

## What is the Nature of Self-Interest? [Unpublished]

The beauty of free market capitalism is that it does not require anything more than ruthless self-interest from its most ruthless self-interested citizens. When the system works properly they enrich us all by enriching themselves without giving the matter a great deal of thought. If that is no longer true it is a sign not that they are less moral, but that the invisible link between private gain and the public good has been severed. (Michael Lewis, "Lend the Money and Run," *The New Republic*, December 7, 1992)

This observation, made in a review essay of books by Nicholas von Hoffman, *Capitalist Fools: Tales of American Business, from Carnegie to Forbes to the Milken Gang* [Doubleday, 1992], and James Grant, *Money of the Mind: Borrowing and Lending in America from the Civil War to Michael Milken* [Farrar, Strauss & Giroux, 1992], has several questionable assumptions embedded in it. And they are all worthy of some scrutiny. For although some economist who champion the free market embrace some version of the idea Lewis relates, even their use of it does not quite fit Lewis' characterization.

First, Lewis assumes we all understand what "self-interest" means. But from the time of Plato there has been a serious debate as to whether self-interest means "doing what one wants" or "doing what one actually benefits from (by some objective standard of what benefits a person)" or, again "doing whatever one is doing."

There is nothing remotely "ruthless" about doing the second, while the first is entirely tautological, redundant. It amounts to saying no more than that people act because they want to act, so invoking it as a characterization of what they do makes little sense unless they smuggle in some objective standard of what benefits oneself. The last way of understanding self-interest is what most technical economists mean: when we see people doing things, they are pursuing their self-interest. In other words, the self-interest referred to in economic

analysis is really what Milton Friedman said it is in his Nobel Prize acceptance address, namely, "The private interest is whatever it is that drives an individual. (Milton Friedman, "The Line we Dare Not Cross," *Encounter*, November 1976, p.11). By this account, both Michael Milken and Mother Teresa act from self-interest. In fact, however, all this means is that both have their own motives from which they act. Those motives may be very different and to understand their conduct it is this difference that is most interesting. Knowing that they both want to do what they are doing are, indeed, doing something isn't going to tell us a lot about the character of their acts. Yet that is all that being "self-interested" seems to mean here.

Second, the claim assumes we know what it means for some system of political economy to work properly. But there is a great deal of dispute about that, too. Does a system work properly if it enhances justice? Or economic prosperity? Or equality of well-being? Or stability? Or peace? Or God's purposes for us by reference to Scripture, the Torah, or some other good book? Or all of these?

Indeed, those who talk along these lines may well have some hidden idea--even from themselves--of what "works" means, usually, advancing some ideal they hope they share with their readers. But that is just what is mistaken, especially in this age of multiculturalism: There are too many competing social ideals and by some accounts we aren't even supposed to ask which is better, which has greater validity.

Yet without addressing that issue, there simply is no way to determine what system of political economy works. For example, it needs to be shown that a system that achieves equality of opportunity or aggregate prosperity or the protection of individual rights or spiritual enlightenment is to be preferred over ones that achieve some other objective instead. Yet when public discussion ensues concerning what kind of system works, it often seems that these matters are left untouched.

Third the claim assumes that being moral consists of doing things not for oneself but for the public interest, understood in some fashion or another. We find in the remark a necessary schism between private gain and the public good.

Just why are we to assume that this is what it is to be moral? After all, if the public is worth benefiting; why would not private citizens also be worth benefiting, even from their very own actions?

Just because the public is large? But that assumes that mere numbers make something worthy. Yet a lot of scoundrels are worse than one good individual. Indeed, even in simple altruism, whereby benefiting others is good but oneself is at best morally irrelevant, why should this be so? After all, the agent is also a person who has needs and wants and why would serving those needs and wants rate lower than serving the needs and wants of others?

There are probably other assumptions involved here but these are of direct interest to us. The unabashed invocation of the Smithian doctrine, expressed so aptly by Bernard Mandeville, namely, "private vice, public benefits," is instructive. It shows that we still embrace the conflict between the individual and common good that gave rise to many of our troubles.

By this doctrine, people can exonerate themselves morally when doing something that is to their benefit only if this is done so that others also benefit. Moreover, even if one isn't gaining moral credit, only escaping moral blame. For if one does not benefit others while benefiting oneself one's action lacks redeeming moral worth. The reason is that the agent is never taken to be worthy of benefiting from his or her actions, only others are. Yet, that makes very little sense--why would other people be worthy of concern but not the agent who acts?

Not only does this view condemn many people in business to lacking in all moral worth--all those, namely, who are not guilty of moral wrongs but possess no positive moral achievement either by virtue of their business successes--but nearly all artists, scientists, educators, athletes, etc., who do what they do because they deem it to be to their own benefit, something they themselves value or find fulfilling.

Most great artists and athletes do not set out to serve other persons but create their works because they have a vision they want to realize. The greatest scientists do not usually engage in their work

because they want to benefit humanity but because they are intrigued by some problem.

The same view of what is moral that condemns people in business to moral irrelevance also condemns nearly everyone who isn't a martyr or saint. which is already enough to call it into question. This is one reason when people in business try to defend what they do—namely, strive to prosper—they tend to pretend that it is for the public interest they do it.

So instead of such sloppy approach to a vital problem, what needs to be addressed is just what kind of political economic system should human beings establish and maintain. If selfishness is understood as striving to make a good human life for oneself, there is nothing to be apologized for. But if means something else, we really do not yet know what we are talking about since the term is being used entirely ambiguously.

A final note: Just remember that when self-interested conduct is condemned, it indicts what we are, our self or ego. And if that is justified, if we are really no good, then there is no hope because even everything we do for others is done by someone who is morally devious.