THE MORAL ELEMENT IN FREE ENTERPRISE*

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Economic activity provides the material means necessary to achieve all our objectives. At the same time, most individual efforts are directed towards providing the means for the objectives of others, so that they in turn may provide us with the means for our own ends. If we are free to choose our ends, it is only because we are also free to choose our means.

Economic freedom, therefore, is an indispensable condition for all other freedoms, and freedom of enterprise is at once a necessary condition and a consequence of personal freedom. In addressing the topic 'The Moral Element in Free Enterprise', I shall not, therefore, confine myself to discussing the problems of economic life, but shall also consider the general relations between freedom and morality.

By freedom I mean in this context, in the great Anglo-Saxon tradition, independence from the arbitrary will of another. Such is the classical conception of liberty under the law, a situation in which a man may only be subject to coercion if it is provided for by legal rules, applicable to all alike, and not by the discretionary decision of administrative authorities.

The relationship between this freedom and moral values is reciprocal and complex. I shall therefore have to confine myself to highlighting the most important points in a rather terse style.

On the one hand, it is a long-standing insight that morality and moral values can only flourish in an atmosphere of freedom,

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and that, generally speaking, the moral standards of individuals and social classes are high only where freedom has long been enjoyed—and are proportional to the degree of freedom that exists. Furthermore, it has long been held that a free society functions well only where free action is guided by strong moral convictions, and that we therefore enjoy the benefits of freedom only when it is already firmly established. To this I would add that, in order to function properly, freedom requires moral standards that are not only strong but also of a particular kind, and that in a free society moral standards may be asserted which, if they become widespread, can destroy freedom and with it the basis of all moral values.

Before returning to this point, which is generally misunderstood, I must briefly set out two long-established truths that ought to be familiar to us, but which are frequently forgotten. That freedom is the necessary foundation for the flourishing of moral values—indeed, it is not merely one value among many, but the source of all values—is self-evident. Only where the individual has not merely the possibility, but the corresponding responsibility, to choose, does he have the opportunity to affirm existing values, to contribute to their further growth, and to earn moral merit. Obedience has moral value only when it derives from choice and not from coercion. Our moral sense is manifested in the order in which we arrange our various ends; in applying general moral norms to specific situations, every individual is constantly called upon to interpret and apply general principles and, in this way, to create particular values.

I do not have time now to demonstrate how it has in fact come to pass that free societies were not only, in general, societies that abided by the law, but that in modern times they have been the source of every great humanitarian movement that has set itself the goal of aiding the weak, the sick and the oppressed. Unfree societies, on the other hand, have generally developed a contempt for the law, an insensitive attitude towards those who suffer, and even sympathy for the wrongdoer.

I must consider the other side of the coin. It should also be clear that the consequences of freedom depend on values

which free individuals pursue. It is impossible to claim that a free society always and necessarily develops values that we would approve of, or, as we shall see, that it upholds values that are compatible with the preservation of freedom. All we can say is that the values in which we believe are the product of freedom, that Christian values in particular were established through the actions of men who successfully resisted government coercion, and that it is to the desire to be able to follow one's own moral convictions that we owe the current safeguarding of individual freedom. Perhaps we might add that only those societies which upheld moral values essentially similar to our own have survived as free societies, whilst in the others freedom has disappeared.

All this demonstrates that it is of the utmost importance for a free society to be founded on strong moral convictions, and explains why, if we wish to preserve freedom and morality, we must do everything in our power to promote sound moral convictions. However, my main concern is to refute the fallacy that, before freedom can be guaranteed, people must first be good.

It is true that a free society lacking a moral foundation is an unpleasant place to live. In any case, it is always better than an unfree and immoral society, since it at least offers the hope of a gradual development of moral convictions, something an unfree society makes impossible. From this point of view, I strongly disagree with John Stuart Mill, who asserts that, until men have the capacity to achieve the best through conviction and persuasion, 'there will be for them nothing but implicit obedience to an Akbar or a Charlemagne, provided they are so fortunate as to find one'. In this regard, I believe that T.B. Macaulay expressed the far superior wisdom of an older tradition when he wrote: 'Many politicians of our time are in the habit of declaring that no person shall be free until they are capable of using their freedom. The maxim is worthy of that madman who, as an old story tells, decided not to go into the water until he had learnt to swim. If men were to wait to obtain freedom until they were deemed sensible and good, they would have to wait forever."

But I must now move on from what is simply a reaffirmation of an old truth to more critical issues. I have already said that freedom, to be effective, requires not only the existence of strong moral convictions, but also the acceptance of certain moral judgements. By this I do not mean to suggest that, within certain limits, utilitarian considerations will help to alter the moral values of certain decisions. Nor do I intend to argue that, as Edwin Connan has said, 'of the two principles, equity and economy, equity is ultimately the weaker […] humanity's judgement of what is just is subject to change, and […] one of the forces bringing about this change is humanity's own recurring discovery that what was once considered truly just and equitable has, in certain specific cases, become—or perhaps has always been—uneconomic".

This is also true and important, though it cannot be recommended to everyone. I am more interested in certain broader concepts which I regard as the essential prerequisite for a free society, without which it cannot survive. I believe that the two crucial concepts are a belief in personal responsibility and the acceptance as fair of a system in which material rewards correspond to the value that a person's particular services have for their fellow human beings, not to the esteem in which the person themselves is held on account of their moral merits.

I must be brief on the first point, which I find very difficult. Here, modern developments form part of the history of the destruction of moral values, a destruction stemming from a scientific error in which I have recently taken an interest — and it so happens that, for the scholar, whatever he is working on at the moment tends to seem like the most important problem in the world. I shall, however, try to set out in a few words what is relevant.

Free societies have always been societies in which the belief in individual responsibility has been strong. They have allowed individuals to act on the basis of their own knowledge and convictions, and have treated the results obtained as being due to their actions. The aim was to make it worthwhile for people to act rationally and responsibly, and to convince them that the results obtained depend

primarily on their actions. This latter conviction is certainly not entirely correct, but it has undoubtedly had an extraordinary effect on the development of initiative and the assessment of its consequences.

Due to a curious misunderstanding, it has come to be thought that this belief in individual responsibility has been refuted by the growing view that events in general, and human actions in particular, are determined by certain kinds of causes. It is probably true that we have gained a growing understanding of the kinds of circumstances that influence human action, but nothing more. We certainly cannot say that a particular conscious act of any given person is the necessary result of specific circumstances that we can identify, setting aside their unique individuality, which has been shaped throughout their entire life. When weighing up merits and demerits, we can draw on our general knowledge of how human action may be influenced, something we do in order to get people to act in the desirable way. It is on this limited determinism
—maintained within the limits justified by our knowledge— that the belief in responsibility is based, whilst only the belief in a metaphysical self situated outside the relationship of cause and effect could justify the view that it is pointless to speak of individual responsibility for actions.

However, however crude the error underlying the opposing and supposedly scientific view may be, it has had a profoundly destructive effect on the main service society has provided to ensure decent behaviour—the pressure of public opinion that makes people abide by the rules of the game. And it has culminated in that *'Myth of Mental Illness'* which a distinguished psychiatrist, T.S. Szasz, has rightly condemned recently. We have probably not yet discovered the best way to teach people to live by the rules that make life in society, for themselves and their fellow human beings, bearable. But, based on what we know today, I am certain that we will never build a free society that functions without that pressure of praise and reproach which holds the individual responsible for their behaviour and makes them bear the consequences even of a mistake made without fault.

But if it is essential for a free society that the esteem in which a person is held by his fellow citizens depends on the extent to which he lives in accordance with the demands of the moral law, it is also essential that material remuneration should not depend on the opinion his fellow citizens hold of his moral merits, but on the value they attribute to the services he renders them. This brings me to the second fundamental point: the conception of social justice that must prevail for a free society to be sustained. This is the point on which the defenders of a free society and the proponents of a collectivist system are primarily at odds. And on this point, whilst the defenders of the socialist conception of distributive justice tend to speak very clearly, the defenders of liberty feel an unnecessary reluctance to clarify the consequences of their ideals.

The simple facts are these: we want the individual to be free, because if they can decide what to do, they can also make use of their unique combination of information, skills and abilities, which no one else can fully appreciate. As well as enabling the individual to express their own potential, we must also allow them to act on the basis of their own assessments of the various possibilities and probabilities. Since we do not know what they know, we cannot determine whether their decisions are justified; nor can we know whether their success or failure is due to their efforts, their prudence or luck. In other words, we must consider the results, not the intentions and motives, and we can allow them to act according to their own knowledge only if, at the same time, we allow them to receive what their peers are willing to pay them for their services, without considering whether such a reward is commensurate with the moral merit they have earned or the regard in which we hold them as a person.

This remuneration, commensurate with the services rendered, is inevitably very different from what we consider to be their moral merit. This, I believe, is the main source of dissatisfaction with the free-market system and of the clamour for ‘social justice’. It is neither honest nor effective to deny that this discrepancy exists between moral merit—or the esteem a person may earn through their actions—and the value of the services for which we pay them. We adopt a wholly

false stance if we try to make this fact plausible or to conceal it. Nor do we have any need to do so.

I believe that one of the great merits of a free society is the fact that material reward does not depend on the majority of our fellow human beings liking us or holding us in personal esteem. This means that, as long as we abide by accepted rules, moral pressure can only be exerted on us through the esteem of those whom we ourselves respect, and not through the distribution of material resources by social authorities. It is part of the very essence of a free society that we may be materially rewarded not for doing what others tell us to do, but for giving others what they desire. Our behaviour must be inspired by the desire to earn their regard. But we are free because the success of our daily efforts does not depend on whether we are liked by certain people, or whether our principles or our religion are well regarded, or because we can decide that the material reward others are willing to pay for our services is worth our efforts.

We rarely know whether a brilliant idea that a man conceives at a particular moment—and which may prove highly beneficial to his fellow human beings—is the result of years of work and preparatory effort, or whether it is a sudden inspiration arising from an accidental combination of knowledge and circumstance. But we do know that, when in a particular case it has been the former, it is not worth taking the risk if the discovery does not yield a profit. And since we cannot distinguish one case from the other, we must allow the individual to make a profit even when their success depends on luck.

I do not wish to deny, but rather to emphasise, that in our societies personal esteem and material success are closely intertwined. We must be much more aware that, if we consider that a qualified man should receive a high material reward, this does not necessarily mean that he is qualified to receive high esteem. And, although there is often great confusion on this point, this does not mean that this confusion is a necessary result of the

the free-market system, or that the free-market system is generally more materialistic than other social orders. In fact—and this brings me to the final point I wish to address—it strikes me as considerably less materialistic in many respects. Indeed, free enterprise has developed the only type of society which, whilst providing us with abundant material resources—if that is what we primarily desire—also leaves the individual free to choose between material and non-material rewards. The confusion I mentioned earlier—between the value of the services a person renders to their fellow human beings and the consideration they deserve for their current merit—may lead one to regard a society characterised by free enterprise as materialistic. But the way to avoid this is certainly not to place all material resources under a single authority, to make the distribution of material resources the primary focus of all collective efforts, and thus to make politics and the economy—economy are inevitably intertwined.

A society characterised by free enterprise can at least be a pluralistic society, one that recognises not a single hierarchy of ends, but rather has many different principles upon which esteem is based; and it is here that success is not merely the evidence, nor is it regarded as the sure proof of individual merit. It may be true that in periods of very rapid growth in wealth, when many are enjoying the benefits of wealth for the first time, there is a tendency to regard the pursuit of material progress as predominant. Until recently, many representatives of the more affluent classes used to label the most economically active periods as materialistic—periods to which they owe the material well-being that has allowed them to devote themselves to other pursuits.

Rather than coinciding with them, periods of great cultural and artistic creativity have generally followed periods of significant growth in wealth. I believe this demonstrates not that a free society must be dominated by material interests, but rather that where freedom exists, it is the moral climate in its broadest sense—the values in which people believe—that determines the main direction of their activities. Individuals and communities, when they feel that other things are more

important than material progress, they turn towards them. It is certainly not by striving to ensure that material reward corresponds entirely to merit, but only through the sincere recognition that there are other, more important objectives than material success, that we can avoid becoming too materialistic.

When a system allows an individual to decide whether they prefer material gain to other kinds of benefits, rather than deciding for them, it is certainly unfair to condemn them as more materialistic. There is certainly little merit in being idealistic when the provision of the material means necessary for idealistic ends is left to others. A person only deserves credit when they can choose to make a material sacrifice for a non-material end. The desire to be spared the choice and any other need for personal sacrifice does not, of course, strike me as being particularly idealistic.

I must say that the atmosphere of *the* advanced *welfare state* strikes me as, in every respect, more materialistic than that of a society based on free enterprise. Whilst the latter affords individuals a greater opportunity to serve their fellow human beings through the pursuit of purely materialistic goals, it also provides them with the chance to pursue any other objective they may deem more important. It must be remembered, in any case, that the pure idealism of a goal is debatable if the material means necessary to achieve it are provided by others.

In conclusion, I would like to return for a moment to the point from which I began. When we defend the free-market system, we must always remember that it concerns only the means. What we do with our freedom is our own business. We must not confuse efficiency in providing the means with the ends to which they serve. A society that has no other yardstick than efficiency will in reality be more wasteful than efficient. If men are to be free to use their own talents to provide us with the means we desire, we must reward them according to the value those means have for us. However, we must value them only for the use they make of the means at their disposal.

We encourage utility by every means, but we do not confuse it with the importance of the ends that men pursue.

The source of pride in the free-enterprise system is that it at least enables every individual, whilst serving their fellow human beings, to do so for their own ends. But the system itself is a means, and its infinite possibilities must be employed in the service of ends that exist independently of it.