

I, JOY

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Unfortunately, this oldest and most general result of the theory of social phenomena [viz., the spontaneous coordination of individual efforts] has never been given a title which would secure it an adequate and permanent place in our thinking. The limitations of language make it almost impossible to state it without using misleading metaphorical words. The only intelligible form of explanation for what I am trying to state would be to say—as we say in German—that there is *sense* [*Sinn*] in the phenomena; that they perform a necessary *function*. But as soon as we take such phrases in a literal sense, they become untrue. It is an animistic, anthropomorphic interpretation of phenomena, the main characteristic of which is that they are not willed by any mind. And as soon as we recognize this, we tend to fall into an opposite error, which is, however, very similar in kind: we deny the existence of what these terms are intended to describe.

—Friedrich Hayek (1933, p. 27)

HELLO, I'M JOY, A superior being. One of my claims to superiority lies in my knowledge. I see intimate aspects of the global social tapestry and how it works. In regarding it, I draw satisfaction from a combination of values. I don't pretend to a social welfare function—I am as perennially and essentially unfinished as you. I can tell you that when I behold the vast tapestry my satisfaction grows when it exhibits widespread prosperity, comfort, personal fulfillment, excellence, irony, and affection—in a word, joy. At one point, Adam Smith (1776) identified what really mattered to be “the good cheer of private families” (p. 440).

My knowledge is far superior to that of any human being. I don't claim to know everything, to be omniscient (is the notion even coherent?).

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However, I know you like a close friend, even better. I watch you intimately, your doings and your expressions, and I know what you think in a more or less verbal way, what you mentally explain to yourself. I may not favor your interpretation, but I do see it. Thus, my knowledge of you approaches yours, but for me this goes for everyone.

I don't have much of my own to do. If I had a friend, she'd probably say, "Get a life!" What I have is you all, all your doings, it's all I have, which I observe minutely, thoroughly, and systematically. It is my sole concern.

People know I'm there, listening to their song. A few have called me "God." I don't mind, but they might do better to just call me Joy. I am not the author of the universe, and I am not the only superior being. Like you, I find myself here and am just trying to make the most of it. It's just that my situation is vastly different from yours.

Do you remember the 1993 film *Groundhog Day*, directed by Harold Ramis and written by Danny Rubin? The Bill Murray character too had a special situation, and in trying to make the most of it came to an outlook, a sense of purpose, like my own. But he was not the author of existence.

You have powers I lack. You can step out of bed in the morning and alter the physical world, making coffee or raking up the leaves. I have no physical powers whatever. I cannot move a single leaf. In the matter of physical power, I am a zero.

But I have power of another sort, and in this respect again I am special and superior. The intimacy of my knowledge comes by sitting close to you, so close that I can smile or frown on what you are doing. I can't tamper with what you do. When you say or do something that isn't good for the extensive tapestry, or even the tapestry of your own being, I cannot make it otherwise. But I can frown at you.

I am superior in my knowledge and in my power to smile and frown intimately at you. There is yet another, third, way in which I am superior: I am constant. Søren Kierkegaard said that purity of heart is to will one thing. In that sense, I am pure. My sensibilities, at least from your point of view, are settled and constant. My will and judgment are a rock.

You sense the frown and you do respond, though not always to my satisfaction. By "you," here I mean that enduring-yet-evolving you, that most essential narrative of you. That part of you may be called your *soul*, but you needn't read into that term anything eternal. Like you, I am in the dark about what happens to your souls after you die. That they simply terminate would not upset how I see how you live or who you are.

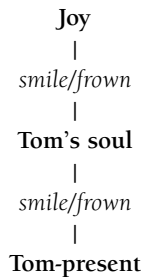
Adam Smith called me "the impartial spectator" and explained that within your breast I have a "representative." Your soul and I share experience and sentiment. As Smith put it, the soul "enters into" the feelings

I express, making it responsive to my smiles and frowns. Every soul seems to some extent to share the ethical sensibilities that those smiles and frowns express.

Here is a key passage from Adam Smith's *Theory of Moral Sentiments*. I name the prudent man *Tom* and insert several clarifications in brackets:

In the steadiness of his industry and frugality, in his steadily sacrificing the ease and enjoyment of the present moment for the probable expectation of the still greater ease and enjoyment of a more distant but more lasting period of time, the prudent man [Tom] is always both supported and rewarded by the entire approbation of the impartial spectator [that's me], and of the representative of the impartial spectator, the man within the breast [Tom's soul]. The impartial spectator does not feel himself [oops!, Smith got my gender wrong] worn out by the present labour of those whose conduct he surveys; nor does he feel himself solicited by the importunate calls of their present appetites. To him their present, and what is likely to be their future situation, are very nearly the same: he sees them [i.e., Tom-present and Tom-enduring, who is much closer to Tom's soul] nearly at the same distance, and is affected by them very nearly in the same manner. He knows, however, that to the persons [e.g., Tom, Mary, etc.] principally concerned, they [i.e., each's respective present and enduring] are very far from being the same, and that they naturally affect *them* in a very different manner. He cannot therefore but approve, and even applaud, that proper exertion of self-command, which enables them [Tom, Mary, etc.] to act as if their present and their future situation affected them nearly in the same manner in which they affect him. (Smith 1790, p. 215)

The approbation structure, then, works something like this:



It is Tom-present who has his finger on the trigger, but Tom-present is accompanied by Tom's soul, who is observing, judging, and expressing moral judgment. One level up, I am observing and expressing moral judgment to Tom's soul; sometimes that judgment passes through so neatly that it is as though I stand there with Tom-present and look him in the face.

The three tiers shown above span the range from the individual in the moment to the eternal, but in between there may be additional tiers. Between the bottom and middle may be Tom's working conjectures of his own soul and above the middle Tom's soul's working conjectures of me. Perhaps that latter conjecture would best count as my representative within Tom's breast.

Smiling and frowning are my only power. I am, again, like Bill Murray in *Groundhog Day*, using what special knowledge and power I have. Some people find joy in decorating their home, artfully coordinating colors; Bill Murray did what he could to better coordinate events in Punxsutawney, Pennsylvania; I do what I can to improve the coordination of earthly affairs. If you ask me *why* I work toward that purpose, I really don't know, but maybe it is because I imagine that if there were a being above me, she would smile on my doing so.

Whenever I watch *Groundhog Day*, I regard Bill Murray's with some awe and even envy. He could alter the physical world. Also, he could talk to people. He could explain things. I cannot. I am inarticulate. My communication is limited to expressions of moral judgments, grunts, groans, applause, and facial expressions, summarized as "smiling and frowning," but only the expressions are sensed. (This essay is a singular exception, so listen up!)

My powers, then, are very limited. The souls with whom I sit often do not understand my sensibilities and understandings. Very often they do not respond in ways I particularly like. Whether it is because they don't understand me or because our communing is less than perfect, I am never quite sure. Further, even when Tom's soul beats time with me, it doesn't necessarily beat time so well with Tom-present. For all these reasons, my powers are limited. I am no puppet-master, pulling strings by smiling and frowning. Up and down there are tangles and differences.

Still, my superiorities, in combination—super knowledge, intimate expression, and constancy—make me awesome. If my tone here seems kindly and chatty, it is because I am kindly and, on this special occasion, chatty. I need not guard my persona. My knowing and rock-like qualities naturally inspire reverence and love in those who receive my smiles and frowns, which are not those of indulgent mother, but rather more like those of an expectant businesswoman. I may be sympathetic, but I am not partial toward you.

Blunt as they are, the smiles and frowns begin to make a pattern, and the soul, evolved through the ages as well as the lifetime, discerns a basic scheme. Every soul naturally feels some communion with me and in liberal civilizations comes to structure its own scheme of smiles and frowns in a broadly common way. Adam Smith indicated that struc-

ture when he explained that moral approval hinges on the sentiments flowing from four sources:

When we approve of any character or action, the sentiments which we feel, are . . . derived from four sources, which are in some respects different from one another. First, we sympathize with the motives of the agent; secondly, we enter into the gratitude of those who receive the benefit of his actions; thirdly, we observe that his conduct has been agreeable to the general rules by which those two sympathies generally act; and, last of all, when we consider such actions as making a part of a system of behaviour which tends to promote the happiness either of the individual or of the society, they appear to derive a beauty from this utility, not unlike that which we ascribe to any well-contrived machine. (Smith 1790, p. 326)

In other words, moral approval of a character or action relates to: (1) the motives of the agent; (2) the sentiments of those directly affected; (3) the way the conduct adheres to custom and manners surrounding such actions; and (4) the system-wide effects of the whole complex of conduct, customs, and institutions that the conduct instantiates, affirms, or otherwise reinforces.

Accordingly, when someone pursues the honest dollar by producing and selling bread, one rightly approve of: (1) his motives (notably the prudent pursuit of profit and the faith in being a bread-maker); (2) the happy effect on those with whom he deals; (3) the way the behavior follows honest dealing and common decency; (4) the way the behavior, if only slightly, reinforces the general principles of private property and honest, voluntary exchange, as we recognize that these render system-wide benefits on humanity.

Bread-making is the simple case. For most private, mundane affairs of a strictly voluntary nature, the four sources agree quite nicely. In fact, for bread-making, the fourth source scarcely comes into play, as bread-making usually has negligible effect on the “system of behaviours,” in that it does little either to alter or to solidify that system. It has but small consequences on the norms, culture, institutions, and characters shaping what we hope will be like a “well-contrived machine.”

In fact, most of the morality plays discussed in *The Theory of Moral Sentiments* are of a private and mundane nature, where the fourth source plays little role. That is why moral considerations in ordinary private life focus mainly on the three simpler sources, where minimal ethics like commutative justice more neatly approximate a grammar, and why “the impartial spectator” is usually thought to be a personal moral advisor (one’s “conscience”), not a political economist.

However, some actions and decisions will affect the “system of behaviours.” Classical liberals, including me, might wish that it were

otherwise, that more of society proceeded like bread-making, and thus that great power were less of an issue, but my job is to judge action in the world that actually exists. Bread-makers receive my smiles and frowns, but so do those who take actions suffused with source four, and all such expressions emerge from my refined confab of sensibilities.

There are two broad categories in which things are suffused with source four. One is when the behavior to be judged takes place within cultural and institutional structures that are bad for extensive coordination. The simpler sources of (1) and (2) will sometimes conflict with (3) and especially (4) where institutions and culture have settled into structures regrettable or misguided. For example, when politicians help businesses with tax dollars or privileges, there is usually a clear breakdown in (4), but within the context the actions might feel and seem quite agreeable in terms of (1), (2), and (3).

We could enter into a discussion of how we ought to place things under the four headings. One reason that the simpler contexts of bad policy often feel and seem agreeable is that politics has, institutionally and culturally, cordoned off certain aspects and consequences, particularly those on coerces, into a seemingly separate moral context or, indeed, into sheer silence and invisibility. Such cordoning and denial, however, do not mislead me, and all aspects can be seen from the promontory at source (4), if not at a lower source. The overall weight of approval or disapproval is more or less the same no matter how the placements go. The rearrangeability among the four sources is also signaled in Smith's statement of (4): he spoke of "the society," a vague term that itself opens up different interpretations—the neighborhood, the party, the country, humanity—and possible corresponding conflicts. But how best to arrange things among the four sources, and how the range covered by the four sources might be usefully further sub-divided, are things that need not divert us here. The larger point is that the multi-source scheme and its range of coverage remain basically cogent, notwithstanding such rearrangeability and refinability.

Second, things become difficult when the behavior to be judged has itself cultural and political consequences, such as political speech acts, for then one must judge the content of the statements. One must judge the wisdom and scruple of the scholar. A wrongheaded scholar may be very eminent and may satisfy (1), (2), and (3) by well established standards, but his ideas may be nefarious and fail in the matter of (4), although he does not think so.

The four sources, therefore, can conflict—something about which Smith's writings are rather silent and sometimes even misleading.

INSTITUTIONAL ARRANGEMENTS I LIKE

Because my grunts and groans are so blunt, and because the four sources are somewhat vague and sometimes conflicted, I, Joy, am often hesitant to pass judgment on your actions, even when I am hoping it goes a particular way. If I tried to guide you in producing bread, in deciding what type of ovens to purchase and install, my signals could easily be misunderstood, upsetting the scheme of moral approval, and weakening our communication when it mattered more. On much of your conduct I just remain neutral, seemingly indifferent.

But there are indirect means by which I may deploy my power to improve the social tapestry. The more complex sources of moral approval (3) and especially (4) recommend characters and actions that will enhance the beauty of the “well-contrived machine.” Certain institutional arrangements will tend to make your interests coincide with the general interest. I smile on the people who promote and favor the good arrangements, and frown on the opponents. Enlightenment is a project, and those who advance enlightenment earn my approbation.

Smith again found the handle. He explained that the free-enterprise system tended to lead individuals to take actions that are good for society in general. Edwin Cannan (1902, p. 461), an assiduous disciple of Smith, put it this way in 1902: “The reason why it pays to do the right thing—to do nearly what an omniscient and omnipotent benevolent Inca would order to be done—are to be looked for in the laws of value.” Although Cannan’s “laws” talk is unfortunate, he is saying that the free enterprise system leads to patterns of activity mostly tolerably in keeping with what a being like me would like to see done.

Indeed, it is the “natural liberty” principles—private property, unattenuated ownership, freedom of contract and association—that really stand above all else in the matter of the fourth source of moral approval. That is, in judging actions, Smith and I take their effects on natural liberty to be a prominent standard by which we express moral approval or disapproval.

Now, natural liberty is not absolute. Smith made that plain. Economists and others have their categories wherein the coincidence of interest is so faulty as to possibly call for government actions, even contraventions of natural liberty. Debating the areas of controversy need not divert us here. Fortunately, nowadays, people increasingly agree that Smith was basically right, although too often their assent is only tepid and their attitude toward the status quo is complacent. Nowadays, the discussion is pretty well focused on varieties of what is regrettably called “capitalism.”

Another fortunate development, represented by Deirdre McCloskey’s book *Bourgeois Virtues*, is that people now generally understand that just because free-market arrangements tend to induce

beneficial action by aligning it with self-interest does not mean that the market system disparages, rejects, or over-rules moral concern. Market mechanisms are sometimes a substitute for particular moral engagements, releasing one's moral duties to go elsewhere. Market mechanisms often enhance one's moral life, by telling where need is most intense, or by enabling love, faith, and hope. Moreover, free market arrangements depend on moral energy and judgment, such as in resisting the temptation to lobby the government for handouts and privileges.

THE MARKET SYSTEM AS A COMMUNICATION SYSTEM

One way to appreciate the virtues of the free-market system is to liken it to a system of benevolence working by communication. That is what Friedrich Hayek did in his famous essay "The Use of Knowledge in Society" and elsewhere. To illustrate, he posited the elimination of a source of tin, such as the collapse of a mine, traced out the market adjustments, and said: "The whole acts as one market, not because any of its members survey the whole field, but because their limited individual fields of vision sufficiently overlap so that through many intermediaries the relevant information is communicated to all." Further: "We must look at the price system as such a mechanism for communicating information if we want to understand its real function." And: "It is more than a metaphor to describe the price system as a kind of machinery for registering change, or a system of telecommunications." (Hayek 1948, pp. 85-87, italics added)

However, just as Smith avoided simile when he said the individual is led by an invisible hand, Hayek writes as though market signals—profit and loss, prices, inventories, etc.—are literally forms of communication telling people how to advance the general interest. In fact, those signals are communication only in very narrow senses. At the supermarket, where a dozen eggs bear the price \$1.29, the only communication in a literal sense is the supermarket telling you: "Yours for \$1.29." As for the entrepreneur computing her profit or loss, there really is no communication in the literal sense. In no literal sense is the market system or anyone within it telling you to economize on tin or buy eggs.

Hayek means communication in a metaphorical or allegorical sense.¹ If I, Joy, could speak and give elaborate instructions, and you, instead of following market signals, instead followed my communications, those communications would tell you to take actions rather like—though not

¹Here I opt for "allegorical," rather than "metaphorical." I find one dictionary definition of *allegory* as follows: "an expressive style that uses fictional characters and events to describe some subject by suggestive resemblances; an extended metaphor."

identical to—the actions that the market signals lead you to take. The free market conduces to socially beneficial actions much as a benevolent system of superior knowledge, communication, and cooperation would.

The allegory implicit in Hayek is important because it opens up a fruitful way to think about institutional quality. What arrangements generate the signals that best “communicate” what to do? This emphasis on communication, in an allegorical sense, gets one to focus on how well the signals conduce to the general interest. In particular, the allegory helps us appreciate how “communications” adjust when the institutions go wrong. If the institutions start “telling” people to go in the wrong direction, will the system correct itself? Will it adjust to correct errors and to keep up with changes? Will it dig up new opportunity, new subjects of “communication,” beyond what the humans on the ground currently know? Will it spur experimentation and beneficial selection of activities? Using the allegory of my giving orders is useful, because it enables one to reason systematically from the perspective of someone who had my superior knowledge and my benevolent aims. It makes the terms of the mental exercise explicit.

AGENT ERROR VERSUS JOY ERROR

The significance of the allegory may be demonstrated by reflecting on some of the familiar teachings of social scientists. For example, economists who study the Food and Drug Administration are accustomed to analyzing the FDA decision of whether to permit a new drug as one involving two possible errors, as shown in the familiar scheme:

FIGURE 1: TWO TYPES OF ERROR IN FDA APPROVAL DECISION

| | | Drug is Beneficial | Drug is Harmful |
|-------------------|------------------------|--|--|
| The FDA reviewers | Permit the Drug | Correct Decision | Type-1 Error: Allowing a harmful drug. Victims are identifiable, traceable and might appear on Oprah. |
| | Do Not Permit the Drug | Type-2 Error: Disallowing a beneficial drug. Victims are not identifiable and scarcely even acknowledged in the abstract. | Correct Decision |

But before delving further into the FDA example, I should clarify the meaning of error for the individual agent, or *agent error*. At the agent level, error entails a sense of regret either actual or actually potential. The *actual* sense of regret is where you acted according to one interpretation of the situation, and later you reproach yourself for not having had the insight and judgment to instead see and take stock in another, superior interpretation. The *potential* sense of self-reproach and self-reform is that we might speak of an individual—your brother-in-law, for example—acting in error because under a not too fantastic counterfactual—a counterfactual made more relevant and possible by our discussing the error—he could see (or could have seen) the better interpretation. Thus, whether the self-reproach is actual or potential, agent error is not merely risk that turned out badly. A poker player who makes a good bet and loses did not make an error. We identify an action as “error” from an imagined perspective ex-ante to the play-out, but wise to other potential interpretations of the hand.²

Now, the FDA example presented by Figure 1 follows a line of discourse typical throughout the social sciences and the public culture. The FDA apparatus is faulty, say the analysts, because the FDA officials are overly prone to committing Type-2 error; that is, they are too stingy with permission.

This manner of analysis implicitly projects the allegory of my running a benevolent and super knowledgeable system of communications. Let’s confine my possible communication to instructions about the general stance the official should take, that is, his stance with respect to permissiveness.³ Every outcome involves an element of luck, so, just as a lost hand does not necessarily indicate a bad play, unfortunate outcomes do not necessarily indicate error.⁴ My communication

²This regret-based definition of error agrees neatly with *some* of Israel Kirzner’s expositions of the idea of error (Kirzner 1979, pp. 128–30, 146, 147; 1985, 56). However, Kirzner, like Ludwig von Mises, erroneously tries to paint a general theoretical picture of the market process, and in so doing paints himself into the corner of effectively dropping the self-reproach requirement and using “error” in a way that is much too broad, for example, suggesting that up to the moment of entrepreneurial discovery someone necessarily had been erring.

³If we, instead, allowed my instructions to be specific to each individual drug decision, so that I might use my super knowledge of the particular case, we would weaken the affinity between the agent’s context and my own operative framework for error.

⁴Correspondingly, in Figure 1, it might be better to call the upper-right outcome “Type-1 Bad Outcome” and the lower-left “Type-2 Bad Outcome.” But the incidence of bad outcomes natural prompts us to look for (Joy) error in the general practice, so it is natural to just call them “errors.”

tells the FDA official how permissive to be, how lax to be, for example, what “cut points” to use, in deciding whether to permit drugs.

As noted, the usual (and sound) analysis says that FDA officials are too stingy with permission. That is, *if those FDA-official actions flowed from my communications*, then we would deem *my communications* to be in error, for my communications in that case have them too often withholding permission. The definition of agent error is being applied to me, Joy, as the agent in question: If my communications had them taking such a restrictive stance, then I would reproach myself for having acted on such a foolish interpretation. I would feel that I had erred, and hence I would have erred. It is by this analogy that you humans say “we are erring” or “society is erring” or “the FDA is erring.” The “error” talk really only makes sense by way of a fictional story involving a being like me.

But my point of view stands in contrast to that of the FDA official as the structures actually exist and function. Economists are quick to explain that the individual FDA reviewer does *not* err when he withholds permission, because the consequences of permitting a bad drug loom much larger for him personally than the consequences of not permitting a good drug. Although it is possible that the human agents involved in the process do err, the more central point is that they need not: Type-2 error does not necessarily entail any agent error.⁵ It may well be that the error depicted in the familiar analysis is *only* allegorical.

Indeed, that the error is only allegorical plays directly into the argument against the FDA regulatory structure. Hayek, Armen Alchian, and Israel Kirzner have stressed that the fertility and flexibility of an economic system lies in its propensities to correct its own errors—*Joy* errors.

But the FDA structure lacks such propensities. Permitting a bad drug leads to bad outcomes, suffering, identifiable sufferers, complaint, loss of reputation, legal penalties and public scrutiny of “how the FDA failed to do its job.” These consequences motivate private individuals to contain the harm, and *motivate the FDA official to be very stingy with permission*. In contrast, not permitting a good drug may not lead to any specific or readily identifiable problem. Although an *enlightened* official might be motivated by the hazard of Type-2 error, an unenlightened

⁵While I am here underscoring the case in which the agent avoids err, it should be clear that I am disinclined to smile on the framework that rules out the very idea of agent error, or in other words assumes *perfect interpretation*—perfect, that is, from the agent’s point of view. The hallmark of Neoclassical economics is an axiom of perfect interpretation.

official will not be much motivated. The suffering caused by his assuming a restrictive stance is “unseen” and neglected. Such a stance would be a Joy error but not an agent error. Because Joy error does not align with agent error, this type of (Joy) error is not inherently self-correcting. Smith and Hayek teach that in most cases the free market tends to align Joy and agent interest. The corollary is that *contraventions* of the free-market system often *misalign* Joy and agent interest.

In addition to “communication” and “error,” there are other economic tropes, such as “social cost/benefit” and even “the economy,” that really are best understood by way of Joyful allegory. But some who appreciate free enterprise resist such allegory, invoking regrettable dogmas.

JOY VERSUS THE HARMONY OF INTERESTS

Many economists have sought to locate the greater plane of error in some kind of “harmony of interest” view, wherein error implies the failure of people to jointly advance their interest. We don’t need “Joy;” the science is grounded in apodictic categories about the individual. We scientifically recognize the potentiality for joint and unanimous betterment, and any value judgment of the extensive order is a separate matter.

However, even in voluntary exchange, interests are far from perfectly harmonious. Given that an exchange will be realized within a range of prices, the seller and the buyer have disharmonious interests about what the price within that range will be, as with other terms. More importantly, a business tends to hurt the competition—creative destruction. The successful entrepreneur usually makes his competitors worse off. And sometimes people do things, perfectly voluntary, that make others and sometimes themselves worse off, maybe even to such an extent that I dislike like the particular voluntary action. Our judgment that, nonetheless, free-market arrangements are good overall, that they advance extensive coordination, necessarily invokes a view that sees both harmonies and disharmonies.

A related objection to a point of view like mine offered by Israel Kirzner (1998, p. 292) seems to hold that all we need as analysts is a standard within which we may consult the degree to which each person’s action takes into account others’ actions and would-be actions. One major problem with Kirzner’s effort is that, by his own admission, the evaluative standard he offers (he calls it “coordination”) is necessarily silent on changes in the regime of rights. Yet the concerns of political economy chiefly involve such changes. Kirzner’s “coordination” concept cannot, for example, address the case of reforming the minimum wage (in either direction). Even the broken window, which does

have its bright side, is uncertain. It would seem that the only statement ever made by Kirzner's concept is that within a regime, voluntary exchange renders greater coordinatedness, and even that statement is never clearly stated or argued.

That the free market usually tends to align Joy and agent interest does not mean that there is no disharmony of interests. I hate to impose myself, but I'm afraid that the harmony of interests is too limited to keep a viewpoint like mine out of the science.

And, if you are uncomfortable about the fact that the sensibilities expressed in our judgments cannot be articulated clearly, completely, and definitively, well, that is something you just have to get used to. It is like what movie critics do. They do not exposit foundational standards for what makes a good movie and then apply them to the movie in question. Rather, they watch the movie and try to explain their own reaction. As Adam Smith said of literary criticism, even the most refined sensibilities about the sublime remain "loose, vague, and indeterminate" (pp. 175, 327), and he said the same goes for ethics. When people attempt to overcome the looseness, when they attempt to articulate a foundational standard for good movies, analogous to a grammar, they make generalities and gerrymandering, words of little meaning, obscuring the character of the speaker. And then there is the recurring request for the foundations of the foundations. Smith saw that the warrant for any supposed grammar resides in sensibilities. But if one relinquishes the aspiration of reducing everything to a grammar, and instead admits the looseness and indeterminacy of aesthetic and ethical sensibilities, one may make the rest of what matters more definite and vigorous. Movie critics avoid foundations and instead speak concretely about the movie's strengths and weaknesses, and about this movie versus that movie. In the end, they make judgments—thumb's up or down. No "social welfare function" is articulated, and yet we have no great difficulty discerning patterns in the judgments, understanding critics, and carrying on a rewarding discussion about movies. Relinquishing foundations does not throw us into arbitrariness. As we proceed, expression enables new articulation and better criticism; we discover, develop, and refine our sensibilities. If one looks at the free private marketplace for movie reviews, one sees that the critics do a brisk trade, while the foundationalists do none.

AGENT ERROR IS A MATTER OF CULTURE

Whether the FDA official will reproach himself for being insensitive to Type-2 error—that is, whether the Type-2 error will also be an error to *him*—depends on his moral qualities, intellectual understandings, and cultural pressures. In channeling my approbation, I don't worry about

the private bread maker, but I direct a lot of energy toward Tom the FDA official. My effect is substantial, but far from ideal. You see, if my approbation rang loud and clear in Tom's soul, and Tom's soul's approbation rang loud and clear in Tom-present, then it *would* be an agent error to make all those Type-2 errors.

Alas, my approbation does not ring through loud and clear. What is so unfortunate about agencies and structures like the FDA is, not merely that they block and pervert the market mechanisms, but that they breed cultures that make the bond of approbation—from me to Tom's soul to Tom-present—so clouded, conflicted, and weak. If the moral mechanisms at one source are not well linked to those of the next level, we might get a disconnect that persists and offends only those independent individuals attuned to wisdom about the high level.

My influence being so limited, the challenge calls for the wise and generous decisions of others. The FDA official pretends to be deciding with the general interest in mind—he pretends to be following the communications that would flow from me. Yet so often he does not, either because the pretense is so fake or because he so misunderstands the general interest and how to improve it. The problem here can be ameliorated by directing the hot spotlights of understanding, criticism, and moral judgment on what is being done and what should be done. These efforts, which often warm my heart, play a huge role in correcting the Joy errors of the political, legal, and cultural structures, in helping to align Joy error and agent error. After all, the chain of accountability according to the democratic theory of reward and punishment is absurdly weak, even meaningless. What actually keeps government and political culture from being much worse than they are is the fair measure of decency and enlightenment nestled within each agent within those structures. (As evidence of the agreeable nature of most people, consider that the film *Groundhog Day* offers a simple story, thus avoiding viewer misunderstanding, and found a seemingly universal popular appeal.⁶)

We must remember that people cannot undo life lived and actions taken. The narrative of the soul is never finalized, but is path-dependent. A murderer might atone but he cannot undo the murder. Marriage to a spouse is not easily erased, and even less to the legacy of the you who preceded this moment. It is the same with marriage to an idea. Such erasures might leave only a terrible void. In clinging to a bad interpretation, the individual may be preserving the only selfhood that for him, at this late hour, can hold any substantial meaning or joy.

⁶The present remarks about the film *Groundhog Day* agree with and were inspired by those of McCloskey (2006, pp. 273-75).

The enlightened face a difficult tension. Many of the powerful positions in society, political and cultural, tend to attract, breed, or prosper people with bad ideas and complacent attitudes. To convert Joy error into agent error, it falls on the enlightened to criticize them, to punish them. But such criticism smacks up against the simpler sources of moral approval identified by Smith. That is, such criticism, such “punishment,” is obnoxious and offensive, at least to the ones criticized and all who respect their purposes, sentiments, and conventional ways.

The displeasure they feel in this regard I view dispassionately. When the criticism is sound, my sympathy for them is moderated by the larger concerns. I am inclined to smile on you for soundly criticizing. However, because it is offensive to those within the locus of error and their friends and admirers, it induces all of them to exclude you and ignore you, and that reduces the moral and intellectual force of your criticism, present and future. Even when your criticism is sound, I regret that it may alienate the erring from your potential at correction.

That is why the four sources will be conflicted not only for those enmeshed within erroneous structures and cultures, but also for the enlightened. If, in applying the four sources in judging your own conduct, you disregard the sentiments and sensibilities of the erroneous structures, instead focusing only on your own circle’s motives, sentiments, and manners in the matters of sources (1), (2), and (3), and, from that moral distance, you offend the erring, your works may have very little force. Circles already receptive to the good ideas might listen, but they are already receptive. It is good that some nurture those circles, as they may grow up and one day move into some of the positions of power, and as enlightened culture, even without political power, constitutes an important pleasing part of the tapestry. But it is also good that some participate in the circles enmeshed in error, to turn Joy error into agent error. Without the project of improving the institutional structures of the present generation, enlightened culture would lose hope and purpose. The faith would disintegrate.

Paradoxically, it may be an error on your part to explain brusquely that a policy entails Joy error. My knowledge of you is no better than yours, and often the strategic puzzles and possibilities of the conflicted sources make it difficult for me to read your purpose and method. If we assess the merit of a criticism by its rightness within the strategic context, assessing merit becomes a subtler matter. Merit asks one to struggle to close off even the most crankish charge of crankishness, whilst arguing soundly.

When the four sources are conflicted, my own feelings are mixed. I might give little expression at all. Enlightenment pleases me, but it involves more than understanding which institutions work best. If the

moral project of a freer humanity is one you belong to, then you face a central, trying challenge in navigating the crosscurrents of the four sources of moral judgment.

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APPENDIX

REMARKS ABOUT THIS ESSAY

This paper is written for an audience of libertarian economists. It is part of the agenda to retire the name "Austrian."

Correction is the main idea to be developed

- As a basis for criticizing institutions/characters
 - ◊ Hence need to clarify "correction": Extensive coordination (Joy)
 - ◊ Hence need to distinguish agent error and Joy error
 - Hence need to criticize the "harmony of interests" conceptions of coordination in Kirzner and others. M, K, and R all put forward "scientific" standards of coordination or betterment, but none of those standards do what we need to do. We need Joy.
 - Kirzner plays agent error two ways, one good, one bad

OK, fine, Dan. But why get into all the cultural stuff about conflicts between the four moral sources?

- That stuff indicates that cultural mechanisms *in government structures* often misalign the agent and Joy.

Agent: (1) OK, (2) OK, (3) OK, (4) X. Cultural mechanisms fail to correct agent error. The paper indicates that if moral mechanisms of one source are not well linked to those of the next level, we might get a disconnect.

OK, fine, Dan. But why get into possible tensions for libertarians, at the very end?

- Addressing the agent who: (1) X, (2) X, (3), X, (4) OK, shows a symmetry in the application of the four-source scheme. It points direction to a condemnation of the condemnation of bargaining. It points directly to a condemnation of crankishness.
- Applying our sensibilities inwards avoids the characterization of us that we think we are morally impeccable. We demonstrate that we criticize statism and ourselves from an integrated set of sensibilities. We have a philosophy of *correction* that applies both to the FDA and to the libertarian movement.

