

Values, Empirical Analysis and Finding Possible Consensus on the Moral Ecology of Markets: A Symposium

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Peter J. Boettke and Daniel K. Finn**

Editor’s Note: *Faith & Economics* book review editor Edd S. Noell arranged this symposium to mark and reflect on the 2006 publication of *The Moral Ecology of Markets*, by Daniel K. Finn (New York: Cambridge University Press. ISBN: 0–521–86082–2, \$65.) The range of views expressed in these essays reflects the range of opinions on this topic and, together with Daniel Finn’s thoughtful response, are a stimulating complement to the book itself.

A Useful Framework for the Discussion of the Morality of Markets

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Daniel K. Finn’s book, *The Moral Ecology of Markets*, is a significant contribution to the discussion of the morality of markets and actions within them. His goal is to provide a framework for discussion of the morality of markets that can enable people from widely diverging perspectives to talk with each other, weighing each other’s arguments carefully and fairly, rather than talking mainly with those who hold similar views and engaging others only to attack them. I think he provides a useful framework for this.

Finn says that we should clearly distinguish between two types of moral questions concerning markets:

1. How should our [market and related] institutions be structured? and
2. Given the institutional structures within which I am living, what will I myself do in my own economic activities? (pp. 146–147).

Regarding the second of these questions he discusses particularly the question of under what conditions, if any, acting in pursuit of narrow self-interest is morally justified. Narrow self-interest “refers to actions in which the self . . . is the intended beneficiary of action” (p. 58). This is the type of action assumed by the standard neoclassical model, which generally goes beyond this to make additional assumptions about what benefits an individual, e.g., assumptions that, other things equal for the person, more

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consumption of a good gives more benefits than less. Although the book has much useful material regarding this question, I believe the heart of the book is Finn's framework for thinking about and discussing the first question: how market and related institutions should be structured. I will discuss this before returning to the question of the morality self-interested actions.

Finn states that there are four fundamental problems [or perhaps questions] that every economic system must address. These are:

1. the allocation of scarce resources to alternative uses,
2. the distribution of goods and services to various persons in the economy,
3. the scale of the economy in the biosphere, and
4. the [quality of the] relations that exist among persons in economic life (p. 5).

In chapter 5 Finn demonstrates that persons of various perspectives, from libertarian to communitarian to Marxist, see that there are questions that must be answered in each of these areas, and that current market systems have problems in them, although their views on what the particular goal in an area should be are often widely different, as are their views on which problem or problems are more important. But recognizing that all have concerns in each of these areas, and that their concerns are somewhat different, gives a framework for persons from different perspectives to discuss the bases for their evaluations of markets without simply talking past each other. Finn also correctly states that moral standards are necessary for deciding the relative importance of the four problems and of the various goals and values implicit in any perspective's approach to them. Evaluation of any market system cannot be made on a purely "scientific" basis, but must involve both moral judgments and empirical analysis.

Finn also shows that these problems are all interrelated. Actions to try to improve results in any one area may worsen results in another area (as evaluated according to a particular set of values). For example, as commonly discussed by economists, redistributive taxes and transfers may reduce the level of total output, which many would take as a worsening of the allocation result. And higher output may damage the biosphere. Other problems that Finn mentions are less commonly discussed by economists; for example, "the tendency of the market to undercut communal ties and traditional values" (p. 94) when pursuing goals of allocative efficiency. Moreover, the cost of improving or maintaining the quality of interpersonal relationships may reduce the willingness to give up potential production to address problems of distribution or scale.

But it is also true, as Finn points out, that there are potential positive interactions between the various areas. For example, if people perceive a system or workplace to be more equitable, they will often be more productive in it. And attention to the scale in relation to the biosphere (which involves not only over-all scale, but also the scale of use of particular natural resources and capabilities) and to the quality of relationships is necessary for the preservation over time of the possibilities of maintaining production (allocation problem). This brings up the fact that reproduction, “the necessity of investing resources simply to maintain the capacity one already possesses” (p. 78), is an important problem that must be attended to in all four areas if any system is to continue to perform well.

In Part II, Finn turns to the question of the justice of markets. He states that we should not ask the question “Are markets just?” because this “has generated simplicities on all sides that have undercut a real dialogue on the issue” and “has effectively distracted both scholars and the general public from debates about the real issues that divide us” (p. 103). Instead we should look at any particular market system in its social, political, and cultural context, its “moral ecology.” Finn identifies four elements which make up the moral ecology of markets:

1. The Construction of Markets by Government (p. 126, also referred to as the character or extent of markets),
2. The Provision of Essential Goods and Services (p. 127),
3. The Morality of Individuals and Groups (p. 132),
4. The Presence of a Vibrant Civil Society (p. 138).

Finn maintains that “these elements are present, at least implicitly, in every moral evaluation of markets, whether endorsement from the right or criticism from the left” (p. 105), and gives examples of this from the work of people from a variety of perspectives. His “goal is to provide a framework for understanding the diverse positions on markets as addressing the same fundamental issues—but with different moral and empirical presumptions” (p. 105). The presumptions are related to the four problems of economic life and proposed policies to deal with them. Only when the moral judgments and empirical assessments are delineated can we understand and adjudicate “competing claims about alternative economic systems” (p. 105). Thus, instead of asking “Are markets just?” we should ask “Under what conditions are the outcomes of markets just?” (p. 105), taking into account this complex moral ecology.

Regarding the first element, Finn proposes a spatial analogy: markets as an arena for voluntary making, accepting, and rejecting any offers that a person wants. No society allows all such offers to be made or accepted

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(e.g., offers of payment for killing a competitor). Governments place fences around the arena, fences which prohibit “abusive” acts by the threat of punishment. Some potential economic exchanges are prohibited altogether (e.g., procuring murder), but some regulations forbid a type of transaction only under certain conditions (e.g., practicing a profession without a license or charging interest on a loan above a certain amount). People may advocate placement of fences in order to improve, in their view, the outcomes with respect to any of the four economic problems, allocation (e.g., anti-trust laws), distribution (e.g., minimum-wage laws), scale (e.g., prohibitions on certain types of pollution), or human relations (e.g., laws requiring worker representatives on management boards of corporations).

The question that citizens and government policy makers have to answer is where the fences should be drawn in a particular society at a particular point in time. People holding different perspectives will advocate placing the fences in different locations; e.g., a libertarian would want to allow more within the area of voluntary exchange (in the extreme case, anything that did not involve force or fraud) than would a Marxist, who would want to prohibit private ownership of the means of production, because the two would have very different beliefs about what is “abusive.” Different societies will place the fences in different locations, some allowing transactions that others forbid. Besides differing beliefs about moral values, differing assumptions or empirical conclusions about the effects of the placement of the fences will influence conclusions about where the fences should be placed. The context in which the market operates (the other three elements) will also influence people’s ideas regarding the proper placement of the fences. If, for example, all essential goods and services are provided to all people, there would be less reason for fences against activities that might deprive some people of them (e.g., low wages or discrimination in labor markets); if all people acted in line with a moral belief that it was wrong to cause a certain type of pollution or use more than a certain amount of a finite resource, there would be less reason for fences prohibiting these activities; if civil society institutions provided important information about the effects of the production and use of certain products, there would be less reason for fences that prohibited the sale of these products without the seller providing this information.

I believe this model is a useful way to structure thought and debate about policy issues relating to how markets should be structured in order to attain the most justice possible. It would organize the debates over government policies by requiring that those from each side give the moral and empirical justification for placing a fence in a certain place. But it

is not clear to me how some types of government policies to deal with economic problems would be understood within this model. How, for example would taxes or subsidies to deal with external costs or external benefits fit here? They do not prohibit certain voluntary transactions; they only make them more or less expensive, so the fence metaphor does not seem to fit well. The area within the fences is supposed to be the area of completely voluntary transactions, and Finn does not talk of government modification of behavior there, so taxation or subsidization does not seem to fit within the fence. The area outside of the fence represents “abusive” behaviors, and Finn does not talk of the government allowing them under conditions of paying a tax to do so, so they do not seem to fit there. I expect the best way to fit them into the spatial metaphor is to consider them another type of fence, i.e., another type of regulation, but that seems somewhat forced to me.

Judgments about the justice of a particular set of market outcomes are also influenced by judgments about the provision of essential goods and services, the second element in Finn’s moral ecology of markets. Even libertarians who believe that force and fraud are unjust will base judgments about justice in a society in part on whether protection from these are assured to all citizens. Even if the fences are placed in such a way that force and fraud are placed outside them, if all citizens are not given protection against these by police and judicial agencies, whether they can pay for it or not, the outcomes of the market will not be just, because not all people will obey laws against force and fraud. And even scholars such as Milton Friedman and Friedrich Hayek did not object to the provision of a basic minimum income and opportunities for education (p. 128). Of course, based on different moral judgments, many others will want to go beyond these things in their list of essential goods and services, some including such things as a measure of equal opportunity for education and work, access to some standard of food, shelter and medical care, opportunities for decision-making about the use of one’s labor and/or other resources of the society, etc. The government need not provide things deemed to be essential from a particular point of view directly, but there should be legal provisions guaranteeing access to them for all if there is to be justice from that point of view. (e.g., if a certain level of medical care is deemed essential, the government does not have to provide it directly to all in order for there to be justice, but it must assure that all who cannot afford it themselves have access to it or the outcome will not be just.) Finn is correct that directly addressing questions of essential goods and services is important for understanding different positions on the justice of markets and coming to personal conclusions about them.

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But, as with taxes and subsidies to influence people's incentives, I have some trouble seeing how government action in this area fits into the fence metaphor. Unless all essential goods and services would be provided to all voluntarily, due to the high level of morality of individuals and groups and/or the actions of civil society organizations, the government will have to finance the provision of them for some people, via taxation. Where, spatially, do taxes and government spending for this purpose fit? And of course, in any but a perfect world there will at times be trade-offs between more fully providing essential goods and services to all and some of the other requirements for full justice in a society.

Finn's third element in the moral ecology of markets is the morality of individuals and groups. He says "very few people would find markets morally attractive if all individuals sought only their own narrow interests and tempered this focus only in the face of laws limiting their activities" (p. 132). Since human law cannot prevent all immoral or even all unjust acts, the more individuals and groups voluntarily act morally (and justly), the better (and more just) society will be. Furthermore, economic models that assume that persons and firms always act in their own narrow self-interest, understood in a materialistic sense, cannot explain significant aspects of economic activity. A broader examination of human behavior, that recognizes multiple motivations, including views of what is right and just, is necessary to both explain outcomes of various markets, and to see the range of options for improving them. Empirical investigations of the effects of the operation of markets in various moral contexts on the morality of the people and groups in them over time are important in evaluating the operation of particular markets. Finn points out that the behavior of people and firms (and other organizations) will be influenced by things beyond their control, e.g., the presence of civil society institutions reporting on various firms' treatment of workers or effects on the environment, and laws regarding who is represented on the board of directors of corporations and their legal responsibilities.

The presence of a vibrant civil society is the fourth element in Finn's moral ecology of markets. For Finn, civil society includes many different voluntary associations larger than the family but smaller than the state. Individuals sometimes join them to pursue narrow self-interest and sometimes to promote what they see as the common good. They influence decisions about where to place the fences around markets, as well as decisions about essential goods and services, and influence the morality of actions of individuals and groups. Thus they influence the other elements of the moral ecology of markets as well as the answers to questions regarding the four economic problems. No moral evaluation of a particular market

will be complete without an evaluation of its civil society.

In view of the importance of all four elements of the moral ecology of markets, an evaluation of the justice of the outcomes of a particular market system, or more broadly, a moral evaluation of the system, will only be an evaluation of that particular market system in its context, not an evaluation of markets in general.

This review began with two moral questions. The first was: “How should our [market and related] institutions be structured?” Finn’s analysis clearly says that in order to answer this question we will have to include consideration of all four elements of the moral ecology of markets in our society and the answers that various structures will give to the questions in the four problem areas. Even for a person with a particular set of moral principles the best answers about the placement of fences in one society at a particular time will not necessarily be true for that society at other times or for other societies. Both moral principles and empirical analysis of the consequences of various policies and actions will always play a role in such an evaluation.

The second question was: “Given the institutional structures within which I am living, what will I myself do in my own economic activities?” Again an answer to this will have to include consideration of all four elements of the moral ecology of markets in which I am living, an estimation of the effects of various actions on the outcomes in the four problem areas, and my moral principles. Finn in particular asks whether or not narrowly self-interested actions are morally warranted. He concludes that from each of the various perspectives he discusses a *general* moral approbation of self-interest is not warranted, because that will not always lead to results that are just. He says: “acting in one’s own interest . . . is just (or moral) only if the context is the right one, a judgment that requires both moral analysis and extensive social scientific investigation of the cultural and institutional situation” (p. 148).

Finn’s goal in the book is to provide a framework for clarifying thinking, discussion, and debate concerning moral evaluations of markets, decisions about structuring them, and individual actions in them. I believe he has provided a useful framework for this.

What implications does this have for Christian economists? If one accepts, as I do, Finn’s conclusions that an empirical understanding of all four elements of the moral ecology of markets in a given society is necessary to understand and evaluate the market outcomes in that society, to suggest how the market structure should be changed, if at all, to improve those outcomes, and to make morally valid judgments about personal economic behavior, then there is need for an economic theory that does

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not assume people and institutions act only out of narrow self-interest and which considers the interactions of various social institutions. Use of methodologies such as those of the Institutional and Social Economics schools, which are more inclusive in their consideration of a diversity of motivations for and influences on economic action, and which consider the interactions of economic, political, social, and religious aspects of society and their development over time more fully than do Neoclassical models, will be necessary if we are to be able to give guidance to the Christian community on these questions.

In order to give such guidance we, in collaboration with Christian theologians and ethicists, will also have to articulate standards for evaluation of economic outcomes in the four areas that Finn articulates, including some estimation of the relative importance of them in various situations. There is, of course, much disagreement within the Christian community about such standards and their relative importance. While most, if not all, would say Christians should be good stewards of God's creation and that justice is important, these are interpreted in different ways by different Christians. It is important that we discuss these issues, and Finn's framework can be useful in this. While it is not possible in this article to propose and argue for such a set of standards, a few examples of issues that will have to be addressed may be useful.

Regarding allocation, Finn states that the general goal in this area is to increase production. Those who stress this goal are concerned with wealth creation and efficiency. Particular issues for Christians to consider here include what measures of value of production and definitions of efficiency should be used. Gross Domestic Product and Pareto Efficiency have serious problems as measures of value of production and efficiency, given the effects of sin on human valuations of goods and services and vastly unequal distributions of income and wealth in many societies.

Regarding distribution, almost all Christians would agree that economic justice requires that all have access to what is necessary for life in their society (if resources are able to provide that), but there is considerable disagreement over just what that involves in a given society, and what other things are required for distributive justice. Many include such things as opportunities to develop one's talents and use them productively, opportunities to have a role in deciding how one's labor is used, and some share in deciding how other resources in society are used. It is important for the Christian community, including Christian economists, to continue to study these issues. (For a number of statements on the economy by Christian churches and groups see Stackhouse *et al.* 1995, pp. 427–495).

Regarding scale, there is increasing concern among Christians about the effects of the economy in the United States (and elsewhere) on creation, including the effects on global warming. Most Christian statements stress our responsibilities as stewards to care for God's creation, although considerable disagreements remain about just what that involves. In addressing questions in these areas Christian economists will have to work with natural scientists as well as ethicists and theologians.

Questions to consider in the area of the quality of human relationships include what individual and group practices and what structures for the economy will best treat people with the respect due them as people created in God's image, and how loving, cooperative, trusting relationships can be encouraged in a competitive market economy. To adequately consider these questions sociologists and psychologists will have to be brought into the discussion.

The task before us is complex, but Finn's book gives us a useful framework for pursuing this task.

Reference

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The Quest for “Mutual Understanding”: A Response to *The Moral Ecology of Markets*

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Daniel Finn’s book will be of great interest to all who participate in or monitor from the outside the “morality of markets” debates. Christian economists should take a special interest for two reasons: first, because our faith compels us to strive for justice and investigate charges of injustice¹ and second, because our training as economists gives us the necessary understanding of how markets work, which, in these debates, is often in short supply. But can anything new be said on these matters? Finn claims that, “The most fundamental argument of this book is that the lack of a true dialogue on the morality of markets cannot be attributed to the depth of disagreement on the issues at stake but must be ascribed to a failure of mutual understanding on the part of the contending parties” (p. 7). We shall see below whether or not Finn is successful in advancing the cause of “mutual understanding.”

The gist of Finn’s argument runs along the following lines. Libertarians seek to defend markets without recourse to moral claims. At this they have failed, because any defense of markets necessarily involves some moral claims, and indeed libertarians do accept some claims, though often implicitly. Having made this point, Finn sets forth several specific claims made by those who would defend or criticize markets on moral grounds. No attempt is made to resolve these claims and counter-claims.

Instead Finn proposes that we view the debates about markets as disagreements about how we should address the “four problems of economic life”—allocation, distribution, scale, and quality of relations—which all economic systems must address. “The point of this schema is to sort out the four problems from one another and to provide a way to get all four sets of issues on the table when some parties to the economic policy debate conveniently forget about the other three problems in their enthusiasm for solutions to one of them” (p. 98). The relevant choice in the twenty-first century, he suggests, is not between addressing these problems through totally free markets on the one hand, or some sort of centrally planned system on the other, since all real-world economic systems include some mix of markets and government involvement. Market systems provide some boundaries that limit or prohibit certain practices, and planned economies allow some decisions to be made by individuals.

Furthermore, the morality of markets cannot be judged in isolation from the “moral ecology” within which they operate. This moral ecology

begins with the “construction of fences” that defines the bounds of allowable market activity. Activities that are considered to be “abusive”² are prohibited while within the established fences people are free to pursue their own interests. Finn introduces the metaphor of “fences” to describe the way in which a society allows certain activities and restricts or prohibits others. What is in dispute is not having fences or not having them at all, but about where to construct the fences. Even Libertarians, Finn notes, rule out certain actions (fraud, coercion). In addition to establishing fences, the moral ecology of markets includes “the provision of essential goods and services, the morality of individuals and groups, and civil society” (pp. 126–127).

In brief, Finn seeks “true dialogue” and “mutual understanding” between market critics and defenders through common recognition of four propositions. First, the defense or criticism of markets necessarily involves explicit or implicit moral claims. Second, all economic systems must address the same set of problems. Third, the relevant question is not whether there should be limits placed on markets, but where to define the limits. Fourth, markets are defended or criticized within the context of a moral ecology.

Two points stand out in this account of the morality of markets debates that I find especially helpful. First, Finn argues convincingly that any defense or criticism of the market necessarily involves explicit or implicit moral claims. Those who defend markets do so because they think that markets lead to desirable outcomes, while market critics find certain outcomes undesirable. But what are judged to be desirable or undesirable outcomes depends on the moral values of the person passing judgment and (I would add) the rank that each value holds in his or her moral hierarchy. The latter is especially important in the economic sphere where tradeoffs are inevitable. Willingness by all parties to acknowledge and openly state their moral values would certainly promote mutual understanding.

Second, Finn makes a compelling case that markets are properly evaluated within their moral ecology. Markets are more likely to gain broad support when market participants act honestly most of the time, when the poor are protected with a safety net, when laws are fairly enforced, when discrimination is outlawed, and when churches and other organizations provide assistance to those whose chances of success in the market are limited (the sick, the disabled, the elderly). From a strategic point of view defenders of markets would do well to acknowledge that this is the case (as some have³) and seek to improve upon the existing moral ecology. Likewise, market critics could promote mutual understanding by specifying the sort of moral ecology that would make markets acceptable.

While acknowledging these strengths, I will now address some shortcomings of Finn's book that hinder the goal of mutual understanding. The first is his treatment of "self-interest." Others involve the omission of important topics that affect the likelihood of achieving mutual understanding.

Concern about the morality of, and needed curbs on, self-interest is central to Finn's argument, since if self-interested behavior leads to "abusive" outcomes, it should be regulated or prohibited. Finn asserts that "mainstream economics today presumes that every action taken by the individual is self-interested, in the sense that it pursues some interest of the self" (p. 55). This "dominant view," he suggests, is a form of "psychological egoism," which claims that every human being seeks his or her self-defined good, which might include the interests of others. He points out that such a proposition is tautological and thus yields no testable predictions. To get around this problem he defines what he calls "narrow self-interest," which "refers to actions in which the self (perhaps including a few loved ones near the self) is the intended beneficiary of the action" (p. 58). Furthermore, he rejects the notion of self-interest "rightly understood" as it fails to distinguish between actions taken to serve the self, that happen also to help others, and actions taken with the intent of helping others, that happen also to benefit oneself. The latter is worthy of moral praise, on the basis of intentions, while the former is not.

Does Finn's account of self-interest promote mutual understanding? I think not for three reasons. First Finn, along with many economists and critics of economics and markets, fails to distinguish carefully between the complex set of motives that actually drive human action, and the way economists model these motives. In economics, self-interest is a simplifying assumption that is not meant to capture the full range of human motivations. While our economic models begin with "the (representative) individual"—formerly "economic man"—who is assumed to act in a narrowly self-interested way, there is no need to assume that all "real world" individuals are narrowly self-interested. All that is necessary is for individuals to be narrowly self-interested, or at least to act as if they were, for economists to make good predictions.

Furthermore, the ultimate purpose of such modeling is to make predictions about markets, not individuals. Economists do not possess all the necessary information about tastes and motives to predict individual behavior. Some individuals will respond to changes in market incentives in ways that run counter to the predictions of our models. The goal, however, is to predict market outcomes after a change in one relevant variable, often

a price, at the margin, while holding other factors constant (tastes, morals, etc.).

As Lunn and Klay (1994) observe, economics predicts that elimination of the tax deduction for charitable contributions will reduce the overall amount of such contributions. Some individuals, at the margin, will reduce their contributions by various amounts. Others may not change their level of contributions, while a few may increase their contributions. But none of this matters as long as the goal is to predict the effect on aggregate contributions. And there is little doubt that aggregate contributions will fall. Again quoting Lunn and Klay (1994): “Does the neoclassical economic model completely describe human behavior and motivation? Obviously not.... Economics does not try to explain the behavior of every specific individual. Instead the theories are intended to explain and predict the net result of the actions of many people” (pp. 147–148).

Second, Finn’s account of self-interest fails to recognize that in most market exchanges neither the buyer nor the seller takes explicit account of his or her self-interest, nor the interest of others, but each simply “goes about his or her business.” When I stop on the way home from work to buy a loaf of bread and a gallon of milk, I make no utility calculations nor do I consider possible tradeoffs. I simply select the items, pay my bill, and head for home. The “problem” of self-interest arises only when I as an economist (or someone else) seek to analyze my behavior. My decision can be analyzed as one in which I seek my self-interest because I base my decision on factors such as convenience, bargains, and other factors that matter to me, but such expressions of self-interest are surely benign.

But how often do “abuses” arise on account of self-interested behavior? A bit of introspection is helpful here. If each of us reflected on the many economic transactions we have undertaken in the past year we would likely conclude that the vast majority of these transactions occurred without the slightest hint of “abuse.” I am generally satisfied with the results of my transactions, and if I am not, the situation is usually corrected. As far as I can tell the seller with whom I do business is also satisfied. This is what happens when we have competitive markets and people freely exchange with one another. This is not to say that self-interested behavior never leads to “abuse.” One need only recall the scandals at Enron, WorldCom, and Tyco (among others) to demonstrate self-interest run amok. But I would venture that in the vast majority of cases self-interested behavior does not do so, and this leads me to conclude that the burden of proof falls on market critics to show the conditions under which abuse is likely to occur.

A third troubling aspect of Finn's account of self-interest is that he seems to equate self-interested behavior with market behavior. In defining market boundaries as those within which self-interested behavior is allowed to operate, he ignores the theory and evidence that such behavior can and does arise in government and, I suspect, all human institutions. As the field of Public Choice Theory has made clear, politicians and government bureaucrats may be motivated by self-interest in the same way as market participants. As a result, "abuses" can be expected in the political arena as well as markets. A government bureaucrat might seek to enlarge his budget, or the number of workers reporting to him, so as to increase his salary or prestige rather than to improve service to the public. A politician might support new government spending in his or her district in spite of large budget deficits. In my view, self-interest is a human characteristic that has been affected by the Fall. The institutional environment in which we find ourselves gives shape to the ways in which we exercise self-interest, but does not make us more or less self-interested.

This line of thought is relevant to an assessment of Finn's claim, in the final chapter, that corporations should not be allowed to lobby. Finn claims that it is wrong, because "when firms are involved in the process of creating the fences . . . they are involved not within the market but in the definition of the market" (p. 150). Using the analogy of a hockey game, he asserts that a team is justified in pursuing its self-interest (winning) within the rules of the game, but not in proposing rule changes that would give the team a clear advantage. Firms, then, can rightly pursue their self-interest within the rules (fences) established for market activity, but ought not to lobby to create or amend the rules themselves. The concern here is that if self-interested parties set the rules, then the rules themselves are likely to be unjust.

It is interesting that Finn limits his concern to lobbying by firms. But what about (self-interested) consumer groups, (self-interested) trade unions, or (self-interested) environmental groups? It would seem to be a real stretch to view such interest groups as being concerned only with the common good. Would Finn prohibit lobbying by these groups as well? Special interests always claim that the policies they endorse will serve the public interest, and it is possible that they will, but such policies will surely bring benefits to the interest group.

This brings us to a "which came first" question: Do firms (and others) lobby because they know that politicians are ready and willing to exchange favored treatment for campaign contributions? Put another way, does the problem lie with the lobbyists (and their principals) or with the politicians? I suspect that it lies as much with the latter as the former.

The decision to lobby (i.e. engage in rent seeking) seems to me to be well explained by public choice economics. Firms compare the expected return from investing in productive activities with the expected returns from rent seeking, and direct their resources to whichever option they expect to yield the greater return. Other interest groups do the same. If lobbying by one interest group (i.e. firms) is banned because it would seek to change the rules-of-the-game in order to gain some advantage, such a ban should apply to other interest groups as well.

Moving beyond his treatment of self-interest, I believe that Finn has omitted, or given insufficient attention to, some important matters that bear on the potential resolution of conflicting moral claims. The first of these is the important connection between moral claims about the market and the “traditions of moral inquiry,” to use Alasdair MacIntyre’s phrase, out of which they arise. According to MacIntyre (1988), moral claims necessarily draw from and are defended on the basis of the resources provided by some tradition. In his words, “There is no standing ground, no place for enquiry, no way to engage in the practices of advancing, evaluating, accepting, and rejecting reasoned argument apart from that which is provided by some particular tradition or other” (p. 350). Later he says that

... it is an illusion to suppose that there is some neutral standing ground, some locus for rationality as such, which can afford rational resources sufficient for enquiry independent of all traditions. Those who have maintained otherwise either have covertly been adopting the standpoint of a tradition and deceiving themselves and perhaps others into supposing that theirs was just such a neutral standing ground or else have simply been in error (p. 367).

I am convinced that MacIntyre is correct, and have argued so elsewhere (Webb 1994).

Traditions are necessary because they provide us with the “rational resources” to engage in moral inquiry and out of which to construct moral arguments. But they also make it more difficult to reach agreement because each tradition sets the ground rules for judging moral claims. These rules include agreed upon first principles, foundational texts, and the nature of acceptable evidence. What stands as a perfectly defensible claim from the perspective of one tradition may be viewed as false from the perspective of another tradition.

Second, although Finn rightly points out that one cannot defend or criticize the market without adopting explicitly or implicitly some moral claims, he fails to make clear the equally important and valid point that moral claims about complex systems such as markets will always involve explicit or implicit empirical claims. For example, among the criticisms

Finn lists are the claims that “Markets encourage greed” and “Markets threaten the environment” (p. 62). His list of moral arguments for markets includes the claim that “Markets encourage invention and technological change” and that “Markets encourage political freedom and democracy” (p. 41). Taken at face value these are not moral claims at all, but are strictly empirical claims that can be argued using the methods of empirical analysis. Of course, embedded within each of the claims cited above is an implicit moral judgment: greed and threats to the environment are bad; technological change, freedom and democracy are good. But agreement on these implicit moral values will not necessarily produce agreement on the claims as stated by Finn. The latter will require empirical as well as moral analysis.

This suggests a third missing element in Finn’s account. Sometimes, we can agree on “abuses” but disagree about the means to eliminate them. For example, we might agree that assistance is needed for workers whose wages fall below a certain level, but disagree about what should be done. Some will propose an increase in the minimum wage. Others will oppose this policy on account of concern for the unemployment effects of the minimum wage among the very people that the policy is intended to help.⁴ They might instead propose an expansion of the EITC or more money for job training. The contending parties agree on the goals but disagree about how best to achieve them.

Finn concludes his book on an optimistic note:

In sum, the most fundamental conviction behind the argument in this book is that all participants in the debate about the justice of markets are already addressing the same four elements of economic life and taking positions on the same four elements of the moral ecology of markets. In spite of significant differences of perspectives, because we have common problems to face and a common framework in play, what we need is a common conversation (p. 154).

Who indeed could oppose this “common conversation”? Yet the success or failure of conversation will depend crucially on the extent to which we recognize how our views have been shaped by one or more “traditions” of inquiry: theological, moral, and economic. Good will alone will not bring about a fruitful conversation. For that we need to understand the assumptions and “rational resources” provided by our various traditions of inquiry, and look for common ground with those who draw from quite different traditions.

Over the years, members of ACE have been involved in numerous conversations about the role of government in the economy (i.e. the construction of fences) and the morality of markets. Some of these conversations (e.g. the Baylor conference in 2002) bring together economists, theologians, and social ethicists in an effort to find common ground. I have found these efforts to be hugely frustrating and, if judged by the goal of seeking common ground, utter failures. I doubt that I am alone in this experience. The various parties tend to talk past one another, using different language, and invariably fail to understand the other's point of view. Members of ACE will acknowledge similar sources of disagreement among the body of Christian economists.

This brings us once again to the matter of traditions. In addition to coming from different theological traditions, Christian economists align themselves with different economic paradigms (traditions) that affect the ways in which they view and understand economic realities and the ways in which they go about resolving disagreements. If the body of Christian economists, given what we hold in common, finds it difficult to resolve disagreements, how much more difficult will it be for the far more heterogeneous body of those engaged in the morality of markets debates? In spite of Daniel Finn's best efforts I am unable to share in his optimism.

Endnotes

- 1 See William Temple (1977). "The Christian cannot ignore a challenge in the name of justice. He must either refuse it, or accepting it, devote himself to removal of the stigma. The moral quality of the accusation brought against the economic and social order involves the Church in "interference" on pain of betraying the trust committed to it" (p. 37).
- 2 I wish that Finn had chosen another word. Some readers might minimize the breadth of the outcomes and behaviors he has in mind by limiting them to the worst (truly abusive) cases. Others might conclude that all undesired actions or outcomes are equally morally reprehensible.
- 3 Though he reaches conclusions with which Finn might disagree, I find Michael Novak's vision of "democratic capitalism," with its three mutually reinforcing components—a capitalist (market) economy, a democratic political order, and a vibrant moral/cultural order—to present another, but not incompatible, version of moral ecology.
- 4 See the recent comprehensive review of the evidence by Neumark and Wascher (2006).

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From Approximate Value Neutrality to Real Value Relevance: Economics, Political Economy, and the Moral Ecology of the Market Order

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Several years ago I participated in a conference at the National University in Galway, Ireland. During the conference a critic of Ireland's economic reforms of the 1990s spoke and as he took the stage he told the audience that he refused to study economics and was proud that he never learned the perverted teachings of the discipline. After an hour of ranting he closed his speech. The first question came from a friend of mine, Michael Munger of Duke University. Mike was extremely well-trained as an economist in the public choice tradition at Washington University of St. Louis where he worked with Barry Weingast, Ken Shepsle, and Art Denzau, among others. Weingast and Shepsle have since moved to Stanford and Harvard respectively to become political economists working in political science departments, and Denzau works now at the Claremont Graduate Center where they have a PhD program that specializes in economics and political economy. Mike has in fact followed a similar path and is now one of the leading political scientists in the American academy and is the Chairman of the Department of Political Science at Duke. So when Mike rose to speak he said perhaps the best line I have ever heard at a conference: "I am an economist by training, but a political scientist by vocation. But the one thing that has always amazed me throughout my career is how people are so willing to admit their utter ignorance of economics, yet joyously proceed to waste an hour of everyone's time proving it to us." The speaker did not know what to say. Mike had cut him to the quick.

Was Mike cutting the dialogue short or was he raising a relevant point? I would argue that the correct answer is Mike had responded perfectly appropriately given the context and the nature of the speaker's argument against the teachings of economics and the market economy in particular. Daniel Finn's *The Moral Ecology of Markets* laments the non-existent debate between critics and advocates of the market economy. His book sets out to develop a common language and a framework for the two sides to engage one another. But the real problem is that sometimes the position held by the non-economist on these issues of the moral assessment of the market economy is simply uninformed. It is not just that the economists and the critic lack a common language with which to speak to one another; the

critic simply lacks knowledge of the argument and the evidence marshaled in its favor. He is existing in a state of blissful ignorance of economics. One of my favorite economists, Murray Rothbard (1970), put the matter this way in a critique of the New Left economics of the late 1960s:

It is no crime to be ignorant of economics, which is, after all, a specialized discipline and one that most people consider to be a 'dismal science.' But it is totally irresponsible to have a loud and vociferous opinion on economic subjects while remaining in this state of ignorance.

There is indeed a science of economics, rather than just a series of mere opinions that can be contested with the opinions of sociologists, historians, political scientists, theologians, philosophers, and lawyers. But while Finn is to be applauded in at least trying to read the literature in economics in a charitable way, he runs into a real intellectual wall in this dialogue by not understanding the scientific component of economics and political economy.

Finn has written what is at one and the same a fascinating and frustrating book. Finn's work is very well constructed and his argument (though ultimately flawed in my judgment) does follow in a logical fashion and he does (for the most part) provide a charitable reading to his intellectual opponents. The book ultimately is frustrating because Finn does not understand certain fundamental issues related to the science of economics and the use of the discipline of economic argumentation in the art of political economy. But rather than rehash his argument in full, I want to use the occasion to spell out the relationship between economics and political economy and how these disciplines engage the moral questions associated with social organization founded on the private property market order.

To put it very bluntly, economics and political economy, as such, cannot strictly speaking tell you whether or not profits are deserved or not, but economics and political economy can tell you the consequences of your answer to that question. This ability to inform on the consequences of moral choices has profound implications for the reconstruction of moral theory along lines that will make it relevant for the real world of human interaction. Economics properly understood ties moral theory down and prevents it from becoming a free-floating abstraction.

My basic message is that political economy can aspire to be a value-relevant discipline only to the extent that the economics that undergirds it is practiced in as approximately a value-neutral manner as is humanly possible. Economics, so practiced, serves as a tool of social criticism,

though never as a vehicle for policy advocacy, and in so doing plays the vital role of putting parameters on utopian aspirations. In discussing these issues, I will follow Finn in focusing my discussion on the pro-market side to the discussion found in Milton Friedman, James Buchanan, and F. A. Hayek.

The Positive and the Normative in Economics and Political Economy

Economics and political economy has opened up to a wide variety of insights from other disciplines over the past decade and a half. There are many reasons for this, but in the field of political economy one of the primary reasons has to be the difficulties associated with the transition societies after the collapse of real-existing socialist regimes in East and Central Europe and the former Soviet Union, and the plight of underdevelopment that plagues both Latin America and Africa. The former socialist economies were characterized by inefficient production and consumer frustration. Shortages and poor quality of goods and services were the experience of everyday life. When the regimes collapsed and the transition was embarked upon in 1989, the original recipe for economic transition consisted of privatization and price liberalization. I refer to this stage as “Get the Prices Right.” It became apparent fairly quickly that the necessary price adjustments would not result in the required changes to economic life unless there were also changes in the institutional infrastructure of society. Alternative supply networks need to be allowed to arise through the elimination of barriers to entry, and property rights and contracts must be enforced by a rule of law. The policy mantra moved from “Getting the Prices Right” to “Getting the Institutions Right” by the mid 1990s. But it became apparent that the establishment of the right institutions was a function of deep belief structures that reside in a people, and the historical experience of a people. In short, culture matters. Figuring out precisely how to “Get the Culture Right,” however, is far more complicated than the relatively more straightforward questions of prices and institutions.

Grappling with this experience of post-communism, as well as the plight of underdevelopment, has forced economists and political economists to think seriously about the moral element in social systems of exchange and production. Finn’s core message that discourse in political economy must be framed in a manner where the political/legal, and social/cultural elements are aligned alongside of the economic/financial elements is well-taken, but also no longer a unique position.¹ The embedded nature of social cooperation through the market system is actually a point that has a long and distinguished history in the discipline of political economy from Hume and Smith to Hayek and Buchanan. It is important to distinguish,

however, between the positive and normative analysis of this embedded nature, including in particular the discussion of the moral element in market interaction.

The positive analysis can be divided into an analytical proposition about norms and transaction costs, and then two empirical claims about the relationship between value systems and the market economy. In both the analytical and the empirical cases, the important point to stress is 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.

The analytical proposition can be stated as follows: there are basic moral prerequisites for a market economy to function effectively such that we can state that a free society will work best where the need for a policeman is least. The economic argument behind this proposition is that the internalizing of norms of respect for the property of others and honesty in dealings will lower the transaction costs of realizing expanded trade among anonymous actors. In his *A Treatise on Human Nature*, David Hume argued that social cooperation depended critically on the institutions of property, contract and consent, and perhaps summed up the point best when he said, “The freedom and extent of human commerce depend entirely on a fidelity with regard to promises” (1739, p. 546). Assessing this claim has little to do with our moral assessment of commerce or of promise-keeping, but with regard to the economic logic exploring the costs and benefits of transactions and how we come to engage in dealings with others through time and over great distance.

The empirical claims that emerge from this understanding of the foundations of social cooperation in a market economy can be summarized as follows:

1. If it is the case that certain values are required for social cooperation through the market to yield generalized prosperity, then the formal rules of just conduct must be legitimated by the informal norms of just conduct; otherwise, the monitoring costs will be too high. The source of social order, in other words, is to be found in the informal norms and conventions. This ultimately relates to the debate between legal positivism (where the state is the source of law) and common law practice (where the law evolves and bubbles up from the conflict-reducing practices of the people). Again, assessing this claim does not require an assessment by the analyst of the moral status of trade and commerce; what it does require is an empirical examination of attitudes

and beliefs in a population and how those attitudes and beliefs sustain or undercut trade and commerce.

2. Certain market practices reinforce moral norms of civility, thrift, prudence, cooperation and honesty. Finn refers to this claim as the *doux commerce* thesis and it is associated with such writers as Montesquieu, Hume and Smith. The civilizing force of markets is a claim that is often forgotten in modern debate and thus unexamined in assessing the operation of the market economy. Again, this claim need not entail a moral assessment (though admittedly my use of the term “civilizing” is a loaded one). All that must be assessed is the empirical relationship between commerce and the reinforcement of the norms listed above.

The important point to make here is that these different claims are positive claims, not normative ones. I would summarize the claims of positive political economy emphasized so far with the following conjecture about social intercourse between men. Mankind has exhibited throughout history two natural proclivities: (a) to truck, barter and exchange, and (b) to rape, pillage and plunder. Human history attests to our tremendous capacity to yield to these proclivities, with the record revealing that the rape, pillage and plunder capacity may actually be the stronger of the two (especially when it comes to our dealings with “strangers”). The “rules of the game” that are in operation in any society determine which aspects of our human character will dominate in interactions. In settings where the rewards and penalties favor domination, we see rape, pillage and plunder emerge as the dominant means of interaction, but where the rewards and penalties favor voluntarism, then truck, barter and exchange will emerge as the main vehicle for social cooperation.

Besides the issue of domination of others versus voluntary social cooperation, there is also the positive empirical claim about the impact of alternative institutional environments on economic growth and development. The system of social cooperation and the division of labor within a system of private property (voluntary social cooperation) turns out to yield greater economic growth and levels of development than alternative institutional arrangements (based on domination of others). In short, economic freedom and economic growth go hand in hand. And, I should add, other measures of well-being—e.g., nutrition, sanitation, housing quality, literacy, female educational opportunities, etc.—are all positively correlated with economic growth. None of this, as of yet, has required the analyst to take a moral stance on the claims being made. They are instead issues of logic and evidence, not of moral assessment.

Now there are profound issues of moral assessment that do arise as we move into the realm of normative political economy. First, as Finn points out, but Schumpeter (1954) pointed out long before in his *History of Economic Analysis*, there is a pre-analytic cognitive act that can be found at the core of economic analysis—the vision that excites the mind of the analyst. As Finn puts the point, “in economics as in every science, the decision to investigate some issues and not others always entails a process of valuing that goes beyond empirical analysis” (p. 78). But that does not mean that analysis is necessarily subjective and incommensurable. It just means, as Schumpeter argued, that there is a necessary pre-analytic cognitive act that excites our mind, but that the scientific assessment proceeds on the grounds of assessing the analytical propositions and empirical claims being made and not exclusively on the moral assessment of the vision.²

Second, the concepts used in economics are no doubt embedded in a broader value-laden discourse tied to the meaning and use of language. The use of terms such as “voluntary exchange” or “free market” have moral connotations to them, as mentioned above when I used the term “civilized” in discussing the *doux commerce* thesis. Often times these terms are what must be contested, rather than just taken on board without examination. But the critical point to emphasize is that when the terms are indeed contested, what are the terms and standards of that debate going to be? Admitting the terms necessarily have value connotations does not necessarily mean that in contesting those terms we must move away from the more objective standards of logic and evidence. “Voluntary exchange” has a moral connotation to it, but for the assessment we are concerned about we can return to the analytical propositions and empirical claims that flow from the use of that term by economists and not forestall assessment because the term “voluntary” is a contested one.

Third, there is no doubt a moral assessment that must be made over economic outcomes. The way economists have normally attempted to minimize the unwarranted imposition of values into the analysis is to move to a level of generalized agreement on “desired outcomes.” We all can agree that we want to live longer healthier lives, right? We all can agree that we want to eliminate poverty and squalor as much as we can, right? We all can agree that we want to have an economic system that promotes human flourishing, rather than human suffering, right? Now once we agree on this end to be pursued (that we have broad consensus on), then the question is one of analytical and empirical assessment, not moral assessment. This is the utilitarian or consequentialist turn that economists and political

economists take in assessing alternative institutional arrangements. This is a value-laden exercise, no doubt, but keep in mind this issue of agreed ends, and analysis of means in relation to those ends, because we will come back to that issue in a moment to discuss the nature of economic argumentation.

Fourth, normative analysis is undoubtedly in operation with questions concerning welfare economics. Questions of equity, efficiency, and social justice are normative by their very nature and it is a mistake for economists to pretend that they are not. But once again, there are also positive claims that can be assessed with regard to these normative claims. To give one example, consider two claims about equity. Even if we claim that equity is about an egalitarian distribution of income, we must assess what an egalitarian distribution would entail, and also what would be the best way to achieve this distribution so defined.

John Rawls (1971) might argue that we should pursue policies that (a) maximize equal liberty, and (b) maximize the minimum position of the least advantaged in any society. How to instantiate these two principles of justice is a question of analytical and empirical analysis. It may very well be the case that the way to achieve both (a) and (b) is to unleash the creative powers of the market economy. Movement between income groups through time may provide a better measure of equity than a snapshot in time of income discrepancies. The least advantaged in society may be better served through economic growth than through programs of income distribution that distort incentives. As Milton Friedman argued, all boats rise in a rising tide. The poor in a rich country today often live much better than the King in a poor country a century ago. Life expectancy, nutrition, health services, schooling, etc., are all positively correlated with economic growth as mentioned before. In short, the normative claims about welfare possess within them positive claims that can be analytically and empirically assessed. If we don't recognize this, Finn's hope for a "common conversation" will devolve into an opinion-fest in which claims of justice are not independently assessed and constrained by scientific discipline. Flights of moral imagination and catering to political interests will define moral discourse on economic life and the "common conversation" will accomplish nothing except to please those who cannot accept the sad reality that we live in a world of scarcity, and that utopia is not an option. Economists and political economists, at their best, possess soft hearts, but hard heads. They are deeply compassionate toward the poor and the least advantaged, but they think long and hard about the issues of endowments and structural incentives. Critics often accuse the economist

of possessing a hard heart. But the worst combination of all would be to have a hard heart and a soft head, followed only by those that have a soft heart and a soft head.

So how precisely is it that the economist can pursue this soft heart, hard head agenda? I want to argue that political economy can become a value-relevant discipline only to the extent that economics approximates value-neutrality. To accomplish this, the economist must take a radical subjectivist stance with regard to ends, so as to aspire to an objective analysis of the relationship between means and ends. It is a rhetorical strategy in debate (as I alluded to above) no doubt, but it is a rhetorical strategy that is not merely rhetorical. Economic analysis looks at incentives and information flows within the system of exchange and production and how the structure of incentives and the flow of information guide economic actors within the system in their choices of various means to obtain ends. The economist as such has no stake in what ends are pursued, just in the assessment of the effectiveness of the means chosen to the ends sought. In relation to the analytical understanding of the market economy, this analysis of means/ends enables the economist to see how individuals learn through time how best to achieve their goals and to make the necessary adjustments to their behavior to better realize those goals. In the analysis of public policy, the economist is able to see how effective various policies are (as they impact incentives and information) in achieving the stated ends of the policy pursued. Rent controls are introduced to provide low cost housing to the city's poor. But due to the incentives of the system, a shortage of housing units results and many of the intended beneficiaries to the system find themselves without housing. Rent control, in other words, is an ineffective means to obtain the end of low cost housing. This is counter-intuitive, but it is this sort of analysis that results from the economist and the political economist having that soft heart, but hard head. But note two things about this approximate value-neutral analysis: (1) it does not require a moral assessment to determine logical soundness or the empirical validity; and (2) it passes what could be termed the "devil test" (see Boettke 1998). A devil and an angel could agree on the logical soundness and the empirical validity of the claim about rent controls and the impact on housing units in the city. The devil will want to harm the least advantaged in society and in pursuing that goal will use the economic analysis of rent-control and then advocate for the establishment of rent-controls. Alternatively, the angel wants to help the least advantaged and upon absorbing the lesson of the economic analysis of rent-controls will agitate for the abolition of rent-controls. Both the devil and the angel can equally utilize the teachings of

“means-ends” economic analysis to equal effect to pursue their goals of either harming or helping the least advantaged in society. That is a pretty powerful tool of social criticism, and economics is actually in a unique position in that regard in the social sciences.

James Buchanan has probably done more to bring back political economy into the mainstream of economic thinking than any other thinker. Buchanan has a very interesting perspective on this question of moral theorizing that Finn only alludes to in his work. Buchanan distinguishes between the pre- and post-constitutional levels of analysis. During the pre-constitutional level we are attempting to define the rules of the game under which political and economic actors will play, while during the post-constitutional level our analysis is confined to the examination of the alternative strategies that the players will choose in playing the game so defined by the rules agreed to. Buchanan has a particular project in constitutional political economy in mind when he sets up this framework, and I will turn to that in the next section dealing with Finn’s work more directly. But for the purposes of the examination of moral philosophy, social philosophy, and the place of political economy in these disciplines, let me suggest a slight reconfiguration of Buchanan’s pre- and post-constitutional framework.

Consider the pre-constitutional level as the domain of moral and social philosophy. The questions at this stage of analysis are ones such as: What is the good life? What would constitute a good game of life? What are the appropriate rules for that game? Philosophical speculation would yield answers to these and other questions and they would be operationalized into the rule structure of the social order.

Economic analysis with its focus on incentives and information and means-ends analysis would constitute the post-constitutional level of analysis. Given the philosopher’s answer to the questions of the “good life,” “good game,” “good rules,” the economist will be able to examine the strategies that will most likely be chosen. The rules structure the incentives that the actors face in making their choices, and create the expectations that actors hold which guide their actions.

And herein lies the rub—questions of the good life cannot adequately be answered unless you take into account the likely strategies that players will choose. Rules that are good in a dream, but produce an array of strategies which result in undesirable outcomes are *not* good rules.

Political economy is born out of this tacking back and forth between moral philosophy and economic analysis. This is how political economy becomes a very real value-relevant discipline out of the approximate value-neutrality of economics.

What Does Finn Get Right? Where Does Finn Go Wrong?

As I said, Daniel Finn has written a very fascinating and frustrating book. It is fascinating because he wants to talk about this idea of the moral ecology of markets, and in addressing the embedded nature of polity, society, and economy, Finn wants to advance the conversation on the assessment of the market society. This is all well and good and he should be applauded for his effort. But the critical flaw in his work is that he doesn't believe there is a science of economics that is independent of moral assessments. In short, economics cannot serve as a tool of adjudication between alternative institutional arrangements. Thus, with Finn we get a narrative of the debate over the moral assessment of the market without the central character being given his due; we get instead Hamlet without the Prince.

Finn states that we must note

the error of Friedrich Hayek's belief, shared by many others, that 'the demonstration of the difference between socialists and non-socialists ultimately rests on purely intellectual issues capable of a scientific resolution and not in different judgments of value.' On the contrary, only when a moral judgment is joined to an empirical assessment can the competing claims about alternative economic systems be adjudicated—or even understood (p. 105).

This statement sums up all that is wrong with Finn's work. None of the arguments that I gave above about the role of economic argument as a tool of social critique have sunk in, and as a result in his assessment of the claims of Friedman, Hayek and Buchanan he misses what they are arguing and the force of that argument. Instead, we are assured that the likes of Michael Walzer and Judith Shklar (well-known scholars no doubt) disagree with the economic argument and insist instead that justice can be served without distorting incentives and responding to democratic political demands. But if the economic argument is not engaged, then the possibility of unintended undesirable consequences (from the point of view of the initiator of the policy for social justice) is not recognized. Walzer and Shklar (and presumably Finn) are completely innocent of the problem of unintended consequences. Without an understanding of the problem of unintended consequences, the empirical failure of socialism in all its varieties (in the former Soviet Bloc, or Latin America, or Africa) and the empirical frustration with interventionism (in Western countries) will remain off the table of our "common conversation." But without these significant experiences to draw on, what good is the conversation? As in the story that I began this essay with, sometimes the party to the

conversation simply doesn't have the background or skill to add much of value to the conversation and thus should either study more or refrain from comment until more is learned on the issues at hand. To assert claims of social justice without examining the impact that will be had on the choices of individuals (by structuring incentives and influencing the flow of information) is intellectually irresponsible no matter if the irresponsibility is being committed by an elected politician or a leading academic. Peter Berger (1976), long ago in *The Pyramids of Sacrifice*, pointed out that the development analyst has a moral responsibility that should not be taken lightly since the work he or she is doing will impact the lives of thousands or perhaps millions of individuals. Idle philosophic speculation is one thing; arguments that are utilized for social change are quite another.

Before I conclude I do think it is important to address something about the reading that Finn provides of Friedman, Buchanan and Hayek. I do think he has chosen the right individuals to emphasize in his work (along with Nozick, who also gets plenty of due in Finn's account). But he is also trying to fit them into a common group that provides *the* argument for the free market. There should be no doubt that many issues unite these three great economists and political economists. They are the leading representatives of classical liberalism in twentieth century thought. But there are subtle and profound differences between them as well and in particular the use to which they put different arguments. Finn largely misses this.

Let me just concentrate on one example—the self-interest assumption—to show how Friedman, Buchanan, and Hayek work with self-interest differently and for different purposes. Since this is such a core idea in Finn's work, and also a core idea in these respective thinkers' work, the fact that Finn doesn't quite get it right should raise questions about even more subtle discussions in these authors concerning the nature of markets and their assessment.

Friedman deploys a strict interpretation of maximizing behavior and the pursuit of self-interest as an "as if" proposition that has strong predictive power. He is not arguing that individuals would actually possess a self-understanding of the pursuit of self-interest, nor are they in actual practice imbued with the cognitive capacity to maximize their utility with flawless precision. But as a tool for prediction in the social sciences, the assumptions of maximizing behavior and the pursuit of self-interest are very useful and, Friedman would contend, accurate. It is the Friedman use of self-interest that most critics want to go after, but they often times fail to appreciate the instrumental use to which he is putting the assumption. Moreover, they would need to address the predictive accuracy of the claim as it relates to

being an engine of scientific inquiry in economic analysis of markets, law, government, and public policy.

Buchanan uses the self-interested assumption for a totally different purpose than Friedman in his analysis of constitutional political economy. Most critics attempt to go after Buchanan's claim about self-interested behavior by actors in the political context and insist that this is descriptively inaccurate. But Buchanan's main contributions to political economy were not in the area of the descriptive analysis of politics; it was instead an examination of the organizational logic of constitutional democracy. The insistence of behavioral symmetry is a methodological tool to assure that romantic notions of politics (by the way the sort of notions of politics held on to dearly by Walzer and Shklar) are rejected and a more realistic notion of politics is put in its place. If Friedman is utilizing the self-interest assumption for the purpose of generating a testable hypothesis about market interaction, Buchanan deploys the assumption for the analytical purpose of building robust political structures. In addressing constitutional structure, Buchanan follows Hume in presuming that we must proceed as if "all men are knaves."

The Rawlsian veil of ignorance move that Buchanan makes is also not a descriptive move, but one conducted to attempt to get out of the trap that knavish men cannot write a constitution to bind the knavish behavior of men. By putting the rule writing behind a veil of ignorance (in which none of us know where we will end up on the spectrum of society's distribution of virtues and talents), we will generate rules of the game that will approximate neutrality. Rules will not be designed to favor a special few, but instead to pass a generality norm. Furthermore, they will approximate Wicksellian unanimity. The constitutional constraints established will be in place to prevent the breakdown of the social order into a race for special privilege in which the knaves gain the advantage. Buchanan's exercise, in other words, is really a modern restatement of the challenge that Madison put forth during the founding period of the United States. To paraphrase: if men were angels there would be no need for government, and if government were run by angels there would be no need for constraints, but precisely because men are going to rule over other men, we must build a political structure that will empower government and then constrain it. Buchanan's use of self-interest as an analytical assumption to build against the rule of knaves is completely lost in Finn's analysis.

Hayek's argument, Finn does note, is very different from either of these two—though Hayek does recognize this issue of robust political economy à la Buchanan (from Smith and Hume) very strongly in his work as well (see Boettke and Leeson 2004). On the self-interest assumption, Hayek is

really just following Adam Smith. Smith argues three things with regard to self-interest. First, in dealing with others in the marketplace, and in particular with those who are not our intimate friends, we cannot rely on their benevolence towards us to acquire the goods and services needed for our daily survival, but must appeal instead to their self-love. Second, Smith argues that the individual in his local situation is in a much better position to judge what is the best use of his time and resources than some magistrate from afar. In fact, Smith argues that decision power would nowhere be as dangerous as in the hands of a man who had the arrogance to demand that he make decisions for others. Third, Smith argued that our span of our moral sympathy can only stretch so far in dealing with anonymous others, yet in our day to day lives we require the products of the division of labor which must mobilize the talents and skills of thousands of strangers to work in cooperation with one another.

Hayek's ignorance defense of self-interest, as Finn puts it, is grounded in these three Smithian arguments. Smith's critique of the man of systems in *The Theory of Moral Sentiments* and the limited span of our moral sympathy, as well as his celebrated passages from *The Wealth of Nations* on self-love and the invisible hand, all form the core of Hayek's argument. But it is probably important to stress, that in Hayek (as in Smith) the manifestation of self-interest in the form of efficient production and prudent decision making is a by-product of an institutionalized context. Self-interest does not everywhere and always result in socially desirable outcomes. Classic examples in Smith would include the difference in teaching approaches at Oxford and in Scotland. At Oxford the teachers were paid a yearly stipend no matter if they taught or not, so they didn't teach. But in Scotland, the teachers were paid fees by the students based on their teaching, and they taught and worked to perfect the craft of teaching. Similarly, Smith contrasts the benefits of competition in religion (in terms of dynamic sermons and thus attendance) with state monopoly in religion (with boring and routine sermons and low attendance). Smith, who valued religion, viewed competition as good for the flourishing of religious belief, but Hume, who despised religion, thought competition was bad and that state-sponsored monopolies were desirable because they would eventually drive religious influence to zero. Note that Hume and Smith just provide another example of the devil and the angel test that I talked about above.

Another example of how self-interest manifests itself depending on the institutional context of decisions would be the difference between what economists refer to as "invisible hand" stories and "tragedy of the commons" stories. In invisible hand stories, the pursuit of self-interest results in publicly desirable outcomes, but in tragedy of the commons

situations, the same pursuit of self-interest will result in publicly undesirable outcomes. To economists and political economists such as Smith and Hayek understanding the institutional reasons why these alternative results emerge lies at the heart of what the discipline is all about. The birth of political economy, one could reasonably argue, is in this assessment of alternative institutional arrangements and in particular on how alternative institutional arrangements result in differentials with regard to the wealth and poverty of nations. Moral assessment is not needed; economic assessment of comparative institutions is to answer that question. Hayek was the heir apparent of Adam Smith on this question in the twentieth century, but because Finn cannot see through to the core analytical and empirical argument provided, he cannot see how the conversation has been resolved on some issues and thus find ways we must go forward from that starting point if we hope to make progress.

One final reference point should be made. Finn (and readers of his book) should consult Vernon Smith's Nobel Prize address which contrasts "ecological rationality" with "constructivist rationality" (Smith 2003). Vernon Smith goes to great pains to show the intellectual connection to "ecological rationality" that can be found in Hume, Smith, and Hayek, and also to show how his work in experimental economics, by examining the importance of context in human choice, has highlighted the arguments from Hume, Smith and Hayek. Finn's book was published in 2006, in seeming ignorance of Vernon Smith's discussion of the ecology of the economic system. If he had been aware of it, perhaps he would have seen how the position held by Hayek on the scientific assessment (grounded as it is in this point about the ecology of the economic system) between capitalism and socialism is not in error, but the fundamental building block of any meaningful conversation that could take place on the justice of social systems and the moral philosophy of human flourishing.

Conclusion

I have been harsh in this discussion, perhaps too harsh at times, because one must admit that Daniel Finn's *The Moral Ecology of Markets* makes many interesting and important points and deserves a wide readership. The book addresses "big" questions and should be applauded for doing so. But it is also an extremely frustrating work for anyone who has devoted time and energy to engaging the debate over economic systems. By denying the scientific resolution of the debates, Finn merely seeks to perpetuate an ongoing dialogue. He does provide a useful framework on which to construct

the common conversation about the political economy of the “good society.” But each of the constituent parts of his construction (allocation, distribution, scale, and quality of relations) are not questions that are ultimately resolvable by discourse in a common conversation, but instead reflect analytical and empirical claims that must be assessed with perhaps a soft heart, but definitely a hard head (if you want to really serve effectively the purposes of the soft heart). There is no better tool available to us than that of economic argument. It is only by utilizing the approximate value-neutral analysis of economic science that we can hope to aspire to real value-relevant political economy that will help this common conversation move forward rather than endlessly spinning its wheels.

Endnotes

- 1 This issue of the embedded nature of social interaction in economy, polity, and society is a point that has permeated my own work for over a decade. For a summary statement see Boettke and Storr (2002). We do not claim any originality with regard to this thesis, but demonstrate that this has been the argument throughout the history of the Austrian tradition. The myth of atomistic individualism is particularly inappropriate when speaking of thinkers such as Ludwig von Mises and F. A. Hayek.
- 2 Michael Polanyi, one of the great philosophers of science, wrote in his essay “The Republic of Science” (1962) that scientific contributions will be assessed on the following criteria: (1) plausibility, (2) intrinsic interest to the community of scientists, and (3) originality. Obviously, there is a tension here between the first two and the third as the first two reinforce the existing status quo because the judgment of plausibility and intrinsic interest will be made from the perspective of the existing mainstream position, while the claim of originality means that new ground is being broken and the old way of thinking about things is being overturned. Polanyi is not making any sort of prescriptive or normative assessment of the scientific process; instead, he is describing how in fact science is organized as a human endeavor and how it works. Judgments of value at one level are made constantly at the level of plausibility, intrinsic interest, and assessment of originality, but that does not mean that the scientific process as a whole has no means of objective assessment and thus must abandon the idea of objectivity altogether.

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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. ■