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Morality as Cooperation

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Living a "moral" life is often contrasted with living a "prosperous" life. Major philosophers, ancient and modern, have tended to praise the virtuous life of personal sacrifice for the public good, while discounting the moral worth of the individual's pursuit of individual happiness. When an individual's pursuit of his own interests generates socially desirable outcomes it is understood as a mere accident, and when attempts by political leaders to achieve a defined social virtue result in degradation (economic and moral) of the people, it is explained as an accident of history or the corruption of an ideal by unscrupulous individuals.

If in the aftermath of a natural disaster that knocks out electricity, the local hardware dealer increases the price of battery-run electric generators, complaints abound that this individual is taking unfair advantage of the situation to personally profit. The fact that in raising the price of generators, he inadvertently rations the scarce supply of generators so as to eliminate the possibility of current and future shortages is missed by many because it is *not* the hardware dealers purpose. Despite the social function served, our moral imagination has been outraged and we feel justified in condemnation.

On the other hand, had the dealer acted "morally" he would have lowered the price of generators under the desire to increase their availability and inadvertently reinforced the crisis situation, and he would be hailed as a moral man. Something is wrong with our moral imagination when morality and consequentialism are in such conflict.

There are many examples that can be offered which reflect this tension. Many still believe—including most of our influential intellectual, political, and moral leaders—that socialism did not collapse due to internal weaknesses in the idea itself, but due to the weaknesses of the flesh attributed to the populations that happen to live under socialist rules (including the rulers).

But socialism did not fail because of the sinful weaknesses of people; humanity did not fail to live up to a worthy doctrine of social cooperation. Socialism was an impractical and unworthy ideal. Socialism failed because the idea was inconsistent with the demands of humanity. I would like to suggest that in being inconsistent with these demands socialism was

not only impractical, but fundamentally immoral.

This does not mean that the market economy is therefore necessarily moral, if by a market all we mean is that monetary bids and offers are what guide resource allocation. On the contrary, markets exist everywhere and always wherever there are gaps and opportunities for individuals to gain from exchange. Illicit markets existed even during the most enthusiastic periods of socialism in the former Soviet Union. Not all markets, however, are equally beneficial for social cooperation. The relationship of markets to the ideal of social cooperation is dependent on the rules and institutions within which markets are embedded. But if we specify the rules under which markets operate, then perhaps we can assess the moral worthiness of the arrangement. In order to make such an assessment, however, we require a standard of judgement.

Social Cooperation as a Standard

Can economics answer the question of whether a social arrangement is moral or not? Perhaps not. But if we admit the limits of economic science to address question of moral worth we must insist on what questions economics *can* answer. For example, economics might not be able to answer directly whether profits are deserved or not, but it can inform on the consequences of different answers to that question.

Moral reasoning that discounts the information that economics can provide risks advocating moral actions that generate deprivation and increased suffering. In other words, while economics cannot provide all the answers to our questions about how we should organize our affairs, to ignore its teachings would mean that we risk adopting social arrangements which entrap us in poverty and enslave us in tyranny. And there is nothing virtuous about either poverty or slavery.

"Rights" talk independent of attention to consequences is hollow. Distinctions between negative and positive liberties, while conceptually useful, do not perform the necessary task. Who cares if we can conceptually distinguish between negative and positive liberties when if sticking to negative liberties we entrap individuals in poverty? The fact that in many modern libertarian writings, the institutionalization of negative liberties leads to favorable consequences appears as a happy coincidence. But this type of reasoning simply reinforces the artificial split between morality and conse-quentialism that must be rejected.

Instead, we would do better to explain the coincidence between "right" and "good" as a systematic outcome of particular institutional arrangements. We desire the institutional arrangements associated with negative liberties for it is these arrangements which channel individual activity in a direction which increases social cooperation and improves the lot of the population. If this means that absolute economics becomes absolute ethics, then so be it. Notice, however, that I am leaving moral assessment at the level of social rules and not addressing questions of individual behavior—I'll come back to that later.

Social cooperation is desirable because it ensures that individuals who can mutually gain from voluntarily interacting will do so, and that through doing so, a division of labor in society will result that increases "wealth" and, thus, the range of opportunities that individuals face to pursue their own idea of the "good life." Social philosophers such as David Hume, Ludwig

von Mises, Henry Hazlitt and F.A. Hayek have made extended arguments on why social cooperation should be elevated to a norm in assessing social arrangements. It is through voluntary exchange and the recognition of the benefits of the division of labor, that humanity both learns to cooperate with fellow men and generate wealth.

Mises' student, Murray Rothbard, has argued that if the division of labor was not productive, then it would be easy to see how life would devolve into a world marked by violence and perpetual war as each individual could gain from others only at their expense. Life would become a bitter struggle for survival. In the world as we know it, however, the voluntary contractual behavior of individuals is mutually beneficial and the division of labor increases productivity, and as such affords individuals the opportunity to develop friendships and a sense of social sympathy with others.

Moral Learning & the Moral Sense

Economics as science informs us both of the consequences of the division of labor for our material well-being, and of the institutional preconditions for the contractual society which gives rise to extended specialization and exchange. The rejoining of economics with its sister discipline of moral philosophy has been a project pursued vigorously by Nobel Laureate James Buchanan. His work signals a return of political economy. "The great scientific discovery of the eighteenth century, out of which political economy (economics) emerged as an independent academic discipline," Buchanan has written, "embodies the recognition that the complementary values of liberty, prosperity, and peace can be attained. It is not surprising that my eighteenth- and early nineteenth-century counterparts were so enthusiastic in their advocacy of market organization. So long as the state provides and maintains the appropriate structural constraints (the 'laws and institutions,' the rules of the game), individuals, as economic actors, can be left alone to pursue their own privately determined purposes, and in so doing enjoy the values of liberty, prosperity and peace in reciprocal and mutual respect, one for another." Unfortunately, the classical political economist's ideal was never fully realized and the vision failed to capture the imagination of intellectual leaders for more than a few generations. Buchanan conjectures that this failure was due to the omission of concerns with justice in the classical political economy vision. This omission, however, was only an apparent one and not real.

The experiments in the twentieth century in egalitarian justice have failed miserably. Socialism's only success was in making the masses of people equally deprived. The social democratic vision of welfare state justice that was embraced in Western Europe and then in the United States has eroded the wealth of these countries and created a culture of dependence. Egalitarian notions of justice deplete a country's material and spiritual reserves.

Justice was not omitted in the classical political economy vision, but rather embodied in the values of liberty, prosperity and peace. Liberty here was defined in terms of the freedom of individuals to pursue their projects in living, provided they didn't interfere with the projects of others. Justice was a procedural concept, not a distributional one. Justice was served by establishing a social arrangement which promoted the complementary values of liberty, prosperity and peace. Within such a social arrangement, individuals did not need either the moral preacher or the legislator to inform them on how to behave. Individuals, free to behave

as they see fit and reap the reward or suffer the consequences of those choices, would learn how to behave "morally."

In a contractual society, with clearly defined and strictly enforced property rules, all are required to honor contracts, abstain from using force, be truthful in deals, etc. Being "good" does not necessarily translate into doing "well" more often than not, but in a truly contractual society one cannot do well unless by doing good. In other words, individuals can only acquire material wealth by satisfying the demands of others. Profit from theft, for example, is eliminated from consideration in this equation by definition since theft would violate the norms of the contractual society.

That is why Walter Williams is correct in stating in an interview published in *Religion & Liberty* [Nov./Dec. 1994] that: "The market talks about moral relationships among individuals. The free market asks us to serve our fellow man in order to have a claim on what he produces." These claims (often summarized in monetary terms) are "certificates of performance." The morality of the market is that individuals can only prosper by satisfying the demands of others in the market. Neither their birth nor race nor religion are the primary cause of economic success in life (as was [is] the case in a non-contractual society). Success is a result of many factors (including dumb luck), but that success is only possible if others are made "better off."

Where does that leave individual morality? Well, at the level of the individual. By establishing social rules which give individuals the freedom to act and pursue their experiments in living, these individuals learn how to behave and develop a moral sense. The liberal (in the classical sense) does not seek freedom for the individual so as to promote lewd and irresponsible behavior, but rather in order to create the conditions necessary for individuals to learn and acquire a moral sense by reaping the rewards and bearing the consequences of their actions. That some may use this freedom to act in self-destructive ways is unfortunate. The moral policemen of the "Nanny State" certainly does not provide the answer to solving our personal moral conundrums—just consider consequences for the social order of the "war on drugs" or the attempts at censorship.

Furthermore, if we sought to entrust our moral learning to others and their attempts at the micromanagement of our lives, what moral sense would we ourselves ever possess? How do we know that we will learn what the "right thing" to do is, unless we are left free to choose our path? In this regard, we can see the consequentialist foundations not only of the social rules implied in negative liberty, but also the individual behavioral norms associated with a contractual society.

The Crucial Moral Question

In the introduction to their recently published collection of articles, *Profits and Morality*, Robin Cowan and Mario Rizzo begin with a moral puzzle. The day before Iraq invaded Kuwait, the price of crude oil was \$21, five days later the price was \$28, and the quarterly reports of the big oil companies showed a strong rise in profits. Sorting out whether moral outrage over this is justified, Cowan and Rizzo point out, is difficult on both theoretical and empirical grounds. It may well be that reaping profits from the invasion does not break a moral code though we don't particular consider such behavior as morally superior. The

crucial distinction for political economy, however, is not between acts that are morally permissible (but disliked) and actions which are morally superior. The key distinction which must be addressed is whether an act is morally permissible or not independent of whether the act disturbs our moral intuitions.

Michael Jordan, for example, has recently returned to professional basketball after "retiring" and trying his hand at professional baseball. His return has been hailed by sportswriters as the major sporting event of this year (even overshadowing to some degree the baseball strike itself). And Jordan's return has been special. Just the other night, he scored 55 points in Madison Square Garden while leading the Chicago Bulls to a victory over the New York Knicks—the best offensive performance by any player in the NBA this season. But Jordan has also returned with a flood of commercials designed in the wake of his comeback. A commercial for Wheaties cereal, a few for McDonald's restaurants, and of course a new one from Nike shoes cannot be far off. In addition, his return was also marked by the unveiling of a new Michael Jordan number—45 as opposed to his old number 23—and with that the marketing of a new basketball jersey to adoring fans. Jordan explained the change of number in a very sincere and touching way ... his father (who was murdered just prior to Jordan's original decision to retire) had last seen him play as number 23 and that is how Jordan wanted it to stay, for his second basketball career he would be number 45, his junior high number and baseball number for his brief career as a Chicago White Sox minor league player. But cynics abound—just another marketing ploy to maximize his value some assert. Why should we care? Whether we buy the cynical conspiracy theory or the sincere bereavement story should be irrelevant. The crucial question is whether it is moral for Jordan to financially benefit from his return to basketball. If we answer no, then would we still be able to enjoy watching Michael Jordan do the things that only he appears to be able to do on the basketball court? If we stave off his ability to capitalize on the rare talents he has been given in whatever manner he sees fit, then are we "better off"?

The crucial moral question which economics is well-equipped to answer is not one concerning the motives of any individual, but rather the examination of the consequences of the rules of the game in which the individual finds himself. The foundation of morality, as Hazlitt so cogently argued, can be found in an examination of the consequences of different social rules. The rules which enhance social cooperation and as such allow the simultaneous achievement of liberty, prosperity, and peace are *moral* rules. Moral rules which promise justice, but deliver reduced liberty, lower levels of prosperity, and the breakdown of peaceful harmony do not deserve to be described by terms such as 'just' and 'moral'.

If people object by stating that the utilitarian rule truncates moral discourse with concepts of efficiency and wealth, the doctrine is being misunderstood. Moral discourse must return to a central place in political economy. But moral discourse that is ignorant of the teachings of economics is bound to be found wanting on theoretical and practical grounds—if not also downright dangerous when applied in the social world to assess the daily behavior of human actors.

Where Market Morality Lies

The morality of the market lies not in the idea of monetary calculation and the tug and pull of

bids and offers. As I said above, markets have existed under every conceivable moral system; markets are like weeds, they emerge whenever there are gains to be had from exchange, the attempt to stamp markets out here, means they grow over there. Markets themselves are neither moral or immoral. But the rules within which markets are embedded should be held up to critical scrutiny.

Not all markets are equal. The "market" for hitmen as recently examined in the film "Pulp Fiction" is different from the market for shrimping in "Forest Gump." The underbelly of society reflected in "Pulp" contrasts greatly with the windfall profit realized by Gump because his was the only shrimp-boat to survive the hurricane that fateful season. Gump in accidentally reaping rewards, improves the lives of his customers. In "Pulp" the success of the hitmen is at the expense of their target. Both examples speak to the universal existence of markets, but the contrast is vitally important for moral discourse.

Outside the framework of liberalism, the market mechanism can be relied on to allocate resources, but not with any degree of confidence in terms of promoting social cooperation and the prosperity of the society in question. When markets are embedded in a private property order governed by a rule of law, then they can be reasonably relied on to allocate resources effectively and to channel behavior in a manner consistent with the values of individual liberty, personal responsibility, honesty in dealing, respect for the property of others, etc. Such moral learning takes place not because individuals are striving to create heaven on earth, but because the rules of private property and contract reward such behavior and punish deviations.

In other words, an individual ends up living a "moral life" as the unintended, though desirable, consequence of following social rules of the game which promote social cooperation and the harmony of rightly-understood interest on the market. The market economy can teach its participants many lessons, the lesson learned however is dependent on the political/legal/social infrastructure within which the market is embedded. The contractual society of the liberal order transforms markets into vehicles for growth and prosperity and cooperation. In doing so, the great eighteenth century discovery by political economists of the complementary values of liberty, prosperity and peace is affirmed once again.

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