power of persuasion; it is an important species of coercion, not its opposite; and this power is so unequally distributed as to set a major limitation on effective freedom, notably economic freedom, as will be shown later. In play, as to ends, any material objective destroys the play spirit, with perhaps some qualification for gambling; and with respect to the ethics of play, so does "charity," deception (strategy) being of the essence.

Freedom is extolled by Hazlitt as "the essential basis, the *sine qua non,* of morality" (p. 268) and "the highest political end" (p. 267, quoting Lord Acton), and it is one high end of policy. Its "value . . . is never more clearly seen than when men have been deprived of it, or when it has been even mildly restricted" (p. 267). This is absurd, since a conscious person can never be wholly deprived of freedom, and social or human life is impossible without much restriction. Hazlitt had just noted (p. 267) the familiar qualification that some may have to be constrained to preserve the freedom of others. (He might have added they may have to be constrained by laws made and backed by force, where moral pressure does not suffice.) With respect to social prob-

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lems it is mainly true that freedom is a negative concept, the absence of restraint; but much of this is for the individual's own good, for the good of others in innumerable ways, or a social good not reducible to individual goods, let alone desire satisfaction. The word "men" is everywhere used to imply that society consists wholly of fully responsible adults (or that other members may be ignored). But freedom has practically no meaning for an infant, which hardly "acts," lacking both power and articulate desires. (Struggling against having movement forcibly prevented [p. 267] is irrelevant to any problem other than preventing cruelty.) And there are always many adults who are "helpless" in all degrees—freedom means freedom to use power possessed —but all these and the higher animals have *rights* that individuals and societies ought to recognize, respect, and support, and in some cases must.

Our author's failure to consider the relations between freedom and power is related to his treatment of equality and inequality, for the primary—but not the only—issue is inequality of power in some form. His discussion is made irrelevant by inveighing against *absolute* equality, chiefly in consumption, which cannot be measured or hence rationally advocated. A relevant treatment would recognize that serious inequality of power, especially economic power, limits the effective freedom of the weaker party and, if extreme, destroys it, making him helpless. And it also corrupts both the stronger and the weaker. (In his chapter on "Justice" Hazlitt argues that it is not in the interest of the strong to oppress the weak but solely to *maximize* cooperation, and starving the latter to death would set no precedent [p. 254]). Moreover, inequality tends to grow progressively, since power—in any form but, again, especially economic power —is used to get more power, and those who at any time have more are in a better position to acquire still more. And, still further, since the family, not the individual, is the effective unit in society, differential inheritance—particularly of wealth—entails an unequal start in the competition of life, which violates fundamental individualistic ethics.

All these matters are ignored in Hazlitt's book. There is nothing about inheritance or any aspect of family relations, which are a major concern of morals and of law, even a primary meaning of the former. The numerous vague pronouncements on the functions of law and the state, and notably the chapters on "Justice" and "Rights," limit these to equality before the law, the Benthamite principle of each to count for one and none for more, which is an unattainable goal. (Cf. Index, *s.v.* Bentham, and also Mises and Hayek; it is true that one quotation from Hayek says the "chief" function of the state is to minimize coercion [p. 266]; but no others are stated except restraining some to preserve the freedom of others, already noted.) Hazlitt's principles would limit law to that which is natural in the proper sense of the word, that is, not "artificial" but of spontaneous growth—or essentially "moral"—the mores. Such laws would indeed be known, and they should be "enforced" by "the state"; but they would be more usages than law, and never definite, and nothing is said about the procedure of enforcement or the nature of the state. Nor do Hazlitt and his quoted

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authors recognize that law enforcement must involve some law-making. His ideal is largely descriptive of a primitive society or small tribal groups with mutual face-to-face acquaintance. And spontaneous growth due to culture-historical forces prevails much more in a modern democracy than is commonly recognized, as regards the value axioms which largely control law-making—which means changing in detail. Such action chiefly formulates such principles with reference to fairly concrete classes of situations but always leaves much latitude for "interpretation," first by courts in deciding cases and then for more general formulation by a legislature.

A primary issue is the validity or objectivity of value judgments, specifically respecting the good society or modes of association. It is on these that a citizenry must agree, at least tacitly, to co-operate or live in peace and harmony; mere assertion of interests in conflict only intensifies antagonism. Discussion aimed at agreement is required for resolving interpersonal conflicts and, hence, for harmonious or peaceful association. Though Hazlitt at several points verbally separates valuing from desiring, his whole argument reduces the former to the latter; and he oscillates between statements that assert the subjectivity of moral judgments and others that assert or imply the opposite. Effective discussion of values is difficult, but is occurs constantly. To be discussable, morals must be affected by truth and error, especially judgments of what is socially better or worse, else only a mechanically instinctive or traditional society would be possible, and our society is not wholly of that kind. Beauty itself sometimes gives rise directly to conflicts over public policy; but esthetic values cannot be judged in utilitarian terms by consequences. The conclusive argument for objectivity in both fields is that everybody does judge others' tastes and motives as better or worse. One difference between the two fields is that our pronouncements of moral evil are far more certain and clear than those of moral good, while beauty seems quite as real as ugliness, unless this is mixed with a moral quality such as the horrible or the very indecent. To repeat, human differences must be discussed in terms of final values on which agreement is presupposed.

It is equally important, however, to emphasize that both values and desires conflict and that conflict in and between groups is increased by such "non-rational" motives as rivalry, patriotism, and love of gambling. Value judgments are commonly classified under three heads: moral, esthetic, and intellectual. Truth for its own sake, like morality, often opposes "utility," real or supposed; esthetic activity is "waste." The classification cannot be accurate, nor can the analysis of the relation between desires and imperatives of any sort. Important here is only the fact of general conflict, which seems essential to value judgments, which are by nature social. It is a serious error to accept the cheerful assumption made by Hazlitt that if society "lets" them, men will co-operate rationally and in accord with known rules; and it cannot be held, as does Hazlitt (following Hayek and Mises, whom he constantly quotes), that a society can rely entirely on rules—or patterns—that will be produced automatically by mores historically determined and agreed upon, needing

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only enforcement by a "state" of some unspecified kind. Besides enforcing the mores, much law-making is necessary since men contend as well as co-operate; they seek power, and unequal power limits freedom; and if left free they organize for power as an end, not only for more efficient production of economic goods but for a larger share not limited to contribution to output and often obtained by decreasing it. (Monopoly is not mentioned, or political parties and factions, and nations not explicitly.)

Agreement is the primary condition for orderly social action, as for knowledge, and free agreement is the basic condition for all human freedom; but the necessary agreement has never been reached freely or prevailed freely. The principle has been recognized lately as an ideal in the Western democracies; but that does not produce the fact; and much social control is required to produce the necessary agreement. The control must be the more arbitrary because men do not freely and naturally make much effort in that direction. Such reason as they have tends to be used instrumentally, that is, in employing given means to achieve private ends of the individual or small unitary groups. Men are somewhat inclined to reason in their relations to nature; but in social relations the principle of freedom excludes the instrumentalist approach. That attitude cannot be mutual and can only generate and intensify conflicts; people "must" in the main follow the Kantian maxim of treating each other as ends, not as means. But there are limits; individuals cannot always allow every other adult, even when normal, to be the final judge of his (or his family's) own "good" or the best use of means to achieve it. And still less can society do so—let alone allow each unit to use all its own resources as it pleases, whether or not manifestly incompetent or inclined to evil; nor, on the other hand, can society force a unit to depend on its resources alone. It is absurd to treat either "costs" or "utilities" as pertaining only to the "individual" or more real unit, ignoring the vastly important "external" items on both the ends and means sides of the account. Men must live in families and an infinitely complex series of larger more or less unitary groups. And where no one is responsible for a helpless person, society through government must afford protection, guidance, and support. Compulsion must even be used to prevent some adults from harming themselves, and more to prevent their harming others or the social order, or to make them carry a fair share of the common burden. (Hazlitt mentions taxation only once, and only to scoff at the progressive income tax [p. 336], not to acknowledge the necessity of taxes or to face the problems they present.) This reasoning applies especially to education of both the young and not so young, which is necessary for effective individual freedom and, even more, for maintaining a tolerable level of "culture" (not in the meaning of anthropology but in the sense of a tissue of values). Personal well-being is inseparable from that of society, and both require social action looking to the future, to the unborn, who cannot co-operate with the living.

Since conditions constantly change, conduct cannot be in close accord with *known* laws and will often tend to disturb social order. And in extreme cases, or by accumulation of discrep-

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ancies, actively changing the laws often will be required and will not come about through spontaneous change in the mores; nor will agreement be easy to achieve, and compulsion will also be necessary. Societies long ago were driven to formulate some of their mores into jural laws and more recently to make legal provision for changing their substantive laws. Social problems, legal, constitutional, and moral, arise largely from new patterns of conduct due to the efforts of groups or classes who think they are acting "rightly" to improve their conditions. But all changes in conduct patterns, and all changes in the laws, will worsen the position of some groups while benefiting others: yet laws must be changed to make them enforcible and to maintain substantial order. Changes need to be such as to improve conditions for the bulk of the citizenry, or of a dominant part, that is, in the direction of "progress." Hence the problems arise out of conflict between freedom and progress, not merely order, as is often stated.

But even for economic policy much more is involved than "economic" freedom and progress. Economic relations are inseparable from any other features of social "culture" (in the anthropologist's meaning). Especially in point are family structure, interfamily relations, and "culture" in its other meaning of refinement—moral, intellectual, and esthetic—that is, improving the general public sense of values. These two fields overlap widely in the function of *education;* and this also heavily involves economics as well as humane and equalitarian ideals—and even the necessary order, which requires a degree of cultural uniformity. These facts force governments to take more responsibility for education at different levels, including vocational and professional training, as well as the literary and mathematical rudiments and general culture.

This critique may be concluded by stating again the main fatal defects of the book considered. It ignores or explicitly denies two essential and obvious facts. First, the freest economic order possible along with anything like modern civilization requires (*a*) extensive legislation to prevent intolerable divergences from free market conditions and (*b*) much more action to prevent intolerable consequences that would prevail if society were organized solely through exchange by individuals in the nearest possible approach to the perfectly competitive markets of "pure" economic theory. What Hazlitt has done is to take the vastly simplified postulates that are legitimate and necessary for the first stage of economic analysis—but which should never be taken as describing reality, and still less as normative—and treat them as universal ideals.

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NOTE

1. Henry Hazlitt, *The Foundations of Morality* (Princeton, N.J.: D. Van Nostrand, 1964).

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