

Entrepreneurship

[From *The International Review of Social Economics*]

The Moral Standing of Entrepreneurship

In business and the culture hospitable to it, not much is more important than the moral status of entrepreneurship. If the entrepreneur is a rascal, a rouge, the system that gives such a person a home is surely tainted. Critics of capitalism such as Robert Kuttner and Earl Shorris have made this point repeatedly in their various prominently published books. They follow the likes of Karl Marx, only unlike Marx they see nothing redeeming about the free market. (Marx thought it was a vital stage of humanity's development!)

Without the moral legitimacy of entrepreneurship – the process of initiating commercial ventures, ambitiously embarking upon business enterprise -- the spheres of commerce and business would turn out to be under a constant moral cloud.

When a political economic system lacks moral support for one of its essential ingredients, competing systems that lack this weakness become powerful even if not immediately viable options. They are what invite fierce loyalty from idealists who insist that justice must be pursued and evil must be erased.

The Role of Entrepreneurship in Capitalism

Why is it important to establish the moral status of entrepreneurship? Unless it can be shown that the entrepreneur does what's morally worthwhile as an entrepreneur, that his role is ethically praiseworthy, not only his or her status in the market but the market itself become vulnerable to serious moral criticism.

Why would this be so? It is well recognized that are the free market's lifeblood. Many economists are beginning to realize this, most of all Professor Izrael Kirzner of New York University. He almost single-handedly reestablished the pre-eminence of entrepreneurship in free market capitalist systems. Indeed, according to Kirzner it

is entrepreneurial activity that makes the best sense of profit, another vital part of capitalism.

However, without also demonstrating that entrepreneurship is ethical, the market would at most be hospitable to morally indifferent kinds of behavior; at worst it would encourage moral callousness and discourage the pursuit of presumably morally more significant objectives, such as order, self-restraint, artistic excellence, family values. When, for example, John Kenneth Galbraith charged, in his book *The Affluent Society*, that the free market is producing “market” failures galore, he had this in mind: markets serve trivial pursuits, not noble objectives. Its central players are, thus, not doing what is ethically valuable, honorable but something pernicious or, at most, negligible.

When a system is vulnerable in one of its essential ingredients, competing systems that lack this weakness become very powerful if not immediately successful alternatives. Their image improves, even if their actual performance leave a lot to be desired.

Entrepreneurship—the “getting up” of the wherewithal to prosper—is vital to capitalism—it is the engine of the system. As Israel Kirzner points out, “Entrepreneurs ... we perceive as becoming aware (with no resources of their own at all) of changed patterns of resource availability, of technological possibilities, and of possibilities for new products that will be attractive to consumers.” He adds that “flesh and blood resource owners are, of course, also to some extent their own entrepreneurs (just as flesh and blood entrepreneurs are likely to be owners of some factor services themselves).”¹ Those who seek to put together various factors of production so as to guide the result toward a successful business enterprise are the main spring of capitalism. Ownership is only one of the features of capitalism, necessary but not sufficient for the system to be productive. Those who own their labor-time and the capital that previous successful employment of such labor-time has created are not necessarily going to continue with the process.

Human beings have free will. This means that even under ideal political-economic conditions they have a choice as to whether to do anything at all, as well as what to do, with the capital at their dis-

posal. What a situation of a hospitable legal environment? of free trade in goods and services, including labor and skills, freedom of contract and association, freedom to market and advertise what one might wish to put up for sale? requires so as to lead to prosperity is the entrepreneur. This is *the* crucial ignition key and motor of successful commerce.

Freedom and Entrepreneurship

Some argue that all we need is the hospitable environment, but this is false. Even in the freest of societies many, many potential market agents can be lazy. Not that laziness is encouraged but that it is clearly not foreclosed. That is partly what freedom means: one has a genuine choice whether to be productive or not. It is not enough to show that under capitalism human beings are free, unless the kind of uses to which such a system puts human effort can themselves be morally worthwhile. So the question needs to be addressed, why should one be productive, why should entrepreneurship be practiced, what is good about it?

It is not enough by a long shot to answer that entrepreneurship is the ticket to a decent chance for wealth. Certainly one can agree that between stealing and producing, the latter is more honorable. But what if quietism—the form of religious mysticism that involves complete extinction of the human will, drawing away from worldly things (*Webster's New 20th*)—is proposed as an alternative? How about asceticism—the religious ideal that one can reach a higher spiritual state by self-discipline and self-denial (*Ibid.*)? How will the system that is hospitable to entrepreneurship be defended in the light of such powerful challenges?

Let us not kid ourselves. The most serious challenges to capitalism come from those who contend that by making entrepreneurial effort possible—by protecting the rights to private property and the pursuit of happiness here on earth—this system corrupts human life. It tends to permit the commercialization of human relationships, making us self-interested economic agents instead of what we really ought to be, altruistic members of our community.

It is insufficient to reply that, well, the capitalist system makes it possible for people to attain a better life here on earth. That is just what is in need of defense. Why should we strive for such a life in the first place?

Entrepreneurship for What?

Entrepreneurs explicitly, unabashedly put themselves to the task of enrichment. Admittedly, some do this for altruistic reasons, some are quite generous if not outright altruistic with the wealth they attain. Yet most of them attain wealth by providing other people with goods and services that further flourishing here on earth. A conventional contemporary shopping mall or department store, a new or used automobile lot, a discount warehouse, or an industrial exhibit—they all seek to demonstrate to potential buyers that the goods and services the entrepreneur has put up for sale to the public will make life better, more comfortable, more enjoyable, even thrilling, than it would be without these.

What can be said in defense of a profession, a vocation, if you will, that is dedicated to the mutual enhancement of human life here on earth? For that is just the professional or vocation that entrepreneurship is.

The Driven Entrepreneur

The *homo economicus* answer to this problem has been to declare that we are all necessarily involved in self-interested pursuits. As Milton Friedman so succinctly expressed it:

...every individual serves his own private interest....The great Saints of history have served their 'private interest' just as the most money grubbing miser has served his interest. The *private interest* is whatever it is that drives an individual.²

The view that we are all relentless utility maximizers is best laid out by the late George Stigler:

...Man is eternally a utility-maximizer--in his home, in his office (be it public or private), in his church, in his scientific work--in short, everywhere. Lecture II, Tanner Lectures, Harvard University, April 1980.³

The Austrian position is not significantly different. Ludwig von Mises states:

Human action is necessarily always rational.... When applied to the ultimate ends of action, the terms rational and irrational are inappropriate and meaningless. The ultimate end of action is always the satisfaction of some desires of the acting man.... No man is qualified to declare what would make another man happier or less discontented.⁴

If one cannot refrain from satisfying one's desires, if they are the motive power of action—and that is why they cannot be evaluated as more or less rational, since they are set—then one must pursue them.

This position consigns all self-interested action to an automatic urge, something that all of us have and translate into various kinds of pursuits, be these entrepreneurial, spiritual, benevolent, cruel, miserly or generous. What we all do is just what we have to do, namely, play out our “private interests” in various ways.

What this position supposedly secures for capitalism is a kind of scientific legitimacy, not unlike what dialectical materialism tried to secure for socialism—empirical, historical validity. As a matter of our “selfish genes”—to quote the title of Richard Dawkins' book that is so popular with neo-classical economists—we are driven to do what we do. The entrepreneur is, accordingly, one of the many puppets under the control of our genetic make-up, just as the Great Saints of history or anyone else. Who can blame the entrepreneur? No one. Not any more than we can blame the lion for devouring the zebra or the criminal for committing his crime. *Que sera, sera*. The conditions of the market place are natural, unavoidable conditions, so there is nothing here to criticize. It's but a deep-seated illusion that human life could be anything else. The altruistic dream of communism or socialism or communalism as some kind of universal human community is hopelessly ignorant of the biological imperatives which control life. To lament the processes of the market place, including the energetic, albeit sometimes fruitless, machinations of entrepreneurs is akin to lamenting the storm that wiped out our scheduled Sunday picnic.

The Fallacy of Homo Economicus

What is wrong with this picture? It reduces all actions to mere reactions and thus the entrepreneur is really no different, except accidentally? in so far as what happens to follow from his or her behavior? from the ne'er-do-well, the loafer, the lazy bum, neither having any determinate effect on what happens. At a fundamental level, the position is so deterministic that it leaves its own justification up in the air, indeterminable. This is because by its own tenets those who hold it simply had to, while those who do not, have to deny it. Neither side can be evaluated independently, objectively, based on sound analysis, good thinking.⁵

All thinking, by this position, is equally valid for none of us can escape our biases and prejudices, we are just doing what we have to. Yet this view eliminates itself from the ranks of possibly true ones since by its own tenets its truth can never be told (by us). No theory can be right that makes it impossible to determine whether it is right. "Right" or "true" are properties of judgments or claims made by conscious beings who would deign to understand things either rightly or wrongly, truly or falsely.

It might be claimed that *homo economicus* could not be part of such a deterministic system since isn't he or she out there making choices in the marketplace? Aren't choices the bedrock of economic activity?

Actually, what *homo economicus* does is make *selections*, based on the desires that drive and the options available to him or her. We know that selections are made, in a sense, even by physical substances, as when the river selects a path by which to reach the ocean or the bird selects the materials from which to build a nest. Selections are not enough. It is origination, the initiation of action, that makes for responsible human action. It is entrepreneurial *initiative* that largely distinguishes those who succeed from those who fail in capitalism.

So is the Entrepreneur a Worthwhile Bloke?

The entrepreneur is certainly a discoverer, an effective processor of information, a useful factor in the productive processes of capitalism. As Israel Kirzner has argued, “a sharp distinction must be drawn between means of production ordinarily conceived, and entrepreneurship,” to start with because “entrepreneurship *cannot be purchased or hired by the entrepreneur.*”⁶ Yet many who have tried to understand the market as a kind of productive system have treated the entrepreneur as a factor of production. As Kirzner notes, for Schumpeter, for example, “the means of production include *all* agents required to produce the product in the state of circular flow.”⁷ This testifies to a view of the entrepreneur as one part of a large machine that leads to wealth, not in any sense a decisive and problematic part, a part without which everything else would lie idle.

Indeed, a more humanistic conception of not just people in business but all economic agency would recognize that to an extent we are all entrepreneurs, only some of us become professional at the task. We decide to make use of resources available to us, secure the authority to direct them by enlisting the support of others who are themselves making entrepreneurial decisions by trusting us with these resources, which would, without this concerted mutual effort come to naught. Indeed, when such entrepreneurial efforts are thwarted, by natural factors such as catastrophes or disease, or by criminals and bureaucrats, the productive process slows down and stagnation, shortages and similar losses result.

If, however, we are going to look at entrepreneurial activity as initiated by human beings, as something that might or might not be ignited by the human will (with support from other factors of production), the question can be raised, is this a good thing? Should we be entrepreneurs at all?

Some Deep Obstacles to Our Question

The line of questioning I have embarked upon gains much resistance from perhaps the most persistent aspect of economic science, namely, scientism. This is the view that sound thinking demands that we follow methods of demonstration, forms of explanation and proof, that have been found appropriate in the basic natural sciences.⁸

Its major tenets were laid out by followers of the Vienna Circle, a group formed around the turn of the century made up of scientists, engineers, and philosophers who were disturbed by the direction philosophy took under the leadership of neo-Hegelian idealism. Obscurantism invited reductionism.

The most important result of scientism for our purposes is the demand by many economists that any understanding of market activity be put in terms that conform to the language of the natural sciences. And the main natural science guiding the field of economics has been classical mechanics.⁹ By the tenets of classical mechanics, every cause must be efficient, an event antecedent to and productive of what needs to be explained.

The entrepreneur, then, cannot have a distinct, decisive role in economic life because his or her behavior is but one link in a chain of on-going causation. No personal, individual initiative is possible on this view of the entrepreneur. Neither is it possible, on this view, to see anyone as deserving any of the fruits of his or her labor, even if it is possible to provide some instrumentalist defense? e.g., “This will lead to more wealth in a society”? of having entrepreneurs keep the profits from what their behavior has produced.

The instrumentalist defense will not focus either on the entrepreneur’s rights or on what he or she deserves for good works but on the stimulus that keeping the profits will provide for further entrepreneurial activity. (In a sense supply-side economics amounts to a loose version of this analysis—by rewarding the producers or by not placing obstacles before them, the government stimulates production.)

Flaws in the Mechanistic Picture

What is wrong with classical mechanics? Without entering into this matter in full, let’s just note that it has, first of all, turned out to be a limited *physical* science. It is not the kind of all-embracing metaphysics many who followed the scientific revolution, especially Newton, have hoped it would be. It has led to many paradoxes, including those that led modern physicist to replacing it with the more

comprehensive quantum physical view of the world. It also fails to explain much of what goes on in human life, including the market place. It does not serve to make sense of, for example, entrepreneurial or intellectual failure and success, of the possibility of rationality concerning theoretical matters, etc., etc. Classical mechanics and the resulting more sophisticated logical positivism are not sufficiently comprehensive for purposes of understanding the nature of the universe, especially that part which is occupied by human beings.

Furthermore, there are alternative views which are more successful, although this is not the place to develop them. They open up the range of possibilities as to what kind of actions can take place in nature. Some of these will be of the mechanical type, so will involve what certain scientists call “downward causation,” and some reintroduce teleology or purposiveness, at least as far as animals with advanced brain capacity—thinking—are concerned. And this is a very crucial point.

The Attraction of Scientism

What the scientific spirit fears most is dualism, having to divide the world into two irreconcilable, arbitrarily demarcated realms, along lines illustrated in the philosophy laid out by Plato’s Socrates, by Rene Descartes and reinforced by Immanuel Kant. This is the view that holds that in reality two realms exist, the natural and the spiritual, never the twain shall meet. It is this kind of dualism that upsets the scientifically minded among us, especially social scientists such as economists, who want to be sure that their discipline is respectable, worth studying, and the results of the study worth paying attention to in practical affairs. In no other field apart from the social sciences does there appear to be a call for a dualistic world view. Why should it be applicable to the world of human beings?

Is this a valid fear? Scientism keeps us from being able to make sense of such matters as entrepreneurship. The reason is that entrepreneurship assumes human beings can begin to act on their own, that they have the capacity of initiating action, that they have a measure of basic freedom—free will, if you would.

Scientism is Bad Science

Mechanistic science cannot make sense of this. Does that mean that we are threatened with dualism unless we keep with obsolete scientism? As Fraser Watts observes, “it would be wrong to think that a crudely materialistic view of the body is the only alternative to keeping a dualistic concept of the soul; that is to take one half of Descartes’ two part conception of the human being without the other. It would be more helpful to return to the Aristotelian view of the soul that antedated Cartesian dualism...”¹⁰ The idea is actually very familiar: nature has evolved into a system with many levels of complexity, some of them fundamentally different from one another. Human beings are certainly evidently different from even the most highly developed animals in the world. And animals in general are different from plants, and so on and so on. There is, in short, a *hierarchy* in nature. In line with where some thing belongs on this hierarchy, different capacities are evident.

When it comes to human beings, for example, they are able to form ideas, often original ideas to boot. Animals in general are capable of locomotion, moving along from place to place. Plants, animals and human beings all require nourishment while inert matter does not. But with human beings the capacity for self-causation or self-determination has evidently emerged in the universe. This idea has enormous explanatory power in the sense of being able to make sense of a great deal of what common sense readily admits? personal responsibility, right and wrong conduct, good and bad ideas and arguments, criminal responsibility, artistic creativity, the enormous divergence among cultures and individuals throughout history and the globe, etc.

If all this is right, why would it be so out of the question that human beings move differently from the rest of nature, that they initiate their own significant behavior? It would not, except for the influence of scientism and classical mechanics.

Indeed, scientism is bad science. It rejects out of hand, in a prejudicial fashion, what needs to be recognized as an aspect of nature, namely, the possibility of self-caused actions by human beings

with the capacity to make original decisions, take original actions. It is, thus, bad science that precludes the possibility of entrepreneurship.

The Consequences of Humanizing Economics

If one adds the factor of initiation to an understanding of human behavior, we gain a richer understanding of reality. But we also have to alter our expectations. Human beings who can start things up might also fail to do so. It is for this reason that the humanization of economics brings to fore a moral or normative element, one that scientific thinking believes can be dodged. When we come to economics, a realm of human activity, there is no way to avoid considering what happens in terms of standards of right and wrong. As Kirzner puts it, “In deciding to initiate the process of production, this human being has *created* the product.”¹¹ Accordingly, the entrepreneur is one who can be evaluated as having made discoveries and garnered information and capital support that lead to successful enterprise—or as having failed to do so, or done so with more or less success.

Entrepreneurship: Is it Moral?

How can we fit morality into a social science that needs to remain rigorous and scientific?

First of all, morality arises from a basic question that all human beings ask, explicitly or implicitly. “How should I conduct myself?” (This can be rephrased in several ways, as we have already seen, including “What standards should guide how I conduct myself?” and “What ought I to do?” and “What is praiseworthy, proper conduct?”) Human beings ask this question because they lack instincts, because the bulk of their conduct is not predetermined by prior events or genetic structures, even when such events form a limiting condition on what they can do.

There is normally a range of alternatives available to people and from these they will select what they will do. Because the selection of an alternative is itself something *they* do and is not determined for them, they need to answer which of the alternatives ought to be taken. At the most fundamental level it is morality that identifies the right answer.

The one realm of genuine, undetermined choice for all normal human beings is the choice to activate their rational thinking, their specific type of awareness. Thinking for people isn't automatic, it needs to be willed or initiated. This is where they possess their basic freedom. As Ralph Waldo Emerson put it, "Intellect annuls Fate. So far as a man thinks, he is free....The revelation of Thought takes man out of servitude into freedom." (Ralph Waldo Emerson, "Fate"). This makes clear enough sense, although I will not attempt to establish it here as fact.¹² It punctuates that the area of human activity that cannot be explained by reference to antecedent causes is the formation of ideas. It is just this area that includes theorizing, judgment, planning, decision-making—that is, the entire range of rationality. It is here that some of us go right, other wrong. It is this that identifies where human responsibility lies, whether in the area of ethics, law or intellectual and scientific performance. We are held responsible for our judgments, first and foremost, since our actions are actions precisely, as distinct from mere behaviors, by virtue of their being guided by judgments.

Yet it is also at this point that a difficulty arises, one that is disturbing for those who would wish to subsume human behavior under natural laws. For unlike other things in the world, human lawfulness—logical, ethical or legal—is voluntary. It cannot be predicted that someone *will* indeed think, whether he or she will initiate and/or sustain this mental effort. It is up to the individual. As Lester Hunt notes,

The sort of thinking that is involved .. is capable of producing infinitely many different outcomes concerning a single issue.

The rationality of the outcome is the fact that, in a certain way, it is appropriate to a total ensemble of factors, each one of which admits of indefinitely many different degrees.¹³

Admittedly, much of our thinking is predictable, but only because we are known to have got it going, as it were. Once a person sets upon the task of figuring out something—embark upon a research project, seek to live successfully, abide by the laws of the community—it is a safe bet, often enough, that he or she will carry on with this. One might look upon it on analogy with a promise—most people make

the effort to keep it, although some clearly do not. We can always be surprised by our fellows who may suddenly abandon their efforts to think, judge, reflect or theorize successfully. But we can usually anticipate that many will carry forth as they have set out to do, which is what, in a way, it means to take up the task of living as a human being. The moral element in human life does not yield natural laws of the sort that yield very reliable predictions, although neither is it the case that no anticipation is reasonable as to how someone will carry on.

The Morality of Prudent Conduct

Prudence is the virtue of applying oneself rationally to living. Aristotle called it *phronesis*, practical reason. It has also been understood as the concerted effort to do well at living, to flourish, to make the most of one's chances, to live carefully, economically. It is possible to understand prudence in different ways, depending on what we understand by the self—that is, whether we take ourselves to be primarily earthly creatures, spiritual substance aiming for an after-life, whatever. But it is probably most reasonable to understand that, for all we know, we are part of nature with a life to live dependent upon our biological attributes and capacities.

Accordingly, prudence is the virtue that guides one toward living a good *life*. And a significant aspect of such a life concerns securing for oneself the benefits which supply it, of economic success.

Entrepreneurial conduct is specialization in prudence. It can be good or bad, just as can nearly all human conduct, because, of course, one can overdo it, just as one can overdo any of the virtues. A good human life involves the integration of all the virtues, a balances among them, so that one is not, for example, generous *to a fault*. If prudence is itself a genuine human virtue, than entrepreneurship is something worthwhile.

As we have noted earlier in this work, some philosophies and religions consider it worthless because it leads to worldly riches, wealth acquisition. There are some themes in Christianity that have been interpreted as anti-enterprise, as when Jesus' relationship to the money-changers. When Jesus says that "It is written, *My house shall*

be called a house of prayer; but you have made it a den of thieves,” this strongly suggests that selling and buying and changing money amount to theft. Certainly this is the sentiment that’s widespread in many cultures, not excluding Western civilization, as the earlier sections of this book make abundantly clear.

If we are to find room for entrepreneurship as not only a scientifically feasible but also morally upright activity, we need to note that it is meritorious because of its relationship to prudence, a bona fide human virtue—the first of the cardinal virtues, in fact.

Entrepreneurship and Politics

Having briefly noted that there is something clearly morally upright about entrepreneurship, we can now consider why it is just that it should be rewarded and why a just human community must make proper room for it, welcome it as one of its institutions.

Of course, the free society is just because only within its framework can morality itself flourish. Unfree persons are not acting because that is how they choose but because that is what they are legally forced to do. Unless one’s actions violate others’ rights, so that they are prevented from enjoying their sphere of personal authority, moral agency, no force may be imposed upon that person by others. What the respect of and protection of rights do in a free society is protect the moral nature of human life in a community. As Ayn Rand put it,

“Rights” are a moral concept—the concept that provides a logical transition from the principles guiding an individual’s actions to the principles guiding his relationship with others—the concept that preserves and protects individual morality in a social context—the link between the moral code of a man and the legal code of a society, between ethics and politics. *Individual rights are the means of subordinating society to moral law.*¹⁴

Yet there is also a need for identifying the specific place prudence has in a just human community. It is, as it were, the engine of production. It is the specific virtue the practice of which brings forth the values that sustain one’s life and help it to flourish. It is what

translates into entrepreneurship within the framework of our economic lives.

Because of this, only a system of laissez-faire economics can do proper justice to our moral nature. In such a system entrepreneurs are free to create and to reap those benefits that others deem appropriate to bestow upon them if their work has been on target. The entrepreneur is seeking to create wealth through innumerable ways and if he or she is authentic? meaning does not resort to theft, cheating, embezzlement, or other vicious ways of obtaining his resources and putting them to productive use—the results achieved will be the consequence of his or her virtuous conduct.

Even if an entrepreneur is perhaps morally flawed in other areas of his or her life, in so far as he or she is creating wealth, is productive, this is a good thing and what he or she gains from that must remain under personal jurisdiction. The government that taxes away the results of entrepreneurial performance is undermining the moral nature of human community life, just as does the government that transfers wealth from successful entrepreneurs to unsuccessful ones. It is so, also, in taxing away the earnings of novelist or other artists and redistributing it. No social contract can authorize any such state action since a contract that bears on third parties who are not signers is a fraud? just as a Mafia “contract” is not really one.

Prudence and Property Rights

It is vital to consider something else here. This is the influence of morality on the development of law. In a free society there will now and then arise hard cases where legislators and judges need to decide whether to honor the call for the protection of certain rights above others. Rights develop hierarchically, with the right to life primary, liberty, property and more specialized rights to follow. It is important, therefore, to stress the ranking of these rights.

No one doubts that the general intellectual climate has held a demeaning view of private property rights, a crucial framework for entrepreneurship. Why? Because that community has held a demeaning view of the efforts of individuals to enrich themselves. From the

time of the ethical writings of Immanuel Kant, prudence was consigned to a morally minimal role in human life—Kant shared the view of the Enlightenment that self-interested conduct was nearly automatic, we were pretty much driven to do right by ourselves, to be prudent. So he excluded this from his very, very influential moral philosophy, one that stresses, above all, disinterestedness as the mark of moral behavior. (Of course, even before Kant, the pursuit of earthly enrichment had been, as we have already noted, widely denigrated.)

By the Kantian and many neo-Kantian ethical viewpoint, entrepreneurship cannot be morally praiseworthy, since there is no way that the entrepreneur could be seen as acting disinterestedly, without concerned for his or her goals, of, in particular, economic profit.

Even apart from the Kantian influences, there are the equally urgent efforts to some to demonstrate that individualism is a complete myth. Entrepreneurship without individualism is simple wishful thinking. Unless an individual has the capacity to do something on his or her own—however much this may be supported by others and by all sorts of natural features of the world that the individual utilizes—there can be no distinct concept of the entrepreneur. Socialists have, of course, been eager to show that the individual is a myth and we are all species-beings, merely parts of a large organism, which is society or humanity. Even following the diminution of socialism's reputation, there are other collectivist doctrines, such as communitarianism, that would have the individual subsumed within some other social whole—e.g., the tribe, the ethnic, racial or cultural group, etc. These doctrines also assert the ethical priority of other people's interests, or that of the group, before one's own. Their legal influence, especially in hard cases where some ambiguity remains, can turn against the idea of private property rights and entrepreneurial liberty.

The result of this has been that whenever conflicting claims of rights violation come to light—say, between the rights to property of land-owners and the rights to life of birds, fish or cultural groups—there has been a public and even judicial inclination to dismiss the former as simply lacking moral merit. However much there might be

a constitutional tradition of some attention to private property rights, of opposition to “takings,” with this moral climate there is no doubt that the claims supporting the property owners will fall on deaf ears.¹⁵ “All they want is wealth, and there is nothing moral about that, is there? Environmentalists, in contrast, are moral people, they care for living creatures, so their claims must be given higher priority.”

Unless? as we have argued earlier? the ethical status of property rights is reaffirmed, unless it is clear that those who make use of their rights to private property in entrepreneurial ways have a moral purposes, not something that can be simply dismissed as greedy, avaricious, their chances to gain headway in public policy determination will be minimal. Furthermore, and perhaps even more fundamentally, unless it is clearly shown and persistently stressed that human nature is not, as Marx claimed, the “true collectivity of man” but, instead, includes as an essential element everyone’s individuality, the case for public policy supportive of entrepreneurship will continue to falter.

Closing Words on Entrepreneurship

This has not been a comprehensive treatment of entrepreneurship. What I wanted to make clear and support with a reasonable array of arguments, is that the entrepreneur is doing an honorable thing, that this is compatible with a naturalistic and scientific view of the world, and that to do justice to the moral or normative nature of entrepreneurship requires a genuine free, capitalist political economy.

The reason for this approach is not difficult to appreciate. The case for a free society rests on numerous considerations but those who criticize this system are especially keen on finding fault with how the various lines of support hang together. If the scientific approach is not consistent with the moral or political, this will be noted. For example, neo-classical economists tend to preclude considerations of what is morally right from their discussion of the market processes, yet others, with more of a political bent, claim that the market encourages moral responsibility; yet others claim they are able

to predict that under market conditions greater productivity and wealth will be achieved in a society, while still others hold that what is special about markets is that nothing much can be predicted as to how resources will be utilized. It is especially difficult to demonstrate the moral role of private property rights within the framework of a purely positive economic analysis, since property rights engender certain inequalities between those who use their wealth prudently and those who do not. Why should the former be able to keep what they obtained if they do not deserve it, if there is nothing morally worthy about their entrepreneurial conduct?

I have argued here that the exclusively positivist or ethically neutral approach to market analysis is mistaken because it rests on the view that human beings cannot help what they do, nor is there any meaningful way to determine if what they do is right or wrong. In fact human beings are capable of making significant decisions, taking the initiative to implement them, and differing in the quality of how they do this. Their behavior is only predictable in broad, statistical terms, based on what we know about their habits of mind and action, not because we know factors that fully determine what they will do. I have argued, also, that one of the features of human conduct that is morally praiseworthy is to further one's economic well-being—it amounts to practicing the virtue of prudence. And entrepreneurs make a specialty of this, for which they are rewarded by others with profits, and deservedly so.

In a society of just human relationships, there must be a consistent and constant hospitality to entrepreneurship because without this, an important moral dimension of human life would be suppressed or at least seriously distorted. Without such a welcome, public policy and law will yield to more widely accepted but sadly misguided moral sentiments, for example, the call of for greater and greater state power to *regiment* or re-engineer society instead of making it safe for natural human initiative.¹⁶

Endnotes:

¹ Israel Kirzner, "Producer, Entrepreneur, and the Right to Property," *Reason Papers*, No. 1 (1974), pp. 1-17. It should be noted that not only lone individuals but entire companies can be entrepreneurs. See, for more on this, Edward B. Roberts and Ian C. Yates, "Large Company Efforts to Invest Successfully in Small Firms," *Journal of Private Enterprise*, Vol. X, No. 2 (Spring 1995), pp. 47-80. Still, what's involved is the initiative to seek wealth by the prudent, sometimes adventurous, use of resources.

² Milton Friedman, "The Line We Dare Not Cross," *Encounter*, November 1976, p. 11

³ Quoted in Richard McKenzie, *The Limits of Economic Science* (Boston: Kluwer-Nijhoff Pub., 1983), p. 6.

⁴ Ludwig von Mises, *Human Action* (New Haven, CT: Yale University Press, 1949), p. 19

⁵ For more on the problems with determinism, see Tibor R. Machan, *A Primer on Ethics* (Norman, OK: University of Oklahoma Press, 1996).

⁶ Kirzner, op. cit, p. 3.

⁷ Ibid.

⁸ See Tom Sorell, *Scientism* (London, England: Routledge, 1991)

⁹ See, John C. Moorehouse, "The Mechanistic Foundations of Economic Analysis," *Reason Papers*, No. 4 (1978). pp. 49-67.

¹⁰ Fraser Watts, "You're nothing but a Pack of Neurones" *Journal of Consciousness Studies*, Vol. 1 (1994), p. 279.

¹¹ Kirzner, op. cit, p. 10.

¹² See, for such an effort, Tibor R. Machan, "Applied Ethics and Free Will," *Journal of Applied Philosophy*, Vol. 10 (1993), pp. 59-72.

¹³ Lester H. Hunt, "An Argument Against a Legal Duty to Rescue," *Journal of Social Philosophy*, Vol. 36 (1994), p. 22.

¹⁴ Ayn Rand, "Value and Rights," in John Hospers, ed., *Readings in Introductory Philosophical Analysis* (Prentice Hall, 1968), p. 382.

¹⁵ "Takings" refers to government confiscation of private property for purposes of facilitating some public objective. It is the Fifth Amendment of the US Constitution that construes such taking in need of fair compensation, thus punctuating the seriousness with which the Founders viewed the right to private property.

¹⁶ This essay is excerpted from Tibor R. Machan and James Chesher, *Business Bashing, Why it's Hazardous to Our Health* (forthcoming)