

Capitalism and Morality

REVISITING THE INTELLECTUAL HERITAGE OF A FREE SOCIETY

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This essay surveys and revisits the intellectual heritage of a free society. The origins of theoretical arguments for a free society make up a long and distinguished tradition which stretches back at least to the 6th Century B.C. and spans writers until the present day. Elements of the liberal outlook have been discovered in the ancient world. Many individuals have attempted to find the best case for a classical political liberal order and their philosophies have been varied and numerous. The study of the classical liberal heritage is instructive for its philosophical insights—much can be learned by studying the efforts of others. This survey of the ideas of major liberal philosophers and economists in recorded thought will demonstrate that, to a great extent, modern thinkers restate and build up on the ideas of the great thinkers of the past. What are seen as “new” theories are oftentimes the result of a mixture of past theories. It has taken a great deal of time and thought to reach the current stage in the development of the philosophy of freedom as numerous individuals have contributed to its development.

Ancient and Medieval Periods

Taoist philosopher, Lao Tzu (604-531 B.C.) described general laws of nature that cannot be changed, but that could be employed to achieve one’s goals. His naturalistic ethics promoted a doctrine of the liberation of the individual through withdrawal into the wisdom and values of the inner self. Desiring to permit each person as much freedom as possible, Lao Tzu said that inaction was the proper function of the government—the state should control through noninterference. Opposing a multitude of regulations, he taught that codified laws and rules are harmful. He cautioned rulers not to use coercion nor to permit others to use force against peaceful individuals. He said that, without law or compulsion, men would live in harmony.

Aristotle (384-322 B.C.) influenced so many thinkers from Aquinas to Locke to the Founding Fathers, to Menger, Rand, Rothbard, and beyond. The roots of freedom and individualism can be traced back to Aristotle, who acknowledged their moral significance and the value of each individual’s life and happiness. He taught that a person gains happiness through the exercise of his realized capacities and that the purpose of life is earthly happiness that can be attained via reason and the acquisition of virtue. In his ethics, Aristotle teaches that a human being uses his rational mind and free will to pursue his well-being and personal happiness (i.e., *eudaimonia*). *Eudaimonia* is a state of individual well-being brought about by rationality and characterized by self-actualization and maturation. He sees happiness as the product of a life well-lived and explains that a person’s own behavior is the largest single factor determining one’s happiness. Aristotle recognizes that moral virtue is inextricably connected to an individual’s capacity for initiative-taking, for choice, and for voluntary conduct. For Aristotle, human nature is teleological and that *telos* is self-perfection. An Aristotelian ethics of naturalism states that morally good conduct is that

which enables an individual agent to make the best possible progress toward achieving his self-perfection and happiness. Aristotle did not think that ethics was an exact science. This may be due to his lack of the notion of objective concepts (including concepts such as value or good). He saw essences as metaphysical with universals existing within particulars and he seems, to many philosophers, to have relied on intuitive induction. Other thinkers interpret Aristotle as advocating mental effort in order to discern distinguishing features.

Aristotle, like other Greek thinkers, used reason to think systematically about the world. Failing to clearly distinguish between society and the state, Aristotle said that the purpose of the state was to advance the well-being and happiness of the members of political society. For Aristotle and for many other ancient philosophers, political associations exist for the sake of good actions—the state is to promote virtue. The promotion of the good or of virtue is the central goal of the *polis*—the *polis* exists for the sake of the good life. After emphasizing that the proper end of government is the promotion in its citizens' happiness. Aristotle goes on to advocate a "mixed regime." This was the beginning of the idea of constitutionalism including the separation of powers and checks and balances.

Aristotle also developed the first components of a systematic economic theory. For Aristotle, economics is embedded in politics. The economic component in Greek philosophy, including that of Aristotle, was subordinated to the political and ethical dimensions. He explained that labor has value but that it does not give value. Aristotle also noted that value is assigned by man and is not inherent in goods. In addition, he anticipated the idea of diminishing marginal utility and commented favorably on the merits of private property.

For Epicurus (341-270 B.C.) the individual person is the domain of moral endeavor. All values must transpire during a person's life according to Epicurus' atomistic and materialistic theory of nature. He explains that the only intrinsic good is an individual's own pleasure or happiness which consists of the absence of both physical pain and mental disturbances. He says that the pursuit of pleasure should be guided by reason and recommends a rather ascetic life as the most fitting way to attain pleasure. Epicurus identified both kinetic and static pleasures and said that men should aim for a state of contentment or tranquility of mind. He held that free will liberty exists because some random elements exist in the world. Epicurus said that each person should be as free as possible to plan and live his own life and warned people not to get involved in politics because of the problems and worry that accompany it. Epicurus held a contractarian theory of justice and viewed friendships as a means of gaining pleasure.

Stoicism was an important philosophical movement from approximately the third century B.C. to the fourth century A.D. The essential idea of the natural law, a law by which even rulers could be judged, was developed in the Roman world by the Stoic philosophers. The Stoic philosophers were the first thinkers to develop and systematize, particularly in the legal realm, the concept and philosophy of natural law. Throughout history, liberal, moral, and political assertions have been grounded in theories of natural law and the later-developed but related concept of natural rights.

Thomas Aquinas (1225-1274) combined the philosophy of Aristotle with Christianity. It is sometimes said that Aquinas is Aristotle plus Augustine. Viewing philosophy and theology as complementary, Aquinas taught that natural law could be discerned by unaided reason and that positive laws should be derived from natural law. He said that there were two authorities, one spiritual and the other temporal. According to Aquinas, men need a civil authority such as the state and the state was a natural institution. He said that the state had limits being bound by the laws of God's creation. Aquinas thus favored a mixed regime in politics. Aquinas added a supernatural end to Aristotle's naturalistic morality. Like Aristotle, he noted the inexact nature of ethics. Aquinas, the Christian Aristotelian, emphasized the role of virtue as man's *telos*. He saw virtue in the cultivation and enjoyment of one's earthly life. Perfect happiness may occur later, but in the meantime, a person can experience imperfect happiness on earth in the form of his

personal human flourishing. Later, the 16th century Spanish Scholastic thinkers (sometimes referred to as the school of Salamanca) further developed the work of Aquinas to explain theology, natural law, and economics. In doing so, they anticipated theories developed in the future by Adam Smith, the Austrian economists, and others.

Early Modern and Renaissance Periods

Thomas Hobbes (1588-1679) was not a liberal himself, but he did provide the philosophical foundations for a materialistic and reductionistic liberalism and for an economic approach to human social life. His radical individualism held that persons seek their own self-satisfaction and are instinctually disposed toward self-preservation. For Hobbes, the original state of nature is a state of atomistic isolation in which every man is against every other man. He observes that people are equal in their unending desires and limitless claims. The state of nature is thus insecure. Hobbes defends liberty against anarchy rather than liberty against oppression—his goal is peace. He explains that when people formed civil society the necessity for developing a legal system came about. Laws had to emerge in order to coordinate behavior. He saw the protection of laws as making self-satisfaction possible and thought that a strong state would best assure peace. It follows that Hobbes was an absolute monarchist in his politics. According to Hobbes, when the social contract was entered into each person forfeited his rights to a monarch or to a civil government so as to improve his self-interest in making progress in his life. Hobbes argued that individuals had “rights” in the state of nature in the sense that they are expected to act because they are determined to behave in a certain way—they are driven by the motive of self-preservation. It follows that Hobbesian rights lack a moral dimension. According to his psychological egoism, everyone pursues his self-interest in the form of some subjectively perceived good. An individual gives up or transfers his power and is obligated to obey the commands of the sovereign. By delegating all of one’s authority, protection is made more efficient. Hobbes had no theory of the abuse of power by the absolute state.

Spinoza’s (1632-1677) monist, deductive, and rationalist philosophy had no ontological hierarchy. He said that individuals are bound by natural laws and exist in order to assert themselves in the world in their unique singularity. Although he envisioned a deterministic universe, Spinoza held that an entity is free that exists by the necessity of its own nature and that is determined in its own actions by itself alone. Like Aristotle, Spinoza values something to the degree to which it realizes its nature. He sees freedom as meaning a person endeavoring to persist in his own being. To be free is to be guided by the law of one’s own nature. Spinoza also observes that freedom means that options exist and that people have the ability to make value judgments and decisions. For Spinoza, the heart of virtue is the attempt a person makes to preserve his own being. To act with virtue is to pursue one’s being in accordance with reason on the basis of what is of interest and useful to one’s self. He cautions people not to be controlled by external forces or by their emotions. According to Spinoza, the free person is not afraid of eternal punishment nor does he expect any rewards in an afterlife.

Spinoza makes it clear that the individual maintains his natural rights when he enters civil society. He explains that the purpose of the state is freedom, that the state has no moral foundation, and that the state is without moral principles—morality is excluded from Spinoza’s political theory. Politics is not suited for the production of virtue. A good government will provide as much freedom as possible, particularly the freedom to express one’s views—people need freedom to philosophize and to hold religious beliefs. Spinoza did not want religion to be an interfering factor in politics. He therefore proposed the subordination of religion to politics in order to protect the state from the diverse proclamations and judgments of those with incommensurable religious beliefs. Spinoza recommended that the state have power over outward observances of devotion and external religious rites but not to inward worship of God. People’s freedom of religious diversity would be restricted to private belief and worship.

John Locke (1632-1704) was an empiricist who taught that ideas begin with sense experience. Although he said that nature inclines man toward seeking happiness, he is able, with some difficulty, to defend free will in the sense that a person's mind has the power to suspend the execution of satisfactions and desires and is free to consider, examine, and weigh them—men can control their thinking. Locke's key concepts include the state of nature, natural law, natural rights, social contract, consent of the governed, and the right of property ownership.

Locke's state of nature includes moral elements. He saw a divinely orchestrated universe into which people are born free, independent, and equal. Locke espoused a natural law ethics which governs the state of nature and which guides a person's conduct prior to the construction of civil law. The state of nature is not a state of license. He said that natural rights exist in the state of nature before the introduction of civil government and that men in the state of nature know the moral law through reason. Locke recognized that the natural right to liberty is necessary for the possibility of moral action. He said that it is a law of nature that each person "owns himself" by which he means that the individual has the final authority for guiding and living his own life. Locke's doctrine of natural rights laid the foundation for the moral space of each person.

When men live in accordance with reason in the state of nature and abide by the laws of nature then peace and goodwill will prevail. According to Locke, God wanted happiness and pleasure for his creatures and ordained that there was virtue in pleasure and pleasure in virtue—earthly happiness was seen as an end in itself. God made each person *tabula rasa* starting from the same initial position. Human nature implies natural rights so that each person be treated in a certain way and be permitted to govern his own life. The law of nature implies negative freedom including the right to private property. Locke explains that God gave property to all men in common, but that people can mix their labor with previously unowned property thereby making it their private property. He says that civil power is derived from the individual right of each person to protect himself and his property. Private property is justified because the survival of each individual requires that he be able to use material objects to sustain his life. Locke's theory of first possession is his fundamental principle of property rights. This is also known as the labor-entitlement theory of property or as the homestead principle of the acquisition of previously unowned property. Locke emphasizes that, when property becomes private, processes emerge that increase and improve that which is left for others.

Society and government are founded when a social contract is entered into. Locke distinguishes between society and the state and explains that government is established to protect individual rights. That is the point of government. He states that consent is the source of a just government authority and of its citizens' obligations. Individuals' natural inalienable rights limit the proper sphere of government to the preservation of people's lives, liberties, and estates. If government exceeds that sphere then people can justifiably revolt. Locke thus focuses on the notion of freedom versus oppression when he speaks of the limited and revocable power of government to protect and preserve what the law of nature implies. He wants the power of a representative government to be separated. Consent of the governed is required to legitimize government and to limit its power.

A skeptic in his analysis of causation, the empiricist David Hume (1711-1776) did not believe that a person could really know human nature. The human mind could only know of sensory experience. He said that a person can only know his experiences and that the future can differ from the past. Therefore, a stable nature can only be suggested by experience. Aiming his radical empiricism at epistemological rationalists, he denied the possibility of moral, as well as scientific, knowledge. Hume rejects the possibility that a person could ever know what is morally right or wrong. He taught that a man should yield to the sentiments rather than to the judgment of reason. As a determinist, he denied free choice, agent causality, self-initiation, and self-governance. Espousing that no objective ethical standards exist (the is-ought gap), Hume explained that morality is subjective, intuitive, spontaneously-evolved, and

conventional. The skeptic and anti-rationalist Hume led to contemporary consequentialism and utilitarian liberalism. Assigning reason a subordinate role, Hume limited reason to the function of evaluating means to subjectively-determined ends. He maintains that a person is free only to the degree that his will chooses from alternatives open to him.

The empirically and scientifically-oriented Hume does affirm civil, political, and economic freedom. He contended that noninterference with market processes had instrumental value with respect to the facilitation of progress. Hume accepted the distinction between society and the state and maintained, as a utilitarian, that actions are good if they result in public benefits. He understood the productivity and benevolence of unhampered markets and argued for private property, voluntary contracts, free banking, and the spontaneous order of an open society.

Political economy began to become a more distinct area of study with the French physiocrats and Scottish philosophers. The physiocrats embodied economics in a system of political and social philosophy. The Enlightenment-era physiocrats showed an early theoretical awareness of the important function of natural law in economics. The physiocrats assigned priority to agriculture over the mercantile and industrial sectors of the economy. They did not equate wealth with money and explained that nature in its economic manifestation is the source of value. Land, as the ultimate producer of the necessities for human existence, is what should bear the tax burden. The physiocrats wanted to reduce taxes, have a more equitable distribution of the tax burden, and eliminate mercantilist and other trade restrictions. The physiocrats also espoused the idea of a spontaneously self-equilibrating economic system that was later made part of the classical tradition by Adam Smith.

An associate of the physiocrats, A.R.J. Turgot (1727-1781) viewed human progress as based on human capacities, free will, and natural law. He said that progress was both the inexorable result of historical development and as the product of human will and rationality. This progress depended upon the ongoing accretion, inheritance, and communication of the inventory of knowledge. Like the physiocrats, Turgot advocated free trade and a single tax on the net product of land. He explained the mutual benefits of free exchange and that value was subjective (i.e., personal) and could only be measured ordinally. Turgot also held an early idea of diminishing marginal productivity and saw the relationship between saving and capital accumulation. Viewing money as a commodity, he explained interest in terms of time preference.

For Adam Smith (1723-1790) political economy grew out of moral philosophy. A deist who subscribed to the Stoic worldview, Smith said that the world is designed by God so as to maximize human happiness. The universe was seen by Smith as a rationally-ordered system in which God had endowed men with capacities and propensities. The world was one of natural law and teleological design in which men were endowed with principles of their nature. Smith endeavored to outline a complete social philosophy in his *Theory of Moral Sentiments* and *The Wealth of Nations* that were meant to be compatible with one another. These works explain what Smith calls the system of natural liberty.

Smith viewed philosophy as the science of the connecting principles of nature. In ethics he said that sympathy was the connecting principle and that it was self-interest (or commercial ambition) in economics. He saw two types of appropriate human behavior—beneficence and self-interest. Smith envisioned an invisible hand inclining human action toward the public good. He spoke of God's liberal plan of equality, liberty, and justice. Smith went on to describe two levels of virtue—the primary (nobler) ones and the commercial ones.

According to Smith, man is a social being who acquires a moral code through experience—there is an evolutionary process by which moral sentiments and virtues develop. He says that each person has an innate desire for mutual sympathy—sympathy arises because of one's natural feeling for others' well-

being. Smith explains that the process is aided by the use of what he calls the impartial spectator procedure. He states that the motive for one's virtuousness is the love of what is noble and honorable and of the dignity and superiority of one's own character.

Smith holds that each person is naturally disposed to serve his own well-being. Commercial man pursues his own well-beings and performs his proper role when he seeks fundamental goods. Commercial ambition aimed at one's private interests secures public benefits in Smith's system of natural liberty. He says that deception by nature leads men to think they will gain great happiness when they seek their own self-interest. When each person is able to strive for his own good such efforts would best secure public wealth. He explains that the less government there is the better the system works for prosperity.

Smith's *The Wealth of Nations* laid the foundation for the modern science of economics. Although he does not emphasize individual rights, Smith acknowledges that such a system would underpin his system of free enterprise. He also explains that governments are valued only to the extent to which they promote the happiness of the citizens living under them. Smith also developed the idea that order in human affairs arises spontaneously.

Unfortunately, Smith, at best, developed only a constricted and weak form of free will in his writings. For Smith, man is merely a Humean slave of the passions who can only select from among the various sentiments he experiences. Smith explains that a man can control and exercise his emotions and actions through what he calls self-command.

The Late Modern Period

For John-Baptiste Say (1767-1832), natural law underlies economic behavior making it universal, orderly, and predictable. He emphasized the role of reason noting that people tend to be rational, but also that they are not omniscient. Say rejected the labor theory of value and stressed that production is the cause or source of consumption. Production is primary and necessary for a person's existence and metaphysically precedes consumption. He explained that wealth is created by production (not by consumption) and that a man's production determines his ability to demand. Say maintained that there could be no long run glut of commodities supplied because prices in a free market will adjust to bring about proper proportions. He also championed savings noting that they cause subsequent growth in capital and in aggregate output. Furthermore, Say was against taxation and loans to the government because they reduced the wealth that would be exchanged in the private sector.

British defender of individual freedom and critic of state coercion, Herbert Spencer (1820-1903), believed that inexorable human progress develops naturally when people are free and their moral rights are protected. His law or doctrine of equal freedom declares that a person's freedom is restricted only by the equal freedom of others. When equal freedom is the ultimate principle of justice individuals are happier and more flourishing. Spencer states that happiness can only be attained if a person is allowed to express his right of freedom to do all that his faculties induce him to do.

Spencer's case was deterministic and based on Lamarckian evolutionary theory. His notion of universal causation leads him to deny any theory of free will. Spencer maintains that human nature adapts over time to the conditions of social existence and that acquired characteristics are imparted to later generations. He explains that reason is an adaptive mechanism and an apparatus to promote an individual's life-sustaining actions. Spencer says that habitually-repeated live-affirming actions lead to pleasure and become intuitive and that new emotions adapt to new conditions.

Spencer explains that social order does not require deliberate design and that evolution leads to differentiation. Spencer thought that individuation was a value generated by the evolutionary process. He

envisions change from a homogenous social structure to a heterogeneous one with the highest stage of community life being one of laissez-faire capitalism. Distinguishing between a militant society, in which war prevails and the government controls the lives of the citizens, and industrial society where people produce and trade peacefully, Spencer observes that the state interferes with natural evolutionary processes. He anticipates the development toward a society where conduct is regulated by moral principles and competitive markets.

In ethics, Spencer argued for a type of rational egoism. He explains that the evolutionary process is progressive in a moral sense given the appropriate conditions of a free society. Spencer contends there is an innate and evolving moral sense through which men access moral intuitions and from which moral conduct can be derived. This moral sense represents the accumulated efforts of inherited and instinctual experiences.

Carl Menger (1840-1921) developed a number of fundamental Austrian doctrines including the causal-genetic approach, methodological individualism, the connection between time and error, and more. Menger incorporated purposeful action, uncertainty, the occurrence of errors, the information acquisition process, learning, and time into his economic analysis. He was an immanent realist who considered a priori essences as existing in reality. As an Aristotelian essentialist, he wanted to investigate the essences of economic phenomena. His goal was to discover invariant principles or laws governing economic phenomena and to elaborate exact universal laws. Menger acknowledged the co-existence of different but complementary approaches to economics—the realistic-empirical and the exact. To find strictly ordered exact laws he said we had to omit principles of individuation such as time and space. This entails isolation of the economic aspect of phenomena and abstraction from disturbing factors such as error, ignorance, and external compulsion.

Menger taught that there are objective laws of nature and that goods have objective properties that make them capable of fulfilling men's needs. He states that goods have no intrinsic or inherent value and that value is a judgment made by economizing individuals regarding the importance of particular goals for maintaining their lives and well-being. People have needs as living, conditional entities. The value of goods is contextual and emerges from their relationship to our needs. Subjective value (i.e., based on one's personal estimation) can be viewed as individual, agent-relative, and objective. According to Menger, judgments are subjective but the truth or untruth of them can be determined objectively. The truth requires correspondence of facts with the judgment that is made. Menger thus contends that economic subjectivism is compatible with philosophical realism.

The Contemporary Period

Building upon the work of Menger, Ludwig von Mises (1881-1973) reconstructed economics upon the foundation of a general theory of human action. His goal was to develop an edifice of irrefutable, coherent, universally applicable, formal economic theory using logical deduction and the sole axiom of human action without employing any other empirical or analytical assumptions. He says that it is possible to deduce the entirety of the logic of economic behavior from the fundamental undeniable axiom that men act. Mises contends that the concept of human action is universal, intuitive, a priori, and automatically built into each person's mental structure. His action axiom is the introspectively known fact that men act. As a neo-Kantian, Mises sees the category of action as part of the human mind. He contends that all of the categories, theories, or laws of economics are implied by the action axiom.

Not only was Mises dissatisfied with Menger's Aristotelian methodology, he was also critical of Menger's value theory. He said Menger's value theory was not consistent enough and that it retained elements of the objective value theory of the classical economists. Mises' sense of value is formal and indicates nothing about whether an end is, in fact, valuable. He speaks of nonnormative, personal, and

subjective acts of valuation. His subjective view of value takes human ends as the ultimate given. All action is therefore viewed as rational. For Mises, economics is a value-free science of means rather than ends.

Mises' utilitarianism proceeds from the method of axiomatic reasoning from true premises—his utilitarianism is a priori. He deduces that division of labor and social cooperation are more effective and more efficient than social conflict as a means of attaining one's self-interest. Social cooperation is voluntary, contractual, maximizes individual free choice, and results in greater prosperity in society. Mises views social cooperation and coordination as a proxy for happiness which is similar to the Aristotelian notion of human flourishing. He says that although economics is value-free and apolitical, it is still the foundation for a free polity. Mises explains that value-free economics leads a person to form a free society because the achievement of one's goal is far more likely when people are left free than when they are not. He maintains that it is by means of its subjectivity that praxeological economics develops into objective science. Mises, the praxeologist, takes individual values as given and assumes that individuals have different motivations and prefer different things.

The philosophy of Ayn Rand (1905-1982) is a systematic and integrated unity that is founded on the axioms of existence, identity, and consciousness. Rand explains that knowledge is based on the observation of reality and that to attain knowledge a person employs the processes of induction, deduction, and synthesis. Her epistemology transcends both apriorism and empiricism. She contends that it is possible to obtain objective knowledge of both facts and values. Rand says that the essential characteristics of a concept are epistemological (she really means contextual and relational) rather than metaphysical.

Rand maintains that values are epistemologically objective when they are discovered through objective conceptual processes and that they are metaphysically objective when their achievement requires conforming to reality. She argues that man's life is the ultimate value and the standard of value for a human being—a creature possessing volitional consciousness. Her naturalistic value theory states that it is the concept of life that makes the concept of value possible and that reason is a man's only judge of value. Rand states that it is possible for a person to pursue objective values that are consonant with his own rational self-interest. According to Rand, ethics is rational, objective, and personal. Her rational egoism is based on the Aristotelian idea that the objective and rational end of a human being is his flourishing and happiness—egoism is a virtue because nature requires it. A person has the natural right to initiate his own conduct in line with his own judgment. She views rights as the link between a person's moral code and society's legal code.

Murray Rothbard (1926-1995) did not accept Mises' neo-Kantianism, but still argued that the action axiom is true—he says that a person becomes aware of action through experience in this world. Rothbard, working within an Aristotelian or Thomistic tradition, maintains that the action axiom is a law of reality that is empirical rather than a priori.

Rothbard contends that economics as a science is value-free and that economics and ethics are separate disciplines. He does go beyond economics to formulate a metanormative objective ethics that affirms the essential value of liberty. Rothbard explains that liberty deals with matters of private property, consent, and contract. He maintains that liberty supplies a universal ethic for human conduct and provides a moral axiom—the nonaggression axiom which holds for all persons no matter their location in time or space.

Rothbard derives a radical dualistic separation between political ethics and personal ethics. He distinguishes between the metanormative sphere of politics and the normative domain concerned with moral or ethical principles of one's flourishing—there is a huge difference between having natural rights

and the morality or immorality of the exercise of those rights. He considers nonaggression to be an absolute principle prior to any foundation for personal morality. An individual's personal moral values are separate from, but dependent upon, the existence of a liberal social order. Being morally neutral regarding various individuals' values and goals, Rothbard ended his ethics at the metanormative level. Considering the state to be a totally evil coercive institution, he was an anarcho-capitalist who advocated natural order with competing security, defense, conflict resolution, and insurance suppliers.

Friedrich A. Hayek (1899-1992) was concerned with the nature, scope, limits, use, and abuse of reason and formulated a largely antirationalist theory of a free society based on the inevitable ignorance and fatal conceit of intellectuals who think that they can design an economy better than what would result from the voluntary interactions of individuals. Developing an elaborate attack on constructivist rationalism, Hayek explains how little men know about what they design. He says that bureaucrats, whose fated conceit is their undue faith in reason, have no way to make intelligent decisions with respect to deliberately designing or planning an economy. Hayek observes that centralized policy leads to the suppression of creativity, growth, and progress. He argues that relevant knowledge cannot be centralized in the hands of a person or a group who make such policy. Seeing a very limited role for reason, Hayek says that any person's knowledge is limited, incomplete, and uncertain. He, therefore, favors concrete practical knowledge and institutions and social order that are the product of human actions but not of human design.

Emphasizing the importance of decentralized decision making, Hayek explains that markets employ knowledge beyond what could be acquired by a central authority. He says that knowledge is a product of trial, error, and adaptation resulting in unplanned evolutionary progress. For Hayek, all knowledge is essentially tacit existing in the habits or dispositions of people to act in a rule-governed manner. He views social institutions and rules of conduct as vehicles of knowledge.

According to Hayek, moral conventions are not objective, invariant, or immutable and they are a part of the evolving and spontaneous social order. He states that moral conventions frequently are unable to be articulated. His evolutionary epistemology and ethics emphasize the socially-constructed nature of man—norms are ingrained in the biological and social structure of men and their markets. Hayek contends that people develop ideas passively and intuitively. Hayek does not defend free will—he says that free will is a phantom problem. As a post-Kantian, he believes that the categories of men's minds evolve. Hayek has a mechanistic and evolutionary concept of science and does not acknowledge natural laws or natural rights.

He does say that society requires rules of conduct that are minimal and spontaneously generated. Hayek distinguishes between two types of law—general rules of justice (i.e., general principles of conduct) and rules concerning the internal operations of government. Despite this, he ultimately accepts some form of welfare safety net. In the end, Hayek was not a consistent thinker and he failed to complete a systematic political and economic philosophy.

The neo-classical Chicago School economist, Milton Friedman (1912-), did not provide a philosophical case for a free society. Instead, he relied on skepticism, ethical subjectivism, the notion of the greatest happiness for the greatest number of people, and the results of detailed empirical studies of government intervention. Friedman explains the errors of statism, skillfully refutes interventionist arguments, and applauds the coordinating mechanism of the free market, but has little to say about the nature of man or the ethical basis of capitalism. His highest ethical principle is the absence of coercion—he explained that political freedom could not be attained without economic freedom including private property. Friedman attempts to demonstrate the superiority of a free society on purely empirical grounds.

Friedman's major achievements occur in the fields of monetary history, monetary theory, and consumption analysis. His economics is actually somewhat Keynesian in that it is macro-economic and demand-focused. Friedman's positive economics says that a theory is useful if the theory allows individuals to predict occurrences of some phenomenon. He desires accurate predictions and simplified assumptions. Friedman rejected introspection and the realism of assumptions. He even applauds the virtues of descriptively false assumptions and has said that wildly inaccurate representations of reality in assumptions are acceptable if accurate predictions occur. Friedman is a falsificationist who states that confirming a proposition does not add to the probability that a theory is true. For him, abstraction involves a theory in which many actual characteristics are disregarded as absent in the theory. Friedman views any theory as deficient and false when it does not specify all of the characteristics of reality including all irrelevant, non-explanatory, and extraneous ones.

Public Choice economist, James M. Buchanan (1919-) has analyzed the nature, workings, and failings of governmental, political and bureaucratic processes. Expanding economic analysis to politics, he built upon contractual and constitutional foundations in his theory of political and economic decision making. Buchanan's methodology includes rational choice, individual utility maximization, contractarian rights, and politics as exchange.

Buchanan employs deductive logic and conjectural history to discover how a constitutional order could have come about. He states that a legitimate social structure must ultimately stem from individual choice. His proceduralist contractarianism uses the Hobbesian model when he deduces contractarian consent for limited government as an alternative to anarchy and lawlessness. Buchanan's social contractarian approach repudiates the possibility of natural law, natural rights, and objective moral values. Although Buchanan's hypothetical state of nature is somewhat Hobbesian, he also believes that man has Lockean characteristics—Buchanan is not as pessimistic as Hobbes.

Buchanan's contract theory of the state explains that people agree to a social contract because of their desire to survive. He observes that men make constitutional decisions under a veil of ignorance or uncertainty and that under this veil unanimity is both conceivable and likely. He argues strongly for the principle of unanimity at the constitutional stage of collective choice. Buchanan states that constitutional-level law places restrictions on individual freedom that permits people to progress. It follows that a coercive agency, the state, originates by necessity to enforce the social contract.

Buchanan discusses two levels of public choice—the first or constitutional level establishes the rules of the game and the second or post-constitutional level deals with playing the game within the rules. Constitutional politics sets boundaries for what ordinary politics is allowed to do. According to Buchanan, ordinary political decisions are often made by majority voting—the unanimity principle is not feasible at this stage. Buchanan wants a new constitution that requires much higher than majority agreement at the post-constitutional level in order to make it more difficult to fund government activities.

Harvard philosopher, Robert Nozick (1938-2002), tried to justify the state and to dismiss anarchy. Nozick begins by merely assuming the existence of Lockean individual rights—he makes no attempt to derive them from a philosophical examination of human nature. He sees natural rights as limits to action or as boundaries that circumscribe the “moral space” around an individual. Unfortunately, his moral space doctrine and Lockean natural rights are not underpinned by a convincing moral theory. Nozick's sole reason for his theory of rights is a deontological appeal based on intuition. As a Kantian deontologist, he has also said that there exists no unambiguous concept of human nature that always defends individualism. As many have observed, there is an incoherence, inconsistency, and incompleteness in Nozick's body of thought.

Nozick says that in the state of nature, a man may enforce his own rights by defending himself. He contends that it is from this state of nature that rational and rights-respecting behavior will lead to a limited government form of political order. He attempts to show how a state would arise from anarchy through a process involving no morally impermissible actions. Nozick explains the emergence of the state, as dominant protection agency, through self-interested choices of people in the state of nature. He says that a monopolistic defense agency will arise and agree to supply protection to all those who have contracted with smaller protection agencies that it drives out of business. Many critics have commented that, if force had been used to establish the state's monopoly, then the state may have come about immorally. Nozick's entitlement theory of justice emphasizes just acquisition of property and is based on Lockean ideas. He explains the role of the government is to protect natural rights including property rights. Nozick also defends the idea of process equality which means equal treatment before the law.

Nozick wants people to be free to voluntarily join together in the pursuit of a good life. He has said that the minimal state should go no further than enforcing the most basic level of ethics required for peaceful cooperation—a state limited to protection against force, fraud, and theft and concerned with enforcing contracts is justified. According to Nozick, only negative rights (i.e., the ethics of respect) should be coercively enforced by the state. The ethics of respect requires voluntary cooperation to mutual benefit and its principles mandate the respect of another's life and autonomy. He says that the ethics of respect is the foundation that should be compulsory across all societies—all other ethical levels are optional and concerns of personal choice. Nozick emphasizes that there is a duty not to interfere with another individual's domain of choice.

Thomas Sowell (1930-) draws from Hobbes, Smith, Hayek and Friedman in developing his constrained or tragic vision of man and society. Accepting the realities of the human condition, Sowell sees trade-offs but no solutions. He explains that a man's personal knowledge is far less than organized systemic knowledge and that markets economize on the knowledge needed by any one individual—no one has to possess complete information in order for the economy to convey relevant information through prices. Championing the supremacy of systemic rationality, Sowell states that knowledge consists largely of the unarticulated experiences and rationality embedded in traditions, customs, and systemic processes such as markets, families, and languages. He maintains that individuals lack the intellectual and moral ability for deliberate comprehensive planning based on intentional rationality. Sowell views freedom as a process characteristic and rights as boundaries or rigidities that limit the exercise of government power and establish areas for individual discretion.

A leading Catholic social theorist, Michael Novak (1933-), relies on the work of Aristotle, Aquinas and the Scholastics, Tocqueville, Maritain, Locke, Smith, and the Austrians to develop his concept of democratic capitalism which consists of a market economy, a limited democratic government, and a pluralistic moral-cultural system. Novak particularly heralds the Austrian School of Economics for its contributions to the restoration of economics as a field worthy of study by moral philosophers. He views personalism as described in Catholic papal encyclicals especially Pope John Paul II's view of the human person as subject, to be consonant with Austrian economic theory. Novak is thus concerned with "the acting person."

Novak explains that the human person is free, self-responsible, and accountable before God. He says that the right of personal economic initiative fulfills the image of God inherent in every person because each one of us is capable of insight and love. Concerned with the moral virtue of creativity, Novak maintains that people need a social system to enable them to create wealth in a systematic and sustained manner. Explaining that the human mind is the cause of wealth, he describes human economic progress as the capacity to create more in a lifetime than one consumes. Novak sees the free market and private ownership leading to positive-sum transactions in which each party benefits.

Skeptical of state power, Novak sees the limited state and the rule of law as man-made means of securing liberty and justice for all men. He espouses the principle of subsidiarity, freedom of association, and the importance of mediating institutions. Novak has done much to improve upon and update the teachings of Aquinas and to bring the Catholic Church ever closer to embracing capitalism.

Lessons Learned

This brief review has shown that throughout history thinkers have held a range of perspectives with respect to the theoretical defense of a free society. We can learn a great deal from a survey of political and economic thinkers. We can draw from and integrate the teachings of many of them in our efforts to construct a conceptual foundation and edifice for a free society. My next essay will see what we can use to elucidate a theory of the best possible political regime on the basis of proper conception of the nature of man, his actions, and society. Such a paradigm for a free society will address a range of issues in metaphysics, epistemology, value theory, economics, ethics, and so on in a systematic fashion. We will find that many of the ideas employed have had origins deep in the history of political and economic thought. There are a number of contemporary thinkers whose writings, I believe, agree with most of what I will present in my next essay. Among the most prominent are Tibor R. Machan, Douglas B. Rasmussen, and Douglas J. Den Uyl.