Why I, Too, Am Not a Conservative

The Normative Vision of Classical Liberalism

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Preface

This book would never have come into being without the encouragement of my personal editor Jo Ann Burgess, who suggested that I put together a selected and internally coherent set of pieces, all of which have been written after the cutoff date of 1998 for the Liberty Fund *Collected Works* project (20 volumes, Indianapolis: Liberty Fund [1999–2001]). I have written the introductory and concluding chapters specifically for this book, each of which is designed to place both the essays of this book, and my own position, in the somewhat broader perspective of political philosophy. Beyond initial encouragement, however, Jo Ann Burgess has been uniquely helpful in all stages of editorial organization of this book.

James M. Buchanan
Fairfax, Virginia
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1. Why I, too, am not a conservative

INTRODUCTION

The title for this book, and for this introductory chapter, refers to one of F.A. Hayek's most famous and familiar essays 'Why I am not a conservative,' which he appended to his treatise *The Constitution of Liberty* published in 1960. Hayek felt that it was necessary to stake a claim for identification as a classical liberal and, in so doing, to forestall the co-option of the term 'liberal' by those who would subvert the time-tested emphasis on individual liberty itself. For Hayek, for whom socialism remained his lifelong *bête noir*, conservative bedfellows were welcome enough, but he saw no reason to crawl under the terminological blanket.

More specifically, my title is stimulated by Timothy Roth's *Equality, Rights, and the Autonomous Self* (2004), to which he adds the subtitle *Toward a Conservative Economics*. Since, in a very broad sense, the position laid out by Roth, and earlier by Hayek, does not differ essentially from my own, I feel it obligatory to defend *classical liberalism*, as Hayek did more than four decades ago, as a term that aims to be descriptive of a coherent political philosophy that differs in its basic elements from that which is summarized under the rubric 'conservatism.' Much more than 'economics' or even 'political economy' is involved here, and it is almost a category mistake to apply such a general term to a possible stance on the direction of public policy toward the openness of markets for a particular time and place.

Conservatism and *liberalism* are two distinct ways of looking at and thinking about the whole realm of human interaction, or, even more fundamentally, at the human beings who interact one with another. The several separately written essays in this book have the common purpose of articulating the liberal vision, interpreted in its classical understanding, which informed the very construction and evolution of our institutions of order in Western countries.

This introductory chapter alone concentrates attention on the opposing vision, conservatism. In 'Conservatism, liberalism and the status quo,' I discuss the place of the status quo in the conservative position, including possible commonality with liberal attitudes in particular circumstances. In 'The human species' and 'The transcendence of value,' I shall discuss those elements in this vision that seem to contrast most dramatically with the liberal

alternative. 'The human species' is a critical examination of what seems to be the conservative presupposition about the nature of human beings, and particularly about the distinctions among separate members of the human species. A common source of confusion is a failure to separate positive and normative judgments along several dimensions of evaluation. The implied classification of human beings that seems derivative from the conservative vision is putatively supported by the epistemological presupposition examined in 'The transcendence of value.'

In my interpretation, the conservative position or vision has more in common with that summarized under the rubric of dirigisme or paternalism than with classical liberalism, as discussed in 'Paternalism versus individual responsibility.' And the continuing dominance of the dirigiste attitude, which itself has become the inheritor of socialist yearnings along with the offsetting liberalizing pressures, has generated the equivocal ethics that we confront, and which are discussed in Chapter 5.

The prevailing 'public philosophy' is indeed confused, which makes an articulation of the classical liberal vision more urgent than might have seemed to be the case during the immediate postsocialist years. This book is aimed at those who would wrongly classify me, and others who hold to the position outlined here and elsewhere. The discussion will, variously, answer the prior question, and indicate, 'Why I, too, am not a conservative.'

CONSERVATISM, LIBERALISM AND THE STATUS QUO

Etymologically, the word 'conservative' implies that positive value is placed on 'that which is,' whether this be behavioral practices, conventions, traditions, moral standards, coordination rules or economic, social or political institutions (including constitutional structures). And, also, 'that which is' describes the assignment of persons to separate roles as subjects, rulers, principals or agents. By inference, the burden of proof is placed on those who advocate change, which must, by definition, introduce uncertainty, or to use Shackle's term, a shift into the world of *unknowledge*. The conservative comes down clearly on the one side of Hamlet's quandary; it is better to bear 'those ills we have' than accept 'others that we know not of.'

The conservative assigns a value privilege to the status quo, as such. The classical liberal may recognize that the status quo is privileged by the fact of its existence, but there is no independent positive value assigned. The liberal is willing to examine alternatives without surmounting the threshold that the conservative places between what is and what might be. Classical liberals may differ among themselves, however, when changes from the status quo are explicitly considered. Agreement might be reached on the alternative structure

of institutions that best satisfy the classical liberal ideals – a structure that would assign a critically wide scope for individual liberty. But among those who might call themselves classical liberals, and who might all agree to this idealized structure of order, there might be major disagreement about the reforms aimed at achieving the ideal. There may be radicals among our ranks who would, straightforwardly, propose to dismantle existing structures and to implement the ideal.

In a sense, these radicals would propose to achieve the liberal ideal by nonliberal means. If assigned authority to act, these radicals would impose their own version of the ideal society upon others, who might not agree. By contrast, there remain those of us who accept the classical liberal appellation for our position but who extend the precepts of liberalism also to the means of making reforms from the existing structures. To be fully descriptive here, we could add the word 'contractarian' to the label. This stance is bolstered to the extent that the position to be discussed in 'The transcendence of value' is accepted as an element in the inclusive classical liberal vision.

The classical liberal who adheres to the contractarian restrictions on means to achieve effective reform is, almost necessarily, bracketed with the genuine conservative in opposition to proposed constructive change that involves coercive imposition on some members of the polity by others, even if these changes are in the direction of the independently defined liberal ideal. Such a classical liberal, to friends and foes alike, will appear to be assigning privilege to the status quo because of the acknowledged difficulties in securing consensus on almost any change, but without which no change can be accorded full legitimacy.

These difficulties are exacerbated by the presence of unjustifiable claims, often conflicting among themselves, that could not possibly be accorded serious consideration. By what criteria can the claim to a privileged position, simply because it has existed and continues to exist, be protected by its 'owner' through some effective power of veto over change, even if indirect? More specifically, under what conditions must compensation be paid to those persons and groups who are threatened, to those who are damaged by proposed reforms?

The classical liberal, as contractarian, has no easy answers to such questions, and especially if the structure of claims is observed to incorporate features that seem to counter the inclusive vision held out as some ultimate objective. A preliminary step toward partial answers might fall back on some estimate of public attitudes and opinion. If public attitudes, generally, incorporate expectations that recognize the presence of claims to positions of value in the status quo, this fact, in itself, suggests the legitimacy of such claims. Acceptance rather than continuing contestability offers evidence that should not be ignored.

The more difficult question remains. What if some persons simply prefer to remain as slaves to the dictates of others, or in its modern dross, to remain in dependency status? What if some persons simply do not place much value, if any at all, on individual liberty – the value that must remain central to the whole vision of the classical liberal? In this setting, achievement of consensus on reform in the direction of the classical liberal ideal may seem impossible. Continuing frustration with the apparent failure of members of the body politic to understand what seems genuinely to be in their own enlightened self-interest may tempt the classical liberal either to join the ranks of those who would impose changes even in the absence of consensus or to acknowledge, with the conservatives, that a hierarchical classification, of sorts, must be made (see section following).

The dilemma for the contractarian classical liberal cannot be resolved. The status quo may be judged a failure in meeting the necessary elements of the liberal ideal. At the same time, however, the absence of potential consensus on any reform must be acknowledged. It is here that the classical liberal must, by a leap of normative faith as it were, hold fast to the presupposition that the liberal ideal remains within the possible, and despite the accumulation of empirical evidence that may suggest the contrary. The classical liberal, too, must remain a realist, but the realism must always be tinged with hope.

THE HUMAN SPECIES: NATURAL EQUALITY VERSUS HIERARCHY

There is a basic difference between the liberal and the conservative vision, interpretation and understanding of the human species as a set of members of a biologically classified category. Persons differ, one from another, but, at the same time, share characteristic features common to all members of the set. The differences are, of course, multidimensional; persons differ, one from another, in many ways. The question of relevance here is whether or not there exists a general and unique dimension along which all members of the species may be classified by some criterion of 'betterness' or 'superiority.' Is there a natural hierarchy among persons, or absent any unique dimension, are persons to be conceived of as 'natural equals'?

We may personalize the discussion here, even if loosely, as the continuing debate between Plato on the one hand, and Adam Smith on the other. Plato had no misgivings about classifying human beings along a hierarchy of superiority. To Plato, some persons are natural slaves; others are natural masters. For Adam Smith, persons are natural equals, and one of his familiar references is to the absence of basic differences between the philosopher and the street porter.

The issue is not one as to whether persons differ; the issue is whether or not persons differ in their potential capacities as participating members of a body politic. What could be the basis for any presumptive classification that would elevate some persons above others? By what criteria are the hierarchical classifications to be made? What transcendent values inform any such criteria? And, importantly, who is to establish the ordering?

The liberal faces no such questions as these, since he accepts more or less without conscious deliberation the Smithean presumption of natural equality. The conservative acknowledges the challenges posed by such questions, and I suggest that implicit acceptance of the hierarchical interpretation of human beings is a distinguishing feature of the stance described by this rubric. The conservative almost necessarily infers that persons who stand higher in the hierarchy should possess differentially higher authority in matters of governance. The natural fit is with aristocracy.

The conservative who classifies persons hierarchically cannot, without internal contradiction, be a small 'd' democrat, with implications that all members of a polity should possess equal potential for influencing the construction and operation of the political order. The conservative may pay lip service to equality, say, of the voting franchise, but underneath, 'some are more equal than others' must be the descriptive attitude.

By dramatic contrast, the liberal, whether defined as classical or American modern, must be a small 'd' democrat in the indicated sense. The liberal cannot, consistently, adhere to any variant of the hierarchical classification of members of the species, along with the implications of such classification for political and organizational structure.

Confusion arises from the distinction between the classical and the American modern liberal in their expressed attitudes toward the dividing line between collective and private action, that is, between the state and the market. In the setting of the late twentieth and early twenty-first centuries, the classical liberal tends to oppose extensions of state or collective authority – extensions that often command the support of the American modern liberal. In this stance on policy, the classical liberal joins forces with the conservative who seeks to preserve the existing division of authority. As politically organized, the classical liberal and the conservative forces seem to share basic values when, in fact, their positions rest on very different foundational attitudes.

The fact that the presumption of natural equality among all members of the species requires that the classical liberal remains a small 'd' democrat does not, however, imply that 'democracy,' and especially in its majoritarian variants, must be accorded unlimited range and scope for collective action. The requirement is only that all members of the polity must be insured equality of influence in the determination of political action, including the selection of the ultimate rules within which ordinary politics is to be allowed to operate. That

is to say, the classical liberal may be a *constitutionalist* in the strict sense of this term – an attitude that sets up an additional possible difference with the modern American liberal and which often places the classical liberal alongside the conservative in ongoing policy dialogue.

Both the conservative and the classical liberal may place emphasis on respect for and adherence to constitutional rules – the conservative because these rules exist and the classical liberal because these rules serve to protect the sphere for the exercise of personal liberty against the excessive intrusions of majoritarian politics. Both the conservative and the classical liberal may share a fear of demos, but for quite different reasons. The conservative is fearful of collective decisions made by persons who are outside the informed elite, whereas the classical liberal is concerned about possible majoritarian tyranny, with its consequent exploitation of minority interests.

It should be evident that the sharing of common views toward political policy direction need not imply a sharing of fundamental philosophical foundations, and perhaps especially as concerns the presumption about the natural equality or inequality of persons. Recognition of this distinction was obscured during the whole socialist century, during which conservatives and classical liberals found themselves joined in opposition to socialist–collectivist ideas, which themselves often seemed to reflect some admixture of the hierarchical and nonhierarchical perceptions of human beings.

THE TRANSCENDENCE OF VALUE

A related but categorically separate distinction between the stance of the classical liberal on the one hand, and the conservative on the other, concerns the ultimate location of the sources of value or values. To the conservative, value is transcendent; it exists independent from and external to the individual. There need be no unique and uniform location; value may emerge from divine revelation, from traditions that have culturally evolved, from 'natural law' as given by right reason. But the common feature here is that value is emergent from a source beyond the person, as such. And there need not be any differentiation between private and public spheres in this respect. As a guide to private behavior, the conservative may locate the sources of morality outside the private consciousness of the individual. At the same time, the values to be secured through collective action may be presumed to exist and to be defined without relation to any revealing of personalized preferences.

If the extra-individual sources of value are postulated to exist 'out there' only waiting to be discovered, and if, at the same time, persons are classified hierarchically in some Plato-like ordering, the implications for the assignment of political authority are evident. Those persons who are more qualified to

search for and find the ultimate values for the whole membership of the polity must be elevated to positions of dominance. An elite of the informed, a meritocracy, is the structure that this combination of attitudes almost necessarily suggests. All persons who label themselves to be conservatives may not consciously adopt either the hierarchical classification of persons or the transcendence of values. Implicitly, however, this combination of attitudes does best describe the conventional conservative stance, and especially in opposition to that of the classical liberal.

The contrasting positions along these two dimensions are dramatically different. As noted in 'The human species,' the classical liberal, indeed all liberals, reject the hierarchical classification of persons and comes down squarely on the Adam Smith side of the continuing debate. The postulate of natural equality replaces that of inequality. At the same time, the classical liberal locates the sources of value exclusively in the consciousness of the individual; there is no other source. This postulate does not imply solipsism, as such. The individual may be acknowledged to respect the values of others and to remain open to discussion with the view toward reaching agreement. At the same time, the individual may place values expressed and reflected in established conventions, traditions and institutions relatively high in some internal ordering. In some ultimate sense, however, the individual who is modeled in the classical liberal's image is conscious of his own responsibility for the values that motivate choice and action, whether in private or public behavior.

The implications for the constitutional organization of society are clear. To the classical liberal, no person or group can properly claim superior ability to discover the values that are to guide action. Some are not more equal than others, in the Orwellian sense, although recognition of and voluntary deference to leaders of opinion may facilitate political dialogue. The classical liberal counters the argument of the supporter of meritocracy with the denial that any scalar that measures 'merit' in the relevant sense exists.

Two variants on the contrasting conservative and classical liberal positions outlined in this and the preceding section warrant mention. The possible existence of external sources of value may be acknowledged while, at the same time, any differential ability to find and exploit these sources may be denied. In other words, the position toward the existence of external value sources may be agnostic rather than atheistic, without modification of the classical liberal stance.

An alternative, and epistemologically ambitious, position might reject any hierarchical classification of persons but claim that knowledge is possible concerning the values that persons hold. The values of each person may be counted as equal to those of others, but these values may be in some cases better known by others than the person in question. Elements of this position

are found in variants of classical utilitarianism. The classical liberal has no difficulty in rejecting this claim as epistemologically meaningless. If the ultimate source of value is to be found within the individual consciousness, it seems obvious that such value can be known only within that consciousness. Value must, therefore, be subjective. The objectification of value becomes a contradictory exercise for the classical liberal. By contrast, for the conservative, value is objective, from which it follows that it is knowable or at least discoverable by others than the individual actor.

PATERNALISM VERSUS INDIVIDUAL RESPONSIBILITY

The conservative need not be paternalistic in the sense that an effort is made to impose his own values on others. There is an affinity with paternalism, however, in the absence of positive value placed on the responsibility of the individual. The conservative may consider the individuals who stand low in the hierarchical ranking to be incapable of taking responsibility for their own actions. Individual responsibility, as such, and as a corollary to individual liberty, does not carry weight in the conservative value scale, except insofar as the extended scope for individual freedom of action itself supports stability in the social order.

The stance of the classical liberal is categorically different on this dimension of evaluation. Individual liberty and its corollary, individual responsibility, are ultimate or supreme values that are extended equally to all members of the community. The classical liberal supports extensions of individual liberty for its own sake, and there is no attenuation of responsibility based on some judgment of reduced capacity. There is no feeling of 'being responsible' for others whose behavior is somehow evaluated by differing standards.

The classical liberal is necessarily vulnerable to the charge that he lacks compassion in behavior toward fellow human beings – a quality that may describe the conservative position, along with others that involve paternalism on any grounds. George W. Bush's 'compassionate conservatism' can be articulated and defended as a meaningful normative stance. The comparable term 'compassionate classical liberalism' would approach oxymoronic classification. There is no halfway house here; other persons are to be treated as natural equals, deserving of equal respect and individually responsible for their actions, or they are to be treated as subordinate members of the species, akin to that accorded animals who are dependent. In a very early comment, Dennis Mueller noted that there was nothing in the Rawlsian principles of justice that would condemn a person for beating his dog. Nor should there have been. The Rawlsian discourse was strictly within the classical liberal framework, with natural equality among persons remaining a basic presupposition of the whole enterprise.

Of course along any philosophical dimension, and perhaps especially along that examined here, we could scarcely find real persons who match up with the ideal type. Almost each person, when compelled to outline a position fully, would find himself to be an admixture of the separate stances discussed. To an extent we do, and simultaneously, classify persons hierarchically and treat them as natural equals. Similarly, we do acknowledge the existence of transcendent values, at least to the limits of the relatively absolute absolutes, while holding that there are no external sources. And, finally, we do feel compassion toward those who seem less responsible for their actions, while at the same time according them respect as equals.

Classification as either a 'conservative' or as a 'classical liberal,' or any of the other normative stances that might be compared, reduces to the varying locations along the separate scalars. Delineation of the ideal types along each dimension is useful, however not so much to assist in classifying the positions of participants in the ongoing debates about social organization, but in facilitating an examination of the implications of each stance as translated into reality. And, in this respect, it seems evident that classical liberals desire that the institutions of society embody the presuppositions of their idealized position, even while they may share, in some basic empirical sense, some of the evaluative judgments of the conservatives, the paternalists and the welfare state socialists.

THE RELEVANCE OF THE QUESTION

Why does it seem relevant that I follow Hayek in extended explanation of how my position, as a classical liberal, differs from that of the conservative? Such relevance is imposed by empirical reality; I am regularly labeled, by both the public and my peers in the academy, as a conservative. This classification is based on the observation that, on many issues of current policy as well as in the more inclusive normative dialogue on institutional–constitutional structure, my position is indistinguishable from that taken by persons who both describe themselves and are described by others as conservative.

This apparent meeting of the minds was not ever so. The observed parallels have emerged only in the course of the socialist century when classical liberals and conservatives were, indeed, joined in opposition to the common enemy. But quite different motivations lay behind the shared opposition to the socialist–collectivist proposals for social change. The classical liberal assessed any and all extensions of collective control as necessary restrictions on individual liberties. The conservative may have been relatively unconcerned with the range for individual liberty but opposed to any major structural change that might threaten the stability of existing social order. The classical liberal and

the conservative were joined in opposition to the socialist revolutionary thrust because, historically, the presocialist starting point was characterized by a relatively limited sphere of collective action.

Confusion is introduced when claims are advanced to the effect that both classical liberals and conservatives tend to favor 'the market' as a general proposition over collective–governmental arrangements. Classical liberals do, indeed, support the extension of markets, not primarily because of the enhancing efficiency promised, but because markets become means of restricting collective authority. Conservatives need not support 'the market,' as such. Such support emerges only when market institutions are in place as elements in the social order that exists.

In the presocialist epoch, there was a more or less natural opposition between classical liberalism and conservatism. The existent institutions that the conservative defended embodied long-established privileges that the classical liberal sought to eliminate. In terms used by Karl Popper, classical liberals have defended the open society against all of its enemies, including the conservatives (Popper, 1945).

Hayek found it useful to publish his essay 'Why I am not a conservative' in 1960. He would have had a more difficult task distinguishing the position expressed in his later works from that of conservatism. During the last decades of his career, Hayek came increasingly under the influence of an evolutionary perspective, and, in particular, he criticized his peers whom he classified as 'constructivists.' Although he was not fully consistent in this respect, Hayek accorded priority to the forces of cultural evolution in both explaining and justifying the basic institutions of social order. This stance can, of course, be accepted enthusiastically by the conservative.

By contrast, the classical liberal must, or so it seems to me, remain a constructivist, at least in some limited sense. As Chapter 2 will suggest, there are utopian elements in the classical liberal outlook that are not present in the later Hayek or in conservatism. The classical liberal can dream of worlds that might be, and within limits hold out some hope that these worlds can be more closely approached even if never finally attained.

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2. Classical liberalism and the perfectibility of man*

INTRODUCTION

I can reduce the subject matter of this chapter to a single question: To what extent and in what meaning of terms does classical liberalism depend on some presumption that man is perfectible? This question is worth examining on its own merits, but it seems especially appropriate in this setting since John Passmore's book *The Perfectibility of Man* (1970) remains the definitive work on the history of ideas here. Also, and in passing, I might note that Passmore's title, introduced before our age of political correctness and feminist sensitiveness, allows me to use 'man' without either apologies or the sometimes tortuous constructions dictated by norms for gender neutrality.

More specifically, Professor Elias Khalil sent to me two draft papers in which he states unequivocally that classical liberalism does depend on a presumption of perfectibility.[1] This claim, when advanced so provocatively, seems to counter much of the conventional wisdom which judges classical liberalism to be the philosophical position that stands opposed to the whole set of perfectionist ideational schemes, up to and including the modern post-socialist environmental idealism.

At first blush, classical liberalism is precisely that value stance that pulls the perfectionist utopians up short – that brings goodly doses of empirical reality back into any meaningful discourse. Surely, or so an argument might go, the person who inhabits the classical liberal's world of social reality is a far cry from the perfect man or woman idealized in poetry, song and political rhetoric. Such a person is this, rather than other, worldly; he is rational rather than romantic and he is selective rather than general in his benevolence. The classical liberal's ideal type is not an especially 'good' person in any of the conventional uses of the term 'good.'

Nonetheless, I shall agree with Khalil that there is a presumption of man's perfectibility in classical liberalism. But I shall argue that the dimensions along which such perfectibility is to be reckoned are quite divergent from those that are conventionally considered in evaluating personal standards. My discussion is organized in several parts.

First, in ‘Self-governance,’ I examine the extent of the requirement that individuals (and families) exhibit capacities for self-governance as opposed to dependency. In ‘Kantian interdependence,’ I examine the dimension that measures the degree of reciprocation in treatment of other persons in interactions. In ‘Understanding and/or forbearance,’ I examine the requirements that classical liberalism may place on man’s capacity to understand basic principles of social order. These three sections were completed in first-draft form before the events of 11 September 2001. Those events in themselves have prompted me to add ‘Defense against liberalism’s enemies,’ which treats an additional dimension that most of us simply leave out of account, but which now seems to be perhaps the most relevant of all the attributes examined. ‘Multidimensional reality’ then summarizes the whole argument in terms of the imagined multidimensional model introduced to classify positions of persons and groups. In the final section, I present concluding generalizations.

SELF-GOVERNANCE

Are persons capable of governing themselves? Or are persons, like children, incapable of making decisions in their own interest? And, separate from capacities, do persons prefer independence? Or do they, instead, prefer to be dependent on other persons, institutions and myths?

Answers to these and related questions clearly involve empirical judgments. A first step requires recognition that persons are not homogeneous, along this or any other dimension. In almost any population, in almost any cultural–historical setting, some persons will place a value on individual liberty, on personal autonomy, and, further, will possess the self-confidence that should accompany such a stance. At the same time, some other persons, in the same culture, may place little or no value on liberty as such and will not be at all self-confident. These persons will positively prefer to be in positions of dependency, to allow other persons, institutions, conventions or myths to dictate their behavior, to enjoy the apparent security that such dependence offers.

Classical liberalism does not embody an initial presupposition that an overwhelming majority of persons in all cultures at all times fit into the first of these two categories. Classical liberalism does, however, embody the claim that such a majority of persons, regardless of their cultural history, are inherently and potentially capable of both being autonomous and enjoying so being to the extent required by the institutional structures of the economic marketplace and constitutional democracy. In this limiting sense, classical liberalism does indeed belong in the perfectionist set of political philosophies.

A critical mistake is made, however, if the initial presupposition is taken to represent empirical reality. That is, if most persons are simply presumed to exhibit the characteristic qualities of independence and self-confidence when, in fact, they do not, efforts to modify the institution's social order in the direction of those suitable to the liberal precepts may dramatically fail. As witness, we need look no further than the experiences of central and eastern Europe during the 1990s.

No one can deny the ideological success, over a century and a half, of the socialist idea that the pre-Enlightenment myth summarized by 'God will take care of you' could be effectively replaced by a new and attainable myth summarized by 'the state will take care of you' (see Chapter 10). Viewed in this light, socialism did little other than shift the focus of personal dependency from God (and through its institutional embodiment, the church) to the state. Indeed, the dependency was coercively extended well beyond earlier quasi-voluntaristic limits, both in the overtly socialist and welfarist polities. Throughout the world of the twentieth century, persons were born, nurtured and educated to place reliance upon, and hence be subservient to, the collective.

We now live with the still-shocking fact that the whole socialist enterprise failed; Hayek's 'fatal conceit' was finally exposed in the collapse of institutionalized experiments everywhere. The failure to deliver on the promises to deliver the goods was universally observed, which prompted action toward institutional reforms. Efforts were directed toward putting in place the structures that seem central elements in the classical liberal scheme of things – property rights, markets, democracy.

These reforms were seen, however, as having been themselves imposed by the selfsame state that previously had laid on the failed socialist schemes. It is as if the state, having realized its error, was simply adopting a new set of institutions that the economists suggested were more 'efficient.' There was no accompanying message conveyed either directly or through common understandings to the effect that persons were, in one fell swoop, freed from dependence, but at the same time, left to struggle for themselves. Persons were simply thrown into the new postsocialist institutional order before they had developed any confidence at all in their independence – the minimal confidence necessary for any effective participation in self-governance.

As might have been predicted, there was a minority of persons who did indeed recognize the opportunities presented by the new regimes, and who were able to prosper mightily, often at the direct expense of their fellows who remained, quite simply, lost when left without persons, institutions or myth upon which to place their dependence.

The preceding remarks are directly descriptive of the developments in

central and eastern Europe. The situation in Western welfare democracies is, perhaps, even more difficult, if only because it seems less threatening. As the welfare umbrella has been extended, larger and larger shares of the citizenry have been brought into positions of dependency on the state's largesse. At the same time, these dependents have been allowed to retain the voting franchise. Increasingly, the state's dependents will come to view the state itself as an instrument through which other groups may be exploited, and members of these latter groups will, themselves, come to look on politics as little other than an arena for distributional conflict. The fundamental idea of democratic government as a cooperative enterprise through which persons may govern themselves to their mutual advantage may be lost.

In terms of the perfectibility hypothesis, at least along the dimension examined in this section, a sufficient number of persons must be willing to be left alone, to trust in their own abilities to determine their own destinies. It is a tragic mistake to presume that these attitudes are instinctively present in man's makeup. But just as surely it is not utopian to suggest that a sufficient number of persons may become or remain free of dependency status, provided the institutions that can facilitate independence are in place.

KANTIAN INTERDEPENDENCE

A second dimension of man's perfectibility that matters to the classical liberal is, in one sense, almost orthogonal to the first. As stressed above, classical liberalism requires a faith, as it were, that most persons are capable of being, and are willing to be, independent within the limits of physical and institutional constraints. Independence rather than dependence – or at least location toward the independence end of the imaginary spectrum.

But the classical liberal edifice would fall quickly if persons are independent in the sense that they fail to recognize themselves in an interdependent nexus of social interaction – a nexus that involves other persons to be reciprocating, acting and choosing human beings like themselves. Along this interdependence dimension, we may imagine a person at one extreme, who, quite straightforwardly, treats other persons as elements in the state of nature confronted, as objects to be manipulated to his own advantage.

I have, in earlier works, referred to Robinson Crusoe before and after Friday arrives on the island. Before Friday, Crusoe reacts to his natural habitat in a strictly scientific manner; he tries to maximize his own well-being, or utility, by bending nature to his will where possible. When Friday is present, we may model Crusoe's behavior to be motivationally unchanged. Crusoe might treat Friday as a new factor in his natural environment, a new subject to be utilized with the objective of enhancing Crusoe's well-being. In Kantian

terms, Crusoe might treat Friday strictly as a means toward furtherance of his own ends.

The Kantian ethical precept reverses the juxtaposition here; persons are to be treated always as ends and never as means. Once again, we have two extreme positions along an imaginary dimensional spectrum. It is difficult to be precise, however, in any assessment of behavior against the Kantian criterion. What is implied by adherence to the admonition that all persons are to be treated as ends and never as means? To return to Defoe's island story, what sort of behavior must Crusoe exhibit in his dealings with Friday to meet the test?

Note that the Kantian precept, standing alone, does not require that Crusoe be concerned about Friday's well-being; no utility interdependence, as such, need be introduced; no overtly altruistic motivation need be observed. The Kantian precept carries no implications for the ultimate ends that Crusoe, for himself, may seek. But the precept does have implications for the choice of means as Crusoe deals with Friday, either in exchange or other relationships. The Kantian norm dictates constraints on behavior in accordance with fairness criteria, defined in terms of respect for the other person in some basic ethical sense. Behavior that involves deceit, fraud, breach of contract, promise-breaking, lying, cheating, stealing – and, of course, inflicting bodily harm – is outside the pale.

Standing opposed to the person who behaves within this set of constraints is the opportunist who behaves in accordance with these constraints only when such behavior proves privately beneficial. Classical liberals do not, or should not, hold up this model of social interaction either as an ideal type or even as a plausibly acceptable order of interaction. If this model seems descriptive of the economists' elevation of *Homo economicus* to normative significance, so much the worse for economists.

At this level of discourse, classical liberals have too often used the crutch provided by Adam Smith in his references to the 'laws and institutions' that must be in place for markets to work well. Unless care is taken, however, this Smithean protective umbrella confuses rather than clarifies the issues. If legal structures are in place that contain rewards and penalties that motivate even opportunists to behave as if they are guided by the Kantian precept, classical liberalism would seem functionally possible independent of man's perfectibility along this ethical dimension.

As an aside, I might mention that I have been involved in a continuing debate, extending for more than four decades, with my colleague and coauthor, Gordon Tullock, and, by inference, with the likes of Gary Becker and George Stigler, on the substitutability between legal and ethical constraints. Is it possible to model a viable socio–economic–political–legal order in which the legal incentives are such that persons behave as Kantians quite independent of whether or not they feel ethically constrained? My answer to

this question has always been emphatically negative; Tullock's answer is basically positive.

Acceptance of Tullock's position would leave in place the question as to how a world dominated by opportunists would ever put in place such an idealized set of legal constraints. But this issue of origins aside, how could such a structure operate? If the law alone constrains the opportunists, what constrains those who enforce the law? Reduced to its essentials, the Tullock position is that the attainment of some location away from the opportunist pole toward the Kantian, at least for a large share of persons, is not a necessary attribute of a classical liberal order.

As noted, I reject such a claim out of hand. I can scarcely imagine an interaction setting in which persons refrain from cheating, stealing and keeping promises only because of some fear of punishment. There is surely a minimal level of voluntary adherence to the whole set of norms implied by the Kantian precept – a level that must be reached by a substantial number of persons in the relevant social nexus.

UNDERSTANDING AND/OR FORBEARANCE

There are, of course, many components of the vector that might describe the person who qualifies for membership in the stylized order of classical liberalism. Any subset of these components is to an extent arbitrary, but I suggest that man's failures to achieve minimal standards along the two dimensions discussed in 'Self-governance' and 'Kantian interdependence' were salient in explaining the tragedies of the twentieth century. There is, however, a third dimension that warrants more extended treatment – a dimension that is not captured even under the most expansive interpretation of the two qualities previously discussed. I acknowledge that there is considerable 'fuzziness' in my labeling here, but I suggest that either an understanding of simple principles or a willingness to defer to others who do understand is also necessary. Hence, my combination 'understanding and/or forbearance.'

What I seek to rule out here, or at least for a sufficient number of interacting persons in the social order, is the 'arrogance of ignorance' as exercised through ill-advised collective actions. The perfectibility threshold for the viability of classical liberalism requires that persons eschew romantic ideals about the potential perfectibility of society itself. In other words, the viability of classical liberalism depends critically on persons 'keeping their feet on the ground.' There is no problem here as regards the ordinary constraints of the natural environment. Persons cannot plunge off into dream worlds of their own imagination. But feedbacks of reality upon thought and action are not

nearly so omnipresent with social or collectively imposed constraints. Persons may try to act out dreams through collective action that are as impossible as walking through walls, as they fail to understand simple principles of social interaction and at the same time refuse to defer to the knowledge of others who do understand.

Classical liberalism could scarcely emerge and survive in a setting where most persons are romantic fools most of the time, even if these persons fail on neither of the two earlier attributes noted. Schemes of social betterment may be proposed and put in place through agreed-upon collective action that accomplishes almost the opposite result from that which motivated the initial action. Institutionally, classical liberalism depends critically upon the workings of markets, and without either a generalized understanding of basic economics or a widespread willingness to defer to the warnings of those who do understand, maintenance of any liberal order becomes impossible.

Some of the intellectual support for socialism was based on the flaw isolated for discussion here. Intellectuals who were neither themselves seeking dependency status nor seeking to treat others as means were often duped into the folly of thinking that the laws of economics were so different from the laws of physics that the former could be changed through an act of collective will. The flaw here was intellectual, as my professor, Frank Knight, always stressed, or to use Hayek's terminology, socialism was based on 'a fatal conceit.'

The observed failure of socialism at the end of the century – failure both in idea and in practice – may have done something toward rectifying this imperfection, toward insuring that a modicum of economic understanding may come to inform public attitudes. But in this respect, the postsocialist decade does not offer much grounds for optimism. Western democracies do not seem to act much differently now than in 1964. The selfsame misguided efforts to repeal the laws of the marketplace are everywhere observed. Protectionist fallacies are as frequently observed now as they were in Adam Smith's eighteenth or in Bastiat's nineteenth century.

DEFENSE AGAINST LIBERALISM'S ENEMIES

As I noted in the introduction, this section was added after the events of 11 September 2001. In discussing the three attributes or qualities covered in the three preceding sections, I have more or less implicitly assumed that these attributes would include a willingness on the part of a sufficiently large number of persons to contribute to the collective defense, as organized through the duly established political institutions. In other words, the liberal

society can perhaps tolerate some free riders, defined in the conventional manner, but not so many as to make for a collective unwillingness to defend the polity.

Almost all of the discussion, however, has been based on the presumption that 'defense,' as an archetype of a genuine public good, involves protection against either external or internal enemies whose objectives may be territorially defined, who seek to invade or otherwise to conquer the structures of authority and to emplace their own substitutes. The events of 11 September 2001 suggest difficulties in modeling defense against our current enemies in the conventional framework.

The objective of the Islamic fundamentalists, both those who attacked New York and their supporters throughout the world, is not territorial, nor is it economic in any meaningful sense. The objective is, instead, the destruction of the West – a rubric for the whole value structure upon which liberalism rests. The objective is indeed religious, but rather than the historically traditional freedom from oppression, the aim here is destruction to be followed by conversion to the 'single true faith'. The fundamentalists make no pretense of tolerance; they cannot, and will not, if able, tolerate the existence of alternative belief systems, alternative supreme values.

What are the minimal requirements for an effective response to such enemies? What attributes must a sufficiently large number of those who share in the values of liberalism possess? Is it enough to remain willing to contribute tax monies toward the maintenance of orthodox weaponry?

It seems clear that much more is required here. And the qualities that are needed may run squarely afoul of long-standing liberal precepts and practices. The age-old question concerning the possible toleration of the intolerant again emerges, and with some considerable urgency. The September events demonstrate that we can no longer behave, individually and collectively, as ostriches. The basic principle of nondiscrimination, perhaps the most important element in classical liberalism, must be tempered. We are being forced, against our desires and sometimes kicking and screaming, to commence 'constructive discrimination' aimed to eliminate those who would destroy our whole culture.

I shall not treat in detail the many issues raised here. I want only to suggest that, yes, classical liberalism does require that a sufficiently large number of those who pay homage to liberalism's values express a willingness to act, in both their private and public choice capacities, to make the categorical distinction between those who are to be treated as 'members' of the inclusive and open network of social interaction, Hayek's 'Great Society' as it were, and those who would destroy it, in part by exploiting that society's own tolerance. The constructive discrimination called for here will be difficult to design and implement. And mistakes will almost surely be made. But a stance of lassitude

can only guarantee the end of liberalism's promise, no matter which brand is put on it.

John Gray gave up on liberalism some years ago, more or less on the basis of his diagnosis that Western societies are necessarily vulnerable to precisely the sort of terror we now experience. I simply refuse to be so pessimistic.

MULTIDIMENSIONAL REALITY

I have identified four separate dimensions, among many, that might be called on to classify persons in a social interaction setting, with the purpose of suggesting that substantial numbers of persons must at least pass threshold limits along these dimensions in order for a classical liberal order to be viable as a possibility. In reality, we may think of classifying any person by his location in this stylized four-dimensional space. (Admittedly, it is difficult for any of us ordinary mortals to think in more than three dimensions, even if some fancy mathematicians claim they can do so.) And we may place all participants in a social nexus somewhere in this space, thereby creating a scatter of points through the space defined by these four dimensions. The central theme of this chapter is that there must be some limits on the clustering of these points in the space; only if there is some clustering of persons away from the dependent, opportunist, unintelligent and supertolerant extremes is classical liberalism a possible organizational prospect. Note that I am not saying here that all participants in social interaction must be classified as being in the relevant clustering; outliers can be tolerated provided that they are not overtly numerous. A liberal society can survive with many persons who do not seek independence; many who are primarily opportunist in their dealings with others; many who remain blissfully ignorant of simple principles of social order and many who simply refuse to recognize the need for constructive discrimination on any grounds. Nor is my argument to be interpreted as claiming that all, or even most, persons must attain 'perfection' along any one or all of the dimensions. What seems required here is that substantial numbers of persons behave so as to allow them to be classified as being, on balance, well away from the 'nonperfection' pole of the space.

To argue that the classical liberal does postulate the perfectibility of man is only to argue that we cannot, willy-nilly, take 'man as he is' and expect idealized institutional structures alone to create the social order that we imagine to be possible. To me, it is naïve to think that somehow, man, as a product of combined biological and cultural evolution, is necessarily qualified for membership in the liberal society. Man must be educated, both in ethics and in political economy, if he is to meet the standards.

CONCLUSION AND GENERALIZATION

As noted in the introduction, the claim that classical liberalism depends on the 'perfectibility of man' counters common understandings. In part such initial reaction may stem from the influence of F.A. Hayek, who, for many, is the twentieth-century's archetype classical liberal (see Chapter 9). Hayek, especially in his later writings, was sharply critical of 'constructivism' in any form, including, presumably, any effort to modify man's behavioral attributes. Interestingly, however, Hayek presumed that somewhere during the process of cultural evolution man had indeed made the leap into what he called 'the Great Society,' which allowed man to sublimate the biological distinctions between kin and stranger, to move up the scalar on a somewhat different dimensional spectrum toward perfection. Also, and importantly, Hayek seemed to feel that improvement in understanding remains possible, and he offers one means through which the classical liberal order might be secured. In this sense, he would not have been critical of the argument that I have advanced here, especially in the first parts of the chapter. But Hayek's leap beyond the tribe toward the 'Great Society' may have gone too far. By sublimating the distinction between kin and stranger, we may have made ourselves unable, and unwilling, to discriminate between citizens and enemies.

For Hayek, for myself and for other self-identified classical liberals, there is considerable difficulty in acknowledging the perfectionist label. In part at least, such difficulty stems from the fact that we do not elevate ourselves to a stance which lays down particular standards of behavior for others to follow. The classical liberal violates his own principles if he thinks of himself as philosopher-king. Nor does the classical liberal think of himself as having made an explicit normative leap into perfection, and he does not really expect others to be different from what they are.

For myself, it becomes difficult to think that other persons are so different from me that I must somehow define myself as having attained a perfectionist ideal, even if through no remembered transformation on my own account. In a sense, I feel a moral obligation to believe that other persons are like me, so much so that I may well refuse to be honest before the evidence that I confront.

Perhaps classical liberalism is a dream world after all, and I am as romantic as the other utopians who have gone before me. But, at the least, hope remains, something that the evolutionists among us can scarcely call up from their depths of despair.

NOTES

* An early version of this chapter was presented as the Passmore lecture at Australian National University, Canberra, March 2002.

1. The two draft papers, originally titled ‘Is Adam Smith a classical liberal?’ and ‘Vicarious sympathy and authority: Adam Smith as political psychologist’ (Khalil, 2001), provided the direct stimulation for this lecture.

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3. Normative presuppositions for democracy*

INTRODUCTION

In Chapter 2, I tried to identify the several behavioral attributes that must characterize the citizenry of a polity, or at least a substantial proportion thereof, in order for a classical liberal order to emerge and to remain viable. And I defined the liberal order loosely by political organization in the form of constitutional democracy and economic organization through operative market arrangements, relatively free of hands-on political direction.

I concentrated attention on four separate attributes: individual autonomy, mutuality or reciprocity of interpersonal respect, minimal understanding and, finally, willingness to defend the order against its potential enemies. In this chapter, I want to extend some of the arguments in Chapter 2 by examining more closely the evaluative or normative attitudes, or sets of attitudes, toward the empirical realities that describe personal behavior, as opposed to those realities, as such, and especially as these might be revealed by modern 'science.' I suggest that the liberal democratic order also depends critically on a requisite set of normative presuppositions about the attributes of participants in that order – presuppositions that must be imposed as the 'hard core,' as it were, in any discussions of reform in the institutional structures of existing societies.

At least indirectly, I shall be revisiting the centuries-long and continuing debate, which I refer to as that between Plato and Adam Smith, concerning the potential natural equality or inequality among human beings along dimensions that may be relevant for social and political organization. As noted, however, my emphasis is on the attitudinal stance taken as we examine or read the factual record rather than on the particular features of that record itself.

Before proceeding further, it is necessary to clear the decks, so to speak, by identifying the parameters of the 'politics' under consideration. Before the normative presuppositions for democracy may be discussed at all, we must agree on what politics is and what it is not, regardless of whether or not the activity of politics is 'democratic.' Here I simply presume that politics is (are) the institutional form through which individuals seek to advance their own

value attainment through joint or collective action, as opposed to separated or private actions. In my conceptualization, politics is not and cannot be considered to be a process aimed at the discovery of some 'good' or 'truth' that exists independent of individual evaluation. The naïve idealism that has characterized so much of 'political theory' over the ages must, finally and totally, be exorcised.

If the idealistic vision of politics is accepted, if the activity does, indeed, consist in the continuing search for some 'good' that exists independently from individual value creation, there could be little justificatory argument for democratic structures. In this setting there is a necessary bias toward allowing 'experts' to lead the search. There is little room for democracy in this basically Platonic vision. If, however, transcendent values do not exist, and persons must create their own values, how can those of some persons be deemed more important than those of others? In this vision, there is a necessary initial bias toward natural equality, the setting within which Adam Smith accepted as the framework for his ideas. In the discussion that follows, the Smithean bias toward a presumption of natural equality is taken as the starting point.

AUTONOMY

Are persons capable of self-government? Or are they, like children, incapable of making decisions in their own interest? And, importantly, do persons really want to be free to choose?

I posed the central questions like these in my earlier Passmore lecture (see Chapter 2). Here I pose them differently. In our thinking about the structures of governance, about constitutional reform and design, should we presume that persons are capable of self-government? That is to say, should we even give 'democracy' a genuine chance? Or, instead, should we preserve only the trappings of the democratic process (open franchise, periodic elections, parliamentary representation, referenda), which we recognize as little more than opiates subject to manipulation and control by those who do know what is best for everyone in the polity?

My own answers are implied by the way that I have put the questions. We should at least be honest with ourselves and, if we use the word 'democracy', we should refer only to settings in which participants in the body politic hold ultimate sovereign authority. Such sovereignty means that, in their capacities as citizens, persons acting collectively have powers to make final choices as to how they will be governed and what, precisely, they will do, both privately and collectively. At this ultimate level of choice, delegation becomes meaningless.

Suppose however, that, empirically, persons do not want to be sovereign.

What if all, or at least a substantial share of, participants want to exist in a state of dependency, to be directed and controlled by other persons or by impersonal agencies or even external forces, which will provide sustenance and succor? Suppose, further, that persons do seem incapable of making the simplest of choices, even those that involve their personal well-being. What if, again empirically, persons do not really know best what they, themselves, want? In this circumstance, the epistemic argument that may be invoked to defend individual autonomy, whether through the institutions of the market economy or political democracy, seems to fall away.[1]

It is precisely in such settings that the scientist-cum-philosopher must first face reality and have the courage to make what we may call a normative leap from that which seems to be empirically observed to that which can only be imagined to be within the possible. There must emerge a conscious presumption that persons are potentially capable of confronting alternatives as autonomous choosers. Human potentiality as opposed to actuality may be invoked to suggest that, while men and women cannot be expected to become as angels, they can extend their capacities beyond the limits of any current scientific assessment of behavior.

Neither scientific data on behavior nor surveys of attitudes can provide bases for inferences about some ultimate justification of the liberal democratic order. The social–behavioral scientist can at best observe that which exists, which is itself dependent on the institutional framework. He cannot empirically determine behavior that might emerge under alternative institutional structures.

The normative leap referred to here is, as it were, a genuine ‘leap of faith’ in human potential. Without such faith in the autonomy of persons extended to encompass all adult members of the social-interaction network, no justificatory argument in support of democracy as an organizational principle for political order can be advanced. In the absence of this normative presupposition, the obvious task in the face of observed or presumed incapacities on the part of some persons is that of making the appropriate distinctions between the potential rulers and the ruled, that is, in choosing members of the elite.

The implicit contradiction in Western welfare democracies emerges starkly when we face up to the questions posed here. The universality of the voting franchise seems to incorporate the normative presupposition that all persons are indeed capable of participating in the political process. At the same time, and notably over the last century, larger and larger shares of the populace have come to depend, wholly or partially, on the collectivity, on the state, for economic support. And there seems to be little or no sense on the part of those persons involved that this dependency status is a stigma to be avoided when and if possible. How could such persons be expected to look on the collectivity as other than something to be exploited, as the means through which transfers can

be secured from others in the polity? But is democracy viable when persons use its instruments as means to exploit others?

RECIPROCITY

It is essential that those members of the body politic who are themselves in a dependency relationship with the collectivity do not explicitly consider transfers to reflect successful exploitation of others through the exercise of the franchise. It is equally important that those who are net losers in the transfer processes of welfare democracies do not consider themselves to be overtly exploited. Democracy, as a political organizational form, is not viable if it is conceptualized primarily as the 'politics of distributional conflict.'

Once again, a distinction must be made between that which is observed, sometimes naïvely so, and the interpretation placed on the observation. The familiar metaphor about the glass being half full or half empty applies here. Much of politics in modern welfare democracies does, indeed, seem to reflect the rotation of outcomes among differing groups of claimants, each of which seeks to exploit the coercive authority of political agency. How, a hard-nosed critic might ask, can politics be interpreted differently?

At this point, *constitutional understanding* or, alternatively, a *constitutional way of thinking* is necessary. Otherwise, how can the observed transfer process that takes place possibly be interpreted to be a part of the political exchange that democracy basically must embody? Whether or not the transfers that describe the fiscal operations of the welfare democracies are or are not explicitly constitutionalized, it is imperative that they be conceived as if they were, and by both the apparent net gainers and the apparent net losers. The welfare transfers must be evaluated from something akin to a Rawlsian perspective in which the individual places himself, normatively, in something like the original position, without specific identification.

This way of thinking allows the whole transfer system of welfare democracies to be considered as an element in the more inclusive set of reciprocal exchanges among persons that characterize the continuing construction of the whole constitution of political society. Viewed in this light, or with this presupposition of reciprocity, exploitation of one group or coalition by another is simply not a part of the political structure. Clearly, such an interpretation places effective limits on the operation of distributive politics as observed. But the presupposition of reciprocity in the constitutional sense does allow for considerable tolerance in the ultimate evaluation of observed political reality.

The presupposition of reciprocity must also extend beyond politics, as such, and be applied to the operation of the market economy, itself a necessary accompaniment to democracy in the liberal order. The market, as an

organizational form, will work well only if participants are presumed to be motivated by self-interest, but only within the discipline imposed by mutuality of respect for trading partners. The market order in which persons deal, one with another, strictly in terms of opportunistic self-interest would be neither efficient nor even tolerably just.

Again, however, and as with political democracy, market dealings, as observed, must be interpreted with the presumption of reciprocity, even in the face of apparent violations of the norm. The opportunistic behavior that may seem often to describe market dealings should not be interpreted as the norm. The required 'laws and institutions,' mentioned by Adam Smith, include not only formal rules and informal conventions, but also the institutionalized ethics of mutual respect or reciprocity. And, the point of emphasis here is that even when, empirically, such an ethics seems to be absent over wide areas of market relationships, the presumption must be that reciprocity is present as an ultimate constraint.

IMPLICATIONS

In the two preceding sections, I have suggested that the liberal order that embodies political democracy and a market economy must be grounded in two normative presuppositions: first, that all persons are capable of making their own choices and that they prefer to be autonomous and, second, that most, if not all, persons enter into relationships with others on a basis of fair dealing, reciprocity and mutual respect. I have also suggested that, from certain perspectives, observed reality in politics and economics may not seem to square with these presuppositions. My argument is that, nonetheless and regardless of what may be observed, we must, within limits of course, proceed as if the presuppositions are satisfied.

What are the specific implications of this stance for the whole set of issues involved in institutional–constitutional design, reform and change? I have referred to one institution, universal franchise, which must indeed be based on the 'as if' acceptance of the first of the two presuppositions. A second complex of institutions, summarized under the rubric 'rule of law,' is perhaps a less self-evident implication of the normative presupposition that all persons are capable of and desire autonomy. What, indeed, would the principle 'equality before the law' mean if, in some basic sense, persons subjected to law should be acknowledged to be 'unequal'?

Discriminatory law that embodies prior classification of persons subject to its potential coercive force clearly violates the normative precept here. This implication is widely recognized. For example, distinctions among persons based on gender, race or religion are acknowledged to be 'out of bounds' in a

democratic order. Much less well understood, however, are the implications for the workings of majoritarian politics. The principle of generality, or nondiscrimination, applies equally over all aspects of collective intrusions into individual lives, well beyond those included under laws as narrowly interpreted.[2] Somewhat surprisingly perhaps, there has been little or no recognition that discriminatory programs of governmental spending targeted toward benefiting members of groups who are classified by arbitrary, if apparently plausible, characteristics must be evaluated as overt departures from the basic democratic norm. What can be the 'democratic' justification for programs that target subsidies or transfers to particular professional or occupational groups, to designated regions or to producers or consumers of designated final goods and services? Surely some naïvely applied correspondence between 'majority rule' and 'democracy' cannot be invoked to legitimize overt political discrimination.

As noted earlier, distributive transfers, whether or not these are discriminatory in the sense previously mentioned, can only become elements in effective democracy if they are treated as though they are basically constitutional in nature. The institutional implication is clear. To the extent possible, programs that embody differential treatment among members or groups in the polity must be explicitly constitutionalized. That is, such programs must be put in place as a part of the operating rules within which ordinary politics is carried out.

The implications of the second presupposition identified are not so readily apparent. In order for either effective political democracy or a market economy to function well, persons must confront interactions with others under some presumption of reciprocity. Such a presumption may emerge, however, from a cultural setting that is not readily amenable to constructive reform. F.A. Hayek, and especially in his later works, made much of the point that, through some rather mysterious process of cultural evolution, men came to a willingness to treat strangers reciprocally, moving beyond the genetic heritage that allows only for intratribal mutuality in exchanges.

There are, however, suggestions for institutional reform that may be drawn here. The traditional American ideal of 'the melting pot,' in which diverse ethnic and cultural groupings of immigrants are assimilated through a common language and social experiences, tends to promote the norm of generalized reciprocity. Modern attitudes that tend to encourage maintenance of separate cultural identities counter this norm. Democracy as a political structure fails to the extent that the agencies of governance are considered as devices to promote the interests of identified groups at the expense of others. And markets, as efficient generators of the values desired by participants, also fail if, prior to each transaction, persons must identify the trading partner by some discriminatory mark.

THE CONSTRAINTS OF REALITY

What I have tried to do in this chapter is to identify the normative presuppositions that must undergird positive discussions about the future of democracy. Without these, we find it difficult to advance justificatory arguments for the very institutions under examination. But with these presuppositions, we proceed in the hope that human beings are capable of meeting the requirements laid down.

The attitudes embodying the presuppositions identified here should not be naïvely extended to apply to the behavior of *all* persons in the polity. Institutional–constitutional design should allow for deviations from the normative standards by subsets of participants, and protections should be built into the structure that will limit the harms that deviants will impose on others. Persons who are either incapable or unwilling to remain autonomous should not be given opportunities to be driven, herd-like, by demagogues who, through the agencies of governance, may subvert the liberal order itself. The argument for separation of powers in governance is based, in part, on recognition of such a danger.

Similarly, the failure of some participants in either the political or the market order to honor norms of reciprocity must be acknowledged. And protection against undue exploitation by such opportunists must be built into institutional arrangements. One means through which this might be accomplished is by legal–constitutional guarantees for both open entry and exit into political and economic markets. So long as persons retain exit options at reasonably low cost, the extent of exploitation is severely limited. In politics, the implication is that, where possible, federal structures of governance be put in place and, within single units, entry into electoral competition should be open, with guaranteed periodicity in elections. In the economy, there should be legally enforceable protection to entry and exit into and from all markets.

Properly designed institutional–constitutional safeguards against deviations from the norms can be effective, however, only in settings where the share of participants who might behave in violation of the norms of autonomy and reciprocity remains relatively small. Generalized or widespread failure of persons to adhere to these norms, along with the widespread recognition that others also disregard the standards, will insure that the liberal order itself must fail, quite independently from any institutional safeguards.

We must always recognize that such failure is within the possible. ‘Democracy,’ or, more generally, ‘the free society,’ may not be consistent with the empirical reality of humanity. The Enlightenment dream may prove to have been illusory after all, as John Gray and other liberal defectors have concluded (Gray, 1995). And this century may, once again, revisit tragedies akin to those experienced in the twentieth and earlier centuries. My former

colleague Frank Fukuyama may have been wrong when he pronounced that we have come to the 'end of history' in the sense of the dialectical struggle between individualism (which allows for democracy and a free economy) and collectivism (Fukuyama, 1992). For myself, however, I feel a moral obligation to take the requisite leap of faith and to think and act as if persons can, indeed, be free and responsible beings.

I do not, of course, suggest that we should imaginatively presuppose a reality that could not exist, even as potential. Our subject matter is the behavior of human subjects, which may be influenced by, but not wholly determined by, the institutions that constrain them and by the attitudes taken toward these institutions. We cannot force reality into correspondence with our images of it. But we can, as social scientists and social philosophers, be very stubborn in our unwillingness to accept the findings of those 'scientists' who would, at least by implication, undermine the normative foundations upon which Western civil order has been based. It is all too easy to assume a Platonic stance and to mock both Thomas Jefferson and Adam Smith for their empirical naïveté. We do so, however, at our peril.

NOTES

* An earlier version of this chapter was presented at the meeting of the Tampere Club, Tampere, Finland, July 2002.

1. For a generalized discussion of this argument see Rae (1988), along with my response (Buchanan, 1991).
2. See Buchanan and Congleton (1998) for a comprehensive treatment of the application and extension of the generality principle to politics.

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4. Beyond law: the institutionalized ethics of liberal order*

INTRODUCTION

I have always considered myself as working within the program laid out by Adam Smith, with the aim of understanding and interpreting the operation of a market order within the structure of the appropriately defined 'laws and institutions,' with the latter often being taken to mean the legal framework or structure that defines and enforces private property rights and voluntary contracts. I have, both explicitly and implicitly, been critical of those who have predicted the emergence and efficacy of markets independent of the presence of the Smithean parameters. For the most part, however, my emphasis has been on the necessary characteristics of the legal structure itself, on the 'constitution,' broadly conceived, and in particular on the limits placed on politically motivated intrusions with persons' 'natural liberties,' again a familiar Adam Smith term.

Many of the overly optimistic predictions about the transition from socialist–collectivist regimes to viable liberal societies in central and eastern Europe were made in disregard of the Smithean requirement that the necessary 'laws and institutions' be in place before markets can begin to function satisfactorily. Retrospectively, we now know that those outside commentators, like Henry Manne, who in 1989–90 put their stress on the primacy of implanting the rule of law, were much more nearly on target than those who concentrated their emphasis on the relaxation of collectivist controls. It was, and is, of course, necessary that the complex bureaucratic apparatus of state control be dismantled. In its place, however, this apparatus should have been replaced by genuinely effective 'privatization,' with well-defined and enforceable property rights, insulated from the imposition of politicized intrusions, even from allegedly 'democratic' agents.

These points are now widely recognized, and, although 'varied reiteration' is often desirable, I do not propose to elaborate on them further. Instead, what I want to do here is to discuss a sometimes neglected element in Adam Smith's requirements; I want to discuss the 'institutions' that are over and beyond the legal structure – beyond the law, broadly defined – and that are also necessary

for a liberal market order to operate at all effectively. More specifically, I want to discuss the relevance and importance of ethical norms that describe personal interactions, with these norms being interpreted as institutions that may, indeed, be variables and therefore, in some sense, amenable to deliberately directed change.[1]

INSTITUTIONS DEFINED

Adam Smith separately referred to 'laws' and 'institutions,' but a more inclusive definition of institutions would, of course, include laws of all forms. For economists, a working definition for institutions might refer to the set of constraints on the satisfaction of a person's primitive preferences, whatever these constraints might be. Hence, I might refrain from taking your marbles, which I do desire, because of the institution of private property, making your marbles protected as a part of the laws of the land. Or, I might refrain from such taking because I am constrained by an internal ethical norm that precludes any such action. To the extent that it is widely shared, this norm also qualifies as an institution in any inclusive definition of the term.

Formal laws, written down in constitutions or in statutes; informal laws that remain unwritten but which are defined by precedent in judicial rulings, traditions, conventions, patterns of conduct, ways of doing things, habits, manners, even language – all are institutions that may constrain human behavior. I want to limit consideration in this chapter to that subset of institutions that are 'beyond law,' in any formalized sense; hence my title.

A first step to be taken is to acknowledge that many of the informal rules under which we live, and through which we interact with others, emerge from a process of cultural evolution; such rules were not designed deliberately by anyone. These institutions are the results of human action but not of design, to use one of Hayek's favorite statements taken from the ideas of the Scottish Enlightenment. Modern developments in evolutionary game theory have added formal structure to the Hayekian insights in this respect. My own view has long been that Hayek overemphasized the evolutionary origins of the institutional constraints that describe human interaction, and especially as this emphasis tends to generate a sense of acquiescence before forces that are beyond control (Hayek, 1988). We may fully acknowledge that many of the constraints that help to describe our behavior are products of an evolutionary process without, at the same time, denying that some of the institutions of order have themselves been 'laid on' or chosen explicitly, and further that some of the observed constraints are subject to deliberate and constructive change.

There are two parallel tracks, so to speak, in inquiry into ethical norms,

considered as institutions that constrain human behavior, over and beyond the constraints reflected in formal law. There is, first, the positive analytical effort to understand how observed ethical rules or precepts have come into being. And this effort includes, importantly, examination of the evolutionary processes that may have been at work, quite independent of any teleological context. The effort also includes, however, an assessment of the record of deliberately designed actions variously taken to implant or inculcate ethical norms into the psychology of behavior. The second element of discourse and inquiry moves beyond positive analysis and introduces a comparative evaluation of alternative ethical principles within the explicitly chosen purpose of promoting and maintaining a viable social order.

THE MINIMAL ETHICS OF INTERDEPENDENCE

Considerable confusion arises when claims are advanced to the effect that generalized adherence to ethical norms is a necessary condition for the effective functioning of a market order. To argue that persons must 'behave ethically' in their dealings, one with another, is often taken to imply that persons, and agents for firms, must take the interests of those on the other side of market exchanges directly into account. In common terminology, ethical behavior tends to be associated with altruism, with utility interdependence, as such. The trader must genuinely 'care about' the well-being of the person with whom he trades.

It is clear, however, that this element of behavior is not a necessary feature of market-like relationships. Indeed, one of the most beneficial characteristics of market exchange is the elimination of the requirement that participants involve themselves in personalized interactions based on recognition and identification. The impersonality of the marketplace facilitates the enhancement of economic value for all participants.

Impersonal should not, however, be equated with unethical. The absence of altruism toward the person with whom one trades is not at all equivalent to the disregard of that person as a moral equal, or, more simply, as a person rather than as a part of the natural world. I have often used the fictional example of Robinson Crusoe on his island after the arrival of Friday. Seeing a second human being on the island, Crusoe could, quite simply, treat Friday as a new part of the natural world and treat Friday no differently from the way he might treat an animal. Alternatively, Crusoe could sense that Friday belongs to his own species and is therefore capable of interacting reciprocally, of engaging in trade in the most inclusive sense of the term.

The second of these possible stances embodies ethics, in the implied adherence to a norm that constrains certain types of behavior. This norm is best

summarized under the term 'reciprocation.' Other persons with whom one deals, trades or exchanges, whether or not these interactions be 'economic' in the narrow sense, are accorded the respect that is expected to be mutually extended. There is no altruism or utility interdependence involved; there may be no interest in the well-being of the parties on the other side of the exchange.

'Unfair' behavior is ruled out by adherence to the ethics of reciprocity. The honest trader does not defraud those with whom he trades; he does not misrepresent the good offered in exchange; he does not renege on contracts once made; he does not use coercion to force terms of purchase or sale. These familiar properties that describe behavior become the minimal ethics of market participation. To be sure, these behavioral attributes may also be dictated by the formal laws within which market exchange proceeds. Indeed it may be argued that law, as it has emerged, and perhaps especially in common-law systems, largely serves to codify existing patterns of ethical behavior. Loosely stated, we may say that law itself is emergent from the ethics of reciprocation, rather than that some falsely conscious ethics of reciprocation emerges from prior law.

ETHICALLY CONSTRAINED MARKET CHOICE [2]

Economists have been remiss in their failure to allow, explicitly, for the effects of ethical constraints on the choices made by individual buyers and sellers in the marketplace. Elementary economic analysis begins with the choice confronting the individual, who is modeled as seeking to maximize utility under conditions of scarcity, reflected by a budget line that delineates the feasible choice set. This choice set is presumably given exogenously to the individual, with no recognition that the derivation of such a choice set critically depends on the presumption of behavior within the rules of the market. The individual in the elementary economics textbook chooses among bundles of goods made available through purchases or sales in markets at proffered prices. Choices that may be possible through nonmarket means, through, say, theft, are not considered. Implicitly, the prices of goods available to the individual through market purchase are deemed to be the most favorable means of securing the goods in question.

The presumption that persons make market choices without the influence of ethical constraints would seem difficult to support empirically. Surely a more plausible explanatory model would allow individuals to 'choose what to choose' in the sense that they choose to act within the constraints dictated by the ethics of reciprocation. I choose to trade apples in my initial possession for the oranges in your initial possession; I do so because I acknowledge that the oranges are indeed 'yours' in some meaningful sense, and I also recognize that

you acknowledge my ownership in the apples. I may carry on with this trade, even in the full knowledge that I could, in the dark of night, steal your oranges without having to give up any of my endowment of apples, and with relatively little fear of punishment by law.

This relatively simple change in the way we think about behavior in markets has significant implications for any assessment of the potential efficacy of market structures in differing social environments. Compare and contrast two extreme settings, one in which all participants in all markets behave strictly within the rules of the market, whether or not formal laws exist, and one in which all participants in all markets behave strictly in terms of taking opportunistic advantage. In the former, traders can proceed to make market choices on the basis of trust, assured that there would be no misrepresentation or fraud or breach of contract. In the latter setting, choices would have to be made within margins of allowance for all such deviance from rules of reciprocation. It is not difficult to predict that the first of these settings would generate a relatively higher value of product than the second, given rough equality in the resource bases.

One reason for the relatively enhanced productivity of the economy whose participants adhere to ethical constraints against opportunistic behavior lies in the implied efficacy of impersonal dealings. In an economy where widespread fraud is absent, persons can enter exchanges without the personalized relationships that may be necessary for the insurance of trust in the economy where fraud is prevalent. The advantages of specialization can be more fully exploited as the scope for trading prospects is extended.

What I am suggesting here is that, once the importance of ethical constraints on choices within markets is acknowledged, the possible variations in final productivity among political and economic structures otherwise similar are wider, and these variations are likely to be much harder to predict on the basis of empirical examination of the standard economists' measures, even those comprehensive ones that may include such variables as, say, the educational levels of the labor force and the formal laws of property and contract. In sum, ethics matter also for the working of market economies.

INSTITUTIONALIZATION

In the chapter title, I used the term 'institutionalized ethics' to convey the notion that the 'beyond law' behavior of participants in market interactions must form a part of the generalized expectations of all or a substantial number of such participants. The term 'institution' implies a recognized or acknowledged generality applicable over the behavior of many persons and over time.

In this interpretation, an institution cannot be laid on or put in place in any

way comparable to a conventional public good, as discussed in the fiscal textbooks. The institution of reciprocal respect in market behavior does indeed qualify as a public good in the sense that its presence yields common benefits to the whole membership in the relevant community. But, by comparison to the conventional public good, such as a policeman or a fire station, the institution of reciprocal respect cannot simply be 'produced' and made available to all sharing beneficiaries. An outlay of resources will not, and cannot, suffice, even given the recognition of a felt need for the services.

Acknowledgment of the peculiar nature of the institution under examination here should not, however, lead to the Hayekian stance of acquiescence. Hayek is perhaps correct in noting that the institution, as observed in successful liberal polities, may have for the most part evolved in a slow and unconscious process of cultural evolution. But a careful analysis of the features of reciprocation, as a characteristic of behavior in the marketplace, suggests that, to an extent at least, this public good can be 'produced,' as it were.

The particular feature that warrants notice is that the behavior in question is necessarily individualized. Each participant, separately and personally, generates external benefits on all other persons in the nexus of relationships when that participant exhibits market behavior that accords with the norms of reciprocation. This element in itself is not peculiar to the publicness involved here, however. The person in a sharing group who, on his own, produces some of the shared good similarly conveys external benefits on all others in the group. In the standard model, however, the single person also may secure some benefit from his own usage of the good that is produced. And it is within the feasible set of possibilities that one participant could produce the shared good in such quantity as to meet fully the shared demands of others in the group. Also, it is clearly feasible that the whole group, acting collectively, could agree on a tax-sharing scheme, to be coercively implemented, that would generate the efficient quantity of shared good. This familiar and conventional analysis is simply not applicable at all in the relationship under discussion here. The 'public good' that behavior in accordance with the norms of reciprocation represents cannot be produced other than through the separate and individualized action of participants themselves. Each person who behaves by the norms of the fairness ethic in a market transaction generates an external benefit on all others in the nexus. But there is no net benefit to the person who so behaves independently.[3] The analogy with the *n*-person Prisoner's Dilemma (PD) is obvious. It is never in the interest of the single person, acting alone, to cooperate; but it remains in the interest of all that each participant cooperates.

It becomes evident that the ethics that must be institutionalized here must be such as to generate behavior other than that dictated by opportunistic self-interest. Something akin to David Hume's explanation of the generalized

respect for property must be introduced. Persons must come to know that, if all persons follow opportunistic self-interest, all are worse off than they would be individually if each followed the 'general interest,' individually defined. The institutional ethics of reciprocation is, therefore, fully analogous to the ethics of private or several property. Indeed, it is no different.

Note that, in particular, the institutionalized ethics required here does not require adherence to a group or community interest, as such, and apart from that imputable to the individual participants. As noted earlier, neither altruism nor creation of an organic entity commanding loyalty is required. What is required is an understanding that all persons may benefit by behavior in accordance with the norms of fair dealings.

Clearly, the institutionalization of such an ethics is productive in an economic value sense. But it is equally clear that ordinary investment does not provide the nostrum. The investment that should take place involves the 'preaching' of the ethics of reciprocation, or fairness in dealings, over and beyond the limits of the law, as formally laid down. An important part of any such preaching is, quite simply, instructional. Persons can be brought to understand the relationships between individual behavior and aggregate results. Further, persons can be brought to remain tolerant of the behavior of those others who either fail to understand or refuse to act as the norms of fairness dictate.

Economics, as generally taught, and economists have failed in what might have been the inferred challenge here. When, as and if the basic logic of game theory enters fully into the orthodox economists' mind-set, this failure may be corrected.[4] A generalized understanding of the structure of interaction under opportunistic behavior is surely a first step toward institutionalizing a corrective ethics.

THE POLITICS OF RECIPROCITY

To this point, the discussion has been concentrated on the minimal ethical standards that must be respected in order to insure the effective functioning of an economy organized on market principles, with private ownership and generalized freedom of entry and exit into and from exchanges in goods, services and claims to resources. There should be little quarrel with the claim that a market sector of a liberal order works better if participants generally abide by the norms of reciprocation in their dealings, one with another.

What has been so far neglected, however, is the necessary emplacement of any market structure within the more inclusive political order, along with the possible feedbacks and/or spillovers from behavior in politics on the ethics of

the marketplace. 'The economy,' including individual behavior in it, cannot be examined independently; we must, perforce, examine the workings of 'the political economy.' Markets operate within parameters that are at least partially laid down by politics. And, just as is the case with markets, the outcomes in politics are emergent from the separate choices made variously by individual participants, regardless of how political decision structures may be organized.

The ethical norms that describe individual behavior in market transactions are surely influenced by the behavior of those persons who fill agency roles in politics. Generalized adherence to the ethics of reciprocity in market relationships could scarcely be expected in a setting where agents are widely observed to use political authority to further differential advantage, either for private, personal gain or for group or party-directed benefit. To an extent, at least, behavior in politics maps that in markets, and vice versa. It is not surprising, therefore, that political regimes characterized by widespread corruption are so often paralleled by economies marked by an absence of trust, and where fraud seems to be the order of the day.

It is, however, considerably more difficult in politics than in markets to define behavior that accords with the norms of reciprocation. At base, the problem here is the failure, by members of both the lay public and the academy, to interpret politics as exchange, even in some ultimate sense. Even totally incorruptible political agents who consider themselves to be acting in pursuit of some mystical 'public interest' may be judged to be exploitative by persons who do not share similar evaluations. An alternative interpretation that treats politics, generally, as an arena of distributional conflict rather than co-operation tends to create, in political losers, the temptation to attribute all results to fraud and deceit.

The politics that is behaviorally coherent with the presence of the ethics of reciprocation in the market sector must, at base, be conceptualized as a process of exchange, in which participants give up valued options, measured in liberties and in taxes, in exchange for shared benefits, including those of civic order itself. The behavior of political agents, those persons authorized to act on behalf of the collectivity, must be constrained to remain within the limits dictated by such an interpretation of the whole political enterprise.

In part, of course, constraints are made effective by the presence of, and accompanying enforcement of, formal constitutional laws. Just as in market behavior, however, as earlier discussed, political behavior must be ethically constrained in supplementary extra- or supra-constitutional ways. Formal constitutional limits will be no more efficacious in constraining political actors than formal laws against fraud in the marketplace. The ethical culture that extends 'beyond law' must describe both the economics and the politics of a viable liberal society.

BEYOND THE LIMITS

The natural ethics of members of the human species are those of the tribe, which is described by a moral community, of sorts, among distinguishable persons who 'belong,' and moral anarchy as between those within and those outside the closed membership.[5] As Hayek emphasized, it was only as these ethical norms were supravened that the extended nexus of the 'Great Society' became possible, in which persons came to deal respectfully with persons beyond tribal limits. Note particularly, however, that this step did not represent a straightforward extension of the tribal ethics to the all-inclusive membership of the political community. The universalization of 'love' remains the dream of the romantic humanists and Saint Francis. Instead, the ethical shift that was taken involved the treatment of strangers, those beyond tribal limits, with norms of mutual respect. In a sense, this shift reflects the limits of man's moral capacities. To treat other persons outside the tribe in accordance with norms of reciprocation – this was within the possible; to universalize the idealized tribal ethics of love – this was not.

Ill-advised political reorganization that required for its efficacy the universalization of the tribal ethics was foredoomed to failure. But, placed within such an unnatural and forced structure, that is, beyond their moral limits, persons necessarily reverted to the opportunistic pursuit of immediate self-interest. In retrospect, it should have been no surprise that the ethical standards observed in the mature collectivist regimes seemed to reflect a return to those that describe primitive tribal interactions. And, once subverted, how could the limited norms of mutual respect and fair dealings be reintroduced, even after the formal structures of collectivization were pulled down? It is little wonder that development seemed so tortuous, even after the formal legal institutions of private property and contract were restored.

The ethics of the marketplace, of the classical liberal order itself, once lost, can scarcely be replaced by deliberately laid-on institutional reform. But recognition of this problem need not generate a sense of despair – a sense that, without such an institutionalized ethics, societies are locked into low-productivity status without recourse. As I suggested earlier, and contra to the Hayekian implications, the minimal ethics of classical liberalism can be 'produced,' even if through a slow process, by effective 'preaching,' which concentrates in an inculcation of the basic Puritan values and virtues. If whole societies could have been lured into the massive institutional transformation through following the false teachings of Karl Marx and the socialists, societies can surely be made whole by the teachings of the classical liberals, who need only to recapture the faith that they exhibited two centuries past. Yes indeed, we do need the 'gospel' of liberalism, along with the dream of societies peopled by free, responsible and prosperous beings.

NOTES

* An earlier version of this chapter was presented as a lecture at the Liberal Institute, Prague, Czech Republic, October 2002.

1. For elaboration of some of these arguments, see Buchanan (1994a).
2. The argument in this section has been more fully developed in my paper 'Choosing what to choose' (Buchanan, 1994a); see also Buchanan (1994b).
3. For the application of this analysis to law abiding more generally, see Chapter 7 in *The Limits of Liberty: Between Anarchy and Leviathan* (Buchanan, 1975).
4. See Buchanan (2001) for further discussion.
5. For further discussion, see Buchanan (1981).

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5. The equivocal ethics of liberalism

INTRODUCTION

To what extent are classical liberalism and welfare-state liberalism ethically compatible? In the stylized ethics of the marketplace, persons meet in a relationship of natural equality, with the ethics of reciprocation a critical element in insuring viability of the whole nexus. In stylized Christian ethics, by contrast, persons exhibit compassion, one toward another, when they meet, with acknowledged hierarchical assignments becoming critical in the direction for give and take. My aim in this chapter is to explore the necessary tension between these contrasting and familiar ethical perspectives. In so doing, I hope to be able to clarify ambiguities that cloud analysis and discussion in several related areas of inquiry, including economics, evolution, game theory, law, philosophy, politics and psychology.

I propose to frame the discussion again in terms of the continuing and still-relevant debate between Plato and Adam Smith as representatives of two presuppositions, that of a natural hierarchy among persons and that of a natural equality. This debate has been consistently confused through a failure to distinguish carefully between the positive and the normative versions of the presuppositions. Empirically, persons differ, one from another, along each of many dimensions. Acknowledgment of this elementary fact prejudices the positive argument in favor of Plato. But is there an overarching common dimension that allows the notion of a natural hierarchy to become meaningful? In the absence of such an acknowledged natural hierarchy, as exhibited in public attitudes, is it normatively permissible to presume the existence of such an ordering among persons? If not, the presumption of natural equality, explicitly imposed as an abstraction from multidimensional empirical reality, becomes normatively dominant. Adam Smith and Thomas Jefferson, who presume natural equality among persons, provide the basis for the idealized construction of a *liberal* sociopolitical order, in which no persons are preassigned positions in some ranking.

In some inclusive sense, 'liberalism,' as a descriptive term of classification, requires acceptance of the presupposition of natural equality. Yet, at the same time, the empirical reality of differences among persons, along many dimensions, motivates a mélange of normative attitudes, many of which seem to

presuppose a natural hierarchy and which may necessarily undermine or erode the liberal edifice. The modern welfare state, with its massive coercively imposed transfers among persons and groups, is normatively legitimized as a collectivized extension of Christian charity. As noted, however, if this state is to be understood to be more than a political game, there must be some independent means of prior classification, some hierarchical ordering as between potential takers and those from whom value is taken. There can be no reciprocal relationship as between members of these groups. The ethics of reciprocation must be superseded by the ethics of altruism – the ethics of treatment of those persons (or animals) who are acknowledged as unequals from the outset.

Modern Western societies live in the uneasy tension between these categorically differing ethical systems with predictable confusion and ambiguity in both scientific and popular discourse. This difference offers the basis for the distinction between justice and charity, one that is necessary to understand and appreciate the work of John Rawls. Philosophical foundations of politics embodying the contrasting contractarian and noncontractarian frameworks are clarified when interpreted through the basic difference in presuppositions noted, along with the derivative implications for appreciation of constitutional limits. Legal structures look different when viewed in the two perspectives, and especially the dilemmas of punishment, including the distinctive American–European attitudes toward the death penalty.

FAIRNESS AMONG NATURAL EQUALS: UNDERSTANDING JOHN RAWLS

John Rawls seems well on the way to canonization as the patron saint of the modern welfare-transfer state. His work is widely interpreted as having provided philosophical justification for collectively imposed coercive redistribution of value from the relatively affluent to the relatively impoverished, limited only by the presence of incentive-induced feedbacks on the generation of value – feedbacks that make full equalization infeasible. In a brief memorial marker (Buchanan, 2003), I challenged this prevailing interpretation of Rawls and his work, but I did not develop the argument to the extent that this chapter now allows me to do.

Throughout the corpus of his work, Rawls was concerned with fleshing out and elaborating the notion of 'justice as fairness,' and he, quite specifically, chose these words as the title for the small book that summarized his classroom lectures (Rawls, 2001). In common understanding, the very word 'fairness' has connotations of equality, and a dictionary definition includes 'impartiality.' Fairness cannot, therefore, be used as an attribute of the behavior of a superior toward an inferior. The lord of the manor can, indeed, treat

his several serfs impartially, or fairly, as he compares one with another. But if he has only one serf, the sense of fair treatment loses meaning. As Dennis Mueller noted in an early comment on Rawls, there is nothing in his principles that would allow the condemnation of a man for beating his dog. Compassion is a praiseworthy attribute in all such settings, but fairness simply does not apply except in the comparative treatment of equals.

How are principles of 'fairness among natural equals' to be reconciled with the corrective redistribution of primary goods that has become the centerpiece of the dominant interpretation? Rawls accomplishes such reconciliation by relocating the position at which principles are selected. As they exist and as they may be observed, persons differ one from another along many dimensions. Specific identification, however, makes it inappropriate for persons to seek to derive principles of fairness. Only with a stripping away of such identification, and the conceptual relocation of persons behind a veil of ignorance, can discussion be joined in a stylized setting of genuine natural equality.

In this hypothesized position, persons enter into a dialogue as equals; any hierarchical ordering becomes impossible, along with any ethical stance that such ordering may imply. Directed or one-way consideration, as that extended from a superior to an inferior, or vice versa, violates the whole Rawlsian enterprise. But what ethical norms remain that may motivate the interaction among equals? How may a person deal with his natural equals in the hypothesized discourse carried on behind the veil of ignorance?

To acknowledge other persons as natural equals is to recognize others as capable of behaving reciprocally, as capable of entering into two-way or many-way *exchange* relationships. The ethical norms that become relevant in the stylized contractual setting constructed by Rawls are those that describe behavior in the idealized marketplace. More specifically, these norms involve a willingness to forego opportunities to cheat, steal and defraud in unilateral effort to take advantage, along with a willingness to abide by agreements, once made. These norms do not include altruism, in the received sense of this term, which involves the giving up of individually valued interest in furtherance of the interests of others. The precepts of fairness include only the sacrifice of opportunistic self-interest in exchange for the like sacrifice on the part of other parties to an agreement.

The Rawlsian construction is designed to offer a base for evaluation of principles of justice. Persons placing themselves behind the veil of ignorance will, of course, recognize that in the structures of interaction that emerge under whatever principles are in being, there will be wide disparities among individuals in access to commonly valued primary goods. Almost any agreed-upon principles of justice or fairness will include collectively imposed corrective distributional adjustments, which may, but need not, take the specific maximin form described by Rawls.

My point of emphasis is that the Rawlsian structure of argument does not involve resort to altruism, in the understood meaning of the term. Compassionate though Rawls may have been in some personal sense, his principles of justice do not require that persons be compassionate, one toward another. Indeed, we may suggest, with some justification, that one of his purposes was that of separating justice from charity or altruism.

As I interpret Rawls, his construction may best be understood as an extension of the ethics of classical liberalism, as opposed to a modern secularized version of the ethics of Christian charity. The imputation of elements from the second of these ethical structures into the Rawlsian dialogues has been the source of much confusion.

THE CONSTITUTIONAL MOMENT

Rawls was interested in the derivation of abstract principles of justice, and although he used the contractarian metaphor as a means for framing his argument, he remained above, so to speak, any more practical application of his approach for the political constitution of society. The failure to distinguish clearly between the two sets of ethical precepts that has described the interpretations of Rawls has a direct counterpart, however, in constitutional understanding, and at critical junctures in the ongoing political discourse in modern democracies.

The 'constitution,' inclusively defined, is the set of rules, laws, conventions and institutions within which the ordinary or day-to-day interactions between and among persons take place, whether these interactions are described as private or public. Insofar as elements of this constitution are explicitly selected, at least in democratic polities, there is the necessary presumption that those who are to be participants under the operation of such rules are natural equals, if for no other reason than the impossibility of predicting in advance the differential impact upon identified parties (see Buchanan and Tullock, 1962). In the hypothesized setting of the convention when such rules are chosen, there is no hierarchical ordering of participants. The ethical norms appropriate for such interaction are those that involve mutual respect, tolerance and the eschewing of resort to opportunistic advantage, all of which are aspects of reciprocity rather than compassion. Persons are engaged, as natural equals, in a process of conceptualized exchange, in which the separate liberties of individual action are given up. A person gives up his own liberty to act unilaterally against others in exchange for like sacrifices on the part of others, thereby generating social order that is mutually beneficial to all participants. Note that a person does not agree to be bound by constitutional rules because of some expressed interest in the well-being of others,

or even in some mystical 'general interest.' The 'constitutional moment' is one of mutual gains-from-trade rather than some upswelling of recognized utility interdependence.

Ordinary or day-to-day interaction takes place, however, within existent constitutional limits, and these limits allow for ranges of political–collective action. In the political process, persons are well identified by their interests, whether those be economic or ideological. And differences among persons and groups will be recognized, along many dimensions. Orderings become possible that were impossible in the constitutional moment. The unbridled pursuit of identified interests by dominant coalitions, even within the limits allowed by the constitutional rules, may, to an extent, be held in check by acceptance of an altruistic ethic.

WITHOUT CONSTITUTIONAL PERSPECTIVE

It may be difficult for Americans in particular to consider issues in the absence of some variant of the constitutional abstraction. Suppose, however, that we are constrained to think only about the operation of ordinary politics, with persons and groups, coming into the dialogue from well-identified positions. As noted, wide disparities along many dimensions would be present. There would clearly be no 'natural equality' presumption that could be invoked. Persons would be hierarchically ordered along any of many dimensions, and a single person would locate himself at some position in the 'social space' defined in all dimensions. Other persons would be variously located in the social space in positions that can be arrayed in some sense relative to that occupied by the person whose calculus we examine.

To simplify thinking about interpersonal relationships, crude categories would be established, with persons being classified into classes, which themselves would be ordered. Superior–inferior ranks would almost necessarily be defined, with gradations into smaller subclasses.

Consider the politics of such a social setting. Elements of conflict among and between classes and subclasses would almost necessarily arise, and coalitions would be formed with the aims of furthering the interests of members against all who remain outside the membership. And, since there is no sense of constitutional limits on the range and extent of government action, political authority would be used explicitly for exploitation, as opposed to mutual gain. The contractarian metaphor of 'politics as exchange' in some ultimate sense loses all meaning in this conceptualization.

Where and how could ethics enter the picture? As noted previously, the reciprocation ethics of exchange enter into the constitutional construction sketched out earlier. But with no constitutional sense, and no consideration of

persons as natural equals, what ethical norms may be adduced to guide interpersonal behavior within the politics of pure conflict? More specifically, what are the limits of political exploitation? How should those persons who are in positions of political authority constrain their own appetites in their dealings with those who remain politically weak?

Responses to these questions must evoke the familiar ethics of Christian humanism. Love, compassion, charity, even Adam Smith's sympathy – these attitudes incorporate the imagined interests of others directly into the motivations for action on the part of those empowered to act. To the economist, the chooser's utility function must explicitly contain arguments for the well-being of others than himself.

THE ETHICS COMPARED

There is a categorical distinction between the ethics of reciprocity that applies to the exchange relationship and the ethics of treatment of others who are not considered equals, which seems to apply to the politics of conflict. My suggestion is that these two quite different ethical systems enter into the consciousness of members of modern welfare democracies, with resulting confusion. The categorical distinction to be made is that between a two-way and a one-way relationship. In exchange, mutual gains are forthcoming but each party seeks to further only his own interest, with no necessary consideration to the interest of the other. There is no utility interdependence, as such. By contrast, in a setting that may involve unilateral action on the part of one person toward another, or others, exclusive consideration of one party's own interest may, at best, lead to no change in the prospects for the other party or parties, and may, at worst, amount to overt infliction of damage or loss. An altruistic ethic, defined in its proper sense, can mitigate and offset the motivation described as the furtherance of self-interest in such cases. Altruism can generate either positive acts of one-way giving or neutral acts of refraining from taking, when opportunities for the latter are present.

In ordinary interpersonal relationships, these contrasting ethical norms are variously mixed. Persons meet in recognition that they are different, one from another, on many dimensions, some of which may be relevant for invoking altruistic treatment (e.g., giving the homeless person money for a room). In perhaps a majority of settings, however, although the elementary fact of differences may be recognized, persons' interaction one with another is motivated by the prospect that reciprocal actions will generate expected gains for both parties. The familiar altruistic norms need not enter at all into the psychology of behavior.

ETHICS AND COLLECTIVE ACTION

In their day-to-day private dealings, persons may have little or no difficulty in sorting out these two ethical systems, in classifying when it is not and when it may be appropriate to treat others as natural equals in trading relationships, inclusively defined, as opposed to treatment unilaterally motivated by differences along relevant dimensions. When collective or political action is considered, however, the two ethical systems may be the source of confusion. The person who gives money to the homeless man for a room does just that – he gives his own money, he sacrifices his own interest to further the interest of the recipient. But suppose that the homeless man secures a welfare transfer from the state that is financed by a tax on designated members of the polity. In this setting, it becomes clear that the furtherance of the ethical norms of charity and compassion may be overextended because of the absence of any direct cost. Unless fiscal transfers are limited to those that would be unanimously approved by taxpayers, there is no analogy in collective action that is akin to that which is present in the private sector.

As already noted, however, the implication here is not that no justification for explicit fiscal transfers can be made. Return to the earlier emphasis on the constitutional moment. At this moment, as imagined, persons meet as natural equals and agree on a fiscal structure that does incorporate transfers to those who are disadvantaged in the socioeconomic lottery. The point is that what may be called the 'constitutional welfare state' (perhaps motivated by Rawlsian precepts) must be distinguished from the variously motivated set of fiscal transfers emergent from the workings of ordinary politics, which may, in part, be derived from compassionate concerns for persons classified as dependents.

THE PUNISHMENT DILEMMA

The conflict and confusion that stems from an admixture of the two ethical systems are perhaps most acute in both the discussion about and the practical implementation of punishment for violation of law, exemplified by the contrasting attitudes toward imposition of the death penalty for particularly heinous crimes. Arguments of those who oppose the death penalty rely in part on the ethics of compassion for the criminal who faces punishment. By the commission of the crime, this person has identified himself as a member of a separate group, and any treatment accorded by others, through the collective agencies of the state, becomes a unidirected relationship. The crime has been committed; the status quo ante cannot be restored; the only relevant issue is how the criminal should be treated. And since few persons secure utility from

the suffering of others, as such, any punishment must be softened by the feelings of compassion and sympathy.

In the popular discourse, arguments for leniency are offset by those invoking both retribution and deterrence. Arguments on both sides, however, fail to identify properly the underlying justification for punishment that may be derived from the imagined contractual setting in which natural equals, behind a veil of ignorance, choose institutional–constitutional rules of punishment for criminal actions. In such a stylized setting, persons may reckon that some, from among their own ranks, will commit heinous crimes upon others. And consensus may be reached to the effect that, in some circumstances, these crimes should be punishable by legal execution. Any implementation of such rules will, however, run afoul of the ethical norms dictated by the hierarchical classification of those unfortunate felons who deserve understanding and sympathy. It seems almost certain that, in practice, punishment will be somewhat less severe than that which would be dictated by strict adherence to some presumption of natural equality.[1]

An appreciation that the two ethical systems in conflict here may generate differing institutional results in differing political climates allows the sharp divergence in attitudes on the death penalty between America and Europe to be interpreted in an unfamiliar way. Classical liberal critics might suggest that Europe has never fully escaped from the class-bound social structure from which attitudes necessarily incorporate hierarchical classifications among members of the polity. With such attitudes in place, the American institution of the death penalty does, indeed, imply that the ethical standards for treatment of those who are so unfortunate to have committed crimes are harsh and possibly unacceptable. Since, by their nature, these persons are considered different, they should not, therefore, be judged by the standards of those who are placed in position to make judgments. By contrast, however, consider the still-prevalent set of American attitudes that presume a natural equality among persons. In this setting, the person who commits a criminal act chooses his own punishment in the sense that, at least implicitly, he has agreed to the rules emergent from the contractual process that selects among alternative rules.[2]

Classical liberals might suggest that American attitudes in this respect are more ethically advanced than those advanced by Europeans, with the latter reflecting residual vestiges of predemocratic presuppositions.

THE ETHICS OF ENLIGHTENED SELF-INTEREST

The ethics of reciprocation that is essential to the effective operation of the interactions of the marketplace require only that persons recognize others to be equally capable of behaving in the same way as they themselves behave. More specifically, there is no critical necessity that the interests of those with

whom a person exchanges matter at all, as such. In economists' jargon here, the utility or well-being of those with whom trades are made need not enter as arguments into the utility function of the single trader. This ethical structure has often been referenced under the rubric of 'enlightened self-interest,' which directly suggests that the motivation for action be internal to the actor, in some meaningful sense, rather than externally directed by others' interests, as perceived by the actor.[3]

The great discovery of classical political economy, exemplified in Adam Smith, was that if persons, generally, abide by this ethic, as aided and abetted by complementary institutions of law and property, the interests of others can be furthered, independent of any specific intent on the part of those who act. Adam Smith's famous illustration was that of the butcher who supplies meat for the customer's supper from considerations of his own self-interest, which was specifically separated from any motive of benevolence.

It is important to recognize that the furtherance of enlightened self-interest does require behavior that counters that which may be motivated by the furtherance of opportunistic advantage. In other words, enlightened self-interest embodies adherence to the set of ethical constraints or limits defined in the ethics of reciprocity. Persons seek their own interests, but within the limits of rules that allow others, as natural equals, to pursue their separate interests under comparable limits. The operation of the stylized system of exchange through markets is by no means value free or ethically neutral.

Generalized adherence of the ethical norms of enlightened self-interest or reciprocity prompts behavior that is observed to run counter to the measured self-interest of the actor, thereby supplying a source of confusion between this set of norms and those of benevolence. Consider David Hume's familiar argument regarding respect for property claims. A person may refrain from stealing another's goods, even when such theft might be costless in any measurable dimension of punishment, because of the recognition that life in a society without adherence to this norm would be less desirable than life in a society where this norm generally applies. It is, therefore, in the actor's enlightened self-interest to refrain voluntarily from theft (or fraud), and even perhaps to give up some of his own valued goods to others in need. It is in the enlightened self-interest of each person to adhere to the norms of reciprocity if a social interaction network characterized by generalized behavior in accordance with these norms is deemed preferable to a network where such adherence is absent. This stance emerges directly from the presupposition that the social interaction is a set of relationships among natural equals, and that the acting individual cannot expect to secure privileged status. Behavior is not motivated by any positively valued expectation that one person (the potential thief or cheat) can 'get away with it' in any permanent sense.

It is noteworthy that some of the most familiar ethical precepts for personal

behavior may be interpreted as rules that further enlightened self-interest rather than some explicit concern for the well-being of others than the actor. Consider the Kantian categorical imperative which dictates that a person behave in such fashion that generalization of like behavior to all persons similarly situated will produce results preferred to alternative patterns of behavior. Once again, as in Hume's similar setting, there is little more here than acknowledgment of the underlying presupposition that persons are natural equals, and that departure from the norms of reciprocity cannot be differentially available to some but not to others. The Kantian precept does not require that the acting individual take the interest of others explicitly into account.

Even the most familiar version of the Golden Rule (Matthew VII: 12) clearly implies the ethics of reciprocity rather than any ethics of benevolence, in which case the 'as he would be done by' would have been substituted for 'as you would have him do unto you.' The basic principle invoked is that of fairness or impartiality in treatment; the admonition is that the actor should not take advantage of others by any claim to special or differential privilege. The relationship that is normatively dictated is horizontal rather than vertical; it is a relationship among natural equals rather than among those that stand in any superior–inferior ranking, one to another.

THE ETHICS OF BENEVOLENCE

A categorically different ethical structure must be introduced when any departure from the presupposition of natural equality takes place. How should persons treat one another when interpersonal differences are recognized to be present, and along dimensions that are considered relevant for behavior? How should a 'superior' being behave toward an 'inferior' being? And how should an 'inferior' behave toward a 'superior'? Merely to raise such questions explicitly seems embarrassing, and especially in the American cultural environment, where the whole constitutional–legal–political–economic structure reflects the presupposition of natural equality rather than ordered inequality among persons.

Nonetheless, my central thesis in this chapter is that the ethics of modern liberalism seems equivocal because both of the ethical systems are simultaneously at play, with the presupposition of natural differences being allowed increasingly to replace that of natural equality. But how does an 'inferior' deserve to be treated, if his position in the social ordering is acknowledged? Charity, kindness, compassion, altruism – these terms become relevant in any attempt to construct an ethics of benevolence.

Note that the relationships under consideration here cannot, in any meaningful sense, be brought within an exchange setting. As noted earlier, the process is unidirectional; the actor who behaves benevolently toward his 'inferior' gives

up something that he values, for himself, in order to confer something that is presumed to be valued by the recipient. There is genuine ‘caring for’ the well-being of another or others, an attribute that need not be present at all under reciprocity.

The ethics of benevolence assumes meaning only when some hierarchical classification among persons is presupposed. Hypothetical constructions such as the veil of ignorance or the constitutional moment have no bearing, since these must presume natural equality at the stage of basic institutional choice, with differences emerging only as social interaction takes place after the choices, among either principles or institutions, have been made. How ‘should’ a ‘superior’ treat an ‘inferior’? This question assumes meaning only after a classification is acknowledged.

The empirical fact of personal differences cannot, however, be simply ignored. And recognition of these differences necessarily presents the ethical issues raised here, quite apart from and independent of the possible reflection of the ethics of enlightened self-interest exemplified by fairness norms, in the institutional–constitutional structure in being.

THE EQUIVOCAL ETHICS OF MODERN LIBERALISM

Sir Henry Maine measured the progress of the liberal order by the movement ‘from status to contract,’ perhaps under the conviction that the classical liberal presupposition of natural equality was empirically valid. And, as noted, the basic institutions of Western societies reflect this presupposition, whether or not these were justified by claims of empirical evidence. In retrospect, it seems unlikely that the Platonic presupposition of natural hierarchy would have been so widely replaced by arguments that were exclusively normative in character. Adam Smith imputed some positive content as well as normative purpose into his comparison between the street porter and the philosopher.

Post-Darwin, however, scientific evidence has been accumulating to the effect that intraspecies differences among humans are clearly ‘natural,’ and the nature side of the century-long ‘nature versus nurture’ debate seems well on its way to final victory. Persons are neither ‘blank slates’ nor ‘natural equals.’ Of course, the differences here are multidimensional, and recognizing that they exist does not, in any way, justify simplistic hierarchical classification. Plato has not yet won the day in any normative sense, because we might still insist that the differences are so multivarious as to make any meaningful rank ordering absurd. It must be admitted, however, that the maintenance of the presupposition of natural equality, purely on grounds of its normative strength, becomes more difficult.

Can the institutions founded on this classical liberal presupposition be

sustained? Or must we revert again to status and away from contract? Equality before the law; justice is blind; universality of the franchise and equality of voting rights; freedom to hold and dispose of property equally; equal freedom to speak, to associate, to practice religion; equal freedom to enter any profession or exchange – can these or any other institutions hold out in the face of demands for special treatment for those who are demonstrably unequal in seemingly relevant dimensions?

We live with a mix both of institutions and of the underlying ethical justifications for them. The superimposition of the welfare state, and especially in its discriminatory targeting onto the fundamental constitutional structure grounded on the presuppositions of classical liberalism, creates tensions that seem unlikely to be relieved. John Rawls did, indeed, make a valiant effort at reconciliation. Even in an idealized Rawlsian setting, however, difficulties created by the recognition, and even the celebration, of differences among persons and groups would remain. How much erosion of the foundations can the structure withstand? This century will provide the answer.

NOTES

1. For further elaboration of the discussion here, see Buchanan (1975).
2. Recall the television miniseries, popular in the early 1990s, *Lonesome Dove*. In one episode, Gus McCrae and Woodrow Call are obligated to hang their friend and former Texas Ranger colleague, Jake Spoon, because Jake had joined a gang of horse thieves. Neither retribution nor deterrence was involved; Jake had violated the law that was well understood and agreed to by all parties, including potential horse thieves.
3. In a tautological sense, of course, any voluntary action must be internally motivated. In a pure logic of choice, the actor always maximizes utility, but it becomes impossible even to identify goods and bads in this model, and hence impossible to determine whether or not the interests of others matter.

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6. The soul of classical liberalism*

> . . . the bizarre fact that alone among the great political currents, liberalism has no ideology.
>
> **Anthony de Jasay, 1997**

INTRODUCTION

During the ideologically dark days of the 1950s, my colleague Warren Nutter often referred to 'saving the books' as the minimal objective of like-minded classical liberals. F.A. Hayek, throughout a longlife career, effectively broadened this objective to that of 'saving the ideas.' In a certain sense, both of these objectives have been achieved; the books are still being read, and the ideas are more widely understood than they were a half-century past.

My thesis here is that, despite these successes, we have, over more than a century, failed to 'save the soul' of classical liberalism. Books and ideas are, of course, necessary, but alone they are not sufficient to insure the viability of effectively free societies. I hope that my thesis provokes interest along several dimensions.

I shall try to respond in advance to the obvious questions. What do I mean by the soul of classical liberalism? And what is intended when I say that there has been a failure to save this soul during the whole socialist epoch? Most important, what can, and should, be done now by those of us who self-referentially qualify? Finally, I relate the argument to an understanding of the 'soul' of the Mont Pelerin Society, with implications for the Society's purpose in the new century.

SCIENCE, SELF-INTEREST AND SOUL

The first George Bush, sometime during his presidency, derisively referred to 'that vision thing,' when someone sought to juxtapose his position with that of his predecessor, Ronald Reagan. The 'shining city on a hill,' the Puritan image that Reagan invoked to call attention to the American ideal – this image, and others like it, was foreign to Bush's whole mind-set. He simply

did not understand what Reagan meant and totally failed to appreciate why the image resonated so successfully in public attitudes. In a sense, we can say that Ronald Reagan was tapping into and expressing a part of the American soul, about which George Bush remained illiterate.

The example is helpful even if it applies to a specific politically organized, temporally restricted and territorially defined society. The critical distinction between those whose window on reality emerges from a comprehensive vision of what might be and those whose window is pragmatically limited to current sense perceptions is made clear in the comparison. We may extend and apply a similar comparison to the attitudes and approaches taken by various spokesmen and commentators to the extended order of social interaction described under the rubric of classical liberalism.

Note that I do not go beyond or outside the set of those persons who profess adherence to the policy stances associated with the ideas emergent from within this framework – policy stances summarized as support for limited government, constitutional democracy, free trade, private property, rule of law and open franchise. My focus is on the differences among this wide set of adherents and, specifically, between those whose advocacy stems from an understanding of the very soul of the integrated ideational entity and those whose advocacy finds its origins primarily in the results of scientific inquiry and the dictates of enlightened self-interest.

The larger thesis is that classical liberalism, as a coherent set of principles, has not secured, and cannot secure, sufficient public acceptability when its vocal advocates are limited to the second group. Science and self-interest, especially as combined, do indeed lend force to any argument. But a vision of an ideal, over and beyond science and self-interest, is necessary, and those who profess membership in the club of classical liberals have failed, singularly, in their neglect of this requirement. Whether or not particular proponents find their ultimate motivations in such a vision is left for each, individually, to decide.

I have indirectly indicated the meaning of the chapter's title. Dictionary definitions of 'soul' include 'animating or vital principle' and 'moving spirit,' attributes that would seem equally applicable to persons and philosophical perspectives. Perhaps it is misleading, however, to refer to 'saving' the soul, so defined, whether applied to a person or perspective. Souls are themselves created rather than saved, and the absence of an animating principle implies only the presence of some potential for such creation rather than a latent actuality or spent force.

The work of Adam Smith and his peers, before and after, created a comprehensive and coherent vision of an order of human interaction that seemed to be potentially approachable in reality, at least sufficiently so to offer the animating principle or moving spirit for constructive institutional change. At

the same time, and precisely because it is and remains potentially rather than actually attainable, this vision satisfies a generalized human yearning for a supra-existent ideal. Classical liberalism shares this quality with its arch rival, socialism, which also offers a comprehensive vision that transcends both the science and self-interest that its sometime advocates claimed as characteristic features. That is to say, both classical liberalism and socialism have souls, even if these motivating spirits are categorically and dramatically different, one from the other.

Few would dispute the suggestion that an animating principle is central to the whole socialist perspective. But many professing classical liberals have seemed reluctant to acknowledge the existence of what I have called 'the soul' of their position. They seem often to seek exclusive 'scientific' cover for advocacy, along with occasional reference to enlightened self-interest. They seem somehow to be embarrassed to admit, if indeed they even recognize the presence of, the underlying ideological appeal that classical liberalism, as a comprehensive *Weltanschauung*, can possess. While this withdrawal stance may offer some internal satisfaction to the individuals who qualify as cognoscenti, there is an opportunity loss in public acceptance as the central principles are promulgated to the nonscientific community.

EVERY MAN HIS OWN ECONOMIST

Here, as elsewhere, political economists are plagued by the presence of the 'every man his own economist' phenomenon. Scientific evidence, on its own, cannot be made convincing; it must be supplemented by persuasive argument that comes from the genuine conviction that only those who do understand the soul of classical liberalism can possess. Every man thinks of himself as his own economist, yes, but every man also retains an inner yearning to become a participant in the imagined community – the virtual utopia – that embodies a set of abstract principles of order.

It is critically important to understand why classical liberalism needs what I call a soul and why science and self-interest are not, in themselves, sufficient. The hard scientist, the physicist or the biologist, need not concern himself with public acceptability of the findings of analyses and experiments. The public necessarily confronts natural reality, and to deny this immediately sensed reality is to enter the room of fools. We do not observe many persons trying to walk through walls or on water.

Also, and importantly, we recognize that we can utilize modern technological devices without any understanding of their souls, or organizing principles of their operation. I do not, personally, know or need to know the principle upon which the computer allows me to put the words on the page.

Compare this stance of ignorance, and awed acceptance, before the computer with that of an ordinary participant in the economic nexus. The latter may, of course, simply respond to opportunities confronted, as buyer, seller or entrepreneur, without so much as questioning the principles of the order of interaction that generates such opportunities. At another level of consciousness, however, the participant must recognize that this order is, in itself, artifactual, that it emerges from human choices made within a structure that must somehow be subject to deliberative change through human action. And even if a person might otherwise remain quiescent about the structure within which he carries out his ordinary affairs, he will everywhere be faced with pervasive reminders offered by political agitators and entrepreneurs, motivated by their own self-interest.

It is only through an understanding of and appreciation for the animating principles of the extended order of market interaction that an individual (who is not directly self-interested) may refrain from expressive political action that becomes the equivalent of efforts to walk through walls and on water (e.g., minimum-wage laws, rent controls, tariffs, quotas, restrictive licensing, price supports, monetary inflation). For the scientist in the academy, understanding such principles does, or should, translate into reasoned advocacy of classical liberal policy stances. But, for the reasons noted, the economic scientists, alone, do not possess either the formal or informal authority to impose what seem only to be their own opinions on others. Members of the body politic, the citizenry at large, must also be brought into the ranks. And they cannot, or so it seems to me, become sophisticated economic scientists, at least in large enough numbers. To have expected the didactic skills of the academic disciplinarians in economics to have made scientists of the intelligentsia, the 'great unwashed,' or all those in between – this expectation was grounded in a combination of hubris and folly.

WHEN POLITICAL ECONOMY LOST ITS SOUL

What to do? This challenge remains, even as and after the demonstrated collapse of socialism in our time. And it is directly in response to this challenge that I suggest invoking the soul of classical liberalism, an aesthetic–ethical–ideological potential attractor, one that stands independent of ordinary science, both below the latter's rigor and above its antiseptic neutrality.

I am, admittedly, in rhetorical as well as intellectual difficulty here, as I try to articulate my intuitively derived argument. Perhaps I can best proceed by historical reference. Classical political economy, in the early decades of the nineteenth century, and in England particularly, did capture the minds of many persons who surely did not qualify even as amateur scientists in the

still-developing science of economics. The 'soul' of classical liberalism somehow came through to provide a vision of social order that was sufficient to motivate support for major institutional reform. The repeal of the Corn Laws changed the world.

After midcentury, however, the soul or spirit of the movement seems to have lost its way. The light did not fail, in any manner akin to the collapse of the socialist ideal in our time. But the light of classical liberalism was dimmed, put in the shadows, by the emergent attraction that seemed to be offered by socialism. From the middle of the nineteenth century onward, classical liberals retreated into a defensive posture, struggling continuously against the reforms promulgated by utilitarian dreamers who claimed superior wisdom in discovering routes to aggregate happiness, as aided and abetted by the Hegel-inspired political idealists who transferred personal realization to a collective psyche and away from the individual. The soul of socialism, even in contradiction to scientific evidence, was variously successful in capturing adherents to schemes for major institutional transformation.

VISION AND 'SOCIAL' PURPOSE

That which I have called the soul of a public philosophy is necessarily embedded in an encompassing vision of a social order of human interaction – a vision of that which might be, and which, as such, offers the ideal that motivates support for constructive change. The categorical difference between the soul of classical liberalism and that of socialism is located in the nature of the ideal and the relation of the individual to the collective. The encompassing vision that informs classical liberalism is described by an interaction of persons and groups within a rule-bound set of behavioral norms that allow each person or agent to achieve internally defined goals that are mutually achievable by all participants. And, precisely because these goals are internal to the consciousness of those who make choices and take actions, the outcomes generated or produced are neither measurable nor meaningful as 'social' outcomes. There is, and can be, no social or collective purpose to be expected from the process of interaction; only private purposes are realized, even under the idealized operation of the structure, and even if collectivized institutions may be instruments toward such achievements. To lay down a 'social' purpose, even as a target, is to contradict the principle of liberalism itself, the principle that leaves each participant free to pursue whatever it is that remains feasible within the limits of the legal–institutional parameters.

The soul about which I am concerned here does involve a broad, and simple, understanding of the logic of human interaction in an interlinked chain of reciprocal exchanges among and between persons and groups. As noted

previously, however, this logical understanding need not be scientifically sophisticated. It must, however, be basic understanding accompanied by a faith, or normative belief, in the competence of individuals to make their own choices based on their own internal valuation of the alternatives confronted. Can a person properly share the soul of classical liberalism without sharing the conviction that values emerge only from individuals? In some ultimate sense, is classical liberalism compatible with any transcendental ordering of values? My answer is 'No,' but I also recognize that a reconciliation of sorts can be effected by engaging in epistemological games.

Classical liberals have themselves added confusion rather than clarity to the discussion when they have advanced the claim that the idealized and extended market order produces a larger 'bundle' of valued goods than any socialist alternative. To invoke the efficiency norm in so crude a fashion as this, even conceptually, is to give away the whole game. Almost all of us are guilty of this charge, since we know, of course, that the extended market does indeed produce the relatively larger bundle, on *any* measure. But attention to any aggregative value scale, even as modified to Adam Smith's well-being of the poorer classes or to John Rawls's share for the least-advantaged, conceals the uniqueness of the liberal order in achieving the objective of individual liberty. To be sure, we can play good defense even in the socialists' own game. But by so doing, we shift our own focus to that game rather than to our own, which we as classical liberals must learn to play, and on our own terms, as well as get others involved. Happily, a few modern classical liberals are indeed beginning to redraw the playing fields as they introduce comparative league tables that place emphasis on measuring liberty.

HEAT AND LIGHT

I seem to recall that it was A.C. Pigou, the founder of neoclassical welfare economics, who remarked that the purpose of economics and economists was that of providing heat rather than light, presumably to citizens–consumers as ultimate users. What I understood Pigou to be saying was that the role here is strictly functional, like those of dentists, plumbers or mechanics, and that we could scarcely expect either ourselves or others to derive aesthetic pleasure from that which we do. He seemed to be suggesting that there is nothing in economics that can generate the exhilaration consequent upon revelation of inner truths.

Empirically, and unfortunately, Pigou may have been correct, and certainly so as applied to the political economy and economists of the twentieth century. The discipline as practiced and promulgated has been drained of its potential capacity to offer genuine intellectual adventure and excitement in the large. This characteristic was only partially offset during the decades of the Cold

War, when the continuing challenge of socialism did offer Hayek and a relatively small number of his peers a motivation that was deeper and more comprehensive than the piddling puzzle-solving that has become what economics is at the century's turn. Without the socialist challenge, what is there that may adduce and evoke a sense of encompassing and generalized understanding? And, further, what may be required to bring forth such a sense in those who, themselves, can never be enrolled among the ranks of the professionally trained scientists?

Let me return to Ronald Reagan and his 'shining city on a hill.' What was the foundational inspiration that motivated this metaphor for American society as idealized? Reagan could not solve the simultaneous equations of general equilibrium economics. But he carried with him a vision of a social order that might be, a vision that was, indeed, an abstraction but which embodied elements that contained more light than heat. This vision, or that of classical liberalism generally, is built on the central, and simple, notion that 'we can *all* be free.' Adam Smith's 'simple system of natural liberty,' even if only vaguely understood, can *enlighten* the spirit, can create a soul that generates a coherence, a unifying philosophical discipline, that brings order to an internal psyche that might otherwise remain confused.

A motivating element is, of course, the individual's desire for liberty from the coercive power of others – an element that may be very widely shared. But a second element is critically important, the absence of desire to exert power over others. In a real sense, the classical liberal stands in opposition to Thomas Hobbes, who modeled persons to be universal seekers of personal power and authority. But Hobbes failed, himself, to share the liberal vision; he failed to understand that an idealized structure of social interaction is possible in which *no* person exerts power over another. In the idealized operation of an extended market order, each person confronts a costless exit option in each market, thereby eliminating totally any discretionary power of anyone with whom such a person might exchange. Coercion by another person is drained out; individuals are genuinely 'at liberty.'

Of course, this is an idealization of any social order that might exist. But, as an ideal, this imagined order can offer the exciting and normatively relevant prospect of a world in which all participants are free to choose.

Much has been made of the American spirit, or soul, as influenced by the availability of the territorial frontier during the first century of the United States' historical experience. Why was the frontier important? The proper economic interpretation of frontier lies in its guarantee of an *exit option*, the presence of which dramatically limits the potential for interpersonal exploitation. There has been a general failure to recognize that the effectively operating market order acts in precisely the same way as the frontier; it offers each participant exit options in each relationship.

The classical liberal can be *philosophically self-satisfied*, because he has seen the light, because he has come to understand the underlying principle of the social order that might be. It is not at all surprising that those who seem to express the elements of the soul of classical liberalism best are those who have experienced genuine conversion from the socialist vision. I entitled my lecture in the Trinity University series, 'Born-again economist' (1990). In that lecture, I tried to summarize my experience in 1946, at the University of Chicago, where exposure to the teachings of Frank Knight and Henry Simons converted me to classical liberalism from the ranks of flaming socialism, and in a hurry. For me, there was light, not heat, on offer at Chicago. I cannot, personally, share in an experience that does not include the creation of my classical liberal soul. I remain puzzled at how it would feel never to have seen the light, to have understood all along what the liberal vision embodies, but without the excitement of the experience.

CONSTITUTIONALISM AGAIN

A necessary critical step is to draw back from a stance of active advocacy in the discussion of policy alternatives as confronted in ordinary politics. There is, of course, a liberal position on almost any of the alternatives. But the classical liberal does, indeed, 'get his hands dirty' when he engages with the policy wonks within the political game as played. Again, the distraction of debate works against focus on the inclusive structure, 'the constitution,' within which the debates are allowed to take place and from which decisions are forthcoming.

Political 'victory' on a detail of legislative policy (e.g., rent control) or even electoral success by those who, to an extent, espouse the relevant principles (e.g., Thatcher, Reagan) is likely to produce an illusion that classical liberalism, as an underlying philosophical basis for understanding, informs public attitudes. Classical liberals who do have an appreciation for the soul of the whole two-century enterprise quite literally 'went to sleep' during the decade of the 1980s, and especially so after the death of socialism, both in idea and in practice. The nanny-state, paternalist, mercantilist, rent-seeking regimes we now live with emerged from the vacuum in political philosophy.

The task of the political economist, as classical liberal, is not of demonstrating specifically to the citizenry that coercively imposed price and wage controls cause damages that exceed any possible benefits. Of course, such specific demonstration is strictly within recognized competence. But a distinction must be made between exemplary usage of the analysis and that usage designed to contribute to the ongoing political argument.

I am not here suggesting that attention should be limited to the design and presentation of all-inclusive political packages, implementation of which would amount to major and dramatic changes in the basic constitutional structure.

Politics, for the most part, proceeds in piecemeal fashion, one step at a time. What I am suggesting is that the relevant arguments in support of particular proposals for change are those that emphasize conformity with the integrating philosophy of the liberal order, that locate the proposals in the larger context of *the constitution of liberty* rather than in some pragmatic utilitarian calculus, the italicized words which are the title of F.A. Hayek's *magnum opus* call to mind Hayek's own behavior. To my knowledge, Hayek did not engage his intellectual enemies, whether in America, Britain, Austria or Germany, on particular policy matters. Instead, his emphasis was always on grounding the arguments in an internally coherent philosophical position. In effect, Hayek was, from the outset, engaged in constitutional dialogue.

In establishing the Mont Pelerin Society in 1947, Hayek called for a return to first principles, for a renewed discourse in political philosophy – a discourse that would preserve, save and recreate that which we may, properly, call the soul of classical liberalism.

The organizational and the intellectual bankruptcy of socialism in our time has not removed the relevance of the Hayekian imperative. At a certain level, the public and the intellectual elites may, indeed, now possess a somewhat better abstract understanding of the organizing principles of extended market order. Hayek, and other classical liberals, have 'saved the ideas.' But there remains an awesome gap between such abstracted and generalized understanding and philosophical coherence in practical political reform. There must emerge a public awareness of the continuing relevance of the limits of 'collective action,' even in the absence of any integrated ideological thrust toward social control.

If politics is allowed to become little more than a 'commons' through which competing coalitions seek mutual exploitation, potential value is destroyed and liberty is lost, just as surely as in the rigidities of misguided efforts at collective command. Who, indeed, can be expected to be motivated to support such 'politics as competition for the commons'? Where is the dream? Perhaps resurrection of the 'soul of classical liberalism' is beyond realistic hopes for the twenty-first century. But those of us who think that we have glimpsed the 'shining city' have a moral obligation to proceed as if that society of which Adam Smith, James Madison and F.A. Hayek (and, yes, Ronald Reagan) dreamed can become reality.

NOTE

* A preliminary version of this chapter was presented at a meeting of the Mont Pelerin Society in Potsdam, Germany, in October 1999. Differing versions were published in the *Wall Street Journal* (2000a) and *Independent Review* (2000b).

I am indebted to Yong J. Yoon for helpful comments.

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7. Classical liberalism as an organizing ideal*

INTRODUCTION

At the well-attended London general meeting of the Mont Pelerin Society in October 2002, I found myself muttering, both to myself and others, 'the gathering of the clan' as I greeted fellow members from across the world, many of whom I saw only at these occasions. I think that 'clan' is the appropriate wording here, although 'tribe' might be a good substitute. There is clearly something that distinguishes members of this group from outsiders. We can, of course, say that we share an adherence to principles of classical liberalism, but this classification does not, in itself, get us very far. I want to go deeper into the questions that are raised in acknowledging the distinction between 'us' and 'them' – between those for whom these principles carry normative motivation and those for whom any such motivation seems lacking. Why do these principles attract us, as an organizing ideal for the sort of social order that we prefer, when they fail to attract others? What is there about us that makes us so different in this respect?

My concern is not with those whom we might call the 'classical socialists' – those who were indeed trapped in the 'fatal conceit' identified by Hayek; those who genuinely believed that persons would be transformed 'after the revolution'; those who refused to acknowledge that incentives continue to matter; those who somehow thought that stylized shadow prices would emerge omnisciently from the planning boards.

Hayek, and the classical liberals of his generation, most of whom were members of the Mont Pelerin Society, swept the field of these delusioned romantics. Only scattered remnants remain. We know, however, that, to the surprise of many, the principles of classical liberalism were not embraced in wholesale fashion, once the fatal conceit was seen for what it was. The reforms that were introduced were pragmatic rather than principled; the market seems to have won the game with collectivism by default rather than triumph. There seems to have been little or no spirit among those who orchestrated and implemented the changes. There was nothing even remotely comparable to the genuine excitement that described the attitudes of the classical political economists and their followers two centuries past. As I put it in Chapter 6, classical liberalism seems to have lost its soul (Buchanan, 2000a, 2000b).

My inquiry here is an effort to understand the normative eunuchs – those who do not fall within the socialist camp at all; those who do indeed understand fully the efficacy of free markets in producing value; those who also understand why collectivist nostrums fail, but who yet, at the same time, exhibit no sense of engagement in the continuing struggle among ideas and ideals. Perhaps if we can look inside ourselves and examine why we, as members of this society, are so different in this respect, we can begin to understand what is missing in the mind-set of our nonengaged peers in the realm of ideas.

AMONG THE CONVERTED

To the conspiracy theorists on the left, the Mont Pelerin Society has long been identified as the secret source of ideas behind many of the darkest imaginable deeds of the marketplace: the spoilage of nature's pristine beauty, the purchase and sale of babies, the destruction of shelters for the poor and the withholding of funds from starving widows and orphans. The society's members are depicted as libertarian zealots who countenance no limits on markets and allow no scope for collective action.

We stand bemused by these caricatures, but these adversaries do sense that something does indeed set us, as classical liberals, apart from run-of-the-mill ideological neutrals. As noted earlier, we ourselves feel that we belong to a clan or tribe, that we share something lacking in others outside the group. We are committed in some rather strange, emotional way – committed to a set of ideas that have come to us, as revelation, after a conversion of sorts. As some of you know, in my own case it was a six-week exposure to Frank Knight's teaching in Chicago price theory that turned me around from conventional socialist to free-market advocate.[1] Others have recalled how a first reading of Mises' *Human Action* (1949) accomplished the same thing for them. Still others were affected by Hayek and Friedman.

In a very real sense, we went through a conversion experience akin to those who are 'born again' upon entry into some religious communities. We did, indeed, 'see the light.' But what did we see that others did not see then and cannot see now? What is 'our secret'? These questions command my attention here.

WE ARE NOT BLESSED

It is easier to approach answers to these questions negatively rather than positively, that is, it is easier to identify dimensions along which we do not differ

from the ideological neutrals who are the focus of attention here. It is essential, if sometimes difficult, to avoid the sin of hubris and to conclude, quite simplistically, that we – those of us who are classical liberals – are somehow blessed with superior insight, knowledge and wisdom. But I recall that those students with me in Frank Knight's class who remained socialists got the same grades as those of us who were indeed converted. They learned Chicago price theory as well as we did, and their modern equivalents are as attuned to the niceties of general equilibrium theory as any of our younger members. It should be evident that we possess no key to right reason or no line to God that might separate us from the others.

We begin to sense a positive difference when we realize that most members of our clan, but by no means all, reject the inference that salvation lies with science, that our advocacy roles are essentially redundant. Would that Francis Fukuyama were right when he suggested that the events of 1989 signaled the final triumph of the verities of classical political economy and that all would come well in the world to be. But Thomas Hobbes told us more than three centuries ago that only the absence of conflicts of interest allows us to adopt and use even the simple number system, regardless of its logical coherence.

Some of the ideological neutrality or nonengagement that we observe among our peers is perhaps explained by the naïve faith that truth will out, that the free market in ideas will guarantee continued progression toward the liberal ideal. This Whiggish attitude may be rarely encountered today, at least in an explicitly articulated version, but something akin to such an attitude must lie beneath the consciousness of those who fail to sense that the feedback on scientific advances in the social sciences remains categorically different from that in the natural sciences. The flat-earthers could not prevent Columbus from sailing the oceans blue. But their counterparts who deny the mutuality of gains from trade are with us yet, and their arguments assist organized plunderers in getting and stealing potential value that is not allowed to come into being. The game as played does not have a core, and conflicts among interests insure that the all-inclusive coalition is never actualized.

Scientific truth, as such, has little going for it in the determination of the emergent institutional solutions of the games that define the parameters of social interaction. And, whereas considerations of abstract justice might be expected to incorporate scientific findings, faith in the ability of persons to shed off the personalized identification required for impartiality is scarcely descriptive of plausibly attainable attitudes beyond the academy.

There is yet another fallback argument, however, in the stance of the ideological neutral who refuses to join actively in the clan of classical liberalism. If neither truth nor justice offers grounds for motivation leading toward the effectively liberal order, there remains reliance on the mysterious forces of cultural evolution that may still, somehow, guarantee the success of those institutions

that do, in fact, work best to generate the sort of society we want. Hayek, especially in his later works, seemed to buy into this position, but without giving us any insight as to how the process works. The Hayek who organized the Mont Pelerin Society, who wrote *The Road to Serfdom* and *The Constitution of Liberty*, was the dedicated classical liberal whom we all admire. But this was not the Hayek who, at least indirectly, joined George Stigler and Donald Wittman in suggesting that the institutions which evolve meet criteria for efficiency.

THE PUZZLE REMAINS

The puzzle remains. What does distinguish members of this clan of classical liberals from our peers, in the world's academies and beyond, from all those who share in our understanding of the principles of the liberal order but who seem so passive in their normative stance? Why do we both empathize with and understand Ronald Reagan's references to the 'shining city on the hill,' as pulled out of its Puritan moorings and made meaningful, even in this latter-day setting?

I assigned myself the task of writing this chapter with the specific purpose in mind of forcing myself to try, as best I can, to answer this and related questions. I shall offer a tentative and provisional response that will, presumably, be accepted only by some of you. Each of those who do share membership in the clan may find yourself coming up with different answers here.

I suggest that our shared enthusiasm for classical liberalism as an organizing ideal for social order is located in our understanding of the philosophical implications of the science of economics. This understanding makes it possible for us to dream of potentially attainable worlds that exhibit the values which we naturally seek. Note that there are three distinguishable stages here. First, the basic elements of economic science, which, as I suggested earlier, are understood by many who are far from being classical liberals. Second, and most important, there is an understanding of the philosophical implications of this science. Failure to extend their efforts in this direction leaves many modern economists without normative moorings. Third, there is the critical bridge to be crossed between the understanding of these implications and their correspondence with those values that we hold. In this last, and ultimate, sense, we as classical liberals differ sharply from our peers who, at base, may acknowledge the contradiction in their own positions.

MARKETS AND SOCIAL CHOICE

The fundamental principle of economics reconciles the separated pursuits of individual interests and the emergence of mutually satisfactory outcomes

without the necessary services of a choice maker, as such. Market outcomes emerge from the interactions of separated but interdependent choosers within a structure of rules that define the parameters of the game. The specific outcomes are not within the choice set of participants or anyone else. There is no social choice, and it becomes highly misleading to model markets as if the institutions perform specific functions.

Economists were distracted from what should have been their classical philosophical understandings of their discipline by the seminal methodological essay by Lionel Robbins in the 1930s (Robbins, 1932). While properly puncturing utilitarian absurdities, Robbins offered the widely accepted definition of 'the economic problem,' as the allocation of scarce means among alternative ends. With this definition, the way was set for the disciplinary domination of the maximizing paradigm at the expense of the almost total neglect of 'catallaxy,' which offers the only mind-set from which the implications of the science of economics for sociopolitical order can emerge.

When viewed in this catallactic perspective, the implications for political philosophy are evident. Market organization, to the extent that it is operative, replaces hierarchical organization. Markets make evaluative social orderings, by whomever done, unnecessary if the purpose is that of providing some basis for choosing among the feasible options. There is no need for some all-powerful authority, some sovereign, to orchestrate the productive, allocative, distributive and evaluative processes summarized as 'the economy.' Writing a full century before the great discoveries of classical political economy, Thomas Hobbes failed to see that resolution of the problem raised by the presumed anarchistic chaos does not require the all-powerful sovereign, and that such resolution requires, instead, only the limited sovereign which enforces property and contract, or provides in Adam Smith's terminology, the appropriate 'laws and institutions,' without which markets can scarcely work at all.

Unfortunately, ideas in political theory did not fully incorporate the understandings developed by the classical economists. And the political role of markets in reducing or even eliminating the need for hands-on politicized intrusions in market processes was understood by neither political theorists nor economists themselves. We find, even into the middle twentieth century, economists spending much time and energy discussing the derivation of 'social welfare functions.'

HOW DO MARKETS WORK?

Markets operate to generate order out of apparent chaos, and without the necessity of hands-on political intrusion. But just how do they accomplish this apparent miracle? The great discovery of the eighteenth-century moral

philosophers was the recognition that the uniformities in human nature that prompted all persons to seek their own interests, a simple behavioral norm, created the complex order that is observed. Indeed, we, as economists, should claim precedence from Stephen Wolfram (2002) whose recent emphasis on cellular automata generalizes to all of science the relationship between simple rules and the complex order they produce.

The presuppositions that we, both as economists and classical liberals, carry around with us when we interpret this market-processed transformation, from simple rules of behavior to the order of the economy, warrant further consideration. The units of analysis are individuals or persons who engage, one with another, in exchanges or trades, and in the act of so doing secure mutual benefits. We presuppose, often without recognition, that all persons in the economic nexus are willing participants in the sense that they are both autonomous and responsible for themselves, that individuals do not willingly sacrifice their innate power to make exchanges; in other words, that persons 'choose to be free.' And, almost as a corollary to this presupposition of autonomy and responsibility, we also presume that participants in markets acknowledge the necessary reciprocity that any workable exchange relationship embodies.

TRADE AMONG NATURAL EQUALS

These presuppositions of autonomy and reciprocity imply a more fundamental normative proposition to the effect that all persons in the trading nexus are to be considered as natural equals, each one of whom is assumed to be equally capable of making exchanges and living with the consequences. This postulate of natural equality places the classical liberal directly and specifically at odds with all those who, explicitly or implicitly, accept the Platonic postulate of natural hierarchy. To Plato there are natural slaves and natural masters, with the consequences that follow for social organization, be it economic or political. To Adam Smith, by contrast, who is in this as in other aspects the archetype classical liberal, the philosopher and the porter are natural equals with observed differences readily explainable by culture and choice. It is not surprising that the nineteenth-century followers of Adam Smith, the economists, were as one in their opposition to human slavery, the institution that was so strongly defended by the dominant intelligentsia, and Carlyle in particular, all of whom were followers of Plato in their putative claim for natural hierarchy. We owe a debt of gratitude to my colleague David Levy (2001) for his exposure of this dark side of the early 'humanist' criticism of markets.

David Ricardo was not at all helpful in carrying forward the teachings of Adam Smith in this respect. His doctrine of comparative advantage locates the

origins of trade in differences between prospective traders. The Smithean logic, by contrast, locates the origins of trade in the advantages of specialization, as such, and does not require differences among prospective traders at all.[2]

EMPIRICAL REALISM AND NORMATIVE RELEVANCE

Empirically, of course, persons differ, one from another, along almost any one of the multiplicity of dimensions that might be used for comparative evaluation. This statement would have provoked no response from Thomas Jefferson, whose phraseology about created equality in the American Declaration of Independence has been so seriously misinterpreted. Jefferson was not advancing scientific hypotheses concerning the equality of persons along any one or any set of the dimensions that might be descriptively introduced for classification purposes. He was, instead, saying that as an identified member of the human species, a person possesses natural qualities that cannot, in any way, be aggregated so as to allow for some location in an hierarchical ordering. Persons must, therefore, be considered as equals in any sense that involves the sorting and screening processes out of which social ordering relationships finally emerge.

As a straightforward value stance, this may be sufficient unto itself to explain the attraction of classical liberalism. The empirical reality of individual differences may be simply ignored as being normatively irrelevant for purposes of discussing the organization of society, and the 'as if' presumption of equality that the liberal order must embody may become central in some final evaluation.

EQUALITY AND INDIVIDUAL LIBERTY

There is more to be said, however, in the effort to explain and understand why and how the principles of classical liberalism provide the motivating force for our zealotry, if you will, for our willingness to stand up and be counted in opposition to sometimes popular causes. The 'as if' presumption of sociopolitical equality, as such, rests, in turn, on a more basic value than equality, that of individual liberty itself. And this is the distinguishing value that does, indeed, set members of our clan apart from so many of our peers.

But how does the value placed on liberty relate to the necessary presumption of sociopolitical equality? The connection is straightforward once it is recognized that, for the classical liberal, discriminatory liberty involves a contradiction. The only meaningful liberty is equal, as emphasized by J.S. Mill

and John Rawls. The putative libertarian who claims maximal liberty for himself but places others lower in some hierarchical ordering, simply does not qualify for membership in the clan.

Equal liberty is a two-way street. A person may be quite firm in a commitment involving attempts by others to impose their values; freedom from coercion is a quasi-universal desire. But a willingness to refrain from imposing one's own values on others is a less recognized and surely less widely accepted commitment that is also essential. 'Don't tell me what to do' and 'Do what I say' – these are not compatible admonitions. Classical liberalism allows for no naturally privileged class or group, along any dimension. Acceptance of this elemental principle is difficult for many.[3] It is as difficult in this new century as it was a full century and a half ago to hold fast to the postulate of natural equality and to accept its implications, in a practicable sense, even if, perhaps especially, in the face of empirical evidence from evolutionists and others, we acknowledge its necessary normative place in our imagined utopia.

DEMOCRACY WITHIN LIMITS

The postulate of natural equality carries with it the requirement that genuine classical liberals adhere to democratic principles of governance; political equality as a necessary norm makes us all small 'd' democrats. But where does this leave the economically challenged who cling to natural equality and reject all claims for the existence of an elite, either on their own part or that of others, but yet do not understand at all how markets work? If individual liberty is also valued highly, how can this objective be preserved against the potential threats of demos? Tyranny can emerge even as political equality is satisfied, at least in some respects. If we put the questions in this way, is it any wonder that exposure to the science of economics and an understanding of market order, with its implications for the political organization of society, should have produced within us what seemed a conversion to a new religion? Understanding that markets allow the role of politics to be minimized and limited to the construction and maintenance of the parametric framework for exchange processes shows us that individual liberty can be achieved, and equally for all, while at the same time insuring ultimate political equality. Democracy, yes, but within constitutional limits – this describes the normative political philosophy for the classical liberal. And, as I have often suggested, the 'constitutional' qualifier is as important, if not more so, than the noun 'democracy.'

I can now explain why some of us former socialists, upon exposure to the teaching of Frank Knight, Ludwig von Mises or F.A. Hayek, became enthusiastic converts to the new religion, while others, also socialists, remained

untouched. Perhaps the latter group fully understood the philosophical implications, but these would have not seemed important if they remained unwilling to shed off their presumption of a natural hierarchy among persons. To be sure, markets may work well, within limits, but those who know best can evaluate market outcomes and impose preferred modifications through hands-on collective action. Markets may prove to be 'efficient,' again within limits, but there remains the task of ordering observed outcomes against a social scalar, a 'social welfare function.'

Perhaps we should not be surprised when our peers who reflect these attitudes seem surprised at what seems to them to be our undue 'worship' of the market, our apparent enthusiasm for market solutions to social problems. Without their own realization in many cases, they are indirectly lining up on Plato's side of the debate about human nature against Adam Smith, and even for the 'as if' purposes of evaluating basic institutions. They do not face up at all to the question: Without the presumption of natural equality, who is to say who are more equal than others?

CONCLUSIONS

I acknowledge that this chapter involves my own introspective and retrospective reconstruction of my own evolution and experience as a classical liberal. James Buchanan is, of course, uniquely identified by time, place and a sequence of historical circumstances. No one shares or could share all elements in this environment with me. Hence, no one could have matched my evaluative journey along all dimensions. Nonetheless, I submit that most true members of the clan share a sufficient number of the attributes and attitudes that I have emphasized to set us off categorically from 'strangers,' from all of those who do not appreciate or understand why classical liberalism remains, for us, the organizing ideal.

In 1947, the clan was indeed small, and, in organizing the Mont Pelerin Society, Hayek faced the daunting task of trying to insure that the group and the ideas survived domination and even elimination by the fatal conceit that was socialism. He succeeded beyond his wildest dreams. The clan has grown larger, and the conceit has been exposed both intellectually and historically. Now we face a quite different task. We must re-energize both members of the clan and others to a renewed appreciation of the exhilaration that comes from the prospect that motivated Adam Smith, Thomas Jefferson, James Madison, F.A. Hayek and, yes, Ronald Reagan. The 'system of natural liberty' is worth getting excited about, then and now, and it can be realized only if we treat it as potentially attainable. We lose our focus if we stay too closely within the scientific cocoon of observed reality. It is the imagined reality that might be which pulls us forward.

We must hold fast to the faith that human animals are uniquely capable of organizing themselves within social structures that make liberty, peace and prosperity simultaneously achievable. We must refrain from crude polemics, while continuing to teach, and to preach, the simple verities.

NOTES

* An early version of this chapter was presented at the regional meeting of the Mont Pelerin Society in Chattanooga, Tennessee, in October 2003.

1. For an account of my own experience, see my paper 'Born-again economist' in Breit and Spencer (1990).
2. For a discussion of the implications of these differences in the origins of trade, see Buchanan and Yoon (2002). For a general treatise that builds from the presupposition of ex ante equality, see Yang (2001).
3. In over four and a half decades of participation in Mont Pelerin Society meetings, I recall only two occasions where I experienced extremely negative reactions to intervention by speakers from the audience. In both instances, arguments were made in support of special treatment for a privileged elite.

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8. The sense of community in Hayekian moral order*

INTRODUCTION

Politics By Principle, Not Interest: Toward Nondiscriminatory Democracy, which I wrote jointly with Roger Congleton, was published by Cambridge University Press in April 1998. Coincident with its publication, Professors Hartmut Kliemt and Manfred Tietzel convened a Liberty Fund conference at Spitzingsee, Bavaria, to discuss the book's argument, which represents an extension of Hayek's emphasis on the generality principle as a critical element in a free society, and especially as that principle was developed in the treatise *The Constitution of Liberty* (1960). In particular, our book's central normative thrust is that the generality principle should be extended to include the workings of majoritarian politics.

The most important criticism of our book that emerged in the conference discussion concerned our failure to treat the potential relevance of the generality norm for the sense of community that adherence to such a norm might embody. This subject matter could have been, and perhaps clearly should have been, handled as an additional chapter.[1]

Our acknowledged omission in this respect, however, parallels that of Hayek himself, who does not seem explicitly to have recognized the presence of communitarian elements in his own description of the moral order of liberal society. Indeed, the word 'community' appears only infrequently in the indices of the relevant Hayek works. In part, of course, such an oversight or neglect stems from the fact that 'communitarianism,' as a serious philosophical perspective, had not made its appearance during Hayek's productive years. The purpose of this chapter may, therefore, be stated to be that of constructing the bridge between the Hayekian moral order and the sense of community that is emphasized by modern philosophers (Sandel, 1996; Gray, 1995).

The failure to recognize the relationship here is not, however, one-sided. Neither Hayek nor Buchanan–Congleton made the effort at integration; but the communitarian philosophers, especially, have failed to recognize that the Hayekian moral order does contain important communitarian elements, even if these are different from those that are familiarly stressed.

In 'The Hayekian moral order,' I shall summarize the moral order that may properly be called 'Hayekian.' In 'Moral community, moral order and moral anarchy,' I discuss briefly my own earlier effort at developing a taxonomy of moral environments – a taxonomy that may seem confusing in the context of this chapter's argument and that may have contributed to my own failure to appreciate the communitarian elements in the classical liberal order. In 'Limited exegesis,' I survey the Hayek works for references with communitarian implications. In 'The market culture as community,' I discuss substantively the claim that the Hayekian moral order does exhibit strong communitarian features, but features that may be quite different from those stressed in avowedly communitarian writings. In 'Political conflict and market community,' the discussion is related to the importance of the relative sizes of the public and private sectors of interaction. Concluding remarks complete the chapter.

THE HAYEKIAN MORAL ORDER

The order that defines the network of relationships among individuals and groups in what Hayek calls 'the Great Society' does not embody moral behavior in any familiar usage of this term. Persons do not interact, one with another, on the basis of either instinctual impulses or of explicitly selected precepts emergent from some reasoned weighing of options.[2]

In the abstractly idealized order, as defined by Hayek, persons behave in accordance with rules that they simply accept as a part of their environment – rules that are traditional within the culture, rules that the individuals neither call into question nor make much effort to understand. These rules, these codes of conduct that describe the cultural setting have not been specifically chosen by anyone, whether currently or in some past historical period. They have, instead, emerged through a long process of cultural evolution. These rules gradually become a part of the traditions within which individuals find themselves – traditions that dictate ways of behaving under differing circumstances and that allow persons to behave without necessary recourse to any calculus of rational choice.

The evolved rules of conduct constrain persons from behaving in accordance with their natural or animalistic instincts, but the actors may themselves be unable to distinguish between these constraints and those that describe the physical environment. To act in accordance with these rules, as embodied in the culture, is not to exhibit morality in the ordinary sense of the word. There is no sense of internal conflict, no psychological barrier that the actor must surmount in doing what may seem to be, and in a certain objectifiable sense is, contrary to natural proclivities. The person who breaks out of the cultural

cocoon, as defined by adherence to the traditional rules, and behaves either as natural impulses dictate or by adherence to some reasoned precept or norm, is an innovator who disturbs the order of social interaction.

In what context, therefore, can we even refer to a 'Hayekian moral order'? Response to this question requires examination of the explicit content of the evolved rules that Hayek considers to be descriptive of the classical liberal society that he observes in idealized form. Clearly, the simple recognition that rules and traditions emerge from some sort of cultural evolutionary process is not sufficient here. This recognition must be accompanied by a positive evaluation to the effect that the survival of such rules, in itself, legitimizes them. As many critics have suggested, Hayek stands in danger of Panglossian acquiescence.

If we go beyond the formal stance expressed in his philosophical statements, however, and look more closely at what Hayek really seems to have had in mind in this whole part of his enterprise, we know that the subject of his inquiry remained 'the constitution of liberty.' And, as his major treatise under this title emphasized, the principle of generality is the primary characteristic of the rules. The organizing principle for 'the Great Society' is equality in the application of the rules to all persons who participate in the game. Persons are to enjoy equal liberty, and it is worth noting here that Hayek (1976) did associate his own efforts with those of Rawls (1971), who placed the principle of equal liberty lexicographically prior to any subsidiary distributional norm.

The generality principle implies nondiscriminatory treatment of all persons in the relevant community – treatment that must necessarily be impersonal. Hayek repeatedly emphasizes the abstract nature of the rules of the extended order – abstract in the sense that there is no differential or particularized identification required.[3] Concentration on this characteristic feature tends, perhaps, to draw attention away from the moral content of rules, as such.

The evolutionary process from which the rules that constrain behavior emerge cannot be so open-ended as Hayek's comments sometimes seem to have suggested. He sought to offer a justificatory derivation for the rule of law and for the ethics of mutual respect and of reciprocity in dealings, but he shied away from tying this derivation to rationally constructed argument. In part, Hayek felt it necessary to reject any such principles as having been objects of explicit choice on the part of any person or group, at any time.

Empirically, Hayek's inference that the characteristic central feature of the liberal order could not have been explicitly chosen, in the sense of selection from a set of alternatives, may be accepted. Many rules of the observed order must, in fact, have evolved. But Hayek did not appreciate the potential value of the 'as if' reconstruction of such an order from a rational calculus. He seemed so fearful of misguided efforts at social constructionism that he overlooked the

legitimizing values of a rational reconstruction and chose, instead, to use cultural evolution, both in an explanatory and a justificatory argument. By comparison with the Hayekian evolutionary enterprise, the rational reconstruction of the rules for the extended liberal order makes little or no claim as explanation. But its normative value in proffering legitimacy may be superior, and, furthermore, its potential for discrimination is greater. Many sets of rules might have evolved; only a few of these might survive the criteria of contractarian reconstruction. Also, and importantly for the subject matter of this chapter, Hayek's fear of constructivism may have caused him to neglect prospects for institutional adjustment that enhance the efficacy of the liberal moral order – adjustment that may be suggested in an exercise of rational reconstruction.

In the extended order of the 'Great Society,' persons generally abide by the law, which, itself, has evolved from particular settlement of disputes into rules of universal application, the English common law being the exemplar here. Beyond the law, however, persons behave in accordance with norms that may be externally classified as exhibiting nonexploitative, nonopportunistic and nondiscriminatory treatment of others, even though there is no internal consciousness that such behavior is, in itself, moral, and hence somehow contrary to either nature or to opportunistic advantage. Hayek's enthusiasm for such an idealized order of interaction among an undefined and widely inclusive number of participants is readily understood, and perhaps especially by economists. Reduced to its essentials, the idealized order here is little more than an extension and generalization to all interactions of the classical economists' insight that there exist mutual gains from exchange between and among any and all potential trading partners – gains that may be realized upon guarantees that behavior in the exchange process itself does not exhibit effort to secure differential opportunistic advantage. Hayek's moral order is that of the properly functioning market nexus, perhaps best called Adam Smith's 'system of natural liberty' (1776 [1937]).

The distinctive Hayekian contribution to explanation–understanding lies in his hypothesis that persons may have learned, through the cultural evolutionary process, to act in accordance with the general rules and traditions required to make the extended order operative. It is not surprising that Hayek was especially critical of grandiose schemes that depend on behavioral adherence to rules and norms based on reason divorced from history.

MORAL COMMUNITY, MORAL ORDER AND MORAL ANARCHY

The Hayekian moral order may be more fully understood if we compare and contrast this order with its alternatives. In an earlier paper that was directly

influenced by Hayek's writings (Buchanan, 1981), I developed a three-set classification: (l) moral community, (2) moral order and (3) moral anarchy. I used this classification to describe the moral environment of any designated society as some appropriate mix among these three stylized patterns of human interaction. The Hayekian moral order, the second member of the set, has already been discussed in 'The Hayekian moral order.'

By *moral community*, I refer to the setting in which persons relate, one to another, through an umbrella-like extension of the motivational bases for action. Separate personhood, as such, is sublimated, at least to a degree, and genuinely independent interest does not exist. Economists use the term 'utility interdependence' to refer to this relationship, but this term, itself, may be misleading because it presumes that separated utility streams, as evaluated individually, may be conceptually defined. Sociologists have used the term 'other-regardingness.' Definitional difficulties aside, however, the central characteristic feature of moral community is familiar. Persons act as if they include the interests of others than themselves in all aspects of their behavior. The members of a family unit offer the standard example; the mother considers the welfare of the child, possibly even to the extent of placing his welfare or interest above that of her own, if indeed this latter interest could even be conceptually separated. Perhaps the more descriptive term, after all, is 'love.' In a moral community, members love one another, at least to some degree.

Moral anarchy may be contrasted with moral community along a unidimensional spectrum that measures 'love,' 'utility interdependence' or 'other-regardingness.' In moral anarchy, as stylized, persons seek wholly separable and individualized purposes, and other persons are treated, quite simply, as parts of the natural environment and are used as such. Another human being, in moral anarchy, is nothing different from a nonhuman animal and is unique only in predicted differences in responses to stimuli.

Moral order, described previously, does not fit well into any unidimensional schemata that locates and contrasts moral community and moral anarchy. In one sense, moral order seems orthogonal to the dimensional measure along which the other two patterns of interaction may be depicted. In the stylized moral order, there is no love between and among separate persons, as such; there is no utility interdependence. At the same time, however, persons are not treated as parts of the natural environment. Persons are treated as *persons*, as reciprocating human beings, deserving of mutual respect. This conception of an order of interaction finds its philosophical roots in Kant's precept that persons are to be treated as ends and never as means. But, as properly understood and as influential in Hayek's thought, other persons' interests, as such, do not enter into the explicit motivation for behavior. The Kantian precept enters the choice calculus as a moral constraint rather than as an argument in the utility function.

Translated into the Hayekian intellectual construction, this constraint is present in the evolved rules and traditions and is not consciously sensed as a potential choice variable.

The three-part classification may be confusing in relation to the central argument of this chapter because I have used the term 'community' only in application to the familiar utility–interdependence meaning. The argument of this chapter, however, is to the effect that moral order of reciprocity also embodies community, even if it is of a categorically different psychological genre from the more familiar usage.

LIMITED EXEGESIS

In my re-reading of Hayek's writings in preparing this chapter, I have been repeatedly surprised at his failure explicitly to recognize the communitarian feedbacks that are almost necessarily present in the interaction structure that incorporates behavior in accordance with culturally evolved rules, and especially in juxtaposition with his frequent reference to the mutual recognition that allows actors to identify persons who do and who do not adhere to such rules.

> Order . . . means essentially that individual action is guided by successful foresight, that people not only make effective use of their knowledge, but also can foresee with a high degree of confidence what collaboration they can expect from others. (*The Constitution of Liberty*, p. 160)

The categorical distinction to be made is that between those persons who adhere to the rules of the moral order and those who do not.

> Those who observe the rules are regarded as better in the sense of being of superior value compared to those who do not, and whom in consequence the others may not be willing to admit into their company. (*Law, Legislation and Liberty*, vol. 3, *The Political Order of a Free People*, 1979, p. 171)

> What makes an individual a member of society and gives him claims is that he obeys its rules. (Ibid., p. 172)

It seems clear that Hayek did envisage an interaction setting in which persons are able to discriminate against prospective rule-violators. Obversely, rule-followers are necessarily welcomed into a genuine community of shared interest, even if the relationship remains impersonal.

Hayek's discussion of the origins of the term 'catallactic' contains a fascinating reference that is directly applicable.

> The term 'catallactics' was derived from the Greek verb *katallattein* . . . which meant, significantly, not only 'to exchange' but also '*to admit into the community*' and '*to change from enemy into friend*.' (*Law, Legislation and Liberty*, vol 2, *The Mirage of Social Justice*, 1976, p. 108; first italics in original; others supplied)

Perhaps Hayek neglected to emphasize the meaningful value of community because 'that to which members belong' and which does embody value is not, itself, readily defined.

> all that is truly social is of necessity general and abstract in a Great Society. (Ibid., p. 11)

> What makes men members of the same civilization and enables them to live and work together in peace is that in the pursuit of their individual ends . . . the impulses . . . are guided and restrained by the same abstract rules. (Ibid., p. 12)

> there can exist little agreement . . . on concrete acts [but] there may still exist . . . a far-reaching similarity in their *opinions* – an agreement which concerns not particular . . . events but certain abstract features of social life. . . . But to bring this out clearly is made difficult by the vagueness of the expressions at our disposal. (Ibid., p. 13)

THE MARKET CULTURE AS COMMUNITY

Whether or not Hayek himself fully recognized the potential for communal bonding in a nexus of reciprocity, a trading network generalized to include all mutual agreements up to and including the political, is of less importance than the question as to whether such bonding can serve as the preserving force for the maintenance of social order against threatened erosion toward moral degeneracy. Modern classical liberals, Hayek included, have generally failed to convey the positive value that may be experienced through personal participation in the social order that is itself defined by general adherence to common standards and rules. In part of course, this failure is traceable to the century-plus opposition to efforts to reduce the individual to cell-like existence in artificial collective units. To secure freedom from the collective – to preserve liberty – this was, properly, the predominant objective for the post-Marxist classical liberal. It is not surprising that the rejection of collectivism, both in idea and in practice, should have involved a complementary neglect of and appreciation for the communitarian elements in a well-functioning social order informed by the liberal value norms.

The individualistic–collective dialectic was too dramatically posed, as if the failure of the collectivist ideal should have implied recourse to full individual autonomy in the image of moral anarchy discussed earlier. And this

misunderstanding is by no means confined to the dialogues among political philosophers. It finds practical embodiment in the reforms that are based on notions that markets will work wonders once all politicized controls are removed. As Hayek and others have suggested, more than liberty from the intrusions of politics is required if markets are to work well. Even if the essential framework is in place – the 'laws and institutions,' including the protection of property and contract – there must also be a commonly observed set of rules, an ethics, that constrains individual behavior.

These ethical foundations of market interaction have been widely recognized to be necessary. What has not been nearly so well appreciated and understood is the sense of shared purpose felt by participants when, if, and as they adhere to the rules and standards of conduct. Is it not possible that such rules may emerge from a process of cultural evolution, as Hayek suggests, while at the same time offering adherents a concrete means of identifying one with another and, thereby, satisfying personal desires for community membership?

Community, as established by behavioral practice rather than by genetic heritage or religious belief, allows for extensions of the sharing nexus almost without limit, because there is no required additional qualification for membership. There need be no utility interdependence, as such, and no acceptance of ritualistic norms outside the realm of behavior within the rules themselves. But, at the same time, there may exist a conscious and positive evaluation of the community of interaction, as such. By way of comparison, consider the genetically linked family. This community is, presumably, described by the presence in each member of a positive interest in other members. These unilaterally directed chains of affection connect to define the inclusive community unit. There may be, but need not be, a separable evaluation placed on the family unit, as such, and independent of its members. By contrast, in the community defined by behavioral adherence to the rules of reciprocal respect and generality in treatment, there need be no positive interest on the part of any member for any other identified member. But, at the same time, there may be value placed on the community, as such, because each member recognizes that only by way of community can his own private purpose, and personal interest, be advanced.

Economists may understand the argument here more clearly by relating it to the familiar public goods setting. In this setting, persons benefit, privately, from the value generated by the provision and financing of a good or service that is jointly made available to all members of the sharing group. There is no utility interdependence, as such, involved, but persons are, nonetheless, made interdependent through the technologically determined commonality in usage. And there is a differential in value between membership in the sharing group and possible exclusion from such membership. It is appropriate, therefore, to call this difference a value of community. A person secures a positive value

from ‘belonging’ to the group that commonly shares in the public goods enterprise.

We may transform this familiar, and limited, setting into the more general framework of a cultural order by thinking of privately valued benefits that are offered by membership in the rule-governed community. There need be no concrete public good involved here, either jointly or separately supplied. That which is shared is the interactive nexus of relationships, within which the behavior of others is predictable within those constraints defined by the rules of the common culture.

These benefits are separately valued, and there need be no utility interdependence among participants. But membership in the group that shares common fidelity to the rules of order is a source of positive personal utility to members, and any loss of membership promises utility loss. There is, then, a positive value of ‘belonging’ to the group that shares in the culturally evolved heritage, and persons may act so as to maintain and preserve the network of relationships.

Note that identification–qualification for community membership does not depend on any personalized qualities, other than predicted adherence to the set of rules for interactive behavior. There will remain, nonetheless, an impersonal attachment or loyalty, of sorts, to those persons who pass muster. They will be acknowledged to be ‘players in the game.’

Recent contributions in choice theory have suggested that persons need not depart from precepts for rationality when they behave in accordance with something like the Hayekian rules of reciprocal respect. In simulations of Prisoner’s Dilemma (PD) encounters, Vanberg and Congleton (1992) have demonstrated that the availability of an exit strategy makes reciprocally cooperative behavior rational while exhibiting morality in rejection of defect options. Ron Heiner, Dieter Schmidtchen and Max Albert (forthcoming) have shown that prospects for mutual predictability in behavior, along with some response interdependence, may offer rational bases for reciprocally cooperative behavior, even in apparent one-shot PD settings. To the extent that these extensions in rational choice theory are explanatory, the cultural evolution emphasized by Hayek becomes unnecessary in offering understandings of the observed absence of the strictly opportunistic behavior generated within traditional models. The modern efforts to extend rationality principles have not, however, made the communitarian inference. Neither Vanberg–Congleton nor Heiner–Schmidtchen–Albert have suggested that the ‘membership’ based on any mutuality of recognition may evoke a sense of community between and among particular persons who become an identifiable subset of a larger population.

Interpreting the market culture as community allows classical liberals to respond readily to modern communitarian critics of market capitalism who charge that the market order is destructive of valued cultural traditions. These

critics concentrate on the destruction of one set of cultural rules while neglecting the role of a well-functioning market in the construction of an alternate set of rules, adherence to which signifies the presence of an alternative community, one that is both more inclusive and more productive of economic value.

The market, considered as a cultural community, should not be open to all persons until and unless there are signals that indicate a willingness to 'play by the rules.' Moral anarchists, as opportunistic maximizers in nonrecurrent interactions, should not be allowed to enter the ongoing game. They should be kept outside of the effective community by the laws adopted by and enforced by the political agency for the community. The value of community is, of course, dissipated to the extent that persons who are observed to violate the basic rules are also observed to be able to secure differential advantages from so doing. The corrupted market order loses communitarian advantage and becomes vulnerable to both conservative restorations of efficiency-destroying historical traditions and collectivist intrusions designed to exploit the anomie of cultural anarchy.

POLITICAL CONFLICT AND MARKET COMMUNITY

We may identify at least some of the reasons why the sense of community embodied in the market culture seems to have eroded in this century, and not only because of the neglect of articulation in the writings of modern classical liberals like Hayek. I suggest that the central fact in the economic development of the twentieth century, which is the increase in the relative size of the public or collective sector, has been directly instrumental in undermining adherence to the rules for reciprocity in interpersonal dealings.

Ideally, the collective or political sector may be treated as a complex exchange process. The contractarian tradition in political philosophy embodies efforts to analyse politics in models of exchange. Persons agree to organize a collective agency, the state, as an institutional means of securing goods and services not readily produced privately, including the legal structure which, itself, protects property and contract. And, as this collective agency operates, persons can be modeled as if they exchange tax payments for publicly provided goods and services.

To the extent that persons who participate variously in politics, inclusively defined, consider themselves to be engaged in a complex exchange nexus, the cultural community described by the rules of reciprocal respect extends beyond markets to include the collective sector. Indeed, in this model, any categorical distinction between the market and the polity disappears. Throughout the centuries, however, opponents of the contractarian constructions have argued that politics is not, and should not be, modeled as if its

central feature involves complex exchange among participants in a sharing enterprise. Those who reject contractarian explanations, both in positive and normative variants, advance two opposing constructions.

In the first, the idealist strand in political philosophy, the state or collectivity is supra-individualistic, at least in some aspects, and becomes the institutional embodiment of an agency that seeks that which is true, good and beautiful for its members. Persons who act on behalf of the state must, in this conceptualization, genuinely sublimate all privately separable interests to the well-being of the collectivity. Other-regardingness must be the primary motivation for action, and concern must extend to the arbitrary limits of the politically organized unit. If the empirical feasibility of such behavior is challenged, the value of the idealized construction vanishes. Attempts to put in place a political order based on behavioral requirements that are beyond the possible can only fail. But persons placed in positions of authority can only revert to behavior appropriate in tribal settings. If the state and its agents are assigned tasks on some presumption that there is 'common good,' how can those charged with authority do other than to seek to advance this 'good' in terms of their own interpretation and interest? There is simply no space for persons to remain at liberty to pursue their own separable and mutually compatible ends. A politics based on this idealistic model, no matter how far removed from behavioral reality, must reduce the value of community that an extended rule-ordered exchange culture might otherwise attain.

Similar conclusions follow from examination of a second model of politics that is often advanced in opposition to contractarian constructions. This model, which in an empirical–explanatory–descriptive sense may dominate both contractarian and idealistic efforts, proceeds from the presumption that politics is centered on conflict rather than exchange, and that the 'game' is, necessarily, zero or negative sum, as opposed to the positive-sum contractarian stylization.

In this politics, persons seek differential distributional advantage and success or failure is so measured. The very process of politics pits some interests against others; any mutuality of gain from exchange-like relationships is denied, even as prospect. If persons who engage in politics, at any level and in any role, think of the whole enterprise in these terms, they must, necessarily, shift out of any mode or mind-set, whether culturally evolved or explicitly chosen, that dictates adherence to rules that suggest reciprocal respect (Buchanan, 1978). If I seek, through politics, to get distributional gains at your expense, how can I possibly think of my behavior as furthering your legitimate interests, as you might express them? The political nexus of conflict necessarily extends the behavioral environment described as moral anarchy relative to that environment described as moral order. We should not, therefore, be surprised at the lapse from moral order that seems to have been observed

as the relative size of the collective–politicized sector has so dramatically expanded over the century, and especially since World War II.

CONCLUSIONS

There are implications for policy that emerge from the recognition that membership in the market nexus may satisfy communitarian yearnings. These implications involve deliberative actions that may promote marginal improvements in persons' mutual identification. Assimilation into a single set of cultural norms (including language) facilitates interpersonal understanding; cultural diversity makes mutual understanding more difficult. This general conclusion cannot be challenged, but no inferences can be drawn that set up or define any particular cultural environment. It is *multi*culturalism that becomes the destructive element, not the putative superiority of any specifically defined subculture in an observed mix.

The Hayekian evolutionary argument suggests that persons may not readily modify behavior as they shift among separate cultural settings. Acceptance of the empirical validity of this argument, even in part, suggests that nondiscriminatory immigration policy may be misguided, and especially as and if immigrant groups seek to maintain autonomous cultural identities.

'The market' is not an automatically universalizable emergent culture ready to work its wonders only if the requisite legal order is put in place. The market, as a culture of reciprocity, is a 'public good,' beneficial to all who participate, and it should be valued as such. Violations of the foundational ethics are 'public bads,' damaging alike to all participants. The exit option is effective in reducing dependence on ethical norms in the market to a level that is well below that required for even tolerable efficiency in nonmarket interactions. But both supporters and opponents of the market order make a critical mistake when they presume that the necessity of ethical standards is eliminated. And, to the extent that a common set of ethical norms is acknowledged to be required, the adherence to these norms, whether consciously or unconsciously implemented, must itself provide a sense of genuine community.

Is the extended order of the Hayekian 'Great Society' possible? Can participants in such an order find a sufficient sense of 'belonging' through adherence to the rules that allow living together while at the same time pursuing separable interests? Can the minimal consensus urged by John Rawls (1993) carry with it enough communitarian value to insure the preservation of internal order?

These questions can be answered in the affirmative only if classical liberals become more articulate in their defense of the cultural community that

embodies the generalization of the basic law and ethics of free markets. The normative ideal is not laissez-faire without qualifying adjectives. The normative ideal must include *reciprocity*, which does, indeed, allow for a sharp delineation between those who genuinely 'belong' and those who do not.

Hayek's contribution in the victory over the idea of socialism cannot be questioned. Hayek's successors can confront the idea of communitarianism by co-option. An explicit public appreciation for the cultural order of the market can simultaneously secure individual liberty, economic prosperity and community.

NOTES

* An early version of this chapter was presented in a conference series sponsored by Liberty Fund in Bleibach, Germany, in May 1999, and the University of Chicago in November 1999.

1. As I recall, the point was initially made by Professor Michael Baurmann.
2. Chapter 1 in *The Fatal Conceit* (1988) is entitled 'Between instinct and reason,' pp. 11–28.
3. We may question Hayek's consistency when we place his discussion of man's natural proclivity to identify with members of his small tribal community, to the exclusion of outsiders, alongside his more general argument under the rubric 'The primacy of the abstract' (Hayek, l978, pp. 35–49) which suggests that separate and particular identification takes place only after the emplacement of abstract ideas.

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9. The Hayek difference*

What I propose to do, in this short chapter, is to concentrate specifically on 'the Hayek difference,' by which I mean the net effect of Hayek's presence on attitudes and ideas, both those reflected in the scientific academies and in the general public discourse, along with the consequent impact on the observed and experienced events of the century's history.

I was a graduate student at the University of Chicago in the immediate postwar years, 1946–48. At that time, all students in economics, graduate or undergraduate, soon learned that the first step toward literacy involved mastering Henry Simons's syllabus, which contained the famous rent problems. These problems, in highly stylized fashion, were designed to demonstrate how a market would allocate resources efficiently, and, particularly, how resource or input units would tend to be paid their marginal products, and how such payments, made to all resource inputs, would exhaust the total value produced. But how could the marginal product of an input unit be measured? The Simons's problem offered the clear answer. By simply assuming away the input unit and conceptually observing how other units would be reallocated followed by a new measure of total product, we could impute the value shortfall specifically to the input unit removed in the experiment.

I propose that we do this here. Let us imagine the century past as if Hayek had never existed. What was his product? Of course, the full measure cannot be taken, since some of the effect has yet to emerge. But we can make a start.

It seems useful to separate two persons here, Hayek the social scientist, and Hayek the classical liberal, legal–political–social philosopher. In an orthodox interpretation, the activity in the first of these roles would be considered relatively more positive and less normative than activity in the second role, although this distinction does not seem especially relevant here, other than as a means of classifying features of Hayek's work.

Let me first, then, consider Hayek as social scientist, primarily but not exclusively as a political economist. There are parts of his work which, although important to Hayek during his career, especially the early years, do not seem significant in response to the basic query that I have posed. In this context, I think we can neglect Hayek's early works on cycle theory and capital theory. These contributions did not receive widespread acceptance at the

time they were initially published, and they have not been influential in the subsequent development of economic theory.

More controversially, I think we can also pay relatively little attention to Hayek's late works that emphasize the evolutionary elements in the development of economic and social institutions. Hayek's recognition of the evolutionary emergence of the behavioral norms and practices that made the leap into what he called 'the Great Society' possible was, in itself, an important contribution. But this contribution was offset, at least in part, by the later Hayek's overemphasis on evolutionary explanation for institutional development, which fostered a stance of acquiescence that countered much of what Hayek, himself, must have thought to be his own raison d'être.

We are left with two major contributions, which are, I think, important elements in our enhanced scientific understanding of how the economic interaction process works. The first, and critically essential, step involves the comprehensive vision of the market process as a nexus of relationships among separate decision takers, as a *catallaxy*, rather than as an analogue computing device or mechanism that is designed to produce externally defined value. Hayek was not the originator of this vision nor was he the only expositor during the critical decades of the century. But he was, I submit, the most articulate expositor, and especially because he was able to integrate this vision of market process with an even more inclusive 'constitution of liberty.'

Hayek's second major scientific contribution was, in a sense, corollary to the first. Interpreting the market order as a catallaxy almost necessarily focuses attention on the choices and actions of the separate participants and upon the knowledge that these participants bring to the exchange process. Hayek recognized that this knowledge was, indeed, unique to these participants, in their separately confronted choice settings, and that no other knowledge could possibly inform the ultimate outcomes produced. And because this knowledge was itself subjectively perceived by the participants, it could not be available, actually or potentially, to anyone outside or beyond the interaction process. It follows that the market alone can utilize this knowledge. The proposition here was central to Hayek's argument in the great debate over the possibility of socialist calculation, but its implications are much broader. During the last decades of the century, the so-called 'economics of information' emerged as a subresearch program, initially on the presumption that information, as such, was something 'out there' to be discovered through adequate investment. Only belatedly did the superior insights of Hayek assist in a dispelling of the false trails laid down by Stigler and others in this respect.

The two contributions that I have identified and briefly discussed, along with certain elements of the evolutionary emphasis, warrant assigning to Hayek a significant rank as a social scientist. I suggest, however, that Hayek's marginal product, his net contribution to the century, was much larger in his

role as classical liberal social philosopher. Of course we must recognize that the philosophical position that he espoused and articulated, directly and indirectly, emerged from the scientific insights. We might say that the putative classical liberal who does not really understand and interpret the market process as catallaxy constructs his philosophical stance on much more vulnerable foundations.

Again let me return to my initial question. What was Hayek's net contribution to the century? How would the century have been different, both in its ideas and in its historical development, had Hayek never been born? First, it must be acknowledged that articulate classical liberals had developed the central tenets of a coherent philosophy long before Hayek came along and, also, that many of Hayek's close and near contemporaries, such as Knight, Mises, Jewkes, Popper, Michael Polanyi, Eucken, Ropke, Einaudi, Friedman and others, formed a supporting cast that was important in many dimensions. But Hayek was different; we agree. But how so? This becomes the subsidiary question we need to unravel.

As implied in the above remarks, I do not think that Hayek's contribution is reflected in any articulation of a philosophical position that is analytically more coherent or more persuasive rhetorically than that found in the writings of other classical liberals. Nor do I think that his contribution stems from his willingness, and ability, which I personally admire and appreciate, to move outside the disciplinary limits of political economy, into legal and political philosophy in particular. The 'Hayek difference' lies, instead, in his creating himself, whether or not willingly, as 'the classical liberal,' which, in turn, provided a personalized target for his socialist enemies everywhere, and a personalized flag-bearer for his ideological soulmates. Who could have filled this role other than Hayek? And how different indeed would the century have been without his presence in this respect?

There are two separate, but related, critical steps or stages in the creation of this role for Hayek. The first is the publication of *The Road to Serfdom* in 1944; the second is the organization of the Mont Pelerin Society in 1947. Let me treat these two events separately.

Hayek has told us that he did not expect or anticipate the reaction that he got from *The Road to Serfdom*. When he wrote the book, he was a wartime internee of sorts, and he was pessimistic about the future of Western societies, described both in terms of supporting ideas and ideals and of institutional–constitutional changes that seemed in the offing. He wrote the book as both a prediction and a cautionary tale. I do not think that, even for a minute, Hayek thought of himself as a new Moses leading the children out of the wilderness. A more descriptive metaphor would be that of someone 'crying in the wilderness.' At best, he hoped that some of the intellectual leaders in Britain might read and understand the argument, and that ultimately these

leaders might exert some influence on the politicians. He was surprised by the violent attacks mounted by the socialists, who thereby revealed their own lack of philosophical self-confidence. Hayek could not understand or appreciate just where the socialist attitudes came from, and perhaps he gave too much credence to the lasting strength of the mysteries. (It is the century's great good fortune that he did do so.)

Almost as if by accident, therefore, Hayek's small book became something quite different from any original intent of its author. Especially in the United States, through the dissemination of the argument in condensed form via *Reader's Digest*, Hayek, as an old-fashioned liberal, seemed to enter public and political discourse. And, given the media bias, then and now, toward the socialist alternatives, Hayek was painted as a moss-bound radical reactionary who sought to turn the clock back, toward the depression that was created by the excesses of capitalism, and away from the romanticized collectivist utopia that so captured midcentury imaginations. To his surprise, Hayek found himself shunned, sent to Coventry, even by his peers in the world's academies of science, who simply did not bother to examine the very solid scientific foundations upon which Hayek constructed his normative argument. To far too many of these peers, Hayek had broken the invisible barriers; he had politicized himself, and for the wrong cause, an unforgivable sin in the intellectual atmosphere of midcentury.

Hayek found himself placed in a role that he had not anticipated. He was lionized by the scattered adherents of classical liberalism, but also by unthinking conservatives who had remained lost before the onrush of sweeping historical change. Almost as a stage in a natural progression, Hayek assumed a leadership position. But this leadership emerged in a form that tended to maximize the range and tenure of his influence. He was never a quasi-cult figure, like Mises, with a small but intensely devoted band of disciples, seemingly happy behind a siege mentality while being neglected by the world beyond.

Hayek made no claim to private possession of public wisdom, but he did convey a firmness in his conviction that there was an attainable 'Great Society' in which persons could remain at liberty while enjoying economic prosperity. He was never bedeviled by the profound skepticism that Frank Knight exhibited toward the potential efficacy of any nostrum, reluctantly extended to those offered by classical liberals. Hayek was not a classical liberal by default, as it were.

In taking on the representative leadership role, Hayek was mightily aided by his intellectual and political adversaries. We need only speculate counterfactually on the history that might have been had Hayek's small book fallen 'stillborn from the press.' In this history, Hayek would, presumably, have returned to his niche as economic theorist, perhaps devoting his energies toward refuting the many fallacies that he saw in the emerging Keynesian conversion of economists everywhere.

Such a history was not to be. The very notoriety accorded to *The Road to Serfdom* insured that Hayek would, never again, return to his disciplinary roots, but would instead extend his horizons, first, to political economy in its broadest definition, and even beyond, into the far reaches of ethics, law, philosophy and politics. His first self-assigned task was to articulate more fully the bases upon which the arguments in *The Road to Serfdom* were grounded. This task, as completed, became *The Constitution of Liberty*, published in 1960, after more than a decade's work.

Again in retrospect, Hayek's long-sustained entrepreneurial effort in establishing, promoting and protecting the Mont Pelerin Society seems only a natural follow-on to the position in which he found himself immediately after the end of World War II. *The Road to Serfdom*, with its many detractors as well as many who heaped praise upon its author, set up Hayek as the focal point for almost any organizational thrust. Further, Hayek was already internationalist; he was an Austrian native, a British citizen, soon to be the occupant of a chair outside his own discipline in the United States. His willingness to pick up and put life into a moribund project aimed at some sort of association among classical liberals worldwide seems to us almost preprogrammed to have happened. Again, however, as with the book, it was Hayek whose work brought the society into being and kept it alive, nearly single-handedly, for roughly three full decades. In a sense, as its members have long recognized, the society is perhaps more noteworthy for what it was reputed to be than for what it actually was. As with the book, the very existence of the society seemed to threaten, and did do so, the dominance of the socialist idea among intellectual leaders in all parts of the world. Even if, at its meetings, the members of the society largely reinforced each other, such support, especially in the heady decades of the 1940s, 1950s and 1960s, was essential. The socialists were put on guard; they knew 'we were there.'

But let me return to my main theme, lest these remarks turn into a retrospective interpretation of Hayek's history in and of itself. I commenced with the question: What was Hayek's net contribution to the century? In its broadest terms, my answer is that this contribution is to be found in Hayek in the role of classical-liberal social philosopher rather than in any role as economic theorist. Further, even within the role as social philosopher, narrowly defined, Hayek's net contribution does not lie in a set of identifiable theorems or propositions. Hayek found his own niche or slot in the century's history as *the* classical liberal. In a very real sense, Hayek represented and epitomized the stylized classical liberal, whose work embodied so much that is common among all of those who fit the broader rubric.

So, come back to the subsidiary question: Who might have filled such a role if Hayek had never been born? I doubt that any of us can respond to that question. Surely, the history of the century would have been different, substantially

so, in Hayek's absence. Socialism, both in idea and in substance, might well have collapsed of its own weight later rather than sooner. But the Hayekian Great Society, the attainable and coherent alternative to socialism, would not have been omnipresent as an ideal through a whole half century.

Quite an accomplishment. When all is said and done, Hayek's work, warts and all, is the rock upon which classical liberalism rested in the last half of the twentieth century.

NOTE

* A preliminary version of this chapter was presented at a Liberty Fund conference in Obergurgl, Austria, in August 2001.

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10. God, the state and the market*

I am not competent to discuss the particular failures and occasional successes in differing countries in central and eastern Europe as they march through the post-Communist transition. It is now acknowledged, I think, that the decade of the 1990s taught us what we should have known, namely, that the destruction of one set of institutions does not insure that an alternative set of institutions will arise as if from the ashes. It is now widely understood that the rule of law, embodying the protection of life and property and the enforcement of voluntary contracts, must, somehow, be put in place in order for market and marketlike institutions to emerge, at least those that carry positive evaluative significance.

A genuine dilemma arises, however, when we acknowledge that the rule of law must originate from, and be implemented by, the agencies of the state. How can persons, in their ordinary capacities, come to trust the state, after the oppression suffered over the course of the century?

A first, and essential, step is a dramatic shift in understanding of and attitudes toward the responsibility of the state for the welfare of the citizens. Many persons who fully acknowledge that socialism, as a grand experiment, failed to deliver on its promises now hold the view that 'the market,' as an alternative organizational structure, will simply do better. In economists' terms here, the view is that socialism turned out to be grossly inefficient in delivering valued goods and services to the people; the market promises to be relatively much more efficient; hence, the state fulfills its responsibility best when and if it replaces the institutions of socialism with those of the market. In other words, the market is better at delivering 'social' value.

I suggest that much misunderstanding arises from this set of attitudes, and that many of the difficulties encountered in transitional economies stem from this source. I have often noted how much better it would have been had Adam Smith entitled his treatise 'the simple system of natural liberty' rather than *The Wealth of Nations*, since his very title called direct attention to the aggregate of value generated, despite Smith's intent and purpose. By focusing on the efficiency of market arrangements in delivering valued goods and services, the basic socialist conviction that the state or the collective remains *responsible* for the results, both in some aggregative sense and for persons as participants, need not be disturbed. The century-long experiments in economic management can be dismissed simply as wrong-headed error; there

need be no reexamination of the ultimate presuppositions that informed the whole comparative exercise.

What must be understood here is that the state, in meeting its proper responsibilities as implementing and enforcing the rule of law, is not, itself, responsible for the measured outcomes that the interactions of persons acting within the law generate. As the simplest of exchange models demonstrates, and as elementary game theory also illustrates, no one *chooses* among alternative outcomes in an interaction; hence, neither the state nor any person can be held responsible for that which emerges but which is not explicitly chosen by anyone.

The socialist epoch was successful in replacing 'God will take care of you' (which I recall from an old hymn) with 'the state will take care of you.' And my simple point here is that the demise of socialism as an organizational arrangement of the economy has done little or nothing toward offering up some alternative fallback security blanket. The socialist god has not been displaced in this sense, and until and unless this can occur, the transition can never be fully successful.

I do not suggest that the assignment of responsibility to the state for specific features of observed results is confined to those countries which were organized under explicitly socialist structures. Western welfare democracies differ in this respect only in degree. Political coalitions in opposition are all too ready to blame incumbents for any undesired result, in the large or in the small, and to propose reforms that claim to accomplish unattainable results. Coalitions in power are no better, since they claim responsibility for any results, either in the aggregate or in the particular, that may be interpreted favorably.

One way of putting the point made here is to say that the philosophers, the practitioners and the public have lost all sense of the *limits* of politics. The socialist epoch may be described as a period during which the state was pushed beyond its capabilities, in all countries. Recognition of what the state cannot accomplish does not, however, offer justification of the other extreme that rejects all political–legal authority. Anarchy is not an ideal organization for persons as we know them to be. There is a role for political–legal authority; there is a responsibility that politics must meet. But this role is limited to the establishment and enforcement of the rules within which individuals play out the gamelike interactions that social life must represent. And, despite major differences, the analogy with games is helpful, for we would never think that in games either the rules or the referees determine the particular outcomes of play.

Recognition of the limits of state responsibility for economic outcomes carries with it, as a corollary, a necessary willingness on the part of persons to accept increasing responsibility for their own well-being. Each person is, of course, confronted with a set of constraints that may, in large part, be determined independently of one's own choices, past or present. But, within the constraints that are faced, any person does, indeed, determine his own destiny. Milton and Rose Friedman's title *Free to Choose* (1979) carries much more

philosophical meaning than a superficial interpretation might suggest. To be free to choose implies acceptance of the responsibility of the results of choices made, which means, in turn, that there should be no assignment of blame to others, including the state, if these choices turn out to have been wrong.

In a real sense, 'the market,' as such, does not produce anything at all. The institutions of the market, those that do allow persons to be free to choose within the constraints of the law as well as those imposed by nature itself, facilitate the production of value by those who choose to exert effort, to create and discover new opportunities, including opportunities for exchange, and to accumulate capital to support subsequent production. If this elementary principle is understood, any observed 'failure' in value generation is to be attributable either to the absence of the facilitating institutions of law, property and contract, or the unwillingness of persons, within those institutions, to assume responsibility for their own destinies.

It is never easy to cast off, so to speak, the psychological cloak of dependency, even in the face of empirical evidence that the state cannot fill the role served by God in earlier epochs. The romantic vision of the collective, and the incorporation of the individual within its spirit, remains, and will remain, important in this new century. We have been, and are, too optimistic about prospects for a rediscovery of the pre-Marxist, pre-Hegelian attitudes toward politics, politicians and the state. Where is our modern Adam Smith who can excite our minds with an effective attack on the pervasive mercantilism of our times? Can we expect to attain the eighteenth-century attributes of patience and prudence, qualities without which long-lasting reforms cannot be put in place? Can the modern state be relegated to the same role as the non-intervening God of the deists?

In Chapter 6, I noted that the soul of classical liberalism is somehow lost to public consciousness. This chapter follows up by suggesting that one step toward rediscovery of such a soul lies in the escape from the dependency on the state as the modern interventionist God – a dependency that describes so many of us, in some parts of our attitudes. We, as individuals, are responsible for that which we achieve, individually and collectively. There is no one else to blame. Face this reality and we are already halfway there.

NOTE

* An early version of this chapter was presented, via videotape, at the Mont Pelerin Society meeting in Bratislava, Slovakia, in September 2001.

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11. Madison's angels*

> But what is government itself, but the greatest of all reflections on human nature. If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary. In forming a government which is to be administered by men over men, the great difficulty lies in this: you must first enable government to control the governed; and in the next place oblige it control itself.
>
> **James Madison, *The Federalist No. 51***

I could scarcely go wrong by starting with this most familiar passage from James Madison's justly acclaimed *The Federalist No. 51*. Here Madison succinctly provides a justification for government itself, and, at the same time, offers the reason for constitutional constraints on political authority. I shall not challenge Madison's statement here. Indeed, Madison retains an honored place in my personal pantheon.

What I propose to do, instead, is to examine Madison's statement more carefully. But, at the outset, let me say that my initial project was to examine what must have been Madison's counterfactual image of a society without governance – a society of angels. Just what sort of behavior would such angels exhibit, and what would the social interaction among the separate angels look like? I soon found myself in difficulty. As my old Professor Frank Knight always said, it remains nearly impossible to describe what heaven would be like. Nonetheless, it does seem to me that Madison must have had some such image in mind when he wrote that statement. We may begin to unravel some of his thinking.

Commence with Madison's usage of the word 'angels' twice in the passage cited. I suggest that Madison did not intend to refer to the beings designated as angels in modern dictionaries, in which an angel is defined as a being that possesses suprahuman attributes or qualities. Such a definition, if inserted in Madison's construction, would rob the passage of much of its meaning. By 'angel' I think that Madison referred to a being that is recognizable as human but whose behavior lies at the stylized end of a spectrum – a person who does indeed treat others in such fashion that, if generalized to all persons, would eliminate the need for governance as such. All of us can, I think, imagine such persons to exist, as ideals toward which we might strive, rather than as totally unattainable divinities. The most imaginative element in Christianity is surely the attribution of humanity to Jesus.

This interpretation of Madison allows us to place ethics alongside politics as alternative and complementary means to move beyond the ever-threatening Hobbesian jungle.

We may note, in particular, that Madison remained unclear about the range and extent of the behavioral requirement. He did not say that there would be no need for government only if all persons behave as angels all of the time. It is useful to drop any implicit assumption that persons are identical. Some persons, some of the time, surely behave toward each other in such fashion as to make explicit governance of these persons unnecessary. Further, Madison did not imply that no persons were angels any of the time. Recognition that individuals are different along the relevant behavioral dimensions here allows us to construct an ethical spectrum that may be used to describe societies, ranging from the one extreme defined by 'all persons behave as angels all of the time' to the other extreme defined by 'no person behaves as an angel any of the time.'

Madison does not directly address the subsidiary question that any such spectrum prompts: Does the need for, as well as the range and scope for, government vary as societies find themselves located differently along this ethical scalar? Can and does ethics serve as a substitute for politics and in what degree and in what manner? Can we make government less necessary by making more persons behave as angels more of the time?

It seems clear that there are externalities as between ethics and politics as instruments aimed to keep our behavioral proclivities within acceptable limits. The libertarian ideal of ordered anarchy comes closer to realization as and if more persons more of the time behave as Madison's angels. On the other hand, and conversely, an increase in the politicization of our society almost necessarily reduces the proclivities of persons to behave as angels. In a paper entitled 'Markets, states, and the extent of morals,' I suggested that, if we politicize activities that extend beyond our moral capacities, we necessarily generate increased exploitation (Buchanan, 1978). To put this argument in Madisonian terms, if we put too much reliance on politics, we may stifle even those behavioral motivations that might qualify as near-angelic. And this conclusion becomes especially relevant as and if we allow our political units to become too large, both in membership and territorial extension. A returned James Madison would surely stand aghast at the behemoth that is the United States federal government.

How can we act as angels, even for limited aspects of our behavior, when we are thrown, willy-nilly, into the gladiatorial pit that describes modern political reality? Madison was not suggesting that we are necessarily gladiatorial, always out to destroy one another, with a fate from which only politics can save us. Such interpretation would distort the meaning of the message. Madison would say now, as in 1787, that we need laws to control our behavior. But he

would surely say that now the political pit, as it exists, has gone far beyond his imagined constitutionally ordered and limited governance.

We can create, and maintain, institutions of governance that preserve social order, given the proclivities that we, as members of the community, exhibit in our behavior, one toward another. The attainability as well as the desirability of this order remain critically dependent, however, on those proclivities, as measured along the imagined ethical scalar introduced earlier. We must move well beyond Madison and understand that justification of marginal extensions of government must be grounded on something other than the all-too-human attribute of ethical fallibility. At the margin, the positive benefit–cost ratios from investment in ethics may be much larger than those from investment in politicization, which may indeed be negative. We may be logically libertarian in our opposition to all efforts to enlarge the range and scope of governance, while, at the same time, we may be persuasively Puritan in our discourse on behavioral attributes.

Finally, we should never forget what was surely James Madison's starting point, namely, his presumption that the ideal society is one in which all persons are indeed angels and in which governance has no place.

NOTE

* Reprinted with permission from John Samples (ed.), *James Madison and the Future of Limited Government*, Washington, DC: Cato Institute, 2002, pp. 9–12.

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12. The emergence of a classical liberal: a confessional exercise

INTRODUCTION

I have subtitled this book *The Normative Vision of Classical Liberalism*. In this concluding chapter, I propose to defend and, in the process, to explain my own efforts both in this book and in other outlets. What have I tried to do here and elsewhere, and why? In other words, what is the nature of my whole enterprise?

The short answer is provided in the subtitle itself. I have used the term 'classical liberalism' to describe the social order that I can see – as an imagined vision that might exist without violation of the constraints imposed by nature, including those that limit human behavior. In other words, classical liberalism sketches out the world as I should like to bring into being were I granted omnipotence. In this sense, classical liberalism, in its full flowering, becomes my own personalized utopia – a perfected ideal that is not totally impossible of attainment even while it remains well beyond the range even of probabilistic expectations.

Classical liberalism in this sense becomes a 'realistic utopia,' a term invoked as an important element by John Rawls in his short monograph *The Law of Peoples* (1999). The modifying adjective here, *realistic*, implies at a minimum a two-set classification among possible utopias. In his early discussion, Rawls refers to Rousseau's opening of *The Social Contract* (1762, [1950]), which promises 'taking men as they are and laws as they might be.' Although we can perhaps understand what Rousseau, and Rawls, had in mind here, the implicit presumption of invariance in human nature is clearly unacceptable. At best, we might change the promise into something like one 'to take men and laws as they might be.' As much as we would wish it so, we cannot so readily take ethics out of the spotlight.

Nonetheless, there remains classificatory meaning in the restriction as restated. 'To take men and laws as they might be' is quite different from an imagined fictional setting inhabited by beings that are unconstrained physically or behaviorally. At issue here is the precise meaning conveyed by the phrase 'as they might be.' What is ruled in and what is ruled out by this restriction?

Note, in particular, that we reject the Rousseau–Rawls promise to take 'men as they are,' on the grounds that there is no meaningful content. Persons are not automatons whose behavior can be programmed, and therefore predicted, in each and every situation confronted. Personal, private choice is real; women and men are not like rats as they predictably respond to stimuli. On the other hand, we recognize that there are behavioral limits that exist that allow predictions to be made, at least for persons modeled as representatives of groups. There do exist uniformities in human nature that make the social sciences possible. The question is one of drawing the boundaries.

We do not want to abandon the very foundation for classical liberalism, as an organizing ideal, which embodied the eighteenth-century discovery of such uniformities. Only after this discovery did it come to be recognized that persons, thinking of themselves as naturally equal members of the human species, could possibly organize structures of social interaction that allowed achievement of the twin objectives of peace and prosperity. These structures do not require that all persons be angels – a requirement that admittedly would be beyond any plausible empirical limits of human nature. Nor do they require that some persons be angels, thereby deserving of deference from others as they assume leadership roles. And it is because of the general recognition that persons are not angels, and will not behave as such, that governance is universally acknowledged to be necessary.

The 'men as they are' constraint cannot, however, be left open-ended. Persons may not be required to behave as angels in a functioning social order, but they may be required to observe ethical norms involving mutual respect, as discussed in Chapters 1 and 2. 'Men as they are' cannot be interpreted broadly enough to encompass the possibility that all, or even substantial numbers of, persons are narrowly opportunistic, short-term, utility maximizers who behave as if others with whom they interact are elements in the natural world rather than as reciprocating beings.

We return necessarily to 'men as they might be' as the starting point for normative enterprise. We imagine possible worlds that are populated by persons who, by and large and in sufficient numbers, behave broadly in accordance with the behavioral precepts that dictate mutuality of respect and mutual tolerance and who organize themselves collectively and create 'laws that might be,' which provide for equality of access to authority to modify such laws and for guarantees of generality of treatment.

My own enterprise may be interpreted as one that involves efforts to spell out the conditions under which the classical liberal order would work well, and to compare and contrast the existing social order, as observed, with such ideals. In these efforts, I am, admittedly, driven by the normative vision of a social order that is within the possibility of attainment, although expectationally I can recognize the vision as utopian. In this whole enterprise, I have, from

the 1960s, felt a strong affinity for the efforts of John Rawls who was embarked on a quite similar enterprise, although our two efforts have been interpreted quite differently.

CLASSICAL LIBERALISM AS A CREDIBLE WORLD

In advancing a defense of classical liberalism as a realistic utopia, I am claiming that the normative vision, as outlined, is credible in the sense used by Sugden in his challenging paper 'Credible worlds' (2002). That is to say, the vision may be sufficiently close to the world of observed reality to allow generalized acceptance of its attainment as being within the possible, and not only to its precommitted normative advocates like myself, but also to others who, initially, may hold no vision at all of an ideally working structure of social interaction. The vision offers a skeletal version of social interaction among persons that allows for an understanding of the elementary forces operating beneath the complex reality that may be observed. In one sense, the classical liberal vision becomes an *ideal type* as classified by Max Weber. And, as an ideal type, it feeds back and influences reality itself because persons can begin to understand that reality through the lenses offered by the ideal typology.[1]

But is the vision of classical liberalism a credible world to everyone, even to many of those who might be highly trained and professionally competent scientists who fully understand both the mathematical models of interactive human behavior and the empirical relationships that have been scientifically validated? Unfortunately, perhaps, this question must be answered in the negative. Social scientists and social philosophers, those who devote professional careers to inquiries into social interaction, need not be able to go beyond the limits of science itself and to 'understand,' in some deeper sense, the question of professional or scientific competence. At issue instead is the possible ability of the practicing scientist to take what we may call a 'philosophically comprehensive' view, and to see the idealized structure as a credible world, which may or may not be normatively preferred to its alternatives.

Clearly, an ability to take such a comprehensive vision on the idealized interaction modeled in classical liberalism becomes a necessary condition for the elevation of this vision to commanding normative heights. But, as suggested, such ability is not itself sufficient to guarantee the normative leap. 'Yes, indeed,' the lingering critic may say, 'I can accept that the idealization of classical liberalism is credible in a meaningful sense, but, for me, there is no accompanying normative implication. I simply do not prefer that world, even if it might be ideally realized, because there are other equally credible ideal structures that I should value more highly.'

Yet another critic might say, 'Yes, I accept classical liberalism idealized as a credible world, but for me there is no normative implication because I choose to remain scientifically pure, and I consider it beyond my role to assign normative evaluations to this or to any other credible world in idealization.'

I find it difficult to enter dialogue and discussion with either the precommitted nonliberal or the normative eunuch. In such confrontations, I find myself in a position that John Rawls must have felt when facing many of his critics who simply could not understand where he was coming from in his whole enterprise. But, by contrast, such discussion with those who have not yet attained the comprehensive vision, classical liberal or otherwise, becomes potentially productive. It remains, nonetheless, mysterious as to how, why and when such an understanding emerges. It does not directly involve the acquisition of new knowledge, as such. And it is not based on some superior wisdom.

Such an understanding cannot be packaged and transmitted as in instructional manuals, textbooks and classroom lectures. I have often related my own experiences here, with the six-week exposure to Frank Knight who, somehow, opened up for me the vision of classical liberalism as a credible world, which, for me at least, did carry lifelong normative implications.[2] Yet, at the same time, for many other fellow students, proven equally intelligent in any measurable scientific sense, illiteracy in philosophical understanding remained post-Knight.

THE LIBERAL PREDISPOSITION

Why do some and not others acquire the comprehensive philosophical understanding that makes classical liberalism into a credible world, whether or not there are normative implications? If minds were plausibly modeled as philosophical blank slates, roughly equivalent inputs should generate roughly equivalent outputs. Empirical observation suggests, however, that this result is not at all descriptive. Persons of comparable technical, scientific competence seem to diverge widely, one from another, in their achievement of the genuine philosophical understanding that makes, for them, classical liberalism become a credible world.

The answer is, I submit, surprisingly simple, and involves little more than the way that the individual views himself relative to others with whom he interacts in the inclusive social nexus. Persons, whether they be scientists, moral philosophers or ordinary folk, can be roughly classified into two sets – those who are described as having a liberal predisposition and those who do not. And by a 'liberal predisposition' I refer, specifically, to an attitude in which others are viewed as moral equals and thereby deserving of equal respect, consideration and, ultimately, equal treatment.

I employ the term 'predisposition' to suggest that the attitude in question is somehow 'deeper' than a stance that might be deliberately chosen, off the shelf as it were. How does a person acquire a predisposition to think in this way or that? Each person is, of course, a product of his own history, the cultural environment, the conventions and traditions that exist and the public literature that explains these, all of which combine to describe the inclusive status quo that cannot be literally superseded.

In any setting, the individual must look upon himself in relation to others, generally, from two perspectives simultaneously. It is as if the individual locates himself along an array or order of persons with the possibility of looking in either direction. The liberal predisposition prompts the individual to look upon this array or order horizontally, with no difference between the two perspectives. The nonliberal predisposition prompts the individual to look on the array in a vertical dimension, with the possibility of looking upward toward those classified above and looking downward toward those classified below. Are others viewed, in some ultimate sense, as 'natural equals' or are others classified by positions in a 'natural hierarchy'?

I stated previously that a predisposition, in this or other dimensions, cannot be chosen, as if off the shelf. This statement does not, however, imply dramatic shift to the other extreme of the spectrum; there should be no inference that a person, any person, is locked permanently into a predisposition as determined by personal history, experience and social environment. How, then, does one acquire a disposition? How does one generate for one's self the attitude that is described in the liberal's realistic utopia?

PREDISPOSITION AS AN OUTLOOK FOR EVALUATIVE JUDGMENT

We can refer to William James and his conscious decision to believe in the Christian narrative. In so doing, James was taking on a predisposition to believe that which he knew would not meet the standards of scientific proof.

This example suggests that predispositions may indeed be 'chosen,' but not in the ordinary sense of selection from among predefined objects that remain available as alternatives. A predisposition serves as a constraint on the way the directly observed world is to be interpreted, and through such interpretation to offer bases for action taken – for choices made within the constraints, as it were.

The moral content may become all-important in the choice of the predisposition that must undergird the normative vision of the classical liberal. How should the individual look at the process of interaction among persons, while recognizing that he remains a necessary participant? The individual cannot

stop the world and get off; an external vantage point is not available as an option. As noted previously, the crucial distinction is between the horizontal and the vertical perspectives – between the predisposition to view interaction as that which takes place among natural equals or as that which takes place among persons located along a meaningful hierarchical scalar or dimension.

How does the individual want to look at the world of human interaction? Does he want to consider himself as one among equals, or does he prefer to think of himself as somehow more equal than others? There is a categorical moral distinction between these two predispositions that cannot be evaded. And the choice between the two, in some ultimate sense, must act to constrain any interpretation of that which is observed and, in so doing, must affect behavior.

THE AMBIGUITY OF THE 'IS'

When Bill Clinton immortalized the ambiguity of the word 'is' in application to his personal situation, little did he realize that his question could be extended generally to the whole nexus of human interaction. The social scientist observes persons as they behave in their several roles, working and playing, getting and spending, giving and taking, buying and selling, talking and listening, to-ing and fro-ing, waking and sleeping, loving and hating – the list could be extended almost without limit. The point of emphasis here is that the social scientist, or indeed anyone else, can do no other than look at the world of human interaction from a particular perspective, from within a predisposition which will necessarily place constraints on any evaluative interpretation, along with implications for subsequent action. In other words, there is no 'is' there, as such, that is fully analogous to the waterfalls in the earlier example – an 'is' that may be physically defined and quantified.

The difference between the natural, or physical, and social reality lies, of course, in the fact that the latter involves behavior on the part of choosing-acting human beings – behavior that may be predicted only within broad limits of tolerance, leaving an irreducible element of reality that cannot be uniquely labeled as 'that which is.'

Consider the simplest of examples. The economist observes two persons: one person gives up something previously in his possession, the other person gives up another thing that was previously possessed. The economist carries a predisposition to view that which is observed as a voluntary transaction, with each of the two traders improving his separate well-being in the process. It is clearly possible, however, to view that which is observed quite differently if an alternative predisposition is descriptive of the observer's attitude. This apparent 'exchange' may be seen as a coerced transfer stemming from the fear

of the weaker for the stronger, generating the result that the weaker person's well-being is reduced in net, even given the gratuitous reciprocation by the allegedly stronger of the two persons.

The positivist critic may intervene at this point and evoke sophisticated empirical tests that are claimed to validate the set of hypotheses that will define uniquely the social reality that 'is.' In so doing, he is eliminating any imputation of effective choice to the actors, who must become automatons. By inference, this positivist scientist, this critic, is presuming that his own mind is a blank slate, without predispositions of any sort. It becomes relatively easy to reduce the purist's babble to absurdity by instancing more complex patterns of interaction where choice behavior and subsequent action takes place as overlain by intricate institutional structures.

The critical role played by the predisposition of the social analyst cannot be shifted off as excess baggage. Some presumptive motivation of the actors whose behavior is being observed must inform the observation itself. How, then, are individuals to be modeled? There are at least two dramatically opposed models here. Persons may be modeled as seeking their own interests, but within the constraints imposed by a general recognition that others are their natural equals who are similarly motivated. Or, contrariwise, persons may be modeled by location in a hierarchy where they must seek authority or power over those who stand below, and defer to the superior authority of those who stand above them.[3]

ECONOMICS AS A MORAL SCIENCE

To many of its practitioners, as well as to its humanist critics, economics is an amoral science, which simply takes human beings as they are observed to behave, and generates falsifiable hypotheses which, as nonfalsified, yield explanatory predictions about the workings of the economic interaction processes. There is a general failure to recognize that the very behavior that is observed in the exchange processes of the market, whether these be simple or complex, reflects the presence of predispositions on the part of participants, without which the whole structure would not function. The person who enters into a voluntary exchange with another is predisposed to accept that the goods on offer are not fraudulent, that promises will be kept, that contracts will be honored. Implicitly, if not consciously, the entrant into the market models the person on the other side of the potential exchange as a moral equal, rather than as someone who is either to be exploited as an inferior or someone to be exploited by a superior. Again, implicitly, there must be some underlying recognition of the *mutuality* of gains from the trading process – a recognition that, at least indirectly, implies a sort of moral equality.

Economists, as they go about their ordinary scientific chores, are allowed to paper over the predispositions of participants in the marketplace by ready reference to their patron saint Adam Smith, who used the terms *laws and institutions* as an escape route of sorts. Markets work smoothly within the constraints defined by the appropriate laws and institutions, which has the effect of forcing participants to act as if they approach the trading process with the required predispositions. As suggested earlier, however, even idealized 'laws as they might be' are not sufficient to define the classical liberal's realistic utopia; these must be accompanied by 'men as they might be,' at least within the limits imposed by the predisposition of moral equality as a constraint on behavior of a sufficient number of participants. There is, of course, a range over which laws may substitute for ethics, and there is no need here to analyse the boundaries of this range. But, even with the allowance for the widest possible applicability of laws as substitutes for ethics in constraining behavior, there remain the questions of how and why such laws themselves emerge.

At the fundamental 'constitutional' stage where laws are laid down, or are allowed to evolve and remain as constraints, why must participants in the discussion approach each other as moral equals? How could the rule of law itself, embodying the generality norm of equal treatment, emerge from a deliberative process in which persons remain predisposed to take a hierarchical perspective on human relationships? And how could a 'scientist,' as such, participate in such discussion without taking on a normative predisposition, either explicitly chosen or unconsciously embedded in the psyche?

Economics is indeed amoral in the sense that its subject matter remains the behavior of persons as observed, not behavior as it should be, as determined by some set of moral standards. Nonetheless, economics emerged from and intrinsically requires a moral stance or predisposition that views social relationships among persons, including those explicitly labeled as economic, as relationships between and among moral equals. In its very foundations, economics is equalitarian rather than hierarchical, a distinction that must be interpreted to be a moral one.

CONFESSIONAL

As the preceding section in particular will have made clear, I find it difficult, personally, to extend either intellectual sympathy or understanding to those who do not share my own normative vision, at least in its broad essentials. I remain disinterested in efforts to analyse social structures that presume a hierarchical classification among persons and groups. And this attitude persists despite the disturbing, and increasingly encountered, claims about biological

evidence for differentiation. Perhaps, just perhaps, the normative vision that is classical liberalism was indeed ephemeral, with its acceptance dependent on an Enlightenment reading of human nature that has been permanently displaced.

For myself, I refuse to throw in the towel and to acknowledge that Plato and Aristotle have won the day – that persons are indeed classifiable as natural masters and natural slaves, that the whole Enlightenment dream was just that rather than a realistic utopia. I propose to remain with my predisposition, even defined as illusory by others, and to find my intellectual and moral compatriots in those thinkers who must be defined as moral equalitarians – Adam Smith, Immanuel Kant, Thomas Jefferson, James Madison and John Rawls. And, again and finally, I associate myself with my great professor Frank Knight (1935), who scorned any role that would have modeled the political economists' enterprise as that of the potter who fashions the clay of others into shapes deemed acceptable by their presumed superiors.

NOTES

1. I am indebted to Professor Hartmut Kliemt for pointing out Weber's argument here.
2. See my entry, 'Born-again economist,' in Breit and Spencer (1990).
3. Although more specifically focused, the debate between Buchanan and Samuels (1975) centers on the distinction between these models.

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