

the economic significance of hoarding ought to be inversely proportional to economic stability. One might see a great deal of hoarding, with grave negative consequences, in societies where property rights are insecure, where contracts are not enforced, or where monetary mismanagement destroys the reliability of the price mechanism. What might result would be empirically testable propositions that could be tested in sub-Saharan Africa, in contemporary Argentina, or in any other place where the invisible hand has ceased to function.

Gorga would agree that hoarding is fundamentally a moral issue, something that should be of great interest to those concerned with ethics in the marketplace, but he missed an opportunity to explore the function of all those economic institutions—the savings bank, the mutual fund, the insurance company—that serve to deter hoarding by offering a less-costly hedge against disaster. The fact is that the existence of hoarding represents a profit opportunity to those firms that can find a way to eliminate it. It may be that the existence of hoarding may not represent a moral failure as much as it reflects the failure of institutions that should correct it. Indeed, the real story here is how *little* hoarding there is, rather than how much.

It is important to remember that modern economic theories are not meant to be descriptively accurate. They are meant to be testable by empirical means, but the most testable theories are the simplest, the same ones that seem least plausible in terms of their assumptions. The one thing that the theory strives for is *microfoundations*, a theory grounded in the behavior of rational, self-interested firms and individuals. This does not mean that there is no room for a reflective philosophy of the free market system, a philosophy that operates from a richer set of assumptions. But if one wants to invent a new *science* of economics, as Gorga seems to attempt with his self-branded Concordian economics, then one must enter the ongoing conversation more humbly, with less-extravagant claims.

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The Ethics and the Economics of Minimalist Government

Timothy P. Roth

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The primary aim of Timothy Roth in this book is to expose the fundamental problems of modern, social welfare economics and to offer up a Kantian/Rawlsian alternative. At the outset, Roth rightly points out that Adam Smith was known in his day as a moral philosopher and that his work in economics was merely an offshoot of his larger moral theory. In fact, even before Smith, economic thinking was always a component part of the broader study of moral philosophy and theology. Nevertheless, positivist analysts today attempt to deny any link to moral theory and typically assert that their activities

are purely scientific and are not influenced by normative issues. It is with this assertion that Roth takes immediate exception and argues effectively that modern welfare theory is fundamentally informed by utilitarianism, the moral philosophy spawned by Jeremy Bentham in the nineteenth century. Therefore, he insists, economists who work in this tradition ought to recognize this fact.

After making his case regarding the inherent utilitarianism of welfare economics, Roth begins to develop a comparison between it and the Kantian/Rawlsian alternative. He rightly classifies each moral theory under a broader class of moral theories, noting that utilitarianism is consequentialist and that the Kantian/Rawlsian alternative is contractarian. In sum, a consequentialist theory appeals to the morality of an action based upon the subsequent outcomes brought about by the act, while the contractarian approach appeals to the application of universal rights naturally possessed by all people and hence, judges actions according to whether or not these rights are violated. As applied here, the author argues for the moral equivalence of all people, which gives rise to the categorical imperative of the imposition of a generality principle in evaluating public policies. Using these categories, Roth demonstrates why it is not possible for someone who advocates modern welfare analysis to maintain an overarching commitment to property rights. In effect, the utilitarian often does advocate violation of property rights; he believes that such a violation serves some greater social purpose. Therefore, while early utilitarians were often strong supporters of a free market, such support is not necessary according to the requirements of the theory. Roth also shows why it is possible for analysts to use this framework to promote discriminatory policies that fail to satisfy the moral requirements of contractarian theories.

I strongly agree with Roth's conclusion concerning the nature of utilitarian ethics. I agree with several other conclusions as well. In particular, Roth's commitment to the generality principle will not allow him to embrace any policies that either promote, or may be used to promote, favoritism under the law. Accordingly, his underlying principle of moral action leads him to affirm a limited role for government, one that is bounded by moral justice. The classical tradition of moral reflection has always pointed out certain prohibitions on human action and certain mandates for action. Such prohibitions and mandates always suggest that some foundational individual rights are universal and should be maintained. In addition, I think it is correct to begin with these as a framework within which a moral person makes his decisions to act.

I do have two main reservations about Roth's book. First, it seems to me that moral action, properly understood, will inevitably produce good consequences. Jesus put the matter this way: "Every good tree bears good fruit, but a bad tree bears bad fruit" (Matt. 7:17). If this is the case, there ought not to be any difference between a sound consequentialist approach and a sound contractarian one. The problem we face in identifying such sound theories is that we do not correctly understand all of the fundamental causal relationships. This problem is compounded when we consider the presence of grace, mercy, and charity practiced by some in society, as well as the efforts by some people to shift the negative consequences of their decisions to others. The presence of

evil in this world can hardly be denied. Therefore, the fact that some people willingly suffer for the good of others, coupled with the fact that some people avoid the suffering that they rightly deserve, makes it more difficult to discern accurately the causal relationships of justice. As Frederic Bastiat noted in *Economic Harmonies*:

... For the laws of Providence to be considered as harmonious, it is not necessary that they exclude evil. It is enough that evil have its explanation and purpose, that it be self-limiting, and that every pain be the means of preventing greater pain by eliminating whatever causes it.

Society is composed of men, and every man is a free agent. Since man is free, he can choose; since he can choose, he can err; since he can err, he can suffer... Now, all error breeds suffering. And this suffering either falls upon the one who erred, in which case it sets in operation the law of responsibility; or else it strikes innocent parties, in which case it sets in motion the marvelous reagent that is the law of solidarity. The action of these laws, combined with the ability ... of seeing the connection between cause and effect, must bring us back, by the very fact of suffering, to the path of righteousness and truth... But if evil is to fulfill this purpose ... the freedom of the individual must be respected.

Now, if man-made institutions intervene in these matters to nullify divine law, evil nonetheless follows upon error, but it falls upon the wrong person. It strikes him whom it should not strike; it no longer serves as a warning or a lesson; it is no longer self-limiting; it is no longer destroyed by its own action; it persists, it grows worse, as would happen in the biological world if the imprudent acts and excesses committed by the inhabitants of one hemisphere took their toll only upon the inhabitants of the other hemisphere.

My second reservation concerns Roth's generality principle. I am not sure that he carries this principle to its logical conclusion. Roth's argument lies within a Kantian framework that I find to be insufficient and incomplete. Before Kant, the American theologian and philosopher, Jonathan Edwards, developed his own moral philosophy, using a generality principle. In his essay, *The Nature of True Virtue*, Edwards argued that virtuous or moral acts are those that are motivated by a love for being, in general. On this basis, Edwards demonstrated that it would ultimately lead one to assert that genuine virtue is motivated by the love of God who is the ultimate Being. In turn, as Jesus said, love for God will motivate a person to keep His commandments. In other words, while a contractarian guide is our best means of pursuing actions that are truly moral, it is God who provides the contract, because He is the only one who rightly understands all of the causal relationships. In *The Weight of Glory*, C. S. Lewis put the matter this way:

If there lurks in most modern minds the notion that to desire our own good and earnestly to hope for the enjoyment of it is a bad thing, I submit that this notion has crept in from Kant and the Stoics and is no part of the Christian faith. Indeed, if we consider the unblushing promises of reward and the staggering nature of the rewards promised in the Gospels, it would seem that our Lord finds our desires not too strong

but too weak. We are half-hearted creatures, fooling about with drink and sex and ambition when infinite joy is offered us, like an ignorant child who wants to go on making mud pies in a slum because he cannot imagine what is meant by the offer of a holiday at the sea. We are far too easily pleased.

My reservations notwithstanding, I do think that Roth's book is useful and valuable. Using modern secular thought as his starting point, he reaches roughly the same conclusions that one would reach reasoning from the older Christian tradition. There is certainly much to like about that effort.

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Markets, Planning, and Democracy

David L. Prychitko

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This volume is a collection of twelve essays published by the author between 1988 and 1998. It also includes one short speech delivered at a conference and an enriched version of a book review. The main emphasis is on two important questions. One has been widely debated in the literature, the other much less so. First, is self-management consistent with Austrian economics? More generally, are Austrian economics and anarchic capitalism the only consistent theoretical alternatives to centralized planning?

As a matter of fact, the opening chapters of the first part are a stimulating introduction to the Marxist and the Austrian approaches to economics, some elements of which are also mentioned again in the papers presented in the second half of the book. Quite effectively, Prychitko highlights the Marxist description of a market system as equivalent to chaos and alienation, ultimately leading to economic collapse and social turmoil; hence, the socialist case for rational planning, which by definition maximizes social welfare (defined by the planner) and eliminates exploitation.

The author rightly acknowledges that the attack against central planning has probably been the greatest success of the Austrians. He aptly quotes Wieser and Mises, who emphasized the impossibility of conceiving economic activity without referring to scarcity and thus, without interactions among individuals being voluntary and driven by market-based relative prices. Hayek's contribution is called upon, too, to underscore the importance of dispersed knowledge. Such knowledge is indeed the essence of a market system, but it is virtually ignored by central planning.

However, although Prychitko does not deny the value of the traditional Austrian argument with respect to the so-called calculation debate, he suggests that the capitalist firm in a free-market context and the state-owned enterprise within a centralized planning system are not the only alternatives available. A third possibility is the self-managed firm in a free-market economy, which owes much to Theodore Burczak's work and differs both from the Yugoslav version and from Martin Weitzman's model