

## Raising Up Private Max *U*

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Because orthodox economists no longer study philosophy in graduate school, or because the philosophy they might have studied as undergraduates is itself fiercely anti-ethical – a course in symbolic logic, say, or a course in social-science methodology beginning and ending with logical positivism c. 1920 – they are thoughtless about ethics. Or, as Mark White observes in the introductory essay here, they have merely two thoughts: Pareto and Kaldor-Hicks.

That is, if *all* relevant people are bettered by a project, it should go through. (But which people are relevant?). Or, much more weakly, if the winners *could* hypothetically compensate the losers, it should go through. (But why “could”? Why not actual compensation?). Kaldor-Hicks, formulated in the 1940s, says, in other words, that if GDP per head goes up, we should celebrate. A lucid exposition of the orthodox argument is a classic article by A. C. Harberger in 1971.

I am not outraged by the orthodox argument, as are many of my leftish friends, for example many here. The leftists say, “Look at who is hurt by your so-called progress!” An extended example of the left’s complaint is an otherwise fine collection of their newspaper articles by the historians Kenneth Pomeranz and Steven Topik, *The World That Trade Created: Society, Culture, and the World Economy 1400 to the Present* (2006). Pomeranz and Topik, honorable men of the left, tell skilful tales of the losers from scores of historical rises in GDP that might satisfy Kaldor-Hicks, if not Pareto. But the book is never about the winners, always about the losers, such as the exploited Central American workers who harvested the fibre used to bind bales in U. S. Midwestern agriculture. It never mentions that the Great Enrichment 1800 to the present has increased income per head of the poorest, in Central America, too, not by 100 percent or even 500 percent, but fully 3,000 percent (McCloskey 2016). Unlike my leftish friends, I am very willing, as was the great Hans Rosling in his posthumous volume in 2018, *Factfulness*, to praise such a commercially-tested betterment arising from economic liberalism, considering that it achieved 3,000 percent for the poor (Rosling 2018, pp. 47–74). Yes, buggy-whip manufacturers and their skilled workers were hurt by the invention of the automobile. To which I reply, “Not to worry. And if to worry, not to worry too much.”

White points out that Kaldor-Hicks is utilitarian, and therefore violates the Kantian rule against using up others against their will. Utilitarianism in its crudest form, much favored by economists, merely adds up the dollars . . . uh, interpersonally comparable utils . . . of the community and then goes to lunch. No worries about

distribution. But of course, as the economist Donald Boudreaux regularly points out, it is ethically crazy to say, for example, that the dollar loss to people unemployed by a rise in the minimum wage, such as the people left by the law earning zero dollars instead of positive dollars, is offset in dollars by the lovely gain to the people who go on holding the now higher-paid minimum-wage jobs. Under what ethical system is it acceptable to damage *very* poor people, who are very unskilled, in aid of *somewhat* poor people, who are somewhat skilled? The extreme case is South Africa, in which a high minimum wage sponsored by the Congress of South African Trade Unions leaves millions of non-unionists in unemployment, upwards of 50 percent of them, sitting in huts in the uplands of KwaZulu-Natal. Yet one hears daily from leftish economists just such a calculation of the alleged net benefit from the minimum wage, when they are not busy denying outright the law of demand for hired labor (though affirming it for purchases of cigarettes or sugary drinks). About the unethical outcomes of the minimum wage they say, "Not to worry."

In the movie "Saving Private Ryan" a company of seven or so U.S. Army rangers in the precarious weeks after the 1944 Normandy invasion are put in jeopardy going into a highly contested area in order to seek out and send home a Private Ryan, all of whose three remaining brothers have just been reported killed in action. As one of the company points out diffidently, the expedition makes no utilitarian sense. Seven to one.

Around 1978 the Department of Economics at the University of Chicago was having its weekly luncheon at the Episcopal Theological Seminary cafeteria (amusingly, a few decades later the expanded Department took over the churchy main building of the by-then-defunct Seminary, making God into Mammon). A student of Gary Becker's had determined by regressions across U.S. states that each execution of a convicted murderer prevented seven other murders, and Gary was telling us about it. I objected – admittedly without the ethical clarity I now claim to have achieved – that the government's official execution was not the same thing as a private murder. By permitting executions, among other coarsenings of our society, we honor an all-powerful government. After all, we could deter over-parking by executing the offenders. But execution is not in the same ethical coin as over-parking. Gary turned contemptuous, as he often did in argument. As he strode away carrying his lunch tray he repeated angrily to me over his shoulder, "Seven to one! Seven to one!" Decades later Alex Tabarrok had the identical encounter with him over the same issue (Tabarrok 2015). Gary's ethical thinking had not advanced.

True, as in the "Trolley Problem" in ethical philosophy discussed here by Andrew Mearman and Robert McMaster, sometimes seven to one is ethically decisive. Do you pull the switch between two tracks to divert the runaway trolley to kill the seven people strapped to one track or to kill the one person strapped to the other? By itself in isolation, of course, you choose to kill one, not seven. Or to kill a dog rather than a child. Simple. I remember listening to an interview on the BBC in 1967 with an animal-rights advocate of an extreme sort. (Britain has long had such people. The Royal Society for the Prevention of Cruelty to Animals was founded in 1824. The Royal Society for the Prevention of Cruelty to *Children* was not founded in London until 1884. Don't beat your horse. Do beat your child.) The interviewer sought to entrap the

animal-rights advocate by saying, “Suppose you are speeding in your auto through a country lane on a dark night, impenetrable hedgerows on either side, and you come round a bend at top speed to find to your horror an infant child sitting on one lane of the road and a dog on the other. You have to kill one [thus the Trolley Problem]. Which do you kill?” There was a long silence. Very long. At last the advocate replied, “I hope I never have to face such a choice.”

Or consider the example of protection. When the Trump administration imposes tariffs on imported steel because the Secretary of Commerce had once been a flack for the steel industry and because Trump’s main adviser on trade is an economist who does not understand any economics, we savvy economists are likely to complain that the jobs saved in steel are far outweighed by the jobs lost in steel-using industries. Seven to one. Kaldor-Hicks. Though utilitarian, it is not an entirely silly argument, rhetorically speaking, considering that the protectionists are the ones who introduced the idea of the number of jobs protected in the first place.

In a typical Kaldor-Hicks calculation, for example, the economist Maximilano Dvorkin of the Federal Reserve Bank of St. Louis reckoned that the U.S. 2000–2007 lost from competition from China about 800,000 jobs. (It was a tiny fraction, by the way, of the jobs lost from what we all agree were desirable technological change, such as the demise of video stores, and the rest of the jobs moved or made obsolete. Such jobs amounted in the seven years out of a total labor force of 140 million to scores of millions, not a mere 0.8 million.) But according to Dvorkin the trade with China gained on the same account a similar number of *other* U.S. jobs, for a net effect on jobs of zero. (The same is true on a much larger scale of so-called technological unemployment.) And, as a result of the lower prices from such reallocation and competition in the China trade, “U.S. consumers gained an average of \$260 of extra spending per year for the rest of their lives” (Dvorkin 2017; see also Caliendo, Dvorkin, and Parro 2015). Expressed as a capital sum discounted to the present the free trade with China was like every consumer getting a one-time check for about \$5,000. Good, not bad.

Actually, the most striking examples in the present book of unethical behavior by economists arising from utilitarianism and seven to one are not the orthodox and Kaldor-Hicks-besotted development economists whom many of the papers criticize from the left, but the Science-besotted, field-experiment economists. They are to be criticized not from left or right--both of which are enthusiasts for big government and therefore big violence, in differing forms--but from a liberalism of a society of free people having what Kant called equal dignity. Alice Nicole Sindzingre’s gives here an excellent survey of the numerous ethical problems involved, and Stephen Ziliak and Edward R. Teather-Posadas focus laserlike on the fetish for misapplied statistical significance and dubiously ethical randomized controls.

White mentions at one point that the criterion of all-around win-win, that is, Pareto improvement – though ethically inadequate if lacking an answer to the question of which people are the alleged winners – is seen as the “gold standard” of tests of welfare by economists. Similarly, experimental economists such as Esther Duflo at MIT argue that double-blind experiments *on other people not volunteers* is the gold standard in medical research, and therefore should be so in economics. After all, we need above all to be Scientific, understood as explicated in high school chemistry. We are authorized to

hurt one group to help another, if seen to one-- though of course we do not subject *ourselves* to the experiment. Shades of the minimum wage. The ethical contrast is sharp with the long history of *self*-experimentation in medicine, such as the courageous junior doctors and other volunteers under Dr. Walter Reed (though not Reed himself) in the 1900 confirmation that yellow fever is spread by mosquitos (Weisse 2012; Mehra 2009).

In the dismal, if brief, history of field experiments in economics, the worst case so far is described by Ziliak and Teather-Posadas. The field experimenters gave out eyeglasses to Chinese children randomly to “test” whether being able to see Chinese characters affects the speed with which the children learn to read them – as though we didn’t already know that children who can’t discern characters can’t learn to read them (Glewwe et al. 2012) Any normally ethical person regards such an experiment as hideously unethical, using up other people (yet not ourselves) in anti-Kantian fashion. The ethical course is to not do the experiment at all, and instead give away the money collected to provide needed glasses to as many Chinese children as you can find. The using up of the near-sighted children who do *not* get the glasses (“the control group”) is justified by Kaldor-Hicks, at best, seven to one, seven to one. And most especially it is justified by the juiced-up record of Scientific publications by professors of economics at MIT or the University of Minnesota. In medicine the history of unethical field experiments on involuntary subjects is long. The economists propose now to initiate their own Tuskegee syphilis experiments, sacrificing one for seven. A test: an economist actually, ethically, deeply believes in free international trade when she accepts that *her* ox may be gored, that she may lose some advantage. It is to experiment on oneself, in the style of Sen’s “commitment” – that is, an act that *loses* utils or money, which registers thereby its genuine character.

In “Saving Private Ryan” the Problem is solved quite differently than from the outside of our ethical cultures by recourse to a merely utilitarian calculation of seven to one. The Tom-Hanks leader and the rest of the company – and, to the present point, we the audience watching the film – understand that more is at stake. For example, the mission is about the definition of ourselves as humans sympathetic to the grieving mother. It is about our willingness to risk even death to honor such a sympathy. Or it is about being an honorable soldier, and obeying honorable orders unto death, such as for example in 1995 at Srebrenica the Dutch battalion charged by NATO with defending the Muslims did not. Honor is about identity. Seven to one is not.

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The more usual remark against Kaldor-Hicks from the economic left and middle (the illiberal right says simply, “To hell with the losers”) is that after all Kaldor-Hicks is unethical if the compensation to the losers is not actually paid. The present volume is rich with such remarks, the better to undermine a market economics the authors regard as unethical.

Yet the biggest problem with a Kaldor-Hicks, utilitarian defence of a project – to build, say, a new underground railway in London – lies in the very definition of a “project.” Every human action is a “project.” White concludes that “If compensation is to be taken seriously, it should be incorporated into any proposal submitted to a Kaldor-Hicks test.” He notes that “externalities arise from almost any social interaction

with overlapping interests. “ Yes: *every* social interactions entails overlapping interests. If Henry David Thoreau invents new methods to make high quality pencils, as he in fact did during the 1840s in his father’s business, he harms the older makers. If actual compensation is to be paid to them, then every project of every person requires such payment. The Victoria Line, after all, has repercussions, however tiny, on the Isle of Mull.

The absurdity of such a procedure is evident. The point might be called the Boudreaux Reductio ad Absurdum, after the economist I mentioned, Donald Boudreaux of George Mason University, who uses it so often in criticizing schemes of protection. Start with the Paradox of Marketed Bread. No person is an island, entire of herself. Each person is a piece of the continent, a part of the main. That is to say, *every* person’s action to buy or not buy, to offer for sale or not, to enter a trade or not, to invent or not, affects someone else in the economy and out of it for better or for worse. If I buy a loaf of bread, someone else cannot have it. Or to put it another way, my decision to buy the loaf will very slightly raise the price to every other buyer, to the exact extent, when summed over all of them, of the price I paid. That’s market economics (and the particular point is one I first learned from the great Chinese price theorist S. N. S. Cheung).

Now the Boudreaux Reductio. Under actual compensation à la Kaldor-Hicks you should be stopped from buying bread because you impose a tort on others in buying it. Everyone should compensate everyone else for everything, for every human action. As Boudreaux puts the defense to the Reductio: “What no person is free to do is to oblige *others* to subsidize his or her choices. I, for example, should be free to work as a poet but not empowered to force you either directly to buy my poetry or to obstruct your freedom to spend your money on mystery novels, movies, and other items that compete with my poetry” (Boudreaux 2018). Compensation entails governmental power against freedom. It is not a voluntary choice within a framework of individual rights. Such compensation if carried out logically is unethical.

The terrifying phrase of Sombart’s popularized by Schumpeter, “creative destruction,” arouses the same fears and the same proposals for protection. Yet it is not “capitalism” that requires creative destruction, *but any progressive economy*. If you don’t want innovation to happen, and don’t want poor people to get rich by the 3,000 percent that they have in Japan and Finland and the rest since 1800, then, fine, we can stick with the old jobs, keeping in their former employment the elevator and telephone operators, the armies of typists on old mechanical Underwoods, grocery stores with a clerk in an apron handing you the can of beans over the counter. But if innovation is to happen – Piggly Wiggly in Memphis in September 1916 initiating the self-service grocery store, or a North Carolina tobacco trucker initiating in 1956 the shipping container – then people, and also the machines and factories owned by the bosses, have to lose their old jobs. Human and physical capital has to reallocate. Of course.

How much? Fully 14% of jobs per year, according to the Department of Labor statistic. That’s *every year*, in a progressing economy (see Diamond 2019; Haltiwanger 2011; McCloskey 2017a). It’s a startling figure. The monthly labor reports you hear about on the news give the *net* figure--in a good month 200,000 being the net of new jobs gained from moving or innovation minus the old jobs lost from the same. The

gross figure should be more widely known. An improving economy requires the workers and the machines to move, to reallocate, to retrain, to shift, to innovate on a very large scale. Of course.

So the crudely practical problem with compensation and protection and schemes of subsidized retraining by government bureaucrats who do not actually know what the new jobs will be in five years is that we cannot “afford” to compensate 14% of the workforce every year. In a few years half the workforce would be on the dole, or kept in their old jobs at the old pay, or trained in the wrong new jobs. For that matter we could try to keep physical capital, too, where it began, directing subsidies to factories and neighborhoods rather than letting the people and factories move as creative destruction requires. It requires it under perfectly planned socialism as much as under commercially tested betterment. Carried out with philosophical consistency, the Boudreaux Reductio would require us to keep shoe manufacturing in Massachusetts as much as coal mining in West Virginia, economy-wide, forever.

The deeper philosophical problem is that the unethical logic of actual compensation and protection violates the rights of others. The problem is that ethics in economics has been thoughtlessly attached to Rousseau’s notion of a general will. Deep in left-wing thought and in a good deal of right-wing thought about the economy is the premise, as Isaiah Berlin once put it, that government can accomplish whatever it rationally proposes to do. As has been often observed about leftists even as sweet as was John Rawls, the left has no theory of the behavior of the government. It assumes that the government is a perfect expression of the will of The People. So goes the welfare economics of Abraham Bergson and Paul Samuelson and the public finance of Richard Musgrave, and behind them the (mathematically incoherent) goal of the greatest happiness of the greatest number, to be achieved by wise utilitarians in government. The liberals such as James Buchanan do have a theory of government, and a good deal of empirical work to back it up. Liberalism has always been a theory against and therefore about coercion. When my left-wing friends, of whom I have many, claim with a knowing smile that in admiring markets I am “ignoring power” I have a way of replying: no, dear, it is you who are ignoring power, the power of the monopoly of violence called a government.

More generally, indeed, the ethical problem among economists is the entire program of social engineering. Jamie Morgan in the present volume is quite right to say that a peculiar “sense of mission and of entitlement are built into economics, and this contrasts with sociology and political science.” One could take the view that Adam Smith did that it is fact “greatest impertinence” to proliferate policies. Yet it is not at all controversial among most economists, but should be, to assume that they should be unsleepingly active in devising new ones.

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In any case we need something to prevent the Boudreaux Reductio from being ethically required, with the ending of all human progress in science, the arts, or the economy. The usual guard rail is the notion of “rights.” As John Stuart Mill put it in *On Liberty*, “society admits no right, either legal or moral, in the disappointed

competitors to immunity from . . . suffering [from successful competition]; and feels called on to interfere only when means of success have been employed which it is contrary to the general interest to permit – namely, fraud or treachery, and force” (Mill 1859 [2001], 86–87). An ill-advised and under-capitalized pet store, into which the owner pours his soul, goes under. But he does not get compensation by way of Kaldor-Hicks. In the same neighborhood a little independent office for immediate health care opens half a block from a branch of the largest hospital chain in Chicago, and seems doomed to fail the test of voluntary trade. Although the testing of business ideas in voluntary trade is obviously necessary for betterment in the economy – as it is too by non-monetary tests for betterment in art and science and scholarship,, and would be in a wholly planned socialist economy, too – such failures are deeply sad, if you have the slightest sympathy for human projects, or for humans. Yet we cannot admit a right to subsidy or protection or compensation. The pet store, the health-treatment office, the Edsel, Woolworth’s, Polaroid, and Pan American Airlines face the same democratic test by trade: Do the customers keep coming forward voluntarily? That’s all you as the pet-store owner or Boudreaux’s poet have a right to – the right to let the customers choose you, or not, which is why commercially-tested betterment is in its actual practice the most altruistic of systems.

Without such liberal rights to trade with whom we wish, we could all by governmental compulsion backed by the monopoly of violence remain in the same jobs perpetually “protected.” Or, with taxes taken by additional state compulsion, we could subsidize new activities without regard to a commercial test by voluntary trade, “creating jobs” as the anti-economic rhetoric has it, venturing into the High Frontier of space, for example, at enormous expense “because no private entity will do it.”

Such schemes assume that the government knows better than profit-dependent businesspeople about what customers want, or should have. It is the declared premise of the economist Mariana Mazzucato’s bestselling book *The Entrepreneurial State: Debunking Public vs. Private Sector Myths* (2015). But consider the possibility that the reason no private entity will venture into the High Frontier is that it makes no sense. If the assumption of governmental wisdom is mistaken, the effect of such venturing is to lower national income. And the schemes assume that there is nothing objectionable about the compulsion required in tax and regulation to do the venturing in the first place.

And anyway, to descend again to crude practical problems, the protective schemes and governmental entrepreneurship seldom work for the welfare of the poor, not to speak of the rest of us. Considering how a government of imperfect people actually behaves in practice, the job “protection” and job “creation” regularly fail to achieve their gentle, generous purpose. The political decision-making means that the protections and creations get diverted to favorites. Jobs for the boys and girls running poverty programs. Spending on useless military jets, spread over every congressional district. Premature ventures into the High Frontier. In a society of lords or clan members or Communist Party officials or even voters restricted by inconvenient voting times and picture IDs, the unequal and involuntary rewards generated by sidestepping the commercial test are seized by the privileged. The privileged are good at that.

As White summarizes the guard-rail of rights, we object to a loss “particularly [he must mean “only”] if those losses, or harms, involve violations of their rights, and are therefore wrongful, regardless of the net utility generated.” He quotes Richard Posner (who like him misunderstands Ronald Coase’s eponymous theorem): “But when transaction costs are prohibitive, the recognition of absolute rights is inefficient.” Well, not always.

What exactly are the “rights” that Boudreaux, McCloskey, White, Coase, Posner, and Mill find so lovely? “The homeowner who does not take care as much care of his lawn as his neighbors do,” says White, “is lowering their well-being and possibly their home values, but is not violating any widely recognized right of theirs.” Well, maybe, but not always.

Note: “*widely recognized.*” That is the key. The notion of rights is not technological (this being Coase’s actual point), but irremediably social. We decide what are rights and what are not. White says, “individuals are free to act in ways that do not necessarily increase total welfare, and may even lower it; this is the sense in which, as Dworkin said, ‘rights trump welfare.’” Yes, I am free to so act. I can kill my cow just for the fun of it. But wait. Rights do *not* trump welfare in an ethical person – “widely recognized” – a person for example raised on a farm who views killing cows for no reason as evil. You have a right to lie in your economic research but as an ethical person you will not let yourself do it.

*We need to raise up people like that.* That is the obvious and simple solution to the ethical formation of economists – not codes or formulas in act utilitarianism or constitutional constrains in black-letter law. Neither side, neither the professor of economics standing for absolute utility or the law professor standing for absolute rights, speaks of the raising up of people. It is the characteristic vice of Western ethical philosophy since Descartes that it takes the individual to be a fully formed male, Western, philosophically inclined adult, and pays no attention to how people are raised up to consider others or themselves or the transcendent, ethically speaking. Modern Western moral philosophy is peculiarly masculinist and, so to speak, adultist, taking an autonomous, finished adult, preferably a middle-aged and childless bachelor, as the site of philosophizing. Feminists such as Carol Gilligan and her many followers and critics do not forget that we were all once children, and feminists such as Nel Noddings and Annette Baier do not forget that we all came from families.

Some men also do not forget it. Mearman and McMaster here praise the wise economist Kenneth Boulding, who was also a major figure in world Quakerism, for saying, in their words, that “all communities are founded on cultures that provide guidance on right and wrong.” That’s correct, and the guidance comes from the development of character in family or church or profession, a raising up. It is what the Blessed Adam Smith was about in his other book, *The Theory of Moral Sentiments*.

The philosophy of the Scholastics and of the Greeks and Romans, and of Confucians in China and of Hindus and Buddhists in South Asia, all treat raising up as crucial. The hero of the *Mahabharata*, the virtuous if flawed Yudhishtira, is asked by the mother of the Pandavas, “Why be good?” He replies, “Were *dharma* [‘virtue,’ among other meanings] to be fruitless . . . [people] would live like cattle” (Das 2009, p. 73).

Precisely. To be raised up as human is to put on the vestments of ethics. The cynical economist will scorn, but in his actual human life he puts them on without thinking. Yudhishtira's reply is exactly paralleled by Cicero lambasting the Epicureans – the ancient Mediterranean's version of Max-U economists – as “those men who in the manner of cattle [*pecudum ritu*, literally, ‘by the cattle's rite’] refer everything to pleasure” and who “with even less humanity . . . say that friendships are to be sought for protection and aid, not for caring” (Cicero 44 BCE, 32). Consult Gary Becker. The method of ethical philosophy since Hobbes has been to abandon the ancient tradition of the virtues, and their program of raising up of a child to an ethical adult, and instead to judge the goodness or badness of actions from afar, by rule and formula. What Hobbes denied, and has been denied since by every ethicist eager to stand in judgement of actions, is that character matters, and is more than a calculation of cost and benefit, even socially.

There is a way of rescuing Kaldor-Hicks, that leads it in a better and more liberal direction, ultimately to character. As argued by the economists John Harsanyi, James Buchanan, and Gordon Tullock, and the economics-influenced philosopher John Rawls, the relevant question is which society you would rather enter at birth, without knowing where in it you would end up. Choose: one in which all jobs are protected, bureaucrats decide who gets the limited amount of special subsidies, journalists direct attention always to the losers and never to the winners, and the economy slides as South Africa has into stagnation and youth unemployment. Or choose one in which labor laws are flexible, individual workers decide their futures, journalists know some economics, and the economy lifts up the poorest among us.

The male economists are telling us an ethical story. It suggests a more radical story. Carol Gilligan long ago pointed out the male character of stories of ethical development. A standard story in tests of ethical development is the Dying Wife. A man's wife is dying of a treatable disease, but he does not have the money to buy the drug that can save her. Is he ethical to break into the drugstore and steal it? The male way of answering the question is to turn to an ethical formula, such as the one Kant proposed – in which case, no, he would not break in. But girls and women answer in a more richly narrative way. They want to know what relationship the man and wife had, what kind of a person the druggist is, what the surrounding society is like. It's not the slam-bang formula of rules such as the categorical imperative.

We need ethical raising up, not more ruminations on slam-bang formulas.

## §

What sort of ethical raising up? It is implausible to suppose that one can extract full justice towards the handicapped, the globally poor, or the animals from a starting point that does not already include love of others and full justice, at the start, in some veiled form if you wish, Rawlsian or Buchananite tests before birth to the contrary.

Political and economic philosophy needs to be done with all seven of the virtues, not merely with some cleverly axiomatized sub-set. To characterize people with one or another of the boy's-own “models” said since Hobbes in 1651 to suffice for theories of justice or politics will not do. Characterizing humans as Prudent Only, or even as prudent and just, with love of others tacked on, will not do. People also have identities

(faith), and projects (hope), for which they need courage and temperance, those self-disciplining virtues. And they all have some version of transcendent love – the connection with God, the traditional object, though the worship of science or humanity or the revolution or the environment or art or rational-choice models in political science have provided modern substitutes for Christianized *agape*.

And raising up through edifying stories and modelling of good mentors to the entire set of seven virtues is necessary to get the ethical project going in the first place. This is important. Full human beings – not saints, but people in possession of their own whacky and personal and, alas, often idiotic versions of all seven human virtues and corresponding vices – are the only beings who would be *interested* in forming a good human society.

To put it still another way, suppose you have in mind to make fully flourishing human beings (or fully flourishing living beings *tout court*, if you include the animals, and even the trees). If this is your end, namely, a society consisting of such beings, then your social-scientific means must as the philosopher Martha Nussbaum says “focus on ethical norms from the start” (Nussbaum 2006). You have to put the little rabbits of the ethics of the food society, or a good economics profession, into the hat in order to magically draw them out. Self-interest, prudence, rationality, Max *U* won’t suffice. In order to have a society that shows all of them--prudence, justice, love, faith, hope, courage, and temperance--you need to arrange to have people who are . . . prudent, just, loving, faithful, hopeful, courageous, and temperate “from the start.”

The “start” is called “childhood.” A political/ economic philosophy needs to focus on how we get in the first place the people who are prudent, just, loving, etc., and who therefore would *care* about the capabilities of good health, emotional attachment, affiliation, etc., or about the appropriate constitutional changes to obviate prisoners’ dilemmas, or about the categorical imperative, or about the greatest happiness. This is what feminist economics has been saying now for four decades, and what also comes out of some development [note the word] economics, and even, reluctantly but persistently and embarrassingly, out of such unpromising-looking fields, often officially hostile to the slightest concern with ethics, as game theory, experimental economics, behavioral economics, realist international relations, the new institutionalism, and constitutional political economy.

The excellent little primer on ethics by the late James Rachels begins with a “minimum conception of morality” underlying any ethical system whatsoever. In describing “the conscientious moral agent” at which the analysis must begin Rachels selects unconsciously from the seven virtues. The conscientious moral agent will be in part “someone who is concerned [that is, who has love, connection] impartially [who has justice] with the interests [having prudence to discover these] of everyone who is affected [justice, love, faith]. . . ; who carefully sifts facts [prudence again, with temperance]. . . ; who is willing to ‘listen to reason’ [justice plus temperance = humility]. . . ; and who, finally, is willing to act on the results [courage]” (Rachels 1999, p. 19). Since all this is quite an arduous task, a *bonum arduum*, as Aquinas put it, a hard-to-achieve good, he’d better have hope, too.

That is, ethics, even the political ethics we call political theory, must *start* from an ethical person imagined as The Ethicist or The Political Theorist – who turns out to have all seven of the Western virtues. The little rabbits are already in the hat. Think of how impossible it would be to come to the conclusions of Kantian or utilitarian or Sen-Nussbaum or Buchanan-Tullock political ethics if The Ethicist or The Theorist did not *already* have the character Rachels praises of concern, impartiality, carefulness, humility, courage, and so forth. Frankly, my dear, he wouldn't give a damn.

Mark White in an earlier essay arrived at a similar conclusion. He said that a Kantian ethical theory posits a prudential and an ethical self, the choice between them being determined by a probability,  $p$ , that one has the strength of character to follow the ethical self. This seems to fit Kant, and as White pointed out it also fits the philosopher John Searle's notion of a "gap" in decision-making allowing for free will. One is reminded, too, of Stuart Hampshire's account of free will.

But White realizes that something is fishy. "Is the probability distribution, representing one's character, exogenously given? Though that would make things much simpler, I should think not; it is crafted by our upbringing, and even to adulthood one can act to improve his character. Of course, this. . . [suggests] the question: to what goal or end does one improve character?" His reply is that "in the Kantian model . . . we assume that a rational agent's true goal is to be moral" (White 2005, p. 15). But that is the goal of being a virtuous person. His argument begs the question – though in this field we are going to find that good is good, pretty much every time.

Annette Baier made a related point about characteristically male ethical theories. "Their version of the justified list of obligations does not ensure the proper care of the young and so does nothing to ensure the stability of the morality in question" (Baier 1994, p. 6). It is not merely a matter of demography. It is a matter of more fundamental reproduction, as the Marxists say. Somehow the conscientious moral agent assumed in the theories of Descartes and Kant and Bentham and Buchanan and Rawls and Nussbaum must appear on the scene, and must keep appearing generation after generation. "The virtue of being a *loving* parent," Baier says, "must supplement the natural duties and the obligations of [mere] justice, if the society is to last beyond the first generation." Imagine a human society with *no* loving parents. We have examples in children war-torn and impoverished, boy soldiers or girl prostitutes. One worries – perhaps it is not so – that the outlook for them becoming conscientious moral agents, and making a society in which humans (or trees, for that matter) can flourish, is not very good.

The intellectual tradition of economists since Bentham and of political scientists since Hobbes and recently since Rawls does *not* wish to acknowledge – especially at the start – all the virtues in a flourishing being. It wants to start simply, with a nearly empty hat, such as "Pareto optimality," and then pull from it a complex ethical world. It wants to reduce the virtues to one, ideally the virtue of prudence, and derive the other virtues, such as a just polity, from the prudence. It does not want to talk about how we arrange to have on the scene in the first place an ethical actor who by reason of her upbringing or her ongoing ethical deliberations wishes the greatest happiness for the greatest number, or the application of the categorical imperative, or the following of constitutional instructions from behind a veil of ignorance.

It hasn't worked, not at all, this boy's game, and it's time that economists and political theorists admitted so. So-called "welfare economics" has recently shown some faint stirrings of complexity in ethical thought, as in the works of Amartya Sen, and more in the works of younger economists and philosophers inspired by his over-cautious forays. But most academic economists and political theorists, such as Buchanan and Nussbaum, continue working the magician's hat.

The hat does not contain a living theory of moral sentiments. Instead of a nice set of seven cuddly rabbits, the theorists have supplied the hat with a large, Victorian, utilitarian parrot, stuffed and mounted and fitted with marble eyes. Sen complained of the "lack of interest that welfare economics has had in any kind of complex ethical theory," and added: "It is arguable that [utilitarianism and]. . . Pareto efficiency have appealed particularly because they have not especially taxed the ethical imagination of the conventional economist" (Sen 1987, p. 50). Time to give the dead parrot back to the pet store – though the economist/salesman will no doubt keep on insisting that the utilitarian parrot is actually alive, that Pareto optimality will suffice, or at worst Kaldor-Hicks, that though the parrot *appears* to be dead, kaput, over, a former parrot, in fact he's merely pining for the fjords.

Nor is any one-virtue ethic going to do. Adam Smith writes in a well-known passage that if *love* for our fellow humans was all we had to depend on, then the extermination of the Chinese would trouble us less, really, than the loss of a little finger (Smith 1759 [1790], p. 136; cf. Rousseau 1775, p. 121). It takes a sense of abstract propriety, he argued, a virtue separated from love and not translatable into it, to want to give a damn for a foreign people whom you have never seen and whom you can never love. The moral sentiment impels the man within to scold a self that is so very selfish as to save the finger rather than the entire race of Chinese. "What is it," he asks, "which prompts the generous upon all occasions and the mean upon many to sacrifice their own interests to the greater interests of others? It is not. . . that feeble spark of benevolence. . . . It is reason, principle, conscience, the inhabitant of the breast. . . . The natural misrepresentations of self-love can be corrected only by the eye of this impartial spectator" (Smith 1759/90, pp. 308-313).<sup>1</sup>

But the same can be said of the other virtues. Take the actual person of the economist James Buchanan as a case in point. It takes a character of hope, which Buchanan actually had on his better days, to have an interest in constitutional reform. It takes a character of faith to worry about the corruptions of Me-ism in American society. It takes a character of courage to stand against the Northeastern establishment in intellectual life.

In other words, the civic republican notion that the way to have a good society is to arrange somehow to have a bunch of good people – which in the light of invisible hand liberalism seems primitive and moralistic and insufficiently social scientific – turns out to be much more plausible and scientific than we 18<sup>th</sup>-century liberals thought. It is as true of a scientific society such as economics as of the wider society. The more seriously we take full human flourishing the more true becomes Orwell's

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<sup>1</sup> Smith, *Wealth*, 1776, III.3.5, p. 137. I wish he hadn't said "reason," which makes the passage sound Kantian.

apology for Dickens' ethic: "If men would behave decently the world would be decent' is not such a platitude as it sounds" (Orwell 1940, pp. 150-151).

In still other words, an economics or political theory that takes human flourishing seriously should start with teaching in song and in story the virtues—and finish with them, too, since they end up pretty much the same, and that is what we want in humans raised from childhood. To put it in terms that begin to edge towards Virginia Political Economy, the seven virtues are what a flourishing individual wants for herself. They are what she chooses, when she has the capability to choose. Maybe before she is born.

## §

What to do, then for economics? Answer: raise up ethical men and women, some of whom become economists. We are not doing so now in the education of economists.

Mearman and McMaster observe that in economics the "degree courses, at best, begin with a brief discussion of the distinction between positive and normative, and an eschewal of the latter." Some years ago the Department of Economics at Indiana University required all entering graduate students to read Milton Friedman's article on positive economics, *and nothing else*. Milton once told me that he regretted writing the article. Jamie Morgan attacks as many do "Friedman's amorality of markets and of business" supposedly expressed in his famous 1970 *New York Times* essay. But Morgan needs to actually read the text, or the life. Most people who have expressed shock or pleasure at Milton's article have not noticed that he adds a side constraint to the manager's fiduciary duty to the stockholders: "make as much money as possible *while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom*" (Friedman 1970, p. 33, emphasis added). Yet Morgan is correct that "Friedman's argument invokes: amorality" was clearly not his intent, though I admit it had this effect. An instance is the astonishingly amoral essay by Werner Erhard and Michael C. Jensen (see McCloskey 2017b).

Milton's essay on positive economics to the contrary, graduate students, and undergraduates, too, need to be told to be as ethically driven as Milton actually was as a man and an economist. What's needed is an ethical change of attitude, or character, as George DeMartino puts it, "a practice of critical inquiry into the myriad ethical questions that arise in the context of and as a consequence of economic practice." "Professional ethics" he continues, "is not in the first instance about preventing crooks, frauds and charlatans from acting badly." It's about ordinary life. It's not about incentives, as many economists instinctively suppose. It's about ethics at home. Shame.

If you want a Good Career, of course, you can follow the shameless script of James Watson in *The Double Helix*. For example, you can steal "Rosy" Franklin's x-rays. You can use tests of statistical significance even though you know they're silly. "A generation of graduate students," wrote Anne Sayre (in her luminous biography of Franklin) about Watson's teaching, "learned a lesson: the old morality is dead, and they had . . . been told about its demise by . . . an up-to-date hero who clearly know more about how science was acceptably 'done' than the old-fashioned types who prattled about 'ethics'" (Sayre 1975, p. 19). To the contrary, say the older economists, such as

Ronald Coase (b. 1910): “My mother taught me to be honest and truthful” (Coase 1994, p. 190). In the same volume James Buchanan (b. 1919), speaks of a teacher in graduate school who “instilled in me the moral standards of the research process, . . . something that seems so often absent in the training of economists of the post-war decades” (Buchanan 1987, p. 139). That’s about all the methodological advice we can safely handle. As teachers of writing put it, “Be good, and then write naturally.” Or as Cato the Elder said, the rhetorician is “The good man speaking skillfully.” The good economist is the good person speaking intelligently about the economy.

All right, how? Wim Groot and Henriette van den Maassen quote Daniel Hamermesh, who notes that “professors in public universities – the large majority of economists [he may on this be wrong: non-academic economists are numerous] – have a direct obligation to use their knowledge on a broader stage: They are paid by the public, and it behoves them to try to educate the entire public.” (Note the ethical evocation of the cash nexus even in the profession itself.) The responsibility is taken more seriously by Continental professors. I remember seeing once a complete bibliography for the great Swedish economists of a century ago Wicksell, Heckscher, Ohlin, Cassel, as I recall, and being startled by how much educating of the entire public they all did, each publishing a journalistic piece once every fortnight or so over their careers.

The responsibility should not be about “incentives.” University professors in countries like the USA or the Netherlands or Sweden make enough to put that consideration aside. The fellow Dutch economist of Groot and van den Maassen, Arjo Klamer, another student of Joop Klant, does so, and contributes deeply and eloquently to the public discussion (Klamer 2006, 2016). The point is professional responsibility, not vanity or, as Groot and van den Maassen say, “instant gratification.” After a dozen or so appearances on the national stage the vanity and gratification wear out. One does it for the good of one’s fellow citizens.

Morgan wisely turns to notion of “responsibility” in the rhetoricians Paul Ricoeur and Richard McKeon. These are issues of raising-up. Responsibility viewed in virtue-ethical terms is something learned, and the word itself is an especially modern concept – before it was simply thought of as ethical education (education being literally *ex-ducere*, to lead out, of evil and ignorance). The American historian Thomas Haskell wrote in 1999 a startling essay chronicling the new prominence of the word in a commercial America in the eighteenth and nineteenth centuries. The OED gives 1787 as the earliest quotation of “responsibility” in one of its modern senses, as merely accepting factually that one has done such-and-such, by Hamilton in *The Federalist Papers*, and shortly thereafter by Edmund Burke. Haskell notes that it was used much earlier in law in the sense of “being required to respond to a legal action”. Such a “responsible” person, meaning “liable to be called to [legal] account” (sense 3a), occurs as early as 1643. The OED’s earliest quotation for the favorable ethical meaning, the dominant modern sense, “morally accountable for one’s actions; capable of rational conduct” (sense 3b), is as late as 1836 – which is Haskell’s point, though he dates it a little earlier. The linking of “responsibility” with the marketlike word “accountability” occurs in the first instance of “accountability” detected by Haskell, in 1794 in Samuel Williams’s *Natural and Civil History of Vermont*: “No mutual checks and balances,

accountability and responsibility.” Raise us up to responsibility, in a market or in a science of markets.

Mearman and McMaster suggest that we “become more pluralist by incorporating heterodox economics perspectives.” Yes, we should. The medieval motto was *Audite et alteram partem*, listen even to the other side. It is especially the ethical responsibility of a scholar and scientist to listen to the other side, though most, disgracefully, do not. Mearman and McMaster say, following DeMartino, that to avoid harm “requires economists to ‘integrate themselves deeply’ into communities.” Yes. But it’s not enough to speak to the unemployed. You need to understand the wider system. ( I offer free advice: to understand it you’ll do better to start with Marshall than with Marx.) Jamie Morgan notes that the economic “mainstream [I prefer to call it “orthodox” or “Samuelsonian”] exhibits a kind of diffident diversity, impatient of pluralism,” or of ethical considerations, an extreme example of which is Anne Krueger’s astonishingly careless and slanted review in the *Journal of Economic Literature* of the collection edited by DeMartino and me (mainly, I report, by George). Anne partially apologized. Only partially.

So, yes, let the orthodox listen. But the left needs to follow its own advice. Mearman and McMaster urge “deployment of pluralism, not least from a duty of care for students.” But I have long observed that many heterodox economists do not actually know price theory, the core of liberal economics. They think they do, because they have been made to read Mas-Collel and the like. But they don’t. I invite them to open *The Applied Theory of Price* randomly (it is available free on my website: no excuses) and see if they can answer any of the five hundred worked problems there.

A startling example of the left not understanding what it is criticizing is the way Thomas Piketty botches the response of supply to increasing scarcity on the bottom of page 6 of the English translation of *Capital in the Twenty-First Century*. If you don’t understand that increasing scarcity entices new entrants into an industry, you do not understand much about a market economy. Craig Duckworth says that “the responsible economist must, then, not only *think like an economist* but must also reflect on what it means to think like an economist.” I certainly agree. Duckworth does not want it narrowed to technicalities. Nor do I. And yet. . . . A good many unassuming technicalities are not understood even by many economists. For example, that the balance of payments is meaningless. That national income equals national expenditure. That trade benefits both sides. That shortage yield supply responses.

One reasonably painless way to get the price theory and the thinking-like-an-economist straight is to read in Austrian economics. For decades I have been trying to persuade my friends on the left that Austrian economics is also heterodox, though pro-market. Except for the remarkable Ted Burczak at Denison University, who urges Marxists to read Hayek, they aren’t biting (Burczak 2006). If you ask me to listen open-mindedly to Marx or Myrdal or Mirowski, it is only fair that you listen open-mindedly to Mill and Menger and Mises. DeMartino does. He emphasizes the “irreparable ignorance . . . [economists face as they] try to understand, predict, and control inherently complex systems,” and then immediately earns his pluralistic street cred by pointing out that that Austrians (he cites Hayek) and Knightians and Shackleites know it, too. Morgan remarks here that “the elimination of philosophy, methodology, history

of economic thought and ethics from the education of the economist [means that they miss that] . . . both Austrians who follow Hayek and structural and post-Keynesians . . . [emphasize] cumulative causal processes." Yet aside from Morgan and George and Ted and some of my friends at *Rethinking Marxism*, together with once upon a time Herb Gintis and Sam Bowles, few on the heterodox left listens to the heterodox liberals of Austria, even those presently flourishing at George Mason.

Consider White in describing Kant's notion of "a *dignity*, an incalculable and incomparable worth, due to their capacity for autonomous choice – that is, the ability of make ethical choices despite inclinations or preferences to the contrary." Note the last clause, "despite preferences." I suggest that the economics here should focus on the Austrian notion of "human action," which is emphatically not passive. The utilitarians focus on reaction, instead of action, on the utils gathered from a so-called "choice," instead of the dignity achieved by initiating the choice in the first place.

Not rules, constraints, institutions, but ethics. The proposal stands against neo-institutionalism, which merely rewrites Samuelsonian economics with rules of the game explicit. As Craig Duckworth puts it, "DeMartino sees modification of behaviour within the economics profession itself as a way to improve the situation, rather than, primarily, theoretical or regulatory change." DeMartino himself declares that "the watchwords of professional ethics are education, elucidation, and aspiration – not regulation, legislation, or condemnation." That's right, and that's also what I recommend: not rules, incentives, constraints, punishments, except to the extent that they raise up, in the style of Smith's *Theory of Moral Sentiments*, the adult "man [or woman, dear] within the breast."

What we really need is not a social, eighth-floor criterion but a ground-level one, which is to say a social agreement among actual people, down at the level of individual ethics, to participate in a liberal society willing to accept 3,000 percent enrichments of the poor. White properly attacks merely "potential Pareto improvements" when they are not defended by anything more than  $10 > 9$ . We need an ethic or ideology of innovism,  $3,000 > 1$  in the long run rather than  $10 > 9$  in the short. The locus of ethics is not the society, but the person. "Social justice," as the Austrians say all the time, to the puzzlement of their colleagues left and right, is meaningless.

After all, it was an *ethical* change in Holland and then Britain and its offshoots from 1517 to 1789 that made liberalism and innovism possible after 1800. It is ethical change that runs the economy and causes economic development and advances science. Not money, which is ancient, and given, and obvious, and unchanging. Economists dislike ethics because they want everything to be a matter of given constraints and pre-existing utility functions, not persuasion or education. But given constraints are not how we grow and discover.

What concretely to do? DeMartino speaks of internships, residencies, and immersions, an approach to economic science that my old friend Richard Weisskoff of the University of Miami has long advocated in economics, and practiced. I've often thought that field work would be good, though I am myself typical of academic economists in having done none of it myself. But before sending the kids out they have to be told to be good and then to discover naturally. Mearman and McMaster want to get

into the weeds of COREs and SBSE. I suggest instead a simpler proposal: reinstate as a required course in graduate programs the history of economic thought. One less econometrics course, say. That way the economists can learn what Mill and Pareto and Wicksteed actually said, largely favorable to a liberal regime of commercially tested betterment.

## §

Language, speech as ethics: that is what we need. DeMartino envisions the economics initiate taking a ceremonial oath. It is an excellent idea. Economists sneer at such “mere rhetoric.” They follow Hobbes, who said that words have no purchase. But Hobbes was wrong. What is needed is the person within the breast.

Duckworth here wants to drag conscience over into institutions and incentive, à la Oliver Williamson: “the taking of an oath functions, in intention, as an institutional device. The responsibilities it entails, structure behaviour so as to achieve objectives towards which professions may not be naturally inclined, and that are not easy to incentivise.” Compare Douglas Allen’s brilliant book on the Royal Navy in the age of sail, with a similar theme absent professionalism and the man within (McCloskey 2013). Duckworth finds it “difficult to be convinced that, in this context, the act of commitment itself provides the basis of the normativity of a professional code of conduct.” I am astonished. Duckworth doubtless runs his own professional life ethically, from the man within. If the Dean says, “Cheat to get promotion,” he won’t do it. Duckworth says strangely “commitment (being voluntary) can be withdrawn ad libitum.” So he seems to fall for Hobbes. In Hobbes, and Duckworth, and most economists, promises are not promises, commitments not commitments, responsibility not responsibility. As someone put it recently, truth is not truth.

Well, no. Or rather, yes, we need ethics, expressed in words.

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