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ECONOMIC AND SOCIAL POLICY IN DEMOCRATIC SOCIETY¹

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THE following pages offer a few thoughts on a large subject, a sort of introduction to an introduction. I am concerned with the unsolved and burning problems of our own society in preserving and perfecting its more or less democratic character and mainly with "economic" policy, not rigorously defined but excluding "social" problems outside that field, broadly construed—except as found "necessary." And by policy I mean primarily *political* policy (in "economic" matters); but I must insist as strongly as possible both that moral and psychological conditions are prerequisite to legal action and that the most fundamental things cannot be done by law and administration at all but only by moral forces. In fact, the most vital function of the politico-legal organization is to create in the people the qualities and capacities that make up the democratic spirit and so equip them for democratic living.

A further limitation: Public discussion in this field must lie, or range, somewhere between a sermon denouncing sin and the draft of a legal code, with provisions for administration and enforcement. Considering also my own personal limitations, I feel that in a brief paper my best chance of promoting intelligent discussion is to begin with a little attempt to define sin, by contrast with its opposite here, the democratic ideal, and to relate this contrast to the unalterable

¹ This article is slightly revised from a paper read before a session of the American Political Science Association at its December meeting, 1948.

facts of life which condition, and limit, the realization of the ideal. First of all, we ought to say "ideals"; for there are many basic values, which are as much conflicting as harmonious, and even singly they are only in a limited degree attainable, in the kind of world in which we find ourselves, through effecting changes that are within human power. Our greatest danger, here and now, is ill-considered action, doing more harm than good. Especially state action, which aims at and sometimes does good in one direction, but too often without counting the greater cost in other values fully as essential. Like Aesop's dog, we may well lose the meat we have by grasping at things beyond reach, or entirely unreal. Russia is but an extreme case of what is going on everywhere, including our own country. Taking "democracy" to mean achievement of particular ends instead of freedom—ends laudable in the abstract—the people keep giving new tasks and more and ever more power to government until presently it will be the master of all instead of the servant. At best, government is the agent by which a voting majority exploits a minority—or curbs it, depending on one's bias. Our need is rightly to balance and combine incompatible things which cannot be measured; hence it is hard for discussion to get much beyond the old cook's recipe—put in enough, but not too much, of this, that, and the other.

It seems best to start with some "historical background," drawn, of course, in sweeping strokes. The democratic idea,

in our sense, has come into the world very recently and suddenly, historically speaking. Its revolutionary novelty is not generally realized, and the mere fact of abrupt and vast change is a large element in our problem. Proverbially, the young man is in a hurry, and the gods are not. It is impossible, and should not be needful here, to point out the great differences between our conditions and ideals and those of Greek or other so-called "democracies" of the past. Modern civilization as a whole is a "reaction" from medieval conditions, which grew out of the decadence of classical culture after this had lapsed into outright despotism. It is true but hardly complete to describe this decline in Gibbon's famous phrase as the triumph of barbarism and religion; but these and other factors—especially the importation and adoption of the monastic ideal—did make of medieval Europe an extreme example of what has been typical of human society prior to the modern West. That is, it was in an unusual degree based on status, the caste idea, and customary law—all sanctified, hence largely "frozen," by religion. Christianity, originating as a mystery cult, becoming organized on the model of the decaying Roman Empire, and taking form in the Dark Ages, was tied to a past verbal revelation. Its interest was centered not in solving human problems but in salvation for a future life with no problems to be solved. At first the Kingdom was to be miraculously established immediately and on earth; later it was transferred to heaven; and bodily resurrection, though it is still in the creeds, was in practice soon replaced by immortality of the soul. The means of salvation were faith and a few simple rites, associated with a simple, primitive ethic of quietism, tenderness, and submission to superiors. But from a claim to universal-

ity its church deduced a policy of ruthless intolerance and proselytism. This inheritance from Judaism was intensified as Christianity triumphed and became the imperial religion, itself imperially organized and claiming supreme political authority. To begin with, the founders had prescribed a virtual anarchism, with love solving all problems, but enjoined complete submission to established authority as a thing of no concern to the believer. In spite of its peculiar sources of power and ostensible objectives, the church's use of power, as fast as it could be obtained, was like that of any absolutistic hierarchy. It was also committed, as eternal and immutable truth, to a primitive, mythological view of the natural world. A little growth of civilization—to which men seem by nature *somewhat* inclined—would shoot such a system to pieces and tend to produce a violent reaction.

So, what naturally happened was a swing of the pendulum far in the opposite direction, a tendency to repudiate tradition and authority, *überhaupt*. The reversal was stimulated by the "Renaissance" but would certainly have happened anyway; the "rebirth" aspect is much overdramatized. The modern temper really developed in "backward" northern Europe, with the Protestant "Reformation" as an important incident, following a long sequence of heretical movements; but it affected all fields of life and conduct; and developments in science, politics, trade, and industry are dynamically more important than either religion or literature and the fine arts. I must pass over a few transitional centuries, in which states, under hereditary monarchs ruling by divine right and struggling quite frankly for power, more or less replaced the Western church. The church had ostensibly sought calm

and the spiritual life, but under its own absolute authority—to be extended as far as possible by any means available—and with the usual prerequisites for the managers. The ideological culmination was the rationalistic, but also sentimental, Enlightenment, incubated in England, taken over and carried to an extreme by the French, also strongly influenced by the British American colonies, especially in view of their successful revolt and establishment of a federal republic.

The result was unlike anything seen, or even imagined, before. In the place of eternal verities, given by revelation and taken on faith, by command, came modern science with its dynamic, “eternally provisional” conception of truth as perpetually advancing through critical questioning, shrewd guessing, and testing by observation and experiment. But useful (or destructive) application was both a main test of truth and an intrinsic value, on a par with “pure” knowledge—a double contrast with ancient science. And in place of natural law, stressing conformity and obedience, came natural rights, stressing free activity, exploration, adventure, in both the natural world and the world of ideas. Above all, *progress* should be achieved through intelligent, mutually voluntary co-operation, under the supreme moral principle that each shall respect the right of all to the same freedom he claims for himself. Religion should be the affair of individual conscience and of free association for any desired ritual observances.

Politico-legal coercion could, it was thought, be confined to two sets of functions, one negative and one positive; first, to police wherever necessary the various freedoms. This policing referred primarily to economic co-operation through exchange, where men’s interests

seemed to clash most directly—seemed, after a century and a half of religious wars had shown that no one “Christian” sect was strong enough to suppress and swallow the rest, and forced men to see that they might live and work together without unanimity on religious dogma and ritual. Second, the positive function of the state would be itself to act as a co-operative association wherever by general agreement political action would get useful things done that would otherwise be neglected or less well done through private dealings between producers and consumers of particular goods and services, under the control of market competition. (Use of the word “competition” in economics is a historical calamity; there is no “rivalry” in an ideal market, and little in actual ones, especially in comparison with other modes of association, notably politics, where also it does not theoretically belong; a market is simply organized provision for everyone to co-operate freely with the “other” who offers or accepts the most favorable terms.)

Anyhow, the religious wars, and the dynastic wars which followed them, did come to an end, as did the more political and ideological wars precipitated by the French Revolution. With the age of freedom, of liberalism, we confront what is on its face perhaps the greatest anomaly of history. In the nineteenth century, the predictions of the early liberals were more than fulfilled. But the most unexampled progress, and especially progress of the masses, in political and cultural participation as well as in “material” comfort, security, luxury, went hand in hand with just as unexampled demand for violent revolution—the destruction of all existing social order—because, forsooth, the workers, the bulk of the people, had nothing to lose but their chains.

The movement of revolt was led by “intellectuals”; the masses harkened; and, presently, over much of this Western world, cultural, economic, and political freedom gave place to despotism as complete and as ruthless as has been seen anywhere at any time. And the countries where formal democracy still lives are moving toward the brink of the abyss if they are not in the process of falling into it. An understanding of this new “reaction” is the first prerequisite for formulating “an economic and social policy” for democracy, specifically our own.

First, much of our problem is no problem or arises from plain stupidity or sheer perversity. Witness the protective tariff and monetary inflation. Everyone professes to believe in foreign trade and price stability; but the majority vote for tariffs and for inflationary measures, and in our own generation there is more of both than was thought possible by Adam Smith or Alexander Hamilton or the Continental Congress. The remedy was supposed to be “education”, but we have prescribed and forced enormous doses of that, from the three R’s to analytical economics; and on these issues economists have hardly disagreed. Hamilton, who died young, was still in his prime and Smith had been dead but a few years when Friedrich Schiller coined the expression, “Against stupidity the gods themselves contend in vain.” Education is perhaps the greatest disillusionment of our age. If there is any difference in the way they vote, the members of a university faculty seem even more ready than the man in the street to plump for nostrums, promises of ends that sound good, without critical scrutiny of the efficiency of proposed means or appraisal of the cost or possibility of achievement. And specialists in other fields, including social sciences, are free

in telling the public that the economist who utters a warning is either a born or bred reactionary or is in league with the “interests.” The educated and the ignorant alike vote for stupid and arbitrary laws like rent-fixing and other price controls, hoping to suppress the symptoms of a derangement which they will not try to correct by measures that will work, though of course not with magical ease and speed. Protectionism is still perhaps the most patently absurd economic policy. If the public cannot be taught that imports are either paid for with exports or given away—and that wealth is not increased by getting rid of as much as possible and getting as little as possible in return—there is not much incentive to discuss with them issues that raise real or difficult questions. Protective duties, in fact, benefit very few and are largely voted by those who pay most directly for the social waste.

However, error and ignorance often are not due to low mental capacity but to “prejudice,” which can blind men even to the obvious. Some pernicious economic prejudices may be classed as “immoral,” like hatred or suspicion of foreigners and people above one’s own class, or below it, or merely in another occupation group. Sad but necessary to say, however, some of the worst, and in considerable part those named, derive from our religious-ethical tradition. Of course most people do not believe what they profess in this field; the weird variety and incongruity of religious beliefs of persons otherwise similar mentally and morally prove that. But that surely is not a healthy state of affairs from the standpoint of democracy, which must mean government by intelligent discussion. Probably few now believe that suffering is merely punishment for sin, still less the sins of the persons who suffer, or

that it is wicked to care about well-being in the earthly life. Some Protestants and many Catholics undoubtedly do still in a sense believe that tolerance is sinful and would repress and finally torture and kill "heretics" if they could. Anyhow, the tradition of dogmatism and intolerance survives (its "logic" is irrefutable, given the religious premises concerning divine authority and salvation) and carries over into the attitude in discussion of morals, all aspects of economic problems, and partisan politics. It promotes confusion of matters that are of no practical consequence with matters on which agreement is really essential and encourages the belief that believing is a virtue and that disagreement is due to sin—of the other party—which makes discussion impossible and prompts appeal to force or some form of "persuasion," frequently the most contemptible species of coercion.

Especially interesting is the teaching that it is a sin to be rich—but quite laudable to enjoy any amount of wealth and use it for pomp and display and to wield any amount of arbitrary power if it is done in the name of the church, or even of a state if this obeys the orders of the church. Shailer Matthews, of the University of Chicago, Doctor and Dean of Divinity, observed that the church's condemnation of wealth is matched only by its zeal to obtain it. One feels like being amused at the situation created by the Communists' taking over this doctrine—merely changing "church" to "party" and substituting the more up-to-date metaphysic of materialism, equally incredible and irrelevant. Something like an inherited religious prejudice is required to account for many of the economic beliefs most popular today; for instance, that all landlords are rich and grasping and all tenants poor and

virtuous—and the extent to which in each individual case an inflation will benefit the one at the expense of the other if the tenant freely profits by it while the landlord is prevented from doing so. This is supposed to protect tenants from the consequences of a housing shortage which in fact results only from rent-fixing—and naturally means that people who need or wish to rent houses cannot do so at all. There is no shortage of houses for sale, since there is no fixing of prices. But many far more hoary economic ideas are in the same class: that "labor" produces everything or, specifically, that it produces "capital" or that "capital" employs labor, any more than the opposite is true in each case, or that employed persons are "working for" their employer (whoever that is thought to be) rather than, in a sense, for the ultimate buyer of the product, but really for themselves. Of course people work for themselves more effectively by working for one another, and this fact is both the basis and the essential nature of the free-exchange form of organization.

Man is a social being, social animal, if you will, but one who is peculiar in that instinct has been largely replaced by traditions, mores, and laws, made and enforced in various ways, setting various limits to individual liberty. In primitive society laws were hardly made but grew, as custom, and required little enforcement. With the coming of civilization, custom was more or less replaced by authority, itself based on custom, for enforcing law and to a limited extent for making law, i.e., changing it. For any group to exist, its members must in some way agree on the laws, their scope and content. In modern democratic society the law is made and enforced by officials elected under free discussion and so made responsible to the popular will. Such law

must be limited, in favor of individual liberty, to matters on which there is an approximation to general agreement, not merely of a bare majority. American experience with slavery and prohibition is surely enough to show, to those who would not see without being shown, that a substantial minority cannot be coerced, much or long, without breaking up society or at least destroying freedom and bringing on a dictatorship, civil war, or chaos. Certainly coercion cannot yield effective co-operation in any sort of activity. If people are to play together they must agree on the game and the rules; otherwise, whatever motions they may make, it is no game. And not much time can be given to discussion, either (barring the tendency of such argument to degenerate into a fight). Similarly with worship or work or any joint activity.

In economic life some results can be had through force (slavery), but they will be meager. But the main fact about economic organization is that nothing but loss of efficiency prevents any group, however small, from having its own system, as they can have any game or any religion they can agree upon. Even any individual can have his solitary own if others do not arbitrarily interfere. In reality, economic activity itself is in part a game, quite as much as it is a means of satisfying any objective or given wants or needs. And, like other social activities, it tends to generate the competitive spirit and to be motivated by that interest. It is also a mode of "sociability"; the assumption that market relations are impersonal must be made for the purpose of analysis, but it is far from the whole truth. Today, to take advantage of modern technology, men must co-operate with hosts who are unknown to them, and, at the same time, men of all

sorts and degrees must work together in large, intimate, and often rapidly changing groups. But we did not evolve in or for such life. One may say that we "must" co-operate, since it is a condition of efficiency to such a degree that otherwise life would be poor, mean, nasty, brutish, and short—the last, comparatively speaking and for the mass. All the more virtuous, no doubt, according to our preachers who call for a return to "spiritual values." But one notices that this usually refers to the lower classes; the class doing the preaching expects the choice cuts, in payment, no doubt, for their moral idealism. But it is quite true—and we should not need the current welter of weird psychologies to teach us this—that economic problems, in their strictly economic aspect, are not nearly so serious as the preachers of reform make out. It is personal relations that really hurt; relative poverty and supposed "injustice," particularly humiliation, are worse than actual privation. However, those who are "sitting pretty," high in the economic scale, may find difficulty in making those low in the scale contented by explaining all this to them.

I have remarked that many economic issues are not problems at all except in the psychological sense—that men do not use common "gumption" in these matters. The first, most vital, "policy" of democratic man must be to think objectively, not just to emote and react. But we can't blame the masses too much; for 500,000 years they have been taught—conditioned as infants and compelled as adults—to believe without thinking, and this rarely so vehemently and violently as in Europe during the fifteen-odd centuries of domination by organized Christianity. Then, as we have observed before, the rules were changed abruptly, radically, and recently; or, rather and

worse, new and opposite standards were set up without repealing the old, so that people can hardly know which ones to follow. And further, the first fruit of liberation, naturally enough, was a proliferation of prophets, cults, and gospels, as well as theories promulgated by writers and thinkers of all grades of knowledge from the limited amount really knowable at best down to an enormous minus quantity—knowing a lot that is not true. And, on top of all, the worst confusion from the left—pragmatic philosophers, pseudo-scientists, and even real scientists far from their field of competence are preaching that the problems of human conflicts of interest are to be solved by the techniques found successful in predicting the behavior of stars, machines, and molecules and controlling processes within the range of manipulative influence. The relation between religious belief and intelligence was well stated by Francis Bacon: “The more absurd and incredible any divine mystery is, the greater honor we do to God in believing it”; but the new doctrine of scientism in morals is quite as foolish and is clearly much more dangerous now.

Beyond the easy or bogus problems like protectionism and price control are real ones, and hard; so hard that they have no “solution,” that the best that can be expected without courting disaster is a reasonable compromise. Social problems call for knowledge where there are no tests of truth, as there are in natural science. It is a situation calling for wide tolerance of differences and tolerance of what *is*, however unjust it may be, until there is fair agreement on some specific change. The crucial question is why freedom is not enough. For it is not enough, and would not be, even if men would understand and consider

the elementary mechanics, or elementary arithmetic, of the free economic order, based on exchange but allowing any other arrangement on which the parties can agree as being better; and even if they would be tolerant and friendly in all their social relations. About the first only a few observations are possible here, mostly negative and also obvious. The open-market organization is popularly criticized chiefly on the ground that “competition would be all right if it worked according to the theory, but it doesn’t work.” This is less than a half-truth. In the first place, the system does conform to theory far more closely than is generally thought; and, in the second place, far more weighty objections would apply to theoretically perfect competition: in fact, it would be monstrous and impossible. The critics who on grounds of the contrast between economic theory and reality demand that business be replaced by politics, which they like to call “economic democracy,” do not ask how far democracy does or will conform to some theoretical ideal. They do not try to say what the ideal would be. The popular conception seems to be that government is a fairy godmother to pass out expensive services at no cost—or perhaps at the charge of bloated monsters in Wall Street who deserve only spoliation and punishment.

The two chief mechanical imperfections of the entrepreneurial economy, in practice, are the tendency to cycles, bringing unemployment, waste, and distress, and the occurrence of monopoly. Both the amount and the evil of monopoly are fantastically exaggerated in the public mind, as could easily be shown if space allowed; we may refer to the deliberate granting of patents and copyright and the fact that most monopolies

are much like these in operation. We must note too that the major restrictions preventing effective competition are due directly or indirectly to stupid public policy, as Adam Smith held in his day. I refer particularly to the coddling of pressure groups in agriculture and organized labor; also to excessive grants of power to corporations. The business cycle is indeed a serious matter, but it is not a problem of conflict of interests, since practically no one profits from depressions.

The most serious problems, in reality, lie elsewhere and can only be indicated here. Individual freedom, in any complete sense, is an absurdity, and individual equality is still more fantastic. The family, in some form, is the minimum unit in any society, particularly for production and distribution. Economic reformism means very largely the replacement of the natural family by the state. In so far as this is possible, not to speak of its desirability, it must transfer the same conflicts over inequality and exploitation to the international sphere, where they are already a menacing phenomenon. There is no way of establishing justice between the parents in one generation which will not create gross injustice between their children in the next. The rights of parents and those of children conflict—with one another and with social necessity. This is the most seriously overlooked aspect of the general problem, with the deadlock between states a close second. We have no premises on which to base discussion, because the sovereign state simply has no place in our accepted ethical principles, either those of Judeo-Christianity or those of modern liberalism. Even the principle that agreements should be kept does not stand against serious reasons of state.

The fundamental fact underlying the

whole modern situation is the very limited reality of the free individual (which, again, is assumed in both liberalism and Christianity—though in the latter with no implication of equality in earthly society). Freedom means freedom to use means actually possessed or controlled to achieve ends actually desired; and men get both their resources and capacities and their tastes in the main from the working of social institutions in the past. Man is a cultural animal or being, which means a creature of tradition and custom; these must always be the real basis of social order. And man's freedom or power to change his institutions is accordingly small. The amount of choice an individual or a community has in the matter of the language he or it will speak is only a somewhat extreme illustration. Freedom to use means must include using them to get more means, which gives rise to a tendency for inequality to increase cumulatively. To him that hath shall be given. This tendency is carried beyond the individual life from generation to generation by the family (or if it were abolished, by other primary-group systems). Inheritance of property, which is generally blamed for this situation, is in fact an inessential detail; for other forms of economic power, and of political, social, and psychological power, also afford opportunity for the strong, or the fortunate, to place their heirs in a favored position as well as to get more power for themselves. The tendency toward concentration can be somewhat mitigated through differential taxation and its use to provide various services, especially free education. But this is possible only up to a point, which no one can define but beyond which such measures will destroy incentive and then freedom or civilization or both.

Without rising to these high social and ethical considerations, however, there are conflicts of values at the more mundane and economic level, conflicts with no possible "solution" except the best achievable compromise. As already suggested, a tolerable degree of productive efficiency under modern technical conditions requires organization of many branches of production in very large units. But there are narrow limits to the possibility of combining large-scale organization with the flexibility necessary for adaptation to the changes of a highly progressive culture and at the same time to assure a large measure of freedom to the individual member. The problem is similar to that of an army, in which effectiveness calls for "drill" that makes particular activities a matter of habit and for unquestioning obedience to command. Thus freedom and order are conflicting goods, as are freedom and progress with order as a condition. It is hard at best to combine freedom with the other two requirements, even if everyone fervently believes in freedom and desires it for others as well as for himself. Even in spite of themselves, those responsible for "results" tend to seek power. In addition, of course, many men like power for its own sake, and power tends to gravitate into the hands of such—who by that token are typically not to be trusted not to abuse power. This danger is a further part of the price of efficiency in terms of freedom.

If democracy is to live and advance, it must verily learn to be as wise as a serpent and as harmless as a dove; and this above all: not to expect too much. More knowledge and experience have badly shaken the roseate eighteenth-century faith in man, especially in his capacities and wisdom but also in his good intentions. And we live in a universe which

shows no detectable preference for one type of life over any other; it rains and the sun shines, impartially, not only on the just and unjust of our species but on our friends and our enemies in the lower orders, the weeds, the parasites, vermin, and disease germs that infest the globe. Co-operation within a group has survival value but has to be turned against competing groups as well as used in the effort to wrest the means of existence from the reluctant earth. With regard to any concern for justice, mercy, or kindness on any general human scale, or esteem for cultural values as such, the evidence is that these must be kept alive through a conspiracy of man against the nature of things and his own nature as well.

I was personally much impressed by Mr. Henry Wallace's contention that every baby has an equal right to its bottle of milk. I can find nothing wrong with that, except for the detail that the main actual result of any direct attempt to meet the need will be more babies crying for their milk and the impoverishment of life for those who yield to such a temptation to virtue. Democracy must also keep well in mind that even "the poor" are better off under civilization than in savagery and in free than in totalitarian society. And any drastic attempt to achieve "justice," in any of the numerous conflicting definitions verbally honored in our present-day society, will, as just said, destroy the type of human life that cares about such things at all.

I am aware that these remarks will not seem very "constructive" and will likely provoke the accusation of negativism or even pessimism. Limits of scope have precluded any nice balancing of "on the one hand" against "on the other hand." And, as was noted at the outset, it seems that what most needs emphasis at this time is the danger of ill-considered, if

well-meant, action rather than any stirring call to "do something." Perhaps there was a time, and not so far back in history, when the opposite was the case. But our culture must shed any remaining vestiges of belief that the evils of life arise because people do wrong, though they know what is right. Democratic man needs to act; but in the face of the

infinite complexity and sensitiveness of the modern social organism he needs above all, in social action, to be intelligent. And in the face of the uncertainty of knowledge, he must be very tolerant. But, of course, not *too* tolerant! and, for that matter, not *too* intelligent, either; though warning is hardly needed on this point.