

## **Chapter 12: The Argument Revisited and Summarized**

### **I. The Economic Significance of Ethical Theories and Dispositions**

The argument that ethics drives commerce may strike most readers, at first, as absurd. Business scandals often appear in newspapers. Puffery and worse is typical of many advertising campaigns. Fraudulent and near fraudulent claims are commonplace. Surely markets undermine ethics and profits are highest when pragmatists run economic organizations. News accounts of business men and women and economic explanations for market networks rarely, if ever, mention ethics or ethical dispositions, when discussing the commercial society. Consistent with this hypothesis is the usual assumptions that economists make about the nature of humanity. Economists routinely model individuals and firms as pragmatic profit maximizers, simply out to accumulate as much wealth as possible. When not modelled as wealth maximizers, consumers are characterized as simple hedonists whose vision of the good life is simply more and more consumption.

Yet a subset of economists, including several Nobel prize winners, believe that ethical dispositions matter, as evidenced by the quotes at the beginning of the book. Individuals are not homogeneous and their preferences or dispositions will influence how others think about them. Such thoughts may influence economically relevant choices

as shown in part I of this book. For example, an individual or a firm with a good reputation will do better than one with a bad reputation. Scandalous conduct tends to reduce both customers and job prospects. As a consequence, both firm owners and men and women aspiring to better jobs attempt to avoid scandals. A scandal would reduce the demand for their services. And what does “good” and “bad” or indeed the term reputation mean if not an expectation that good employees and good firms can be trusted to deliver high quality services at fair prices and “bad” ones cannot.

Reputable individuals and firms “deliver the goods.” They keep their promises. They are available when they claim to be and courteous to all who enter their places of business. Their work is of high quality. In other words, employees and firms with a good reputation are regarded as engaging in conduct that can be regarded as praiseworthy or virtuous with respect to fellow members of their organizations and their customers.

### **On the Ethical Foundations of Good Reputations**

Such reputations are not accidents. It is partly a matter of formal rules within firms and partly efforts by the firm’s owners and managers to recruit the best employees available at market prices. When a firm hires an employee, what traits do they look for? They want a person who can “do” the job. “The job” can to some extent be described as

doing “X” whenever “Y” occurs, where X and Y are long lists of events and associated duties. If  $X = x_i$ , then one's duty, Y, is to undertake  $y_i$ . The more complex the job the longer the two lists tend to be. In many cases the lists are incomplete, because the “job” cannot be fully described by even a long list of “if-then” responsibilities. Surprises happen and creativity may be called for. An employee should do the right thing (Y) in setting (X), and also be one who can be trusted to make the right decision in the cases not covered.

Normally, the specific duties include showing up at a particular time and place. Upon arrival, employees are supposed to work to advance their employer's interests. They are supposed devote their time and attention to particular activities while at work, rather than to others that they might enjoy more. Indeed, many activities are prohibited while “at work.” They should provide services or produce goods of high quality, quickly, and reliably. They should help other members of the firm and their customers. They should not steal from the cash register or stock room, they should not goof off, except at appropriate times. To do so, employees must be more or less honest, diligent, and inclined to be fair to customers and their fellow employees. A reputation for doing all the above tends to be rewarded with job offers, raises, and promotions to higher positions in the organization.

This description of employee obligations clearly draws on ethics. Duty is an ethical concept, as are honesty and fairness. Diligence, honesty, and self-discipline are on most lists of virtues assembled by philosophers and theologians. They are also among the “skill sets” rewarded by employers, although this is neglected by most economic theories of labor markets. It is better to hire some who is trustworthy, diligent, and self-disciplined, than not—other things being equal. At a minimum, such employees reduce monitoring and contract enforcement costs. If none of a small firm's employees can be trusted to run a shop's cash register or its bank accounts, economic organizations will necessarily be smaller and less specialized than they could otherwise have been.

Markets thus encourage the development a subset of ethical dispositions, namely the ones that employers look for when hiring and promoting employees. Ethical dispositions thus affect the supply of goods and services. Analytical support for these contentions were provided in Part I of the book, for the most part in Chapter 3.

### **The Good Life, Ethical Principles, and the Demand for Goods and Services**

Ethical beliefs also affect the demand for goods and services. The necessities of human life are, of course, biological, rather than cultural or commercial. Nonetheless, even in societies that live close to the margin of survival there are rules of conduct that describe how food

and water should be obtained and consumed. Many of these rules have survival value in that they reduce the risks of contracting various illnesses from food and water, but not all.<sup>1</sup> Additional rules emerge as communities increase in size. Many of these also have survival value in that they allow group members to survive and make life in such groups more attractive than it would otherwise have been. A subset of such rules facilitate collective decisionmaking, including rules of deference to elders and other persons of authority. Such rules are subject to survivorship pressures and tend to be well adjusted to local circumstances. Although they may not be the best that one can imagine, a community's most durable rules of conduct and maxims have withstood the test of survivorship in a variety of circumstances. Such rules may be regarded as natural laws for the environment of interest.

Of course, not all local rules are so tested. Rules that undermine individual or community survival are possible whenever a surplus above subsistence exists. Such rules may fail to increase or even diminish survival prospects. In such more forgiving settings, the demand for life is supplemented by—indeed largely replaced by—the demand for a good life. As economic development occurs, such a life may include tasty and

interesting food, stylish and comfortable clothing, grand housing, and a sense of accomplishment and esteem. Such materialistic aspects of a good life are, of course, influenced by ideas about aesthetics (the common meanings of tastiness, beauty, and musicality) and by ideas about the nature of a good life. Is it one of gratifying tastes or the pursuit of moral, intellectual, and athletic excellence? The latter will affect the kinds of goods that individuals will tend to want.

The recognition that some lives are better than others induces deeper inquiries by thoughtful men and women regarding the nature of a good life. Are there principles that can describe the good life? If so, such principles might improve the choices in the sense that choices consistent with those principles will produce a better life. Although thoughtful (and unthoughtful) persons may disagree about the nature of a good life and principles that improve one's life, such ideas have implications about how one should live and the sorts of tangible goods and services that one should attempt to live in the ideal manner. Such theories have implications about the appropriate balance between spiritual, aesthetic, and material interests, and the best methods for advancing those aims.

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<sup>1</sup> Diamond (2005) notes a variety of rules for harvesting and consumption of foods among Polynesian societies that have survival value. He also mentions rules that have no obvious survival value.

These, in economic terms, affect marginal rates of substitutions across classes of goods and services and also within those classes.

### **Ethics and the Production Possibility Frontier**

What is available from markets is also partly a consequence of internalized ethical dispositions. This is partly for reasons already described. Organizations staffed by persons with supportive ethical dispositions are more productive than organizations that lack such team members or employees. It is also partly because ethical dispositions and associated laws have effects on the extent to which human and nonhuman resources can be used in commerce and on the availability of production technologies, which provide the menu of methods through which resources can be usefully employed.<sup>2</sup>

How should the Earth's bounty be used? Should all share in what is produced or should it be divided in a way that reflects how much a person contributed to that production. What things can and should be owned by individuals? Should rights associated with ownership be transferable or not? If trade is possible, are there some things that should not be sold? Answers to such questions determine the "proper" uses of

natural resources and thereby enhance or limit possibilities for producing goods and services.

Ethical theories and internalized ethical dispositions also influence the rate of innovation through effects on scientific norms. Honesty and diligence are again important to the production of both new scientific theories and evidence and, to a lesser degree, in new devices grounded in technological advances. Insofar as a new device can be easily assessed by potential purchasers, that will serve to keep inventors honest, but insofar as their properties are less clear in the short run, fraudulent "advances" would tend to emerge and markets for many new products would disappear as in other cases of fraud discussed in parts I and II of the book. Snakeoil salesmen would tend to undermine markets for truly effective and safe medicines. In addition, internalized norms tend to influence laws that constrain or support innovation, as with various interpretations of "rights" and "do no harm" principles which can retard or accelerate rates of innovation.

Internalized norms thus broadly affect both the demand and supply of goods and services—some increasing both, some diminishing

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<sup>2</sup> In economics, the term capital normally refers to machinery used in production and funds readily available for making loans or purchasing the factors of production. The term capital is sometimes said to include knowledge, rules, and organization, as for example in Marshall's (1890) classic treatment of

production, although it is rarely used this way in contemporary economic research, where technology and social capital are distinguished from economic capital.

one or the other—and thereby on the extent of commerce that takes place.

### **Public Policy and the Extent of Commerce**

The extent to which commercial activities are consistent with or advance ethical ends will differ with the conclusions reached about the nature of and principles for living a good life and ideas about the good society. Among the latter are ideas about good public policy and the best way to organize and monitor a community government. In cases in which a community's government is charged with producing services, as with community defense, infrastructure, education, and healthcare, the discussion above applies. The pattern of government services will reflect the ethical dispositions of the persons directly involved in producing those services and/or in improving both the techniques for producing and improving them. The demand side differs in that the government produces services based on political pressures rather than in the pursuit of profits. A democratic government is thus responsive to voters rather than consumers.

Although voters are simply consumers by another name for the most part, the thought process and norms that influence policy choices differ from those of consumers insofar as voting often deals explicitly with “improving” society in some respects, and so notions of the “good” society play a more central role in those decisions than would ordinarily

be the case when shopping in a grocery or electronics store. Voting itself tends to focus more attention on such issues. This is not to say that ordinary consumer interests are unimportant only that other normative theories are likely to play a larger role in such decisions than in ordinary day-to-day decisions that are not focused on community or society wide issues.

Many of the services provided by governments indirectly affect the extent of commercialization. For example, providing a credible national defense tends to increase the certainty associated with long term planning by entrepreneurs. Government provision of infrastructure reduces transportation costs which both reduces production costs in most industries and tends to increase competition, driving prices down for consumers. Government provision or support for education tends to increase the number of literate and numerate persons available as potential employees, innovators, and entrepreneurs. Government support for or provision of healthcare tends to reduce uncertainty about one of the most important determinants of an individual's health—although it may create uncertain current and future tax burdens.

In addition to a community government's responsibility for providing a subset of goods and services, ideas about the good society also affect a government's law creation and enforcement services. The rule adopted directly affect the extent and direction of commercial

development. For example, some resources or some types of market may be banned because their use or existence is regarded to be immoral or inconsistent with the nature of good society. Other regulations may simply make some kinds of services more costly to undertake or some kinds of production methods more costly to implement. For example, environmental regulations tends to increase air and water quality (reducing health risks and providing aesthetic benefits) but tends to rule out some methods of production which causes prices to be higher for some final goods and services and in some cases may eliminate markets altogether—as with efforts to reduce the harvesting of some kinds of trees and animals.

Within democracies, these policies reflect the interests of moderate (median) voters and they may encourage or discourage commerce and economic growth. Among the more critical interests of typical voters when evaluating such broad policies would again be ideas about the nature of the good society. This is, again, not to say that narrower interests are entirely ignored, only that internalized ideas about

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<sup>3</sup> Formal law and internalized ethical dispositions can be substitutes for one another, but they can also be complements for one another. The enforcement of formal laws is neither costless nor automatic. The internalized ethical dispositions of the law makers and enforcers affect the rules adopted, the interpretation of the legal code (or precedent), and the appropriate manner of enforcement. Moreover, legal systems are

the nature of the good society are likely to have more influence on such decisions than they would over more ordinary day-to-day choices—in large part because the issues are more obviously concerned with improving society or moving it closer to some hypothetical ideal.

The reinforcement of community norms provided by a government is itself partly a consequence of the preexisting internalized ethical dispositions of the persons with the authority to adopt, interpret, and enforce the law<sup>3</sup>

### **Ethical Dispositions as Solutions to Social Dilemmas**

The analytical portions of the book have demonstrated that a variety of ethical dispositions, although not all can ameliorate social dilemmas and thereby make lives in communities more attractive, extend the domain in which gains from trade and specialization can be realized, accelerate technological and scientific progress, improve the functioning of political institutions and the extent to which public policies support or retard economic development. Note all rules of conduct solve social

instances of team production. Internalized dispositions thus affect the effectiveness of parliaments, courts, and the police. A team of legislators, judges, or police officers may work more or less diligently to develop and enforce the law, may be more or less harsh in punishing law-breakers, or may be open to taking bribes or not.

dilemmas, but many do so. Table 12.1 notes social dilemmas examined in parts I of the book and some of the principles or rules of conduct tend to ameliorate or reinforce social dilemmas. There are multiple normative solutions and reinforcers—and thus no unique moral code that produces relatively extensive commercial networks, although some ethical disposition are more broadly supportive of commerce than others.

<b>Table 12.1: Ethical Disposition that Solve or Support Social Dilemmas</b>		
<b>Social Dilemma</b>	<b>Dilemma Solutions</b>	<b>Dilemma Reinforcers</b>
Hobbesian Jungle	Tit for Tat Rule (peaceful) Anti-Attack Norms Respect for Property Rights Sharing Rules Promise Keeping Utilitarian	Tit for Tat Rule (attack first) Pro-Attack Norms Promise Keeping
Production of Public Goods	Promise Keeping Work Ethic Deference to Authority Utilitarian	Shirking/Free Riding Norms Dishonesty/Fooling Norms
Externality Problems	Do No Harm Principle Respect for Property Rights	Malevolence Norms Absence of Sympathy

	Coasian Promise Keeping Utilitarianism	
Team Production	Work Ethic Diligence norms Honesty norms Promise keeping norms Utilitarianism	Shirking/Free Riding Norms Dishonesty/Fooling Norms
Extent of Market Networks	Respect for Property Rights Honesty norms Promise keeping norms Utilitarianism	Shirking/Free Riding Norms Dishonesty/Fooling Norms Norms Opposing Competition
Supply of Productive Resources	Commerce as Ethical Virtue Building or Neutral Respect for Property Rights Norms Supporting Voluntary Relationships	Commerce as Unethical Virtue Undermining Agrarian Norms
Rates of Innovation	Utilitarian Innovation as Praiseworthy Economic Measures of Quality of Life	Do No Harm Norms Commerce as Unethical Deference to Authority Deference to Customary Ways

These rules help whether one has supportive governments or not.

That is to say they can produce a Lockean Anarchy that gradually replaces Hobbesian anarchy through evolution and sorting among communities. Or, when governments exist—and they may emerge as products of teams of raiders as in Mancur Olson’s (1993) model of the state as stationary bandits in Hobbesian circumstances or through Lockean social contracts as such norms are adopted and sufficiently adopted to make “good” governments feasible.

Once governments emerge, they may also promote or discourage commerce through the policies that they choose and to the extent to which they provide or support tradeable systems of use-rights and ownership. Extractive policies such those assumed on Olson’s version of leviathan might promote or discourage trade according to whether trade is a more efficient source of revenue than slave labor and the time horizon of the ruling group. The rules adopted will, as posited for most individuals in the choice settings analyzed in this book will be partly grounded in the internalized ethical beliefs of the rulers.

Within democracies, the median voter’s beliefs about the moral properties of market activities will tend to drive public policies and these may support or commerce to the extent that the middle column values are more or less common than the righthand column values in the country of interest.

## **II. Other Possible Explanations for the Extent of Commerce**

Differences in the distribution of ethical dispositions are thus one of the factors that account for differences in the extent of market activities through time and among regions. As market supporting ethical dispositions become more common place, markets will expand. As they become less common or anti-commerce norms become more commonplace, markets will contract. The above discussion does not imply that ethical dispositions are the most important factor, only that they affect the breadth and depth of commercialization through a variety of causal channels.

There are several other factors that economic research implies affect the size and scope of markets. However, most of these alternative theories of the emergence of the commercial society and the great acceleration of the nineteenth century are influenced by—indeed grounded in—ethical considerations.

### **A. Technology and the Extent of Commerce**

Technology is clearly part of the explanation for variations in the extent of markets and for the emergence of the commercial society. The invention of boats made it far less expensive to transport goods over water than over land. As boats became larger and more robust, it became easier and safer to ship more and larger items



from one place to another. As a consequence, ancient trading networks tend to be more extensive near navigable bodies of water than away from them. Larger ships implied that small bodies of water were unnavigable, which led to the formation of port cities where rivers entered a large lake, sea, or ocean. At port cities, goods would be offloaded from large ships and placed on smaller ones that could pass along rivers and lakes to other (usually smaller) inland port cities and towns.

The trade that took place within port cities supported commerce-oriented patterns of life that would become the norm rather than the exception many centuries later. Innovations in wheels, graded and surfaced roads, and railroads reduced the cost of reaching destinations away from navigable waterways, which tended to increase the reach of the trading networks and created new inland trading centers at major road and railroad junctions.<sup>4</sup> In this manner, successive reductions in the cost of long-distance transport tend to increase trade, specialization, and

the use of money in exchange. Towns and cities emerged as nodes in a great network of exchange and production.

Scientific advances also allowed new materials, new techniques, and new products to be brought to market as baked clay, bronze, iron, and steel allowed better containers, household utensils, fasteners, plumbing, heating, armaments, buildings, and fortresses to be produced and sold. New rules and monitoring methods were developed within organizations, as with sales receipts, quantitative inventories, workdays, piece rates, accounting systems, assembly lines, and digital data bases. Such organizational innovations helped increase the size and nature of the teams that could effectively produce, transport, and distribute goods and services. It did so partly by improving intra-organizational rules, partly by increasing the cost of violating those rules, and partly by recruiting rule-following persons.<sup>5</sup>

Such innovations created new gains from trade through new products and reduced production costs. As these potential gains to trade

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<sup>4</sup> Minor variations in this ship-driven pattern of trading networks occur in places where a major city is upriver from a lesser port city in response to weather or military risks at the coast. In such cases, major trading nodes exist inland from port cities, although nearly always along a navigable river with a port city at the end of it. This pattern was only slightly undermined by the rail networks of the nineteenth century. Insofar as railroads emerged in part to

connect pre-existing major cities with new places, railroad networks tended to increase trade in and through the old port cities.

<sup>5</sup> See Taylor (1911) for a discussion of what he termed scientific management methods, which included more care in the recruiting of persons as well as changes in compensation methods. See also Hart (1995) and Holmstrom and Milgrom (1991) for discussions of how contract designs can reduce the need for ethical men and women (although that terminology is not used).

were realized, the scope and scale of commerce increased. The realization of new potential gains is, however, not automatic. If it were, the only determinant of regional differences in the extent of commerce would be date and location. Date would determine the available technology and location would determine transportation costs and local resource base. Technologies are portable and thus potentially available everywhere that persons, books, and websites can travel.

There is, however, far more variation in the size and scope of markets among regions and through time than can be accounted for by date and economic aspects of location alone. Other, non-economic factors evidently determine the extent to which technologies are employed.

### **Constitutional Law and the Extent of Commerce**

Another possible explanation is differences in local political institutions. These may generate differences in laws and law enforcement that affect the magnitude of potential gains from trade even if everyone had the same interest in material comforts and placed the same value on careers in commerce. In such cases, differences in how political institutions account for individual interests will affect the policies adopted and the policies adopted will affect the extent of commerce. If interests differ, for example, because of differences in mainstream beliefs about the good life, then political institutions and ethical dispositions would jointly affect the course of public policy.

The authority to adopt new laws and public policies is normally held by a subset of government officials who rise to office in ways that differ according to the constitutions in place. By specifying the process through which persons rise to positions of authority, constitutions create incentives for persons in government to act in particular ways. In democracies, elected officials are likely to advance the aims of voters because they want to be reelected. In monarchies or dictatorships, officials are likely to advance the interests of the king or dictator, who can fire or promote them (or the persons they report to). Differences in the interests of typical voters and typical monarchs imply that policies will differ between these regime types, because of these and other institutionally induced interests.

Of course, the interests of office holders are only partly determined by a government type and its standing procedures for replacing and promoting officials. Government officials, as individuals, have their own interests, including ethical dispositions acquired before taking their current positions. Some of these may reflect government's own effort to promote particular principles and duties. To succeed, some of their preexisting habits of thought and behavior will be revised. Others were learned as children and adults well before taking positions in government.

The policies adopted reflect both institutionally induced and preexisting interests of the individuals in office. Indeed, it can be argued that the political institutions in place are often affected by such preexisting ethical dispositions.

If particular formal institutions are demonstrated to be associated with greater prosperity than others, less effective forms of government can—at least conceptually—be replaced with better ones if there is generalized support for material comfort. Governments can be re-organized and constitutions amended. Best practices for governance and constitutional law may be translated, boxed up, and shipped anywhere in the world. The constitutional systems that produce more prosperous societies could in principle be adopted anywhere. Formal constitutions are simply technologies, albeit influential ones.

That they are not often radically reformed also reflects the interests of those with the authority to adopt reforms. These again are partly institutional and partly personal. Among those interests are pragmatic interests in continuing in office and ethical (or ideological) interests in good governance. When the latter dominates, the economic, legal, and political systems of a society all may be said to have ethical foundations. If not, they may still influence the course of reform at the margins.

Insofar as ethical dispositions are less portable than technology, constitutional design, or legal systems, differences in such dispositions will at least partly account for differences in constitutional design, legal setting, and the extent of commerce among regions and through time. Pragmatic interests, in contrast, are essentially universal features of human nature and institutional setting.

### **III. The Development of Ethical Dispositions**

For the purposes of this book, the ethical theories attempt to identify principles that can be used to characterize the good life and good society and the types of activities that tend to support such lives and societies. Ethical principles allow some actions to be judged better than others, some lives to be judged better than others, and some societies to be regarded as better than others.

Ethical principles normally have general, rather than specific, implications about what should be done in particular circumstances. That is to say, the implementation of ethical principles requires judgement and imagination on the part of individuals. Morally relevant decisions are choices influenced, although not fully determined, by one's ethical principles. What might be regarded as pragmatic or amoral choices are ones undertaken without reference to ethical principles, maxims, or goals. Such amoral choices include ones induced by external incentives that

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induce a person to undertake actions that are nonetheless consistent with moral principles. Both the former and latter are relevant for the purposes of this book.

Ethical dispositions are modes of thought and action that arise as ethical principles are internalized and become part of one's persona. Ethical dispositions can be stronger or weaker, which is to say that ethical principles may play a more central or peripheral role in a person's decision making. Even ambiguous rules of conduct or moral maxims affect behavior when internalized, because they focus attention on ethically relevant features of the choice setting, actions, or institutions and thereby make some choices more likely than others.

There is enormous variety in theories of the good life and good societies and their associated rules of conduct that might be internalized, but only two or three processes through which such rules come to be internalized. Rules of conduct may be genetically transmitted, taught to children by their elders, or developed by the persons themselves. All three mechanisms are important, but this book mainly focuses on the last two.

Genetically transmitted rules of conduct are part of human nature. Most of us are more active when the sun is up than when it is down. Most of us instinctively take shelter from the rain and snow, if we can. When we are thirsty we seek drink. When we are hungry we seek

food. When we are lonely, we seek companionship. When we are in danger we seek safety. Such ruleful, predictable, behaviors are unlikely to change with a century or two of experience, although like other rules of conduct, individuals can violate most such rules given sufficient reason. People can work night shifts, diet or fast, live solitary lives, undertake dangerous professions and hobbies, and commit suicide.

Other rules of conduct are culturally transmitted in the sense that we learn them from others. Many of these extend or refine genetically transmitted rules. There may be right and wrong ways to satisfy one's hunger or thirst, appropriate ways of finding food or avoiding rain and snow, and more or less praiseworthy ways of dealing with dangers. In most societies, it would be unethical (wrong) to eat a fellow member of the community to reduce one's hunger, to use someone else's clothing or house without permission in order to escape from the weather, to skin someone else's animal to make a warm coat for oneself. Most moral communities have rules about the appropriate time and manner to cooperate with others, to engage in sex, to harm another, to dress, and to eat. One should never harm another or engage in sex, unless certain conditions exist, and so on. Parental duties are also specified, but also vary among communities.

Other community specific normative and ethical principles address choice settings that have little or nothing to do with personal,

community, or species survival. One should trust and be loyal to one's friends and family, respect one's elders, defer (or not) to mainstream opinion. One should never lie or break promises, one should be fair with one's fellow team members and customers and so on. One should use particular symbols (letters and numbers) to write down one's ideas and use periods, comma's and semicolons in particular ways. One should not use another's ideas without attribution. One should (or should not) always look another in the eye.<sup>6</sup>

The ability to internalize such rules is, of course, biologically transmitted and evidently has survival value. This is likely to reflect advantages associated with ruleful behavior and the fact that few rules of conduct work as well in every circumstance.<sup>7</sup> Culturally transmitted rules can change more rapidly than genetically transmitted ones, which allows humans and human society to adapt to changing or new circumstances, which increases their prospects for survival.

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<sup>6</sup> This book often uses the terms norms and ethics interchangeably, although ethics are a proper subset of norms. There is a good deal of disagreement among philosophers about how to distinguish ethics from other norms, and most of these are a bit ambiguous. Kant, for example, stresses that moral choices are ones motivated by duty rather than self-interest. Aristotle stresses that virtuous actions are the ones that tend to improve one's character. For utilitarians, virtuous actions are ones that increase utility for one's community or for humanity in general. Ethics too may be subdivided into rules or maxims that tend to improve an individual's character (private) and ones that make life in

How rapidly culturally transmitted norms change evidently varies with the complexity of the circumstances in which conduct to be guided and with that of the best responses to those circumstances. If ethical dispositions could be replaced as easily as shifting from a landline to a cell phone, they could not serve as the anchor for a society's institutions and patterns of exchange. In such cases, ethical theories and dispositions are more likely to be an effect rather than a root cause of political and economic systems. However, if at least some economically and politically relevant normative dispositions change more slowly than economic and political systems do, those dispositions may serve as a relatively fixed—slowly evolving—foundation for economic and political systems.

### **The Subtlety and Stability of Ethical Dispositions**

It bears keeping mind that there is a difference between ethical principles and their associated rules of conduct. The ethical principles developed by philosophers are far easier to write down and master than

society more pleasant (public or civil). This book remains agnostic on the dividing line, although the author has some sympathy for Aristotle's notion of ethics as rules for actions that tend to make one a better person. (The word "better" is of course ambiguous.)

<sup>7</sup> See Heiner (1983) for an interesting theory of the advantages of rule-following behavior in settings where information is imperfect and skills at decision making are limited.

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are their associated rules of conduct. For example, the essential features of Aristotle's theory of virtue can be understood in an hour or two, but to develop the dispositions (habits of thought and action) required to be virtuous takes a lifetime—at least according to Aristotle. Consistently choosing the best course of action, requires a subtle understanding of each choice setting and of the consequences of alternative actions. Many of the relevant factors and conclusions become “intuitive” or “obvious” as such dispositions emerge, but are difficult to express in words.

Aristotle refers to this ability as practical wisdom.

Most of the ethical principles and rules of conduct that people internalize are not directly learned from philosophers or theologians, but from family and friends over a period of many years or decades. Many of the rules learned from older members of their communities have been used by them for many years, and many of the rules that they pass on had previously been used by their parents and grandparents. This gives culturally transmitted rules and duties a history of experience well beyond that of any single individual or small group. Ethicists attempt to discern principles that can account for such rules and, in turn, to distinguish among rules of conduct. Some rules are better than others, because they are more consistent with ethical principles than others. The most influential of such moral principles will affect what is taught by future generations of parents and teachers.

Ethical dispositions are not “downloaded” in to the minds of children and student in the manner that an old computer's memories can be transferred to a new one. Instead, individuals can be prodded to learn, but the result reflects individual syntheses, experience, and innovation—as well as the principles and rules their attention is being directed to. Individuals all have at least some degree of free will and creativity. Indeed, they do not simply accept the recommendations of their elders, because their elders do not completely agree with one another. Moreover, their recommendations about both principles and rules of conduct are often subject to various interpretations. It is the individual's ability to innovate that allows a community's ethos to slowly evolve through time, as refinements and new guiding principles or applications are added to its collection of codes of conduct.

Variations among individuals within and among communities reflect (i) differences in the menu of normative theories and rules they are confronted with, (ii) differences in conclusions reached about what is true or what works best, and (iii) their own creativity, which allows pre-existing rules to be refined and new ethical principles of ethics to be

developed.<sup>8</sup> Variations among communities are greater than within communities, because of the localness of the process of cultural transmission. Even today, after decades of mass communication, most of our norms are learned at home and persons nearby: parents, friends, and teachers. The mass media and public education generates a greater homogenization of ethical dispositions than in former times, but as in language and religion, there remains significant variations among communities, regions, and nations. Ethical dispositions are developed one person at a time over many years and, for the most part, not as isolated students of ethics, but as individuals living in communities with pre-existing ideas about both appropriate and moral conduct.

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<sup>8</sup> Expressed in somewhat mechanical terms, culturally transmitted norms and personal innovations in those rules may be regarded as the soft-wired component of a collection of human dispositions. As with computer programming, soft-wired norms are not entirely independent of hard-wired ones, because many of the capacities of “the machine” are determined by the hard wiring, the human genetic code. One could not use a computer to write or read a book, visit or create a website, play or compose a piece of music or conduct scientific investigations without software; but software cannot run by itself. Just as software makes a computer much more than a steel or plastic box, so a person’s culturally transmitted norms make him or her more than any other animal species; soft-wired rules allow humans to adapt more rapidly to new circumstances than genetic mutation. It allows them to better organize responses to old circumstances as new rules are worked out.

### **Language as an Instance of Internalized Rules of Conduct**

Language is an instance of internalized rules of conduct—although not ones rooted in ethics. It nonetheless provides a useful illustration of how rules of conduct vary and are internalized. A language is a series of rules for linking sounds and written symbols with ideas. One’s first rules of grammar and proper pronunciation are learned at home informally. These are extended and deepened at school and in life in society. Successfully mastering the rules of a language is rewarded with smiles and encouragement by family members, with high grades in school, and subsequently with relatively well-paying careers from employers. Although language itself is not genetically transmitted—

people are not born speaking English, Chinese, Spanish or Farsi—the abilities that allow humans to learn and use language are genetically transmitted and perfected through practice.

Creative capacities allow individuals to express themselves in original and unique ways while dutifully following the rules of their home language. The individual's ability to “break the rules” also implies that both “bad” grammar and “good” grammar are always possible. Even rule-following authors and speakers are not automatons.

No two people in a community speak or write their home language in exactly the same manner, even though all follow more or less the same rules. This is one reason why voice recognition software, although much improved, is still problematic. There remain significant differences in voices, accents, dialects, and expression among persons and regions.<sup>9</sup> Some of these vary sufficiently that persons from the same society occasionally have trouble understanding one another. Indeed, persons with the ability to understand different accents can often serve as

a useful bridge between persons speaking the same language but with different inflections, word choices, word orders, and grammatical errors.

### **Limits on the Portability of Ethical Dispositions**

Language skills are somewhat portable in that one can learn a new language at any age with a few years of study. Yet, very few adults learn a “foreign” language—even after many years of study and practice—as well as a child of 12 has learned his or her native language from birth. “Foreign” accents remain, even as grammatical and spelling errors gradually disappear. As a consequence, a person's accents and choice of words can be used to identify regional and cultural origins within and among countries. Language itself, the mapping from ideas to sounds and character strings changes slowly at many margins, as new words and concepts are added. It changes more slowly at its core. The meaning of the most common words and the rules of grammar are remarkably stable. Differences in English over three or four centuries are easy to see, but far less so within a decade or two.<sup>10</sup>

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<sup>9</sup> The locality in which a person native to the United States grew up can be identified by answering a dozen questions about word use. See <http://www.nytimes.com/interactive/2013/12/20/sunday-review/dialect-quiz-map.html>.

<sup>10</sup> As far as I know, there are no cases in which an entirely new language has been adopted by a pre-existing community, although there are many instances in which particular languages gradually disappear to be replaced by others. There

are a few cases in which new alphabets have been adopted whole cloth as in Turkey under the rule of Kamal Attaturk, following World War I and in South Korea after World War II. Conquerors normally conduct the affairs of government in their own language, which encourages those conquered to learn a new language. However, the language of the conquered land is rarely outlawed, because of the very high costs (impossibility) of doing so.



## Chapter 12: Overview, Relevance, and Extensions

Ethical dispositions are like language and cuisine in that they are largely culturally transmitted and developed one person at a time over a lifetime. As true of grammar, many rules of conduct are subtle and context specific, and difficult for nonnatives to learn perfectly. Although textbook summaries of community norms can be developed, the summaries are always incomplete. How one applies ethical principles to the complex circumstances of day-to-day life is not always easy or possible to reduce to routines. Thus foreigners often remain “barbarians” or “philistines” (persons unable to properly follow “the rules”) even after years of experience in a new culture.<sup>11</sup>

Ethical rules of conduct, like language, change a bit at the margin every year, although the core concepts of virtue, duty, and a good life—the core grammar of ethical conduct—remain remarkably stable. Most of the virtues discussed by Aristotle in 350 BCE would remain on lists constructed 2,000 years later, only partly because Aristotle’s work was so influential. Yet, some ethical conclusions do change through time. For example, Aristotle’s critique of slavery would be regarded as outrageous by most Westerners today, because he accepted the legitimacy of slavery

as an institution, although he argued that the number of persons enslaved was greater than it should have been.

### Empirical Relevance

### Connection with Earlier Research

### Ending Remarks

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<sup>11</sup> It is interesting to note that being a barbarian in a tolerant society often frees one to break more rules than locals would tolerate among themselves. My

Japanese friends, for example, have always been very tolerant of this gaijin’s mistakes—failures to follow appropriate norms about bowing, blinking, etc..