

Continuing the Dialogue on Markets and Morality

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Any author is honored when colleagues attend to his writing and respond with the care and integrity exhibited by George Monsma, Bruce Webb, and Peter Boettke. I am deeply appreciative for the time they have spent in reading and evaluating the argument of my book. I enjoyed, of course, their words of appreciation, but will spend most of my time responding to their criticisms.

George Monsma's review includes a perceptive summary of most of the arguments in the book. In addition, he presses a question about whether government taxes and subsidies are well depicted with the image of fences around markets. He also asks how government provision (for example, of medical care) would be similarly represented. I would have several responses.

The first is that the spatial image of fences around markets is intended as a model of the market, not as a model of all government activity. There are roles for government which have little to do with the definition of markets themselves, one of which would be government provision of essential goods and services, like medical care or food stamps. In fact, the government is involved, at least indirectly, in all four of the elements of the moral ecology of markets, so it's no surprise to find that some government activities are not well depicted by the fence analogy, designed as it is for only the first, the definition of markets by government prohibitions.

Governments tax a number of activities. To the extent that the goal is simply raising money to cover government costs, there seems to be no need for it to be represented in this model. When the intention is to reduce the occurrence of certain activities (such as smoking cigarettes and drinking alcohol) we can interpret this tax as a kind of fence: a prohibition against the sale of these items without a tax. Finally, there are subsidies to encourage certain activities. Most of these arguably occur in the area of essential goods and services, such as subsidizing the immunization of school children. Similarly governments might spend money to improve the morality of individuals and groups (e.g., civics education in the schools) and the activities of civil society (e.g., through special tax status for nonprofit organizations). If there are subsidies in addition to these that impinge on the definitions of markets (and I'd look forward to suggestions here) then I'd admit that they are not well depicted within this model. Perhaps it can be improved.

Monsma also observes that the moral ecology framework could challenge economists to widen the range of phenomena and motivations that they take into consideration. He sees this as happening already within institutional and social economics. I am in full agreement.

Bruce Webb's review also raises a number of interesting questions. He argues that the treatment of self-interest in the book is incomplete, especially from an economic point of view. He is right. The point of the treatment of self-interest was primarily to address the objection to markets based in moral critique of the unjust effects of some self-interested actions. The book did not attempt to summarize how economists understand self-interest, even though some references were made to that topic.

I would fully agree with Webb that even altruistic behavior is on average affected by economic incentives. And I agree that self-interest occurs not only in markets, but in government, churches, and every other organization that one could imagine, including families and monasteries. Webb goes on to observe that abusive market behavior seems rare and that the average economic actor rarely adverts to the self-interest implicit in daily economic purchases. I would agree, but would point out that the primary reason that abusive behavior in the market seems rare to most of us is that there exist a large number of fences, government laws and rules, that make abusive behaviors illegal and have discouraged them, especially on the part of those for whom personal moral conviction is an insufficient barrier.

Webb argues that "the institutional environment in which we find ourselves gives shape to the ways in which we exercise self-interest, but does not makes us more or less self-interested." I would agree with the first clause but not the second. This may indicate a difference between us in how individualistic our analysis is ("individualistic" not in a moral but in a descriptive sense). A more individualistic view sees each person as constrained by the opportunities available but not basically changed by the situation. A less individualistic view, one I believe sociologists are right about, would say that not only does the opportunity set affect our choices but the socialization that we all undergo—whether in our family of origin, in school at age twelve, or at work as an adult—shapes us internally in significant ways. Thus, a group of children growing up in a ghetto where violence threatens their lives daily might be expected, on average, to grow up to be somewhat different people than they would if they grew up in a more peaceful suburb.

I do not know if there is a similar analytical difference behind Webb's view of my analysis of lobbying. He says that I would prohibit firms from lobbying, but at no point did I make that suggestion. The argument was

about the warrant that can reasonably be used for lobbying. Like him, I am convinced that it is not only firms but legislators and everyone else in the process that is susceptible to self-interest. The point of the analysis of lobbying was not that it must stop. Rather, because the economic defense of self-interest is contingent on the existence of a just moral ecology of markets (i.e., the “game” is set up “properly” from the point of view of the individual making the assessment), this defense cannot be employed to warrant the exertion of self-interest when someone tries to change the rules of the game. It is a fundamental misunderstanding of the economic defense of self-interest to believe that it can justify a firm (or any other group or individual) pressing for rules that favor itself. (There are, of course, other possible justifications available within political theory.)

Webb points out that empirical work is always necessary along with moral claims and that there are often alternative means of solving an individual problem. I would agree wholeheartedly with both of these assertions. He also makes a strong defense of the view of traditions held by Alasdair MacIntyre. Like Webb, I believe that MacIntyre’s analysis can be quite helpful, especially in recognizing how neoclassical economic analysis is not a sort of trans-historical, value-free analysis. However, from the point of view of the book, MacIntyre’s view would be one among many, each of which needs to take a position on each of the four elements of the moral ecology of markets.

Peter Boettke presents a frank challenge to the book. Perhaps the most peculiar part of Boettke’s response is his argument that I hold an erroneous belief about economic method. In describing my views, Boettke asserts that “he doesn’t believe there is a science of economics that is independent of a moral assessment.” His claim is peculiar because this position is nowhere expressed in the book and, in addition, I do not hold it.

Remarkably, Boettke and I have a lot in common on this issue. He advocates the practice of economics “in as approximately a value-neutral manner as is humanly possible.” I agree. In addition, Boettke argues eloquently for the role that empirical economics can play in improving moral choices. Economics “can aspire to be a value-relevant discipline” and can serve “as a tool of social criticism, though never as a vehicle for policy advocacy, and in so doing plays a vital role of putting parameters on utopian aspirations.” Boettke asserts that “normative claims about welfare possess within them positive claims that can be analytically and empirically addressed.” I agree completely.

Thus at a basic level, it would seem that he and I are in extensive agreement on how the economist can and should act in dealing with values. So what is the issue between us?

The problem becomes clearer when we recall an assertion I did make multiple times in the book: that no one can endorse markets or “the market system” without making one or more moral judgments (alongside a number of empirical judgments, of course). I believe it is statements like this that have elicited his strongly negative response, and the judgment that “Finn does not understand certain fundamental issues related to the science of economics.” More concretely, in objecting to my assertion, criticizing Friedrich Hayek, Milton Friedman, and James Buchanan, that competing claims about alternative economic systems can only be adjudicated with a combination of moral judgment and empirical assessment, he retorts that “This statement sums up all that is wrong with Finn’s work.” Elsewhere he asserts that “moral theory is not relied upon to adjudicate the claims, but rather logic and evidence are sufficient for the act of adjudication. In other words, these are claims that can be assessed in an objective manner.”

Part of our difference may be that Boettke takes a more expansive view of what economists can account for—or, perhaps, a narrower view of what is out there in the world worth taking account of. He observes that economics cannot say how a policy maker or citizen should decide a choice of values, but “economics and political economy can tell you the consequences of your answer to that question.” For my purposes here, the key word in this quote is “the”—and his apparent belief that economics can tell us *the* consequences of any decision or policy, as if it could tell us *all* the consequences, or even all the *relevant* consequences of an action. Surely it cannot tell us all the consequences, because some (for example, its effects on the psychic, spiritual, or religious well being of those affected) are beyond the economist’s ken. And the judgment of what is *morally* relevant in the choice of one policy over another cannot be made on empirical grounds alone. But if economics cannot assess or even detect some of the consequences of an economic policy, how can the economist responsibly make a blanket endorsement of that policy on empirical grounds alone? It would seem that only an implicit moral judgment (i.e., that we can safely ignore all consequences that lie beyond the grasp of empirical economic analysis) can justify the claim that economists can, on empirical grounds alone, adjudicate a policy dispute. I believe this is a serious flaw in Boettke’s argument, but for the rest of my response I will put this concern aside in order to identify other problems in his position.

More specifically, I would suggest examining the difference between “endorsing” a particular policy or institution and “providing evidence in support of” it. Endorsement is approval, an overall judgment that this particular policy (e.g., freer trade) or institution (e.g., relatively unregulated markets) is “the best one,” given all the goals we hold and the opportunity

set we face. Providing evidence is a far more circumspect process. It says that one particular piece of the larger argument should be understood in this or that way. For example, “freer trade correlates with economic growth.” Providing evidence is an essential contribution to a decision whether to approve or not; endorsement is the decision itself.

I think Boettke may be failing to distinguish between these two quite different activities, at least in situations when the diversity of moral commitments renders empirical evidence insufficient to warrant overall endorsement or rejection.

For some reason, Boettke’s review is completely silent about chapter 5 of the book, which outlines four separate problems of economic life: allocation, distribution, scale and the quality of relations. That there are trade-offs between diverse moral commitments is one of the primary messages of the chapter. Thus we might say that one significant problem that Boettke ignores is that even when considering a single policy issue (such as rent control or the minimum wage) there are almost inevitably more values at stake in the public debate about that policy than simply the handful of desired outcomes that economists typically examine.

Consider the minimum wage debate, where economists tend to focus on a single desired outcome: the generation of jobs for low skill workers. This goal is very important from a moral point of view. But many people in our society hold the moral conviction that citizens in a prosperous society who work conscientiously for forty hours a week should be able to support themselves in something like frugal comfort and that those unable to find work should receive support paid for by taxes on those who *are* employed. Some of them would even say that workers have a “right” to this. Empirical analysis can clarify the costs of each position, but can empirical insights alone decide that the one moral value outweighs the other?

Or consider the broader goal of economic growth. Boettke cites desired outcomes that correlate with growth, such as improved nutrition, sanitation, housing, literacy, and education. These five empirically definable events are widely valued from a moral perspective and economists can indeed say a lot about them without engaging in moral judgments. But what if economic growth also correlates with the breakdown of traditional communities (such as the loss of the small family farm or of indigenous languages and cultures around the world) that many citizens find an egregious loss from a moral point of view?¹ Can empirical work alone adjudicate the conflict and declare an “objective” endorsement of growth because on empirical grounds we can say that progress on the five values is sufficient to offset the regress on the sixth? Surely this depends on how important the sixth one is, as a value—and this requires a value judgment.

The problem here seems to be Boettke's reliance on what he calls "agreed upon" desired outcomes. If a desired outcome is generally agreed upon, he argues, then economists can use empirical work to decide how best to attain it. I agree. And it's true that large numbers of people can agree on certain desired outcomes one by one. But this process does not generate endorsements, because an endorsement requires starting with *all* desired outcomes that are relevant to the question at hand, and not simply with those we can agree on. Starting with only a list of agreed upon values produces conditional statements: if you want X, Y, and Z, A would be a better policy than B.² In order to endorse A generally, and not just conditionally, the economist would have to know that the list of desired outcomes is complete. That is, the list must include *all* the desired outcomes that are relevant to the policy debate. But as the above examples illustrate, there is almost never such an agreement in a pluralistic society such as the United States. In general, empirical economics has within its power the capacity to provide evidence.

If two particular and extremely rare conditions are present, this provision of evidence could, as Boettke describes, eventuate in a well-warranted overall endorsement of a policy based solely on empirical grounds. First, all stake holders must agree on the list of all the moral values (desired outcomes) that are relevant to the question at hand and, second, there can be no conflicts among those moral values (i.e., furthering any one of them is not detrimental to any of the others). In this rare situation, if we test empirically all alternative policies for their effects on all the values at stake, and one policy does best for all the values, we have an empirically based endorsement.

However, it would seem that, contrary to Boettke's irenic description of moral agreement on desired outcomes, economic policy debates are characterized far more often by disagreements about which values should be promoted and about how to weight competing values in making the necessary tradeoffs.

On another issue, Boettke, similar to Webb, notes that I have not sorted out the differences in the view of self-interest among Friedman, Buchanan, and Hayek. Their point is well-taken and the book would have been stronger had I included a chapter to do that. However, the point of addressing these three economists in chapter 2 was a different one: to investigate their claim, which Boettke also makes, that they can endorse the market system without any need to make a moral judgment. The book looked in some detail at the arguments of Friedman, Buchanan, and Hayek and pointed out a juncture in each man's analysis when he did, in fact, need a moral judgment to complete his system of thought. For some

reason Boettke has ignored most of that argument, and, for example, has not directly challenged my claim that each does, in fact, employ a moral judgment or framework. Boettke refers to Buchanan's "Rawlsian veil of ignorance move," apparently as a way to sidestep my claim that Buchanan needs (and in print did explicitly call for) some sort of public spiritedness at his constitutional convention to prevent the usual special interest log rolling. But it would seem that within Buchanan's constructed world, each knavish man would have little incentive to be sincere when asked to act as if he did not know his own situation as he works with others to set up just rules of the game behind the veil of ignorance. On the contrary, it would seem to be in each man's interest to participate in the exercise, simply pretending to act out of ignorance of his own place, in order to shape the rules in his own favor.³ Thus Buchanan will still need some form of moral sincerity at the constitutional convention—something self-interest alone does not generate.

Boettke also emphasizes the importance of understanding unintended undesirable consequences. At one point he seems not to be familiar with the work of philosophers Michael Walzer and Judith Shklar, but he later proceeds to claim that "Walzer and Shklar (and presumably Finn) are completely innocent of the problem of unintended consequences." This would seem to be quite a leap on Boettke's part, as my own reading of Walzer and Shklar indicates that this statement is not true. In addition, chapter 5 of the book under discussion is largely about the problem of unintended consequences—how an effort to solve one of the four problems of economic life frequently causes unintended difficulties in efforts to solve the other three. Ironically, one of the ways to construe my earlier claim against Boettke in this current essay is that he has chosen to focus on a limited number of desired outcomes and has, unconsciously or not, ignored a large number of unintended consequences of economic growth and development, and even of the market structure as a whole. One of the primary arguments of the book is that we need to put on the table all the values at stake in these debates and all of the consequences (including both the unintended consequences that idealists are ignorant of and those unintended consequences economists tend to ignore, whether by custom or methodological necessity) in order to come to an endorsement or rejection of individual policies and overall economic institutions.

In conclusion, I am deeply grateful for the work of George Monksma, Bruce Webb, and Peter Boettke. Their comments have helped me understand a number of shortcomings of the book. If I have misunderstood or distorted their views, I apologize. I would, in any case, appreciate further interactions.

The point of the *Moral Ecology of Markets* is to provide a common framework with which persons from left to right on the political spectrum could come together and discuss their differences. Bruce Webb ends his essay with a sincere sense of pessimism about the possibility for such conversation. I cannot prove that he is wrong but I hope he is. For example, if Peter Boettke and I can sort out our differences on the relation of moral judgment and empirical analysis, I would hope that he might find the framework of the moral ecology of markets helpful in future conversations of his that occur across ideological boundaries.

The hope remains that those on the left will cease all generalized condemnations of markets and of the exercise of self-interest within markets. Soviet communism employed markets and even Mother Teresa exercised her self-interest in shopping for fresh produce. And I would hope that those on the right will stop talking about “free” markets and “government intervention” in markets. In fact, not even libertarians want a market completely free of governmental restrictions, and governments do not “intervene” in markets but rather define them by constructing the fences that prohibit abuses. If economists working to solve problems related to allocation in the market would more quickly admit that the moral goal of wealth creation at times conflicts with the moral goals identified in the problems of distribution, scale, and the quality of relations—and if the partisans stressing each of those other problems would do the same—we would all be better able to avoid rhetorical excess and wrestle more directly with the real tradeoffs we face.

There are many things all sides to the intellectual conversation about markets and morality can do to reinvigorate discourse where it has withered in the harsh light of ideological purity. This very symposium is an attempt by the editor, I believe, to overcome the impasse that so often characterizes these topics. Although these written essays cannot substitute for face to face conversation, they are a good start. For too long, the like-minded have talked almost exclusively to each other in isolated clusters all along the political spectrum. The issues we face are too important to continue that failed process.

Endnotes

- 1 Some observers will assert that because these losses occur through the rightful choices of many of the individual members of these communities to act contrary to traditional norms, the losses are not morally objectionable, but this too is an ethical not an empirical argument.

- 2 And even here, X, Y, and Z must be precisely enough defined and the unintended consequences of A and B that economists are unable to assess must be able to be ignored without either empirical or moral peril.
- 3 Unlike Rawls, whose veil of ignorance is effective even if only one person—the reader—agrees to enter the original position to develop his views of justice, Buchanan’s argument is that *every* citizen acting only out of self-interest would opt for Buchanan’s just constitution. Rawls counts on self-interest behind the veil of ignorance but he relies on moral sincerity in two important ways. First, Rawls expects that when the reader moves hypothetically into the original position, he will sincerely attempt to decide on the principles of justice as if he did not know his own situation and, second, Rawls relies on the moral sincerity of all participants in the original position subsequently to live voluntarily by the rules of justice developed there, even when the rules run contrary to self-interest. Buchanan’s participants, however, are presumed to be knaves both behind the veil and afterwards. Thus they would have an incentive not only to (surreptitiously) exercise their self-interest when constructing the constitution but also to make insincere promises to later live up to the requirements of just conduct once agreed upon. ■