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by

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I

Morality is a Visible Foot. This unappealing metaphor is derived, of course, from Adam Smith's Invisible Hand. Where the Invisible Hand fails to direct each person's actions to the public interest - or, as I shall prefer to say, to mutual benefit - the Visible Foot takes over. Hand and Foot share a common aim. But they work in very different ways.

Ogden Nash, whose philosophical insights I have long admired, was wont to lament:

> "O Duty!
> Why hast thou not the visage of a sweetie or a cutie?"[1]

But allurement is not duty's way. Even prudence is not in that line of business, and prudence does not take us beyond our own interests. Morality insists that we restrain our pursuit of those interests. The Invisible Hand draws us on with no felt pressure. But the Visible Foot is encased in a good, solid boot, to be applied firmly to our backsides in order to redirect our concerns when individual gain and mutual benefit diverge.

But do we need a kick in the backside? Must morality always be with us? Morality is a constraint on the pursuit of self-interest. A constraint needs justification. Why should we constrain our pursuit? A plausible answer is suggested by Kurt Baier, who expands the idea of morality as a constraint: "being moral is following rules designed to overrule self-interest whenever it is in the interest of everyone alike that everyone should set aside his interest."[2] But perhaps this account proves vacuous. Need it be in the interest of everyone alike that everyone should set aside his/her interest? Perhaps not. Perhaps there is no need for morality.

The political anarchist offers us the picture of a human society that neither has nor wants external constraints - a society of peaceable, productive, and companionable persons whose interactions are blessedly free of all authority or compulsion. The political anarchist seeks to convince us of the presence - or at least of the possibility of the presence - of an order in human affairs that does not require the artifice of politics. The moral anarchist would offer us the comparable picture of a human society that neither has nor wants internal constraints - a society of peaceable and productive persons who nevertheless are without conscience. The moral anarchist would seek to convince us of the possibility of the presence of an order in human affairs that does not require the deeper artifice of morality. This order must of course have a foundation, and that foundation is individual interest.

The classic picture of a world of conscienceless persons is Hobbes' natural condition of mankind, and it is far removed from the ideal of moral anarchy. Indeed, Hobbes depicts an anarchy of a very different sort, a world in which each, bent on his/her own conservation and contentment, finds him herself condemned to the war of every man against every man. In Hobbes' world the absence of individual conscience and political authority is the absence of all order. If Hobbes is right, then morality and sovereignty are the necessary defences that human beings erect against an intolerable anarchy. But consider another picture of our natural condition. "All systems of ... restraint, therefore, being ... completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man ... is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, ..."[3] And the outcome, according to Adam Smith, whose account we are contrasting with that of Hobbes, assures mutual benefit. Generalizing from a particular instance, he says: "By preferring the support of domestic to that of foreign industry [a man] intends only his own security; and by directing that industry in such a manner as its produce may be of greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for society that it was no part of it. By pursuing his own interest he frequently promotes that of society more effectually than when he really intends to promote it."[4]

In quoting Smith I have deliberately omitted one important qualifying phrase. When Smith talks of every man being left free to pursue his own interest, he inserts the phrase "as long as he does not violate the laws of justice." We shall need to take note of this qualification. But for the present I wish to consider the picture without any qualification - the picture of an order induced by the individual pursuit of interest. For it is this picture that suggests the possibility of moral anarchy. Smith and the laissez faire economists of the late eighteenth and early nineteenth centuries had arrived at one of the most significant discoveries in the moral realm - the discovery of a framework of human interaction within which the interests of each would harmonize free from any form of constraint, so that individual gain and mutual benefit would necessarily converge. Justice would be of concern in establishing the framework, but of no concern within it. This framework is the perfectly competitive market.

We shall consider the characteristics essential to perfect competition - the conditions that must be satisfied for it to arise, and that delimit its scope. In this way we shall come to understand a form of human interaction that, we shall argue, exhibits no need for morality. Morality can have no place in the ideal interactions represented by the perfectly competitive market and this is not a fault, but the essential virtue of the market. The efficacy of the Invisible Hand does away with all need for a Visible Foot - and indeed, makes the application of morality to our backsides indefensible.

It would, however, be a misunderstanding of our thesis to suppose that it affords a full defence of moral anarchy. Although we can not show this here, Hobbes and Smith are complementary, not conflicting, thinkers. There are features of our world that resemble the Hobbesian jungle, and we need the constraints of conscience and authority to protect us. But the perfectly competitive market is not a jungle - indeed, we shall insist that it is at the farthest remove from Hobbesian anarchy. In it we need no protection. Morals and markets both have their places - but together they are mismatched.

II

Let us now note those features of the workings of the perfectly competitive market that are relevant to our argument. The goods of the market are its products; the bads are the factor services used in production. Each person wants to consume as many products as possible, and as much of each as possible, although desire is assumed to diminish as consumption increases. Each also wishes to provide as few factor services, and as little of each, as possible, and here desire is assumed to diminish as supply diminishes. In addition to production and consumption the market is the locus of exchange; the conditions for the optimality of production and exchange may be found in any standard elementary account of economic theory, and need not delay us.

The perfectly competitive market presupposes private ownership of all products and factors of production. Thus it is specified not only by the utility functions of those interacting in it, which determine demand, and the production functions which determine supply, but also by an initial distribution of factors, affording each person his/her initial factor endowment. For the purposes of our discussion, each person may be defined by his/her factor endowment and his/her utility function. The activity of the market proceeds from the initial distribution of factors, which in relation to the other characteristics of the market is simply a given condition. To say that a factor or product is owned by an individual is to say that s/he may use it as s/he pleases in the processes of production, exchange, and consumption. Thus the market involves the entirely free activity of each individual, limited only by factors and products that s/he owns, the production functions that determine the possibilities of transforming factors into products, and the utility functions of others that determine the possibilities of exchange. The presupposition of private ownership may therefore be divided into two parts: individual factor endowments, and free individual market activity.

The perfectly competitive market presupposes a second form of privacy in the consumption of all products. Each unit good enters into the utility function of only one person. This has a twofold implication. On the one hand all goods must be strictly private in the sense that consumption of a unit by one person precludes its consumption by another. Food is a purely private good; what one eats, no one else can. On the other hand utility functions must be strictly independent; no person gains or loses simply from the utilities of others. Each person's utility is strictly a function of the goods s/he consumes and the factor services s/he provides. Or in other words, bundles of goods consumed and services provided are strictly discrete, and each person's utility is determined by and only by the size and composition of his/her bundle.

The restriction to private goods is of considerable significance in limiting the possible scope of the perfectly competitive market. But it does not have the direct ethical import of the requirement that utility functions be independent. The idea here is happily expressed by John Rawls; people "are conceived as not taking an interest in one another's interests."[5] In fact his formulation is more restrictive than needed; the market requires only that persons be conceived as not taking an interest in the interests of those with whom they exchange. This is Wicksteed's requirement of "non-tuism." Private consumption, like private ownership, is thus divided into two parts: private goods, and mutual unconcern.

The existence of unowned factors or products, the presence of public goods or interdependent utilities, may give rise to economic externalities. The absence of externalities, however they may arise, is a further condition of perfect competition. An externality arises whenever an act of production or exchange or consumption affects the utility of someone who is not party, or unwillingly party, to it. Such an effect may of course be either beneficial or harmful; if beneficial we speak of a positive externality or external efficiency; if harmful we speak of a negative externality or external inefficiency.

An example of each may be helpful. Let us suppose that a group of shipowners agree to erect a lighthouse to aid the navigation of their ships. They have no way of restricting the good provided by their lighthouse to those who bear the costs of its provision. Given freedom of the seas, anyone may avail him/herself of the navigational aid afforded by the lighthouse. The effect, then, on those shipowners not party to the construction of the lighthouse is a positive externality.

Let us now suppose that a factory owner disposes of the gaseous wastes from his/her factory by having them discharged into the atmosphere, thus causing pollution. If anyone may use the air as s/he pleases - if it is a free good - then there is no way to require the factory owner to compensate others for the ill effects of his/her method of waste disposal. The effect, then, on any person breathing the polluted air is a negative externality.

Essential to the operation of the perfectly competitive market is the marginal matching of supply and demand. Externalities upset this matching. Lighthouses tend to be undersupplied; air pollution is oversupplied. The reason is straightforward. Demand is effective only as a willingness to pay the costs of supply. But those who benefit from the provision of lighthouses have little or no incentive to pay their costs. Given freedom of the seas, there is no way to channel their demand into a user's fee. And so demand is ineffective. Those who supply lighthouses will do so only in answer to their own demand - not in answer to the further demand that is represented by the non-paying users. Supply will therefore tend to fall short of full demand.

The situation is unhappily reversed with respect to such bads as air pollution. Those who create it, given that air is a free good, must pay only its direct costs to them and not the costs to others. Hence lack of demand, as it were, does not prevent supply. Air pollution is supplied up to the point at which its marginal cost to the suppliers equals its marginal benefits; the additional costs to others have no effects in restraining that supply.

Individual endowments and private goods, free market activity and mutual unconcern, and the absence of externalities - these are the characteristics of the perfectly competitive market. In it, both production and exchange are carried on under conditions of certainty. Certainty of production is assured by fixed production functions representing a known technology. Certainty of exchange is assured by known market prices, varying in accordance with aggregate supply and demand, but effectively independent of the behavior of any single individual. Although prices are determined, given the technology of production, purely by the subjective values - the preferences - of the individuals interacting in the market, yet they present themselves to each as an objective datum, an objective value to which s/he must conform in his/her activities. Marxist analysis provides us with a useful term for this appearance of objectivity - it is a form of fetishism.

Free activity under conditions of certainty is sufficient to ensure that the market constantly moves towards an equilibrium condition. An equilibrium is achieved if and only if each person's behavior is a best response to that of everyone else. And the economist now offers his/her triumphant demonstration that given perfect competition, the market equilibrium must also be an optimum - no one could be made better off without someone else being worse off. In the outcome of the perfectly competitive market, no one could consume more products given the factor services s/he provides, or provide fewer services given the products s/he consumes, unless some other person were to consume fewer products while providing the same services, or to provide more services without consuming more products. Adam Smith's Invisible Hand is thus made visible by the economist's analysis. In setting out the conditions for perfect competition we show those features of interaction that ensure that each, intending only his/her own gain, promotes the benefit of society, in bringing about a mutually beneficial optimum, even though this be no part of his/her intention.

The coincidence of equilibrium and optimum in the outcome of the perfectly competitive market is central to our argument. In equilibrium, resulting after all voluntary exchanges have been made, individual gain is assured, in that each does as well as s/he can, given the actions of the others. In optimum, mutual benefit is assured, in that each does as well as s/he can, given the payoffs of the others. It is the failure of the equilibrium resulting from the pursuit of individual gain to be optimal that is the source of the complaints by Hobbes and others against the natural condition of humankind. The market overcomes this failure, and it is the coincidence of equilibrium and optimality that is, by contrast, the source of Smith's panegyric to the Invisible Hand. But we must not simply dismiss from attention those other features of the market that we have noted; they are not merely conditions of that coincidence. That the market supposes free activity is important in its own right. And it is essential that we understand what free activity is.

III

Consider first the activity of a solitary being, a Robinson Crusoe as we shall call him/her. Robinson Crusoe is free to use his/her capacities in whatever way will best satisfy his/her interests given the external circumstances in which s/he finds him/herself. His/her capacities will limit the satisfaction s/he can provide for his/her interests. Conversely, his/her interests will limit the use s/he can make of his/her capacities - not in limiting what s/he can do but what s/he finds worth doing. But we should not suppose that these limitations constrain his/her freedom. One is free insofar as one is able, without interference or other constraint, to direct one's capacities to the service of one's interests. Furthermore, since Robinson Crusoe enjoys the full product of his/her labors, what s/he consumes is whats/he produces, and so the value of what s/he consumes is equal to the value of whats/he produces. But also, the marginal costs and benefits of his/her productive activity are equal; the value, to him/her of the last unit good s/he produces equals the cost, to him/her, of the last unit factor service s/he supplies for its production. Or at least, Robinson Crusoe has only him/herself to blame should this marginal equivalence not be satisfied, since s/he is free to cease his/her productive efforts when the cost of further production exceeds the benefit of consuming the good produced.

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The effect of the market is to ensure, at the interpersonal level, the same freedom that Robinson Crusoe enjoys in his/her solitude, while making possible the enormously expanded range of benefits afforded by exchange and the division of labor - and, in the long run, also by investment. As we have noted, the strictly competitive market precludes all strategic interaction; from the standpoint of each individual, the production and demand functions in terms of which s/he chooses his/her maximizing course of action are fixed, "natural" circumstances Thus although the use of any particular individual may make of his/her talents or the satisfaction s/he may secure for his/her interests depends on considerations of aggregate supply and demand, and thus on the talents and interests of all those interacting in the market, yet no single individual is in a position to control the terms of interaction for others.

Each person is thus a Robinson Crusoe, even in the market. Of course, the existence of other persons, and the possibilities of exchange, affect the constraints on individual behavior. Not only his/her own capacities, but the capacities of others, will limit the satisfaction any individual can provide for his/her interests, and this in two ways. First, the overall productive capacity of a society is limited by the capacities of its members. But second, the return each person may expect for the exercise of his/her capacities in the provision of factor service depends on the extent to which those capacities are in relations of mutual substitutability with the capacities of others. Scarce capacities secure the equivalent of what economists term rent, and this rent adds to the means whereby the fortunate possessor of the scarce capacities may satisfy his/her interests. Hockey arenas that are usually half full sell out when Wayne Gretzky comes to play; the resulting salary that Gretzky commands includes a substantial rent for his irreplaceable talents.

Furthermore, not only one's own interests, but also the interests of others, affect the use one can make of one's capacities, in limiting what one finds worth doing. Wayne Gretzky's talents on ice would be of little benefit to him were there no audience for hockey. But these limitations are the interpersonal analogue of the limitations experienced by Robinson Crusoe alone on his/her island. If we agree that Crusoe's freedom is not constrained by his/her limited talents and interests in solitary action, then we should agree that his/her freedom is not constrained by limited talents and interests when s/he leaves his/her island to join the market.

Robinson Crusoe, we noted, enjoys the full product of his/her labors. Similarly, those who engage in market interaction enjoy the full product of their labors. Under standard conditions, the value of total market output is equal to the sum of the marginal values each person contributes to that output - the sum of the marginal differences each makes. In the free exchanges of the market, where all externalities are absent, each person may expect a return equal in value to his/her contribution. Thus the income each receives, or the value of the goods each is able to consume, is equal to the contribution s/he makes, or the marginal differences s/he adds to the value of the total product. And, also, as with Robinson Crusoe, the marginal costs and benefits of his/her activity are equal. The value to each person of the last unit good s/he produces or obtains in exchange is equal to the cost, to him/her, of the last unit factor service s/he contributes to production, or the last unit good s/he offers in exchange. The market, then, yields an optimal outcome in which returns to individuals equal contributions made by those same individuals. And this emerges, not through any deliberate intent on the part of the individuals, each of whom seeks only to maximize his/her gain, but because of the structure of interaction in conditions of perfect competition.

IV

The coincidence of equilibrium and optimum in the outcome of free market activity under conditions of perfect competition is taken by laissez faire economists to justify the "obvious and simple system of natural liberty." Any restriction of this liberty, any interference with the natural working of the market, could be neither rationally nor morally acceptable. Many forms of interference would of course affect the optimality of the market, yielding an outcome which would leave each person worse off than s/he need be given the returns of the others. But even if optimality were preserved, interference would involve a redistribution of products that would leave some individuals better off and others worse off than they had been in free interaction. What could entitle the beneficiaries to their gains, taken at the expense of their fellows? And what could reconcile those fellows to their losses? The sole activity affecting the market that could be rational or right is simply to preserve it - to prevent force or fraud, those cardinal virtues of Hobbes' natural condition of war that are the great enemies of free and mutually beneficial interaction.

The argument by which the laissez faire economists would seek an end to political constraints is clearly also an argument for an end to moral constraints. If each is not morally free to pursue his/her own gain, then some must benefit at the expense of others. Where earlier thinkers saw in the unbridled pursuit of individual interests, the ultimate source of conflict in human affairs, the defenders of laissez faire see in it rather the basis of the true harmony that results from the fullest compossible satisfaction of those interests. The traditional moralist is told that his/her services are not wanted.

Superficially it may seem that the argument of the advocates of laissez faire rests on the claim that an outcome which satisfies the two rationality properties - equilibrium and optimum - must also be morally right. But a more profound interpretation of their argument is that morality has no application in conditions of perfect competition. The outcome of the market is neither morally right nor morally wrong, because the coincidence of equilibrium and optimum under conditions of free interaction removes both need and rationale for the constraints that morality provides, and that enable us to distinguish situations as right or wrong. Moral constraints arise only in the gap created when the two rationality properties are in conflict, so that mutual benefit is not assured by the pursuit of individual gain. We assess outcomes as right or wrong when, but only when, maximizing one's utility given the <u>actions</u> of others fails to maximize that utility given the <u>utilities</u> of others.

We endorse this intrepretation; market outcomes are neither right nor wrong. We propose to argue that features of our common conception of persons as rational individual agents - or at least as potentially rational individual agents, and of our common conception of morality as an impartial constraint on the individual pursuit of self-interest or gain, lead to the conclusion that moral assessment is restricted to non-market activity. But we must emphasize that our argument does not yield a straightforward defence of laissez faire in economic practice. First of all, its traditional defenders supposed, as we do not, that the perfectly competitive market was realized, or almost realized, or at least could be realized, in most of our economic interactions. Essentially they failed to appreciate the unavoidable presence of external effects in almost all contexts. Hence they derived policy conclusions from their basic normative stance that in fact require factual premisses that seem false or at best doubtful. Our concern is to show that morality has no place in an ideal context of interaction, not to claim that this ideal has direct practical application.

But in the second place the defenders of laissez faire failed to appreciate the normative character of certain of the presuppositions of the market. We have noted that the market presupposes private consumption, and this is a factual matter. Consumption of a unit good by one person either does or does not preclude its consumption by another, and the utilities of one person either are or are not independent of the utilities of another. But the market also presupposes private ownership of factors and goods, and this is a normative matter. The initial factor endowment of each person is taken as given, but why should it be so taken? Each product and each factor of production is owned by some individual who may use it as s/he pleases as far as production, exchange, and consumption are concerned, but why should individuals exercise this control?

The presupposition of private ownership would seem to raise questions about both the rationality and the alleged non-morality of market interaction. These questions are especially pressing since in any market there are many possible optima, and the actual market outcome is determined by the initial factor endowments of the interacting individuals. It is that optimum which yields each individual a return equal to his/her contribution, but the factor services an individual contributes must depend on the factors s/he possesses, and so on his/her endowment. Of course, the contribution each individual makes depends also on the technology available for the conversion of factors into products and the preferences that determine demand. But all else remaining the same, a different initial distribution of factors leads to a different final distribution of goods.

Our response is to distinguish the conditions of the market from its operation. The operation of the market is to convert an initial situation specified in terms of individual factor endowments into a final outcome specified in terms of a distribution of goods or products among the same individuals. Since the market yields an outcome both optimal and in equilibrium its operation is shown to be rational, and since it proceeds in terms of the free activity of individuals, our claim is that its rationality then leaves no place for moral assessment. Given the initial situation of the market, its outcome cannot but be fully justified.

But neither the operation of the market nor its outcome can show, or can even tend to show, that its initial situation is also either rationally or morally acceptable. Nothing then in our argument about the inapplicability of moral categories to the operation of the market can show that the initial factor endowments themselves raise no moral issues. In his analysis of the optimality of perfect competition, David Winch notes that "The perfectly competitive system is dependent on private ownership of factors of production" so that "the essence of the system is that distributive justice is an attribute of the inputs."[6] With this we fully agree. Any defence of particular market arrangements must include a defence of the inputs, of the initial factor endowments. But as Winch notes, "the acceptance of an initial distribution of factors...precludes our having value judgments about the distribution of utilities." The operation of the market does not raise any further evaluative issues. Market arrangements are fair if, but of course only if, they result from fair initial conditions.

V

In arguing for the inapplicability of moral categories to the operation of the market, we must not merely beg the question by presupposing that morality must follow rationality. It would be too easy a victory to show that. given the initial situation of the market, the final outcome follows from interaction among individuals that satisfies both individual and collective rationality, in yielding an outcome both in equilibrium and optimal, and to rest our case at that point. Rather, we begin from the common understanding of morality as an impartial constraint on the direct pursuit of individual gain, of utility. What we must then ask is whether the market exhibits any form of partiality that would justify, from a strictly moral standpoint, the constraint needed to overcome it.

Perhaps the best way to decide this matter is to ask whether any individual could reasonably claim that the operation of the market affected him/her in any differential way, whether favorably or unfavorably, taking his/her initial endowment as given, or whether s/he could enter any reasonable complaint or objection against the market outcome, taking its starting point as given. Now here several features of the market are clearly relevant. First, the presupposition of free activity ensures that no one is subject to any form of compulsion, or to any type of constraint not already present in the actions of a solitary individual. Each chooses for him/herself what to produce, what to exchange, and what to consume, against a known technology of production and a known set of prices, which neither s/he nor any other individual is able to affect. If the market were to bring about an outcome, albeit optimal and in equilibrium, through the exercise of compulsion by some individual or group on others, then we might well see the need for a Visible Foot to set things right. But given the freedom of market interaction, the introduction of moral constraints would in effect be to introduce the very compulsion that in our view morality is intended to counteract. Since the market provides nothing to correct, the introduction of a corrective device would itself stand in need of remedy.

Second, the absence of externalities ensures that no one is affected, whether beneficially or harmfully, by any market activity to which s/he has not chosen to be party. Not only has each acted freely, but also each has interacted freely. No one is then in the position of either a free-rider or a parasite. A free-rider obtains a benefit without paying all or part of its cost. A parasite in obtaining a benefit displaces the cost or part of the cost on to some other person. Recall our previous examples. The shipowners whose vessels take navigational advantage of a lighthouse although they have paid neither for its erection nor for its maintenance are free-riders. Although they do not displace costs on to others, they do gain without paying any of the costs required to provide the gain. The factory-owner who disposes of his/her gaseous wastes by polluting the atmosphere without compensating those who suffer the pollution s/he causes is a parasite, displacing part of the costs of his/her activities on to others. And note that s/he would remain a parasite even if others were to buy him/her out of polluting, for s/he would then be charging them the costs of an alternative method of disposing of his/her wastes.

A free-rider does not make others worse off by his/her behavior. Those who erect and maintain the lighthouse may be supposed to maximize their utility in so doing. But s/he obtains an added benefit that they do not enjoy, so that the outcome affects him/her in a differentially favorable way. The parasite does directly make others worse off. His/her activity may seem more evidently unfair than that of the free-rider. Indeed, s/he directly violates the conditions of free activity in forcing others to interact with him/her in a manner not of their choosing. S/he benefits differentially, and others suffer differentially. But although the parasite is doubly at fault, yet both undermine the impartiality found in interaction in which each pays the costs of the benefits s/he obtains.

The equation of income to the marginal product contributed ensures just this impartiality. Not only does each interact freely with his/her fellows, but each benefits from and only from the contribution s/he makes. One might freely choose to enter into differentially unfavorable interaction with others because of the lack of better alternatives. The slave may be better off as a slave than s/he would be as a Robinson Crusoe; given a choice between slavery and solitude s/he might freely choose slavery. But the slave does not benefit from interaction to the extent of his/her contribution. The market rules out all such biased forms of interaction. Despite propaganda to the contrary, wage slavery is not and cannot be a feature of the market.

Third, the optimality of the outcome, given that it results from free activity in the absence of externalities, is sufficient to show that any alternative must exhibit partiality. For every alternative must involve a diminution of some person's utility, and we may treat this diminution either as a loss of benefits or an increase in costs. If the former, then the person will not receive some benefit for which in free interaction s/he paid the cost; if the latter then the person must pay some cost in addition to those which in free interaction were sufficient to cover all his/her benefits. In either case the person's interests are prejudicially affected.

Throughout our discussion, the absence of externalities has played a crucial role. We have argued that their presence occasions free-ridership or parasitism, and these are clearly incompatible with the impartiality demanded by morality. Typically, their presence also breaks the link between equilibrium and optimum demanded by full rationality. As the role of externalities makes clear, rational and moral problems prove to be very closely linked. The market is happily free from both. Or so we tentatively hold.

VI

We must now show that this tentative conclusion is not undermined by other presuppositions of the purely competitive market. As we have noted, each individual is defined in relation to the market by his/her utility function and factor endowment. In claiming that the operation of the market is impartial, we are claiming that it is impartial to persons so defined or conceived. Let us say that the utility function and factor endowment together constitute a person's market self. Insofar as an individual identifies with his/her market self s/he will of course find the operation of the market to be impartial, and will consider any supposedly moral constraints on that operation to be in fact immoral - an exhibition of partiality. Now one can hardly fail to identify with one's utility function - the measure of one's considered preferences - but one may not identify with one's factor endowment.

One may consider it purely arbitrary. One may agree that, given private property in the factors of production, market interaction is uniquely rational and impartial. But one may reject, not merely one's particular endowment, but the very idea of an endowment. One may suppose that there is no non-arbitrary way to introduce market interaction.

To some extent this supposition should appear less plausible in the light of our discussion of free activity, and in particular by the idea that in market interaction the freedom of solitary activity is preserved. Although Robinson Crusoe's natural endowment may be in one sense purely arbitrary, in that s/he would have no ground for complaint were it other than it is, yet what it is is in another sense not at all arbitrary. In the solitary condition in which Crusoe finds him/herself, his/her endowment is whatever s/he can make use of. It thus affords a determinate and natural starting point for his/her behavior. If we endeavor to extend this conception of natural endowment to social interaction, we find that what one can make use of is not determinately established. It may seem that either endowments overlap, so that, as Hobbes insists, every person has a right to everything, even to anothers body,[7] or that endowments shrink to zero, so that no one has a right to any thing, even to his/her own body. But this is not so. We may define a person's basic endowment as what s/he can make use of, and what no one else can make use of in that person's absence. Then each person's basic endowment will comprise his/her physical and mental capacities. They are immediately present for that person's own use, and they are present for the use of others only insofar as that person is also present. We might also propose that one's basic endowment includes what one is able to use directly and what others can use only indirectly, through one's own use. I can use my eyes directly to see with, but you can use them only indirectly. The transplantation of bodily organs however complicates this alternative account. You can use my liver directly if it is successfully implanted in your body, but even so you can gain the use of it only by taking it from me, and for this my presence is required.

A person's endowment may include other factors of production, and indeed must do so for perfect competition to be possible, so that we shall require a non-arbitrary way of moving from the basic endowment to those other factors. We can not here explore how this might be done. What suffices for present purposes is that each person begins with a conception of him/herself that includes his/her physical and mental characteristics as a non-arbitrary endowment. For each then will consider interaction with his/her fellows to satisfy the condition of impartiality only insofar as it affords him/her a return equal to the services s/he contributes through the use of his/her capacities. And while this is not yet sufficient to rule out all alternatives to the market as partial, it meets the criticism that the starting point of the market is purely arbitrary.

Before leaving this matter, however, we must at least recognize a complicating consideration. The market return for the use of any factor may include two rather different components. First, and necessarily, the price of a factor must include its cost of supply. Each person, in bringing his/her abilities to production and exchange, receives a return covering the costs of developing and maintaining those abilities. Were this not so, interaction would not be voluntary; if each did not receive his/her cost of supply then factors would be brought to the market only under threat of coercive penalties. But to the extent to which certain factors are in fixed supply - to the extent to which certain talents and abilities are not freely substitutable in the market - there is also, as we have noted, the possibility that demand for the goods produced with the use of these factors will bring about a market price that includes factor rent. In this case a person benefits from the scarcity of his/her particular talents and abilities - a scarcity which is of course entirely accidental from his/her standpoint. S/he receives more than is needed to induce him/her to bring those factors to the market; rent is by definition a return over and above the cost of supply.

In a market, scarce factors command rent. This is a factual claim. To those who identify with their factor endowments, it is no more than a factual claim. To those who do not, it raises a question of justification. If the operation of the market includes the provision of rent, then is there not at least some room for the moral assessment of market outcomes? I think not; the coincidence of equilibrium and optimum in an outcome reached through free interaction leaves no place for the mutually beneficial constraints of morality. But I shall leave the problem of rent as unfinished business; here, if anywhere, those who would claim that markets stand in need of morality must find their opening.

VII

We turn to our final theme - the requirement of mutual unconcern, or the independence of utilities. The conception of persons as taking no interest in one another's interests is fundamental to moral, as well as economic, theory. For we suppose with Kant that moral constraints must apply in the absence of other-directed interests, that they must apply whatever one's individual values may happen to be. Where we differ from Kant is in finding an area of human interaction free from these constraints.

The assumption of mutual unconcern may be criticized because it is thought to be generally false, or because, true or false, it is held to reflect an unduly nasty view of human nature - a view that is incompatible with both morality and society. But such criticism would misunderstand the role of the assumption. Of course persons exhibit concern for others, but their concern is usually, and quite properly, particular and partial. It is neither unrealistic nor pessimistic to suppose that beyond the ties of blood and friendship, which are necessarily limited in their scope, persons exhibit little positive concern for others. Where personal relationships cease only a weak negative concern remains, manifesting itself perhaps in a general willingness to refrain from force and fraud if others do likewise, and in a particular willingness to offer assistance in extreme situations - in, for example, the desire to aid victims of disasters, whether natural or man-made - but that is compatible with supposing that each should look after him/herself, with a helping hand to friends and kin, in the ordinary affairs of life.

The assumption of mutual unconcern is to be employed in analysing the possibility and characteristics of moral and social relationships in the limiting, but practically important, case in which particular ties among persons are either absent, or if present, too weak to sustain such relationships. One of the characteristics of most human societies is the absence of any form of effective and mutually beneficial interaction among persons not tied by some particular bond. Thus the fundamental importance of kinship systems; one cooperates with one's kin because there is a bond of trust, of assurance that those with whom one interacts will not prove unmindful of one's interests. But other persons are potential enemies: the absence of any determinate bond implies a lack of concern that is thought to make any cooperative relationship impossoble. The fundamental distinction between us and them, blood-brothers and strangers, has limited the scope of cooperation for much of humankind. We invoke the assumption of mutual unconcern to determine if that limitation is an inescapable evil of the human condition.

The superiority of market society over its predecessors and rivals, as providing a framework for human interaction, is manifest in its capacity to overcome this limitation and direct mutual unconcern to mutual benefit. The perfectly competitive market requires no bond among those engaged in it, other than those bonds that they freely create as each pursues his/her own gain. The impersonality of market society, which has been the object of wide criticism, and at the root of charges of anomie and alienation in modern life, is instead the basis of the fundamental liberation afforded by the market. Men and women are freed from the need to establish more particular bonds, whether these be affective or coercive, in order to interact beneficially. The division between siblings and strangers disappears, and is not replaced by a new division in which subjects cooperate only so long as they remain under the watchful eye of a sovereign. Against the market background of mutual unconcern, particular human relationships of trust and affection may flourish on a voluntary basis. Those who hanker after the close-knit relationships of other and earlier forms of human society are in effect seeking to flee from the freedom to choose those in whose interests one will take an interest.

The liberation effected by market society cannot be unlimited, and is not without real dangers. In time, more and more human relationships and activities are brought within the scope of the market, or are interpreted in concepts derived from the mutual unconcern present in the market. In freeing us from the need to develop affective bonds in every social interaction, or to accept coercion as the only alternative, market society may seem to encourage a conception of human beings as unrelated individual atoms that undermines the possibility of genuinely affective ties. Complete liberation may end in alienation. But wherever individuality may end, its emergence, except as the privilege of a numerically insignificant elite, is made possible only by the market.

The conception of morality that is associated with the idea of interaction among mutually unconcerned persons is of course the idea of morality as a set of constraints that any rational person must acknowledge. Such a morality is possible if the constraints are generated simply by the acknowledgement that they make possible the more effective realization of one's interests, whatever those interests may be. One is not then able to escape morality by professing a lack of moral feeling or concern, or of some other particular interest or attitude, because morality assumes no such affective basis. Hume believed the source of morality to lie in the sympathetic transmission of our feelings from one person to another. But Kant, rightly, insisted that morality cannot depend on such particular psychological phenomena, however benevolent and humane their effect may be, and however universally they may be found. The Kantian insistence that morality binds independently of the nature and content of our affections is thus fully expressed in the insistence that morality be based on the assumption of mutual unconcern.

From this standpoint the market is clearly non-moral. For in the operation of a system of perfect competition there are no constraints that mutually unconcerned persons must or rationally would acknowledge. Constraints would be not merely pointless, but positively harmful to their interaction. The essence of the market is to afford an area of freedom, rationalized by its optimality. The early defenders of laissez faire may perhaps be forgiven for the enthusiasm with which they welcomed this idea, an enthusiasm that led them to apply it without considering how far perfect competition could be realized in human affairs. We do not suppose that actual market societies have realized, or could have realized, the ideal of free and optimal interaction, in its full form. And while we may believe that those societies that have professed the market ideal have come closer to its realization than those that have pursued other objectives, yet in the absence of an adequate theory of the second-best we may not even assert this lesser claim with confidence. We must remain at the level of the ideal.

The perfectly competitive market offers us a picture of harmony - between individual and society, between freedom and welfare. To be sure, we must not ignore the laws of justice, which set the initial conditions - the endowments of the men and women in the market, and in requiring that those endowments be respected, limits interaction to exchanges free from force or fraud. But given the conditions of the market, we may, and must, let ourselves be guided by an Invisible Hand, with no need to submit our backsides to that Visible Foot, morality.

Notes

1 Ogden Nash, "Kind of an Ode to Duty".

2 Kurt Baier, The Moral Point of View: A Rational Basis of Ethics, Ithaca, 1959, p. 314.

3 Adam Smith, The Wealth of Nations, Book IV, Ch. IX (Everyman's Library, London, 1910, vol. 2, p. 180).

4 Ibid., Book IV, Ch. II (Vol. 1, p. 400).

5 John Rawls, A Theory of Justice, Cambridge, Mass., 1971, p. 13.

6 D.M. Winch, Analytical Welfare Economics, Harmondsworth, Middlesex, 1971, p. 97.

7 Thomas Hobbes, Leviathan, London, 1651, p. 64.