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The Moral Code, Adam Smith and Uncle Milton's Logic: An Introduction to "The Tyranny of the Proper"

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The subject tonight is Government Power and its use. I would like to make some comments with the hope that they may provide a useful perspective.

1. **A Moral Code.** All societies big or small...for better or worse...have rules that regulate relations between individuals. It is a moral code that defines acceptable and unacceptable behavior. It is a society's "rules of the game" that give day-to-day life a "certainty".
 - Such a code is derived in large part from a society's "knowledge from the past", its collective memory. ¹ This accounts for significant observable differences between nations and ethnic groups. ²
 - Such a code can support "meaningful life" within a society, a society where individual and collective growth occurs.
 - Unfortunately, such a code may also limit meaningful growth.
 - And because of social and political inertia, the code changes slowly over time...painfully slow;
 - Or it can change suddenly because of the juxtaposition of traumatic events (both natural and man-made) and the willingness to accept change.
2. **Adam Smith.** Adam Smith was a Scottish moral philosopher and a pioneering political economist who observed the Industrial Revolution and wrote two monumental works: *The Theory of Moral Sentiments* in 1759 and *An Inquiry into the Nature and Causes of Wealth* in 1776.
 - Adam Smith argued that the "wise and virtuous man" was one whose goal was "propriety and perfection...to protect the weak, to curb the violent and to chastise the guilty."

- Today he is better known as the original free market advocate. For him “the freedom of the market, though of uncertain fairness, is better than the shackle of government where unfairness is perfectly certain.” The politically correct policies of his day included commercial regulations and tax and tariff policies supporting special interests, influence peddling, and parliamentary logrolling.³
- For Smith the problems of equality were not to be solved with more laws. In a free market, for instance, wages may be too low, but “law can never regulate them properly, though it has often pretended to do so.” The solution was in greater human and physical capital. Prosperity that fosters capital investment in humans and things is the circumstance where “The real price of labor rises”.

Two hundred years of economic history prove that these precepts of Adam Smith still hold true. He was looking at the then “politically correct” policies of Mercantilism whereas we today are plagued with the “politically correct” ideas of socialism.

3. **Uncle Milton’s Logic.** Milton Friedman fifty years ago argued that “government involvement in schooling can be justified on two grounds:

- The first is the “neighborhood effects”⁴ of schooling which is the circumstances in which actions by one person impose costs or confer benefits on others for which it is not easily possible to compensate or charge them.

“In the case of education, the entire community benefits from an educated citizenry, but parents may not be able to afford or be able to provide an education for their children... State assurance that all children are educated may be justified on the ground that the social benefits that accrue from an educated citizenry are greater than the costs of providing the education.”

- The second is that “if a family is unable or unwilling to provide its children with an education, doing so becomes the responsibility of the entire community.”

The critical element was “How will this objective be achieved?” He recommended a voucher system that gives a “claim for education” to a family that can be redeemed by the student at the school of his choice...either a public or private. The Government, in effect, takes “money” directly from the taxpayer and gives it to a family that purchases education services rather than the Government using those

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funds for it to provide that service. The objective of vouchers is to enable parents and students to choose among alternatives. In giving the customer a choice, both public and private educators must compete for students. That competition provides better and a more varied education at less cost to the taxpayer.

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¹ Avishai Margalit, **The Ethics of Memory**, Harvard University Press, 2002, page 14.

² Thomas Sowell, **Migrations and Cultures**.

³ P. J. O'Rourke, **On the Wealth of Nations**, Atlantic Monthly Press, 2007, page 55.

⁴ Milton Friedman, **Capitalism and Freedom**, page 85 quoted in **Milton Friedman** by Lanny Ebenstein, **Milton Friedman** Palgrave, 2007.