Centenary Symposium, Part II
Ayn Rand Among the Austrians

Two Worlds at Once: Rand, Hayek, and the Ethics of the Micro- and Macro-cosmos

Steven Horwitz

> Moreover, the structures of the extended order are made up not only of individuals but also of many, often overlapping, sub-orders within which old instinctual responses, such as solidarity and altruism, continue to retain some importance by assisting voluntary collaboration, even though they are incapable, by themselves, of creating a basis for the more extended order. Part of our present difficulty is that we must constantly adjust our lives, our thoughts and our emotions, in order to live simultaneously within different kinds of orders according to different rules. . . . *So we must learn to live in two sorts of worlds at once.*
>
> — F. A. Hayek (1989, 18; emphasis added)

Introduction

A title that contains Rand, Hayek, and the ethics of anything might well raise a few eyebrows among the cognoscenti. After all, Ayn Rand was a champion of an objective ethics and railed against anyone who suggested that a meaningful ethics could be anything but objective in her sense. F. A. Hayek (1989, 10), by contrast, argued explicitly that "Ethics is the last fortress in which human pride must now bow in recognition of its origins. Such an evolutionary theory of morality is . . . neither instinctual nor a creation of reason." Thus we are faced with two thinkers who have strongly opposed explanations for the source of ethical rules. However, despite those differences, both Rand and Hayek do wind up with some similar conclusions. For one, both argued that there was a strong link between ethics, political philosophy, and the role of the state. For another, both recognized the ethical dimension to economic activity, despite economists' attempt during the twentieth century to remove such "metaphysical" concerns.

The Journal of Ayn Rand Studies 6, no. 2 (Spring 2005): 375–403.

But neither of those are the matters to be pursued below. Instead, I wish to explore how both thinkers' ethical theories get played out in their understanding of social interaction. To set the stage in broad terms, I want to argue that when it came to the ethics of the anonymous world of the market and social interaction writ large, Rand and Hayek were in significant agreement about what sort of behavior was ethically necessary and what was not. Where they differed is in what ethic was appropriate to the more intimate and personal world of what Hayek called the "micro-cosmos" or the "overlapping sub-orders" noted in the quote that opened this paper. For Rand, ethical principles were not dependent on the institutional context, whereas for Hayek they were. In what follows, I will expand on these differences and explore them further. It is not clear that Randian self-interest can serve as the ethical foundation for appropriate behavior in the micro-cosmos, as we shall see by application to the institution of the family. In this respect, Rand's ethics is reductionist in that it reduces all contexts to that of the trader; Hayek's work suggests that the worlds of the micro-cosmos are contexts that demand different ethical principles. This sets up an interesting contrast: the Randian is likely to see Hayek's "two worlds at once" as a rationalization for ethical inconsistency, which would trouble the Randian greatly, while the Hayekian is likely to see Rand's insistence on a universal ethic as a refusal to recognize the importance of context and the social consequences of adopting particular ethical codes, which are charges not normally applicable to Randians. Central to the argument that follows is an attempt to show why what appears to be an inconsistency is, in fact, a consistent view of our ethical obligations given Hayek's view of the nature of the social world.

A Brief Overview of Rand's Ethics

A long discussion of Rand's ethical system is unlikely to be necessary for most readers of this journal, and would tax my own knowledge of both ethics and the depth of Rand's thought. Nonetheless, a brief overview seems in order, if only to establish some context for the comparison and to provide a contrast with Hayek's discussion

of similar issues.

Rand's view is perhaps best captured by the title of her (1971a) collection of essays on ethics, *The Virtue of Selfishness*. For Rand, rational egoism is the defining characteristic of the judgment of right and wrong. Individuals ethical obligations to others are only to avoid the use of force or fraud and to comply with all voluntary agreements. Beyond that, it is the individual's own self-interest that guides behavior. It is an ethical imperative to allow individuals the maximum scope for choice compatible with the equal respect for the same among others. Furthermore, to expect individuals to live for the sake of another, i.e., to sacrifice their values for those of another, runs counter to both the essence of what it is to be human and to the creation of a viable social order. In Rand's (1957, 993) formulation through John Galt in *Atlas Shrugged*, "I swear—by my life and my love of it—that I will never live for the sake of another man, nor ask another man to live for mine." Of particular interest for the argument below is that Rand's ethical system is universal; it applies to all people in all situations.[1]

Underlying Rand's ethics is the link between egoism, freedom, and human survival. The ultimate standard for ethical judgment is whether something contributes to human life. Rand (1971a, 17; emphasis in original) argues: "An organism's life is its *standard of value*: that which furthers its life is the *good*, that which threatens it is the *evil*." She goes on to argue that the physical sensations of pain and pleasure provide some guidance about the good to higher entities, but not enough to make a full ethical judgment. Humans need also to make use of their consciousness and reason to determine what will contribute to their lives and what will detract from them. Survival is not automatic for humans, therefore we must act consciously and make choices about how to further life. Paraphrasing Rand, the choice to think or not is the choice to live or not. Human life and human survival depend upon humans being able to exercise their reason.

Rand is also clear that "survival" in this context is more than just biological survival; it is survival "qua man." Whatever promotes man's survival "as man," as capable of doing things that other animals

are not, is the good. For example, a person might see stealing some food as necessary to her physical survival, but Rand would nonetheless condemn it as not an example of "man's survival qua man" as it ignores the other ways food could be obtained without forcibly taking it from others. The use of force denies humans the ability to direct their own lives by using their own reason to promote their own survival. The only ethical way of dealing with others is through voluntary interaction.

The underlying principle of this ethical stance is that it "advocates and upholds rational selfishness" or that which promotes the survival of man qua man. Thus, the "trader" is the clearest symbolic representation of Rand's ethics. The trader works in his self-interest but only by simultaneously serving the self-interest of the other party or parties to the trade. The trader, argued Rand, gives "value for value" and does not desire the unearned. It is worth noting that Rand believes that the principle of trade applies across human activity:

> The principle of trade is the only rational ethical principle for all human relationships, personal and social, private and public, spiritual and material. It is the principle of justice. (31)

As Rand further elaborates, this principle should operate even in such areas as love. Love is the ultimate act of the trader, as he or she acquires the happiness that comes from appreciating the values of the other, and vice versa. So, for Rand, all personal and social relationships should be modeled after trade relationships.

At the society-wide level, this is the argument underlying Rand's politics. If the fundamental human ethical norm is that of value-for-value via trade, then favoring laissez-faire capitalism is a logical conclusion. When trading is the ethical norm, then the political system must both allow for all such voluntary trades to take place, and ensure that violations of the rule of voluntary trade are prevented and/or punished. Where Rand differs from most defenders of capitalism both past and present is in turning the principle of trade into a universal ethical imperative. Historically, conservative defenses

of the market have made heavy use of religious ethical systems that supported a vague rendition of self-interest, or a version of the Protestant work ethic, in the market, but clear altruism elsewhere. At the same time, many libertarian defenses of the market focus on the voluntary nature of actions, without concerning themselves about the degree of self-interest involved. What matters for their ethical judgment is the use of force or fraud, not self-interest. Rand was unique in emphasizing the voluntary in the political realm so that rational selfishness could be pursued in the ethical realm. Politics makes it possible for man to seek the good. We shall see, by contrasting it with Hayek, that Rand's view may well be overly reductionist and insufficiently dialectical because it ignores important issues that arise in particular institutional contexts that might militate against rational selfishness as a universal ethical imperative.

The "Two Worlds" of Hayek

Exploring the ethical dimensions of Hayek's work is challenging because he rarely argued in explicitly ethical terms. This should not be surprising given that by the end of his life he had strongly embraced an evolutionary perspective on human social organization, which included an evolutionary theory of ethics.[2] That is, the ethical precepts appropriate for human flourishing are not the product of our reason, nor are they genetic/instinctual, rather they are the product of cultural evolution. Certain forms of behavior promote the continuation of what Hayek called "the Great Society" or the "extended order," while others retard it. Put historically, the emergence of the Great Society was made possible because people engaged in certain sorts of behavior and avoided certain others. Those patterns of behavior promoted social and cultural survival and therefore "multiplied" and spread. The core ethical concepts of Western market democracies were not "invented" but rather discovered over the course of centuries, if not millennia, of social evolution.[3]

The historical element of Hayek's ethics is the evolution from small tribes of hunters and gatherers to the extended world of the Great Society. In the thousands of years prior to the modern era,

humans and our evolutionary ancestors largely existed in small bands living on the edge of survival. In such groups, devotion to the group and agreement on collective ends was central to survival. Members of such groups would be used to thinking of themselves as means toward the collective ends and of sacrificing their own interests (if they even could, in some sense, conceive of such things) to that of the group. Deviation from long-held practices in such groups could threaten the biological survival of the whole group. The prospective costs of individual initiative significantly outweighed any prospective benefits. It was in these bands that our deepest notions of ethical behavior emerged, and the comparatively short time during which we have had human civilization (seven to ten thousand years, perhaps, and even less for anything like the Great Society) has been insufficient to eradicate that biological-cultural heritage.

To shorten what is a longer, more complex story in Hayek, the development of agriculture and advanced means of transportation began a transition to a market-based economy. Agriculture moved people away from nomadic practices and rooted them to place, which led in short stead to the evolution of property and specialization and trade. Lower costs of transportation allowed previously isolated groups to come in contact with others. One way of signaling the desire to cooperate rather than conquer was to offer gifts. This mutual gift giving turned to more structured exchange, and these "external" exchanges among groups became a model for exchange within groups. These two developments together (specialization using private property and exchange with strangers) provided rewards to those who began to stray from the traditional norms. Those who sought after profit through exchange, whether internal or external, were able to benefit themselves directly, and their groups indirectly. However, doing so ran the risk of incurring the distrust of the less entrepreneurial in the group, who saw this self-interested behavior as threatening the solidarity of the group. It is this tension between the ethical requirements of an exchange-based society (what Hayek calls a "catallaxy") and our deeply held evolved altruism that informs Hayek's analysis of contemporary society.

More specifically, Hayek—particularly in his work in the 1960s

and 1970s—differentiates between "organization" and "order," or "taxis" and "cosmos" (Hayek 1973). The "cosmos" is the spontaneous order of the Great Society. Hayek's concept of "spontaneous order" is one of his best-known contributions, referring to social institutions and practices that are the product of human action but not human design, i.e., they are the unintended, yet beneficial, consequences of human action. A variety of institutions, including money, language, the law, and markets can be understood as spontaneous orders. So too, Hayek argues, can the rules of morality. The modern industrial market society is thus a spontaneous order that emerges from people having followed evolved rules of just conduct. The key to the ability of an order to be both "orderly" and undesigned is that its elements follow rules. In the case of society writ large, it is our willingness to "submit" to the rules of just conduct that make possible the Great Society. However, because these rules were not the product of human reason, and because they conflict with our long-evolved and deeply-held moral instincts, the problem of the Great Society is generating an obedience to those rules in the face of both rationalism and our atavistic instincts.

Complicating this argument is the fact that the Great Society is comprised of innumerable "organizations" of the "taxis" variety, all of which share various characteristics that are not those of the spontaneous order as a whole. These organizations, which are the "overlapping sub-orders" from our head quote, are structured more like the tribal groups of old. Unlike spontaneous orders, which are held together by rules and are thus "means-connected," organizations use hierarchy and command, and are "ends-connected." Within a spontaneous order, all that is required is agreement on the means. Such agreement allows individuals to pursue their own ends through the use of those means. The example of language is most obvious; it is the means toward many ends, and its usefulness comes from common acceptance of the rules by which it is structured, not the uses to which it is put.[4] Organizations, by contrast, are ends-connected in that they function best when there is generalized agreement on the ends. A firm, an athletic team, an army, or a family might all fit this description. The ends-connectedness of organizations opens up

scope for being directed in a hierarchical fashion that makes heavy use of commands rather than rules. Individuals within such organizations are not free to act as they wish within a structure of commonly-agreed upon rules; rather, they take orders from above, or have internalized the relationship between their role and the organization's end so as to act within the appropriate limits.

One way to conceptualize the differences between orders and organizations is to note that orders involve relationships among anonymous others, while organizations involve much more "face-to-face" interaction. As far back as Adam Smith, social scientists have understood that there are limits to what can be done in the world of the "face-to-face." In Smith's ([1776] 1976, 18) famous passage arguing that self-interest will produce benefits to others, he notes that if we could get to know all of those people whose cooperation we rely on every day, we might be able to act in ways that directly benefit them. That is, if we knew them well enough, we could be altruistic. The problem, he argues, is that there is scarcely enough time to get to know even a few people very well, thus we must find an alternative way of gaining the cooperation of others.[5] He then argues that exchange is just such a way. By activating our mutual self-interest, an exchange-based society enables us to serve each other's needs (i.e., cooperate) without needing to know much at all about each other. Exchange is the sort of rule-based behavior that can generate means-connected orders. However, within organizations, we often are able to have sufficient knowledge to enable us to act directly in the interests of others, or of the organization as a whole.

Defining an act as "altruistic" is always a complex affair. For the purposes of this analysis, I will define an act as altruistic if it is intended to benefit another and any benefits that might accrue to the actor are not the reason for undertaking the act. Contrast this to acts of exchange, which may well benefit another, and can even be intended to benefit another, but are normally assumed to have as their motivating cause that they benefit oneself first and foremost. In exchange, we give up what we perceive as a lesser value for a greater one; in that sense, the action is self-interested. By the definition of altruism I am adopting here, an altruistic act is not necessarily one

where a greater value is given up for a lesser; rather, it is one in which the actor is concerned only with the benefit of the action to others and is not motivated by any benefits it might bring to himself.[6]

Under this definition, much of what we do to contribute to the common ends of various organizations qualifies as altruism. We might have interpersonal links that lead us to want to be concerned with others without regard to the cost or benefit to ourselves; it might be that our particular position or role within the organization is such that we take on those notions of obligations to others; or it may be that those higher in the organizational structure demand it of us. What matters for Hayek is that such altruistic behavior is in some sense only *possible* in social groupings of limited size and complexity where these sorts of conditions can hold, i.e., where relationships are not anonymous. Only in those cases is it possible to act in the interests of the group, or of another individual, rather than one's own. The size and simplicity of face-to-face organizations permit us to put the benefit of others as our primary concern.

This suggests that the ethics of the small band are likely to work well *within organizations*. At the simplest level, why do hockey players try to block shots by throwing themselves in front of 95 mile-per-hour pucks, placing themselves in danger when doing so? They engage in what is altruistic behavior on our account because they recognize and agree upon the unitary end of the organization, which is to win the game. They understand their role in that process and are able to act on the basis of what will benefit the group without recourse to the narrow personal cost or benefit to themselves.[7] The same can be said of employees who put their own interests aside in doing what is necessary for the firm to survive, or what the boss says needs to be done. In both cases, it might be the case that at one level the individual would personally prefer not to do either (i.e., block the puck or make that business trip she dreads), but each one recognizes that his or her own interests do not come before those of the group's, and each has the knowledge able to ascertain those interests. In that sense, the benefit or cost to the individual is not the motivator of action, and to the extent it benefits others by benefitting the group as a whole, it is altruistic.

And, most obviously perhaps, there is the interaction of family members. Leaving out the complexities raised by children, even the sacrifices that a married couple makes for each other, or that adult siblings make for each other (e.g., donating a kidney or bone marrow) fit this pattern of altruistic behavior. For adult siblings, it's clearly not a matter of hierarchy, but of some internalized notion of agreed-upon ends that say "this is just what you do for members of your family." Such altruistic behavior makes sense within organizations, as they forward the agreed-upon ends and the survival of the broader organization, rather than just the individual. Note again how this parallels the ethics of tribal life.

The Ethics of the Micro- and Macro-cosmos

The distinction between orders and organizations creates the context for this paper's opening quote. The problem, as Hayek sees it, is that we must constantly navigate between these two kinds of worlds, which require radically different ethical systems to function appropriately. As he puts it in the same passage the lead quote is taken from: "Part of our present difficulty is that we must constantly adjust our lives, our thoughts and our emotions, in order to live simultaneously within different kinds of orders according to different rules." More important, the ethics of each type of system cannot be applied to the other without destroying it. Hayek continues:

> If we were to apply the unmodified, uncurbed, rules of the micro-cosmos (i.e., of the small band or troop, or of, say, our families) to the macro-cosmos (our wider civilization), as our instincts and sentimental yearnings often make us wish to do, *we would destroy it*. Yet if we were always to apply the rules of the extended order to our more intimate groupings, *we would crush them*. (1989, 18; emphasis in original)

One element of this argument I wish to return to is Hayek's point that trying to apply the ethics of the Great Society in the micro-cosmos would "crush" the various smaller groups and organizations. Unlike

Rand, who saw her ethical system as having universal applicability, Hayek's evolutionary conception suggests that different ethical principles are necessary in different institutional contexts.

Even so, there is a Randian side to Hayek's understanding of the extended order of the Great Society. One of the points he stresses is that understanding the operation of that extended order is a challenging intellectual task. This challenge is made more difficult by the fact that as the twentieth century progressed, more and more people earned their livelihoods within various organizations, rather than out on the market directly. So between employment in a firm and then going home to a family, much of our life experience is within the hierarchy and ends-connectedness of organizations (Hayek 1977, 134–35). In those situations, we can more or less apply the "instinctual" ethics of our tribal past, and the organization or the family is more likely to be functional when such ethical codes are followed. However, in the world in which all of these individual organizations interact, the world of the spontaneous order of the Great Society, we must submit ourselves to the "discipline of abstract rules" and repress those instincts (143). Ultimately, understanding the need to submit to those rules requires "a mental reconstruction of the overall order of the Great Society," which is a difficult enough task for even those who study it professionally. Rand (1982, 132) understood this as well:

> An industrial economy is enormously complex: it involves calculations of time, of motion, of credit, and long sequences of interlocking contractual exchanges. This complexity is the system's great virtue and the source of its vulnerability. The vulnerability is psycho-epistemological. No human mind and no computer—and no planner—can grasp the complexity in every detail. Even to grasp the principles that rule it, is a major feat of abstraction.

The difficulty of grasping those principles helps to explain why living in two worlds at once is equally challenging.

One implication of Hayek's analysis is that we need a moral code for the Great Society that will cleanse the guilt we feel when what it

asks of us conflicts with our deeply held moral beliefs. Given Hayek's skepticism about rationally reconstructing an ethical system, we need to tread carefully here. Nonetheless, there are a number of places where Hayek hints at a quasi-Randian sense of the ethics of the market, and one can, I believe, make the case that Rand's ethical system is appropriate to Hayek's understanding of the Great Society (though not, as we have seen and will explore, to the micro-cosmos). Consider the following from *The Fatal Conceit*:

> In the sense of inculcating conduct that benefits others, all systems of morality of course commend altruistic action; but the question is how to accomplish this. Good intentions will not suffice—we all know what road they pave. Guidance strictly by perceivable favorable effects on particular other persons is insufficient for, and even irreconcilable with, the extended order. The morals of the market do lead us to benefit others, not by our intending to do so, but by making us act in a manner which, nonetheless, will have just that effect. (Hayek 1989, 81)

Although Hayek defends the morality of altruism *in effects*, he recognizes that the market, and all of the benefits it brings including human freedom, are not compatible with a moral system that demands altruism *in intent*. For Hayek (1977, 98), the justification of an ethical system is that it has shown itself to promote social cooperation: "A system of morals also must produce a functioning order, capable of maintaining the apparatus of civilization which it presupposes."[8] An ethical system that defends the self-interested *intentions* of actors under capitalism is necessary to ensure that the right sorts of behavior are encouraged and sanctioned, and the wrong ones are not. As Hayek (1989, 64) argues elsewhere in *The Fatal Conceit*:

> [T]he persistence of instinctual feelings of altruism and solidarity subject [sic] those who follow the impersonal rules of the extended order to what is now fashionably called "bad conscience"; similarly, the acquisition of material success is

> supposed to be attended with feelings of guilt (or "social conscience"). In the midst of plenty, then, there is unhappiness not only born of peripheral poverty, but also of the incompatibility, on the part of instinct and a hubristic reason, with an order that is of a decidedly non-instinctive and extra-rational character.

The implication is that one way to eliminate that guilt would be to encourage people to understand the real relationship between altruism and prosperity, and to understand that the self-interested behavior of the market and extended order should be seen as morally praiseworthy. One could argue that Rand's ethical system might fill in this gap as a way to overcome the divide between the micro- and macrocosmos.

This congruence is largely because Rand's ethics are consistent with what Hayek sees as the rules of just conduct that have evolved to support the spontaneously ordered market economy. In passages where Hayek (1977, 98) does reflect upon the relationship between ethical considerations and the prosperity produced by the modern market system, he can sound much like Rand. For example:

> There can be no moral claim to something that would not exist but for the decision of others to risk their resources on its creation. What those who attack great private wealth do not understand is that it is neither by physical effort nor by the mere act of saving and investing, but by directing resources to the most productive uses that wealth is chiefly created. And there can be no doubt that most of those who have built up great fortunes in the form of new industrial plants and the like have thereby benefited more people through creating opportunities for more rewarding employment than if they had given their superfluity away to the poor. The suggestion that in these cases those to whom in fact the workers are most indebted do wrong rather than greatly benefit them is an absurdity.

It is not a long step at all from that point to the main themes of *Atlas Shrugged*.

One remaining fundamental difference between Hayek and Rand is the issue of the "guilt" that living in two worlds at once can induce. An Objectivist might ask why we need to live with this guilt when a more consistent set of ethical rules that applied across social institutions and orders might "unburden" us. The Hayekian response to this argument is simply that it would undermine the ways in which the Great Society functions best. The Hayekian concern with function and social order as opposed to ethics is what drives this response. Given that Hayek sees ethics as the product of an evolutionary process, the concern is with what ethical codes best facilitate the continuation of that evolution and growth. With his understanding of the interplay between the various sub-groups and the larger spontaneous order, the social world simply requires us to live in "two worlds at once" and find ways to overcome the guilt that arises from the two different ethical codes they demand. As will be discussed below, the role of education might be crucial in helping people to understand the function played by each ethical system, thus relieving them of that guilt.

Given the congruence between Hayek's understanding of the kind of behavior necessary to maintain the extended order and Rand's ethical system, to argue that such an ethical system should be codified and taught does not seem to contradict Hayek's evolutionary critical rationalism. In fact, it is parallel to the project that lawyers and judges face in codifying the evolved common law; they are not inventing law, they are codifying what history has shown to work. For Hayek, or Hayekians, to now say that the maintenance of the extended order of the Great Society requires that we practice an ethical system akin to Rand's, which matches the evolved rules of just conduct, is not "constructivism" if we know that the processes of social evolution have led to the prosperity of societies that more or less abided by them. In fact, their evolutionary success suggests that there is a scientific basis for the adoption of such an ethical code. Given that the rules of morality are, in Hayek's view, an example of a complex, spontaneous order that could not be designed ahead of time, those

sets of rules that emerge out of social evolutionary processes gain a presumption of appropriateness, just as we can start with the assumption that the current products of biological evolution are "fit" in some meaningful sense.[9] It is not constructivist to teach the results of such a process. As we shall see below, one key way in which such ethical instruction might take place, and likely does already, is within the social institution of the family.

Families, Individuality and the Discipline of Rules

Using the institution of the family to illustrate the differences between Rand's and Hayek's conception of ethics is tricky because neither had much to say about the family as a social institution.[10] In Rand's case, the scattered comments are largely negative, in that she sees the family as an institution that more often than not encourages the collectivism and altruism that she opposes, and in so doing, warps the ethical sensibilities of young people. More specifically, Rand ([1974] 1982, 98) saw the family as enforcing the concept of "duty," which she saw as being linked to what she ([1973] 1982) called "the anti-conceptual mentality," both of which were deeply antithetical to her system of thought. The family, along with other things such as "race," or "nationality," or "ethnicity," or a caste system, demanded that we act according to their dictates without providing us a reason for doing so. This invocation of "duty" was an example of rejecting the conceptual level of reasoning and thus denied the power of independent rational thought, preventing people from living fully human lives. It simply took those categories as givens without ever asking what Rand calls the two fundamental questions of a reasoning human mind: "why?" and "what for?" (38). Demanding loyalty to the family without ever asking "why?" or "what for?" was problematic on at least three levels: it was a failure in the use of reason; it was, as a consequence, an ethical failure (as it took no interest in the goals of the person whose loyalty was demanded); and it was often an excellent example of "the sanction of the victim," where one's own agreement with the moral code of duty and the abandonment of reason enabled one to be victimized (see also Branden [1962] 1971, 59–60).

All of these levels can be seen in operation in the "The Sanction of the Victim" section of *Atlas Shrugged* (Rand 1957, 434ff) where the Rearden family dines before Hank's trial for violating regulations on the use of the metal he has invented. In that scene, his family begs him to consider the effects on his family of his fighting for his rights in that trial. They worry about their name being sullied and his brother worries about being kicked out of the house (where he lives as a guest of Hank and Hank's wife Lillian). They both explicitly and implicitly talk of his duty to his family, a code he has long accepted as he supported his mother and brother despite them doing their best to undermine him, and remained married to his wife even though he neither loves nor respects her, and has cheated on her. However, in this scene, with his ultimate freedom and livelihood at stake, he realizes what they have done to him by his acceptance of that duty, and he rejects it. He explicitly says to them that he will no longer provide for them without something in return, and he also begins to realize the way in which his own acceptance of ethical notions of duty have brought him to that point. His mother says "but he's your brother. Doesn't that mean anything to you?" Rearden replies "no," and later says directly to his brother "I haven't the slightest interest in you, your fate or your future" (440–41). Rearden has finally asked himself "why?" in the context of both supporting his family and accepting their moral code and its corresponding duties.[11] Given that she saw most of the contemporary world as adopting this sort of anti-reason duty-based moral code, it is probably fair to say that, for Rand, the journey to adulthood (as she understood a psychologically and philosophically healthy person) in the twentieth century was one that took place in spite of, and not because of, the family.[12]

As Sciabarra (1995, 349–50) explains:

> Rand maintained that the conservative obsession with the "Family" was at root, a vestige of tribalism: "The worship of the 'Family' is mini-racism, like a crudely primitive first installment on the worship of the tribe. It places the accident of birth above a man's values, the unchosen physical ties of kinship above a man's choices, and duty to the tribe above a

> man's right to his own life." Though Rand recognized the crucial importance of the parent-child relationship, she argued that the Family was a cultural institution that frequently undercuts the individual's independence and autonomy, breaking "a man's or a woman's spirit by means of unchosen obligations and unearned guilt." Devotion to the Family was a con game in Rand's view, in which the weaker and irresponsible family members are dependent on those who are stronger. Frequently, the relations within the family mirror those of master and slave. Just as the stronger members are exploited, they are also obeyed. For Rand, these family figures become "mini-dictator[s]" . . . [13]

Hayek's comments on the family are also few and far between. However, the emphasis he places on the family is largely positive, or at the very least, appreciative of the role the family *can* play in producing good social outcomes. For Hayek, the key function of the family is as one of the central cultural institutions by which the rules of just conduct are transmitted across generations. It is within the family that children learn and absorb the rules that are necessary to generate the spontaneous order of the Great Society. To that degree, Hayek's judgment about the journey to adulthood would be opposed to Rand's: it is the family that very often provides the socialization required for the ongoing maintenance of the Great Society.

In addition to this socialization role, families have important economic and psychological functions to perform. One of the notable aspects of the human infant is its total helplessness. The continuation of the human race requires that children have an environment in which their physical needs are met. They must be fed, clothed, cleaned, and kept healthy. This requires material resources, and one economic perspective on the institution of the family is that it is a "firm-like" entity, one of whose outputs is producing children who become successful adults. By marrying and sharing a household, couples can take advantage of the division of labor and economies of scale in the production and raising of children.

Psychologically, it is necessary for infants to develop attachment

bonds with one or more adults, who serve as a "secure base," in order for them to function into adulthood (Bowlby 1973). Secure attachment bonds serve two purposes. First, they create a context for learning and exploration. Children who feel secure in those attachment bonds will be more likely to investigate strange surroundings or play in less self-conscious and more open-ended ways than those who lack such bonds. Knowing that they *can* return to the secure base of the caregiver if need be, even if that need never actually arises, creates the secure base from which they can investigate the new and unknown (44–45).[14] As children develop, the need for the proximity associated with attachment becomes progressively more abstract. Children do not necessarily need physical proximity, but simply need to know that the caregiver will, for example, return from running an errand eventually. This secure attachment serves as a base for more complex sorts of learning in the pre-school years, as parents can allow children to exercise increasing levels of independence in accomplishing more and more complex tasks. Psychologically healthy people are those who are securely attached to others, and family is a major source of the ability to create such relationships as children and, subsequently, as adults. It is also important to note that attachment is not a one-sided, unidirectional phenomenon. It is not the same as "dependency." Attachment is characterized by reciprocity in that we create and sustain these relationships with those who give something back to us.

What all three familial functions suggest is that the journey to adulthood is one that happens in continual small steps, rather than clear discrete ones. Children slowly learn the rules of the Great Society; they slowly learn to be responsible for themselves and eventually to earn income to support themselves; they gradually learn to become independent of their caregivers. Parents must invest themselves in all three processes, as it is not automatic that children will develop in all of these ways. It would therefore seem that the family is necessarily an altruistic, collectivist institution. Children are simply not able to deal with each other, or with adults, as "traders" would in Rand's ethics. And parents are unlikely to be able, or to want, to see their children as anything but uniquely valuable ends in

themselves.

In arguing that parent-child relationships are not best seen as "trader" relationships, it is important to distinguish "trade" from "reciprocity." Trade is one, although not the only, form of reciprocity. This is particularly important in parent-child relationships where many of the things parents do for children are done with no expectations of specific benefits in return. In some generalizable sense, parents, or good parents perhaps, gain from seeing their children behave themselves and grow up into responsible, capable adults. However, in the various moment-to-moment ways that parents interact with children, there is no expectation of immediate direct benefits in return. Trade normally has an immediacy of mutual benefit that other forms of reciprocity need not. In parenting, the immediate gains to the parent are not the cause of behavior as they are in trade relationships. Parents may well act with a generalized expectation of a "return" at some point down the road, and it is that generalized expectation that characterizes "reciprocity" rather than trade. It is their interest in seeing their children flourish down the road rather than some specific current benefit to the parent that is driving the behavior.

Note that this view suggests that it might make sense for a family to favor one child who needs additional familial resources even if that meant reducing the resources available to other children in the family. This is a strategy that would appear to run counter to a Randian ethical code, especially if the one being favored is less able. If the function of the family is to provide the economic, psychological, and sociological "resources" necessary to enable helpless human infants to become independently functioning adults, why would we not find it feasible that parents, who presumably know their children better than anyone else, would be in a position to determine what those children's needs are in order to become adults successfully? It is not the family's goal to "maximize" the "total returns" from child production, which, if it were the case, might justify throwing as many resources as possible at one very, very able child even if that meant problems for another child or children. Rather the family's "goal" is more like taking a course pass/fail: Did the parents get their children

to a minimal level of adult functionality?[15]

From a Hayekian perspective, collectivism and altruism within the family are both desirable and possible. They are desirable because families need to ensure that all children reach a minimal level of competence, and doing so often requires making collective resource decisions. Moreover, the non-discrete nature of the path to adulthood means that children are at varying degrees of helplessness for a good deal of their lives inside the family. And in the context of a family, collectivism and altruism work because parents have both the incentives and the knowledge to do what is needed for their children. The very intimacy of the family distinguishes it from the anonymity of the Great Society. The fact that children need help from parents and the fact that parents can know what that necessary help is, and are able to provide it, is what justifies a different ethical system within the family than in the broader social order. It is the relative structural simplicity and ends-connectedness of the family that makes possible forms of "social justice" that cannot work in the Great Society. This is in contrast to Rand's universalization of the trader because what the trader demands is "justice." The tight link between ethical behavior and justice suggests that the latter too is institutionally contextual in ways Rand did not allow.

One way of seeing the differences between Rand and Hayek is that they had a different sense of the function of the family. For Rand, it was to facilitate, and then get out of the way of, the child's traverse toward individuality and independence. What mattered most was the development of those mental skills and habits that would encourage individuality and rationality (Rand 1971b, 158–59).[16] For Hayek, the key was the intergenerational transmission of the discipline of rule following. This difference reflects their differing conceptions of the market as well. For Rand, markets are to be desired on ethical grounds as the only economic system compatible with man the rational being. To attempt to impose any other system on humans is to work against their very nature and to violate that which is most human about them. For Hayek, markets are to be desired on consequentialist grounds in that only markets can deliver the material goods to lift humanity out of poverty and strife. Any other system

will only return us to the very poverty markets have alleviated. The success of capitalism, in turn, requires that individuals not only follow certain rules of just conduct, but that they understand that capitalism cannot function without those rules. As we shall explore below, this difference suggests that, for Rand, the ethical rules that sustain a capitalist society are capable of articulation and explicit transmission, but that for Hayek, such rules are frequently tacit and can only be learned through observation and imitation. Rand's and Hayek's understandings of the functions of the family are intimately tied to each thinker's understanding of the nature of reason and the possibility of an objective system of ethics.

The family for Rand then becomes a (possibly necessary for a short while) set of chains that the individual must break to become truly his or her own author. Those who rise to that level of individuality need the freedom to self-author—and duty-imposed family ties constrain it. In a world where the discipline of rule following is front and center, the family is not a necessary evil, but an institution that is absolutely crucial for inculcating that discipline. For Hayek, the family prepares the child for adulthood not by getting out of the way of his or her ambitions but by just the opposite—socializing him or her into the rules of the broader social order. It is certainly true that in the classical liberal world Hayek points toward, those rules of just conduct will be ones that go a long way toward giving the individual that freedom to self-author. After all, both Hayek and Rand argue that capitalism is the appropriate form of economic organization. But whereas Rand sees the freedom that capitalism entails as being an almost metaphysical freedom of action for the individual, Hayek sees that freedom as *deriving from individuals following the rules of just conduct and making use of social institutions.* For Hayek, freedom is real when individuals are largely successful in coordinating their behavior, and that means an explicit or implicit commitment to certain sets of rules and institutions. Freedom from external coercion is necessary to generate and sustain that commitment, but it is not sufficient, which is why the family can and should play such a central and positive role for Hayek.

At some level, a Hayekian understanding of the role of the family

in the liberal order is more dialectical and contextual than Rand's. Rand's ethics appear to ignore context and reduce all human interaction to that of the "trader," when in some situations another ethical stance might be appropriate and do no damage to the larger vision that drives her. It is difficult to see how the "trader" ethic can be the only or even the dominant one suitable for family life, given the functions families perform and what psychology knows about child development.[17] A Hayekian perspective also allows us to see the interplay between the ethics of the micro-order of the family and the macro-order of the broader society. It is, in this sense, a dialectical understanding of the relationship between the two orders and the role the family plays in delineating those orders.

On Hayekian grounds, the family can best be seen as an institution that enables humans, particularly children, to learn the rules of the micro and macro orders and their applicability. More specifically, the family can effectively transmit the discipline of rule-following, both the explicit and tacit rules of the social order. Much of parenting involves instructing children in general concepts of right and wrong, and explaining appropriate behavior in various social situations. The fundamental set of ethical obligations that are required for the proper functioning of both the macro-order of the market and the micro-orders that comprise the institutions of civil society are learned in the context of the family.[18] Generalized respect for property, the discouragement of the use of coercion, respect for individuals qua individuals, the rules of etiquette, the ability to make assessments of trustworthiness and the like are all central to one's day-to-day functioning in the Great Society. It is a central function of the family to raise children who follow these rules. To invoke some language Hayekians have used elsewhere, we might envision the family as a *discovery process for learning the explicit and implicit rules of social interaction in both the intimate micro-cosmos and the anonymous macro-cosmos.* Like other such discovery processes, there is no guarantee that it will transmit accurately in every circumstance, only that it will generally do so over time.

The Role of Rand's Ethics in Light of Hayek

After a critique of Rand's ethics, or at least a critique of the attempt to apply them irrespective of context, it is worth reflecting on what role they have in light of the Hayekian issues this paper has raised. The answer, it would seem, is that Rand's ethics can be fruitfully seen as the ethics of the Great Society, or the "macro-cosmos." There is little to nothing in Rand's ethics that is incompatible with Hayek's understanding of the sorts of behavior that are necessary to maintain the market and the extended order. As the two or three quotes we saw at the start of this essay indicate, Hayek understood that individuality, purposiveness, and personal achievement are what drive the behavior that comprises the market, and thus need to be encouraged and celebrated. In particular, if we begin to feel guilty about the fact that some have accumulated large fortunes, or other forms of inequality that are part and parcel of a market society, we run the risk of losing sight of the rules and institutions that must exist for society to function. To allow the market to be undermined in the name of such guilt would, for Hayek, be catastrophic.[19]

The challenge then is complex. For Hayekians, it is impossible to articulate all of the rules that define the Great Society. Many of these rules are tacit and are learned by imitation. Nonetheless, they must be learned if the social order is to persist and thrive. How one consciously provides ethical instruction when the rules of ethics themselves are an evolutionary outcome is a problem that Hayekians must answer. One possible answer is that this is what families do, particularly through imitation. The very intimacy of the family allows for a great deal of observation and imitation, and can serve as a key site for passing on the inarticulate rules. Clearly the family does much to pass on those rules that we *can* articulate, as noted earlier. To the extent that families can transmit a Randian ethic in these moments of articulation, it will largely encourage behavior and attitudes that will maintain and forward the macro-cosmos of the market.

The importance of the family as a conveyor of inarticulate moral rules points to what might well be the fundamental difference

between Rand and Hayek that underlies the issues discussed above: the centrality of reason for Rand and of evolution for Hayek.[20] If, like Rand, one sees the development and appropriate use of reason in the individual as the central theoretical organizing principle of one's view of social order, the family, at best, simply encourages the habits of mind needed to discover ethical, and other, truths on one's own. Ultimately, ethical truths are objectively knowable, discoverable, and communicable, if only humans are free to do so. The chains of the family often retard the development of those habits of mind and restrict the freedom necessary to use reason to discover ethical truth. As Rand (1971b, 98) herself pointed out, this sense of duty

> is inculcated by parents whenever they declare that a child *must* do something because he *must*. A child brought up under the constant battering of causeless, arbitrary, contradictory, inexplicable "musts" loses (or never acquires) the ability to grasp the distinction between realistic necessity and human whims—and spends his life abjectly, dutifully obeying the second and defying the first.

If this is what the family does, at least under contemporary ethical beliefs, then one can see why Rand would see it as a barrier to individual flourishing.

From Hayek's evolutionary perspective, however, the appropriate ethical principles are not objective and they are often inarticulate, making it difficult for people to discover them through ratiocination. The family then plays a key role in this evolutionary process by transmitting those rules through imitation and practice, rather than through explicit rational instruction. Yes, the latter is possible in some cases, but children learn a great deal through observation and imitation, and it is parents, again, who have the knowledge and incentives to do this best.[21] Part of Hayek's evolutionary perspective is understanding the differing contexts of the macro and micro-cosmos. As Hayek frequently argued, one of the major problems facing the macro-cosmos was the "atavism" of those who think they can apply the rules of the micro-cosmos, particularly those that invoke

family, to the macro-cosmos. Rand's ethical system inoculates against that to the degree to which it provides an alternative ethics of the market. However, as we also saw earlier, Hayek rejects the idea that the rules of the macro-cosmos can be applied back to the micro-cosmos. Hayek saw in the ethical systems of the twentieth century the danger that they were inappropriately attempting to extend the collectivism and altruism of the family to the broader order, but he might well have seen precisely the opposite danger in the Randian ethical system: the inappropriate extension of the extended order's ethics to intimate groupings.

Seen this way, both contemporary collectivist/altruist ethics and Rand's ethics of rational selfishness drop contexts and attempt to apply their systems to all institutional contexts. Hayek is looking for a more dialectically informed middle ground. But that has challenges of its own, namely helping people understand that context does matter for ethical issues, and that the rules of one situation do not necessarily apply to all, in addition to the guilt that can be created by the contrast. The temptation might always be to extend one set of rules into the context of the other, but Hayek's understanding of social order demands some epistemological sophistication to see these differences. To help people understand the differences between the micro and macro-cosmos and the rules appropriate to each is a crucial but difficult task. And it is the fundamental task of ethical instruction in a Hayekian understanding of the social world.

Conclusion

Along with Milton Friedman, Rand and Hayek are, perhaps, among the most well-known defenders of capitalism in the twentieth century. Despite their many differences on philosophical, ethical, and theoretical issues, they changed the course of history with their ideas and their work. Also despite those differences, there are some key points of contact between the two that should allow scholars to look for more consistency between their worldviews. This paper has argued that even though Rand's ethical system is ultimately blind to the various institutional contexts in which ethical norms might vary,

her understanding of the ethics of the market is largely on target. Hayek, by contrast, is more sensitive to the question of institutional context, but more dismissive of our ability to create and articulately transmit a body of ethical norms. Nonetheless, Hayek's conception of the market is one that would be bolstered by an explicit attempt to incorporate notions from Rand's ethics. Although those ethical norms could not be applied in the Hayekian micro-cosmos, they would still be relevant to the broader social order.

It was also argued above that the institution of the family is both a good place to see the differences between Rand and Hayek and a place in which the cultural transmission of ethical rules and norms can take place. Hayek recognized the latter point, but did not provide us with much detail about how families did so, nor did he provide any details about the *content* of such ethical norms. Rand had very little positive to say about the family, and we do not see this role for the family in her system. These differences derive from the more fundamental rationalist/evolutionist split between their systems. The analysis above also suggests a need for more attention paid to the institution of the family within Randian, Hayekian, and classical liberal thought more generally. As a sort of focal point of the differences and similarities between Rand and Hayek, on both ethics and the role of rationalism, the family comes to the fore as a central institution in the liberal order. If understanding of the importance of ethical behavior and the rules of just conduct of the liberal society is important to its success, which is a point both Rand and Hayek agreed on, then understanding and nurturing the role played by the family in promulgating those beliefs should be central to any classical liberal social theory.

Acknowledgments

I thank the editors for their very helpful and challenging comments on an earlier draft.

Notes

1. Although this certainly captures the spirit of Rand's ethics, she did allow for exceptions to those universal obligations. For example, if a kidnapper were to ask you where your children were hiding, you are not obligated to tell the truth. In

addition, she allowed for exceptions to the general prohibition on aggression in certain emergency situations, as documented in "The Ethics of Emergencies" in Rand 1971a. A healthy society is one that creates the social conditions that reduce the need for such exceptions and quandaries and allows people to succeed by following her ethical code more clearly.

2. Much of the textual exegesis that follows relies on Hayek's arguments in his final book, *The Fatal Conceit* (1989). In the last few years, there has been some scholarly debate over the degree to which the arguments presented there reflect Hayek's own thinking or more that of W. W. Bartley, his editor at the time. Ebenstein (2003, chapter 18) offers the best summary of the issues and the history of the book. Most of the arguments I raise in this paper are ones that can be found in Hayek's earlier work (with the possible exception of some of the group selection material), even if they are recapitulated more clearly and woven together better in *The Fatal Conceit*. For example, the fundamental distinction between the anonymous Great Society and the more intimate sub-orders of society goes back at least as far as *The Constitution of Liberty* (1960) and is clearly articulated in the first two volumes of *Law, Legislation, and Liberty* (1973; 1977).

3. This argument can teeter dangerously on the edges of both sociological functionalism and Panglossianism (the view that "whatever is must be optimal"). I shall argue below that both dangers can be avoided.

4. Importantly, this "common acceptance" is not the same as "explicit agreement." Languages are the classic spontaneous order in that their evolution is clearly the product of human action and not human design. Hayek (1973, 22) notes the role played by the historical study of language in suggesting that social formations need not be the product of human design.

5. Compare Hayek 1977, 146.

6. Many of these issues are explored in a fascinating exchange between Campbell and Christopher 1996 and Eisenberg 1996.

7. Even if they do so under "coach's orders," it still holds as an example of organizational behavior distinct from the means-connectedness of spontaneous orders. The key is that players either are, in fact, unfree to do what they wish, or that they perceive their options in a limited way given their understanding of the organization's ends and structure.

8. A more complete statement of this understanding of the relationship between ethics and social science can be found in Yeager 2001. See also the exchange between Yeager and Thomas in the current symposium.

9. The interrelationships between complexity, rules, evolution and the claims of science are best explored in Caldwell 2003.

10. Parts of this section draw heavily on Horwitz (forthcoming).

11. There is a somewhat similar scene in the early pages of *The Fountainhead* (Rand 1943, 33–37) where Peter Keating is mulling over whether to continue in school or join the prestigious architecture firm. The guilt and pressure from his mother push him toward making what Rand sees as the choice that family duty suggests rather than the choice that would be in his long-term rational self-interest.

12. Of course it need not be the case that the family is always this way. The one brief mention of family in the "Galt's Gulch" section of *Atlas Shrugged* shows that a psychologically healthy (in Rand's sense) family is possible if the parents' moral code is right. However, Rand gives us no detail at all about what that might mean for the day-to-day interactions between parent and child that will instantiate that code.

13. In this discussion, the Rand quotes that Sciabarra (1995, 435 nn. 90–91) cites are taken from Rand 1981; interview 2 in Rand 1983; and lecture 9 in Peikoff 1976. See also Branden 1962.

14. Bowlby (1973, 45) describes this behavior with the very useful analogy of "some invisible elastic that stretches so far and then brings him back to base." Observational studies of children demonstrate that this "explore and return" behavior is often common in new situations when the secure attachment bonds exist with the caregiver who is present.

15. Even from an evolutionary perspective, it would seem that generating as many adult survivors as possible would be superior to a strategy that disproportionately focused on the quality of the adults carrying the genetic material.

16. The essay cited here is "The Comprachicos," which focuses on issues of education from childhood through college, but a good deal of it can be applied to parenting as well as more formal education.

17. Again, noting here the distinction between trading and reciprocity outlined earlier.

18. Other abilities needed to function in the social world can be learned both in the family and out of it. For example, formal education can often do much more to teach children how to use reason and think logically than can the family.

19. This is a classic example of what Rand called "unearned guilt." I thank a referee for noting this point.

20. As Sciabarra (1995, 217–29) persuasively argues, Rand's rationalism is not the "constructivist rationalism" that Hayek so deftly criticizes in his work. She, in fact, is critical of this rationalism along many of the same lines as Hayek.

21. Sciabarra (1995, 222–23) highlights the absence of any significant focus on unintended consequences in Rand's social theory and sees this as a crucial, and problematic, difference from Hayek's work. I would argue that Hayek's evolutionary approach makes unintended consequences (both good and bad) come to the fore, while Rand's focus on the individual and his or her use of reason gives her less reason to systematically analyze them. It is also not surprising that an evolutionary perspective that worries about unintended consequences would have a more constructive role for the family.

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