

Of Ethics and the Economy

*John Hyde*

I was recently involved in a conversation which tried to nail the moral sources of current economic problems. The notion that the economy is amenable to moral assessment is not at all new: Adam Smith, for instance, had no doubt that it was. I was surprised, however, how remarkably unpracticed we were in applying normative criteria, which were second nature to Smith, to economic questions.

The argument began with an assertion that the current-account crisis owes its origins to family break-down. Somebody jumped on that---after all, two years of excessive money generation and an industrial relations system designed to stifle productive innovation seemed to be cause enough. Yet, we had to admit that family break-down, if only via the supporting parent and unemployment benefits, does add to the burden carried by the productive sector.

The argument led to a search for a common cause of failing families and failure to compete in foreign markets. This was more fruitful.

Might not the moral sentiments (Adam Smith's term) which encourage people to desert their children be the same as those which encourage people to leave their children with massive public and private debts? Might not the moral sentiments which encourage people to break marital contracts be those which allow them to break employment contracts and resort to the finer points of law to escape business commitments? Might not deceiving your spouse have something in common with deceiving your employer or your customer? Might not the bloody mindedness of some unions be derived from the same lack of respect for others' rights as the bloody mindedness of some husbands? Might not people who expect the State to care for their children parallel those who expect the State to provide tariffs and subsidies to care for their industries?

In total, might not the tendency to cop out of moral obligations have been given altogether too much rein? And might not this licence have adverse consequences for all human interaction? Adam Smith, in answer to his own question "Wherein does virtue consist?", suggested "other-regarding activity". The accusation that Smith advocated selfishness is

a slander. To the limited extent that this confusion is not deliberate, it arises from Smith's advocacy of an economic system based on liberty, in which people would act in such a way that they would serve the whole community in spite of being self-interested. Most often the hue and cry chasing after 'selfish' economics is led by the same selfish hypocrites who are milking the State for their salary, their pension, their tariff and so on.

No system, especially not a *laissez-faire* economy, will work, moreover, without some regard for virtue---that is for other-regarding activity. Societies in which individuals cannot be expected to act truthfully, honour their contracts, accept responsibility for their own actions, and respect the rights (including the property rights) of other individuals do not have the basic requirements of their own continuing existence. Aren't these precepts, together with courage and charity, no more than the basis of morality? Don't they underlie the ethical codes which govern so many human circumstances from matrimony to government? Ideas about how man ought to behave are not unknowable. Without 'morality' society is impossible.

The great British statesman, Edmund Burke, observed that, "Politics is but morality writ large", and when calling for conciliation with America said, "It is not what a lawyer tells me I may do; but what humanity, reason and justice tell me I ought to do". Had lesser Australian statesmen applied the same standards, the WA Inc. scandal would not now be discussed in terms of legal niceties because the ethical issues always were clear.

Since Edmund Burke's time we have learned a great deal about the way society works. But, while honest mistakes are less frequent, the opportunities for cheating have expanded. It is now easy for governments to waltz on their debts by inflating the currency; computers and ID cards add a frightening dimension to misuse of public authority; and so on.

At the same time, people's ideas of right and wrong have been watered down. Certainly, some of the strict mores were unjust---these needed to be discredited---but we did not have to sink to a minimal moral relativism. We were told that man was what he ate and that his behaviour was no more than childhood conditioning. Foolishly we believed it, and then we could not escape the conclusion that blame and praise were inapplicable notions. So when little Johnny robs the neighbourhood pensioner and a Premier misapplies the taxes we hesitate to tell them plainly that they are reprehensible.

At a more common level of reprehensible behaviour, it is now morally neutral for fathers to desert their children, for able-bodied men to live on other peoples' taxes, for workers to take a sickie at the cricket, for all of us to lie to the tax man and for union thugs to bully so-called scabs. Certainly, these things always happened, but they were once frowned upon.

Serious normative debate is now old hat. Even the churches seem to believe that one moral standard is as good as another. Moral debate, such as it is, has descend to the level of chanting "Four legs good: two legs bad" and its real-life equivalent "Mozambique good: South Africa bad". Worse, it has taken up such fads as attacks on those who produce cholesterol, nicotine and whatever. This pop-morality implicitly assumes that man is not a moral animal---i.e. he is incapable of bearing responsibility for his own choices.

In this climate it is little wonder that our governments place electoral interests ahead of policies which they know to be their duty. Slowly, however, public opinion is changing and the change will be reflected in politics. John Howard's *Future Directions*, laughed at by the chattering class for its old-world, family values, was onto something important---namely, the values themselves.

By the way, what has happened to *Future Directions*?

*John Hyde is Executive Director of the Australian Institute for Public Policy.*

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