
The Ethics of Competition

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THE ETHICS OF COMPETITION

SUMMARY

The central position of the value problem in economic policy. — The necessity of formulating ideals, of an "absolute ethics," 583. — Outline of article, 584. — I. Contrast between theory and practice of laissez-faire individualism, (a) in its value scale and organization of resources to produce values; (b) in its distribution of produce, 587. — II. Business as a game, 601. — The problem of a standard for judging games, 607. — Elements of a game: ability, effort and luck, 609. — Criticism of the business game, 609. — III. Competition as a motive, 612. — It is efficient as an incentive in getting things done, 614. — The question of what things; ethical *vs.* economic view of life, 614. — Contrast of emulation with pagan ideal of perfection, 619. — With Christian ideal of spirituality, 620.

In an earlier paper¹ the writer undertook to argue against the view of ethics most commonly accepted among economists. The argument was not directed against hedonism as such, but against "scientific" ethics of any kind, against any view which sets out from the assumption that human wants are objective and measurable magnitudes and that the satisfaction of such wants is the essence and criterion of value, and which proceeds on the basis of this assumption to reduce ethics to a sort of glorified economics. It was pointed out that any such view consistently reduces the "higher" wants to a secondary position as compared with "lower," and interprets human life in biological terms. But the fact is that human beings do not regularly prefer their lower and more "necessary" needs to those not easily justified in terms of subsistence or survival value, but perhaps rather the contrary; in any case what we call progress has consisted largely in increasing the proportion of want-gratification of an esthetic or spiritual as com-

1. Quarterly Journal of Economics, May, 1922.

pared to that of a biologically utilitarian character, rather than in increasing the "quantity of life." The facts, as emphasized, are altogether against accepting any balance-sheet view of life; they point rather toward an evaluation of a far subtler sort than the addition and subtraction of homogeneous items, toward an ethics along the line of esthetic criticism, whose canons are of another sort than scientific laws and are not quite intellectually satisfying. We cannot accept want-satisfaction as a final criterion of value because we do not in fact regard our wants as final; instead of resting in the view that there is no disputing about tastes, we dispute about them more than anything else; our most difficult problem in valuation is the evaluation of our wants themselves and our most troublesome want is the desire for wants of the "right" kind.

The purpose of the present paper is to develop and supplement the argument already given, first by re-emphasizing the necessity of a defensible criterion of values as a basis for passing judgment on questions of policy; and secondly by inquiring into the standards of value implicit in the *laissez-faire* or individualistic social philosophy and raising certain questions in regard to them. On the first head, fortunately, we can be brief. It is a thesis which calls for no elaborate demonstration that social policy must be based upon social ideals. An organized system must operate in accordance with a *social* standard. This standard will of course be related in some way to the values of the individuals making up the society, but it cannot be merely identical with them; it presupposes some process of organizing the various individual interests, weighing them against each other and adjudicating conflicts among them.

It is impossible to form any concept of "social efficiency" in the absence of some general measure of

value. Even in physics and engineering, "efficiency" is strictly a value category; there is no such thing as mechanical efficiency. It follows from the fundamental laws of the indestructibility of matter and of energy that whatever goes into any apparatus or process comes out *in some form*. In purely mechanical terms, all efficiencies would be equal to one hundred per cent. The efficiency of any machine means the ratio between the *useful* output and the total output. In simple cases the distinction between useful and useless may be so sharp and clear as to give rise to no discussion — as in the case of the mechanical energy and the heat generated by an electric motor. But when more than one form of useful output (or costly input) is involved, the necessity arises for having a measure of usefulness, of value, before efficiency can be discussed. The efficiency relations of a steam engine may be much changed when the exhaust steam is applied to heating. In so complicated a problem as that of social efficiency, where the elements of outlay and of return are both infinitely numerous and diverse, it is no wonder that the process of valuation has become the heart and core of the study. It must ultimately be recognized that only within rather narrow limits can human conduct be interpreted as the creation of values of such definiteness and stability that they can serve as scientific data, that life is fundamentally an exploration in the field of values itself and not a mere matter of producing given values. When this is clearly seen, it will be apparent why so much discussion of social efficiency has been so futile.

Perception of these obvious fundamental principles at once cuts the ground from under one of the lines of criticism of the economic order which has attracted wide attention. It is an idea sponsored especially by Dr. Thorstein Veblen and copied by others, that there

is some distinction between "pecuniary" and "industrial" employments¹ and that society ought to take the control of industry out of the hands of "financiers" and put it into the hands of "technicians."²

This notion rests on the same obvious fallacy, the idea that society has a choice between producing more goods and producing more value, and that it is the part of wisdom to prefer the former. It is difficult to take either part of the proposition seriously. The quantity of goods, if there is more than one kind, must so obviously be measured in value units. The proposal of leaving it to technicians in the respective fields to say how much social productive power shall be expended in each is merely grotesque; military experts would use it all for the army and navy, the medical men could usefully employ it all, and more, for health, and so on. There is no more important function of a first course in economics than to make the student see that the whole problem of social management is a *value* problem; that mechanical or technical efficiency is a meaningless combination of words.

Indeed there can be no question, as the course of the argument will show, that the valid criticisms of the existing economic order relate chiefly to its value standards, and relatively much less to its efficiency in the creation of such values as it recognizes. We shall furthermore insist that not merely a measure of value but ideals of value are prerequisite to any intelligent criticism of social processes or results. This is not, like the proposition regarding efficiency, a self-evident truth. It is quite arguable that the determination or criticism of policy involves only a comparison of alternative possibilities and a choice of that which is considered pref-

1. Publ. Amer. Econ. Assoc., 3d ser., vol. ii, 1901.

2. The Vested Interest and the State of the Industrial Arts, pp. 63, 89, 99.

erable. It is arguable, and the contention is in fact often put forward, that values are purely relative, that it means nothing to say that anything is good or bad except in comparison with a worse or better alternative. It is a practical question: does the judging faculty actually work by reasoning out alternatives and deciding which is preferable, or does it not rather formulate ideals and compare actuality and potentiality with these, and with each other indirectly, by so comparing them with an ideal? No doubt both methods are used, and are useful; but we contend that in regard to the larger and higher questions, the ultimate problems of moral and social life, the formulation of ideals is a necessary step. There is a place, and a vital place, for an "absolute" science of ethics. Its dicta will not be really absolute, for they never cut loose entirely from the real world and its possibilities of growth and transformation, and they will always grow and change. But at least they are not "merely" relative; they must be beyond the immediately attainable, and will often lie in the field of the actually impossible, patterns to be approached rather than objectives to be achieved.

We contend not merely that such ideals are real to individuals, but that they are a part of our culture and are sufficiently uniform and objective to form a useful standard of comparison for a given country at a given time. Normal common sense does judge in terms of ideals, of absolute ethics in the sense indicated, and not merely in terms of the best that can be done; else it would be linguistically equivalent to call a situation hopeless and to call it ideal, which is clearly not in accordance with usage. In what follows we shall appeal to what we submit to be the common-sense ideals of absolute ethics in modern Christendom. No pretense will be made of drawing up a code of such principles;

they are frequently not of a character to fall readily into propositions. There will be no attempt to "settle" moral questions or set up standards, but only to bring out the standards actually involved in making some familiar moral judgments in regard to the economic system, and to examine them critically. The argument will therefore be negative in tone, and the need for brevity may occasionally give it something of the flavor of an "attack"; but let it be stated here that we are not advocating or proposing change. The question of *policy* is a question of alternatives, a purely relative matter; we are concerned here with the question of *ideals*, which we assume may be carried further, into the realm of considerations at least "relatively" absolute. Even if the competitive system is better than any available substitute, a clear view of its shortcomings in comparison with conceivable ideals must be of the highest value in making it better than it is.

An examination of the competitive economic order from the standpoint of its ethical standards will fall naturally into three parts. In the first place, the contention already put forward, that wants are not ultimate data or to be identified with values, does not mean that they are not real and important. We can never get entirely away even from physical needs, requirements for life, for health and for comfort, small as such motives really bulk in civilized behavior. Moreover, at any given time and place the existing stage of culture sets minimum requirements which are imperative in character. It is true within limits that the purpose of economic activity is to satisfy wants, and the fact raises a group of questions for consideration in an appraisal of any system of economic organization. We must inquire first into its value standards, in the economic or quasi-

mechanical sense, its manner of dealing with wants as they exist, its mechanism for comparing and equating and perhaps selecting among the various wants of the various persons and classes of persons which make up the society. It is hardly necessary to remark that the questions *which* wants and *whose* wants are to be satisfied are in fact closely bound up together. The system's answer to this two-fold question constitutes its social economic value scale; and very different social value scales may be formed from the same set of individual wants by different methods of selection, equation, and combination. The more distinctly ethical aspect of this issue is of course the old problem of social justice, relating to the system's treatment of the wants of persons and classes; but that is by no means separable from the question of ranking different wants of the same person. A second inquiry under the same head, of a more mechanical sort but still distinctly a problem of values, deals with the *efficiency* of the system in using its available resources in creating the values which it recognizes, that is, in producing the largest quantity of "goods" as measured by the standard which it sets up.

Another question, ethically more fundamental than these but inseparable from them, and one which must be considered in the first section of the inquiry, follows directly from recognizing the provisional character of wants and the obvious fact that the wants which an economic system operates to gratify are largely produced by the workings of the system itself. In organizing its value scale, the economic order does far more than select and compare wants for exchangeable goods and services: its activity extends to the formation and radical transformation, if not to the outright creation, of the wants themselves; they as well as the means of their gratification are largely products of the system.

An examination of the ethics of the economic system must consider the question of the kind of wants which it tends to generate or nourish as well as its treatment of wants as they exist at any given time.

The second of the three main standpoints to be considered corresponds to an aspect of economic life which is rapidly securing more adequate recognition among economists, the fact that the motive of business is to such a large extent that of emulation as such. Industry and trade is a competitive game, in which men engage in part from the same motives as in other games or sports. This is not a matter of want-satisfaction in any direct or economic sense; the "rewards" of successful participation in the game are not wanted for any satisfying power dependent on any quality which they possess as things, but simply as insignia of success in the game, like the ribbons, medals, and the like which are conferred in other sorts of contests. Our second main task will therefore be to raise the question, *what kind of game* is business? Is there anything to be said about games from an ethical point of view, any basis for judging them or ranking them as games, and if so, is business a relatively good, bad, or indifferent game?

The third division of the paper will deal briefly with the more fundamental aspects of the problem of values from the standpoint of absolute ethics. Economic activity is a large part of life, and perhaps tends to grow in relative magnitude. The issue as to the influence of the economic system on character can be treated only superficially, but should at least be raised. Emphasis will be placed on the particular phase of competitive emulation as a motive and of success in a contest as an ethical value. The competitive economic order must be partly responsible for making emulation and rivalry the outstanding quality in the character of the Western

peoples who have adopted and developed it. The modern idea of enjoyment as well as of achievement has come to consist chiefly in keeping up with or getting ahead of other people in a rivalry for things about whose significance, beyond furnishing objectives for the competition itself, little question is asked. It is surely one function of ethical discussion to keep the world reminded that this is not the only possible conception of value and to point out its contrast with the religious ideals to which the Western world has continued to render lip-service — a contrast resulting in fundamental dualism in our thought and culture.

Throughout the discussion it will be necessary to keep in mind the close inter-connection among these several aspects of the economic system. Economic activity is *at the same time* a means of want-satisfaction, an agency for want- and character-formation, a field of creative self-expression, and a competitive sport. While men are “playing the game” of business, they are also molding their own and other personalities, and creating a civilization whose worthiness to endure cannot be a matter of indifference.

I

Discussion of the merits of free competition, or “laissez-faire,” takes on an especial interest in view of the contrast between the enticing plausibility of the case for the “obvious and simple system of natural liberty,” and the notoriously disappointing character of the results which it has tended to bring about in practice.¹ In

1. It should be stated that for simplicity we shall speak of “the” competitive system, tho the discussion relates to a “purely” competitive system, as understood by the economic theorist. It is superfluous to remark that such a system has never been closely approximated in reality, or perhaps advocated by any writer taken seriously by any large group — certainly it was not advocated by Adam Smith. The idea of a purely individualistic order is a logical device, necessary to separate for study the tendencies of individualism from those of socialism. It would go a long way toward clarifying discussion if it were generally recognized on both sides that there are no one-hundred-per-cent individualists and no one-hundred-per-cent socialists; that the issue is one of degree and proportion.

the later eighteenth and early nineteenth centuries, under the influence of the "classical economists," of the Manchester liberals, of the political pressure of the rising bourgeoisie and the general force of circumstances, rapid progress was made toward the establishment of individual liberty in economic affairs. But long before complete individualism was closely approached its consequences were recognized to be intolerable, and there set in that counter-movement toward social interference and control which has been going on at an accelerating pace ever since. The argument for individualism, as developed by its advocates from Adam Smith down, may be summarized in a sentence as follows: a freely competitive organization of society tends to place every productive resource in that position in the productive system where it can make the greatest possible addition to the total social dividend as measured in price terms, and tends to reward every participant in production by giving it the increase in the social dividend which its coöperation makes possible. In the writer's opinion such a proposition is entirely sound; but it is not a statement of a sound ethical social ideal, the specification for a utopia. Discussion of the issue between individual freedom and socialization, however, has largely centered around the truth of the proposition as a statement of the tendencies of competition, rather than around its ethical significance if true. Those who do not like the actual tendencies of the system as they appear to work out when it is tried — and that is virtually everybody — attack the scientific analysis. We propose to argue in the first place that the conditions of life do not admit of an approximation to individualism of the sort necessarily assumed by the theory, and secondly that there are in the conditions of actual life no ethical implications of the kind commonly taken for

granted as involved in individualism in so far as it is possible of realization.

The careful statement of the meaning of individualism falls within the province of the economic theorist rather than that of the ethical critic. It is an accident of the way in which economic science has developed, and especially of the peculiar relation between science and practice in this field, that so little serious effort has been made to state with rigor and exactitude the assumptions involved in the notion of perfect competition, the premises of pure economics. Literary writers on economics have been interested in administrative problems, for which the results of any exact treatment of principles are too abstract to be of direct application, and have not generally been trained to use or appreciate rigorous methods. The mathematical economists have commonly been mathematicians first and economists afterward, disposed to oversimplify the data and underestimate the divergence between their premises and the facts of life. In consequence they have not been successful in getting their presentation into such a form that it could be understood, and its relation to real problems recognized, by practical economists. The critical reader of general economic literature must be struck by the absence of any attempt accurately to define that competition which is the principal subject under discussion. A clear formulation of the postulates of theoretical individualism will bring out the contrast with practical *laissez-faire*, and will go far to discredit the latter as a policy. In the present paper the attempt to state the presuppositions of a competitive system cannot be carried beyond a bare outline; it will be developed with reference to our special purpose of showing that in the conditions of real life no possible social order based upon a *laissez-faire* policy can justify the familiar ethical conclusions of apologetic economics.

1. In the first place, an individualistic competitive system must be made up of freely contracting individuals. As a matter of fact, a rather small fraction of the population of any modern nation enter into contracts on their own responsibility. Our "individualism" is really "familism"; all minors, the aged, and numerous persons in other classes, including for practical purposes the majority of adult women, have their status-determining bargains made for them by other persons. The family is still the unit in production and consumption. It is hardly necessary to point out that all arguments for free contract are nullified or actually reversed whenever one person contracts on behalf of another.

2. Moreover, the freest individual, the unencumbered male in the prime of life, is in no real sense an ultimate unit or social datum. He is in large measure a product of the economic system, which is a fundamental part of the cultural environment that has formed his desires and needs, given him whatever marketable productive capacities he has, and which largely controls his opportunities. Social organization through free contract implies that the contracting units know what they want and are guided by their desires, that is, that they are "perfectly rational," which would be equivalent to saying that they are accurate mechanisms of desire-satisfaction. In fact, human activity is largely impulsive, a relatively unthinking and undetermined response to stimulus and suggestion. Moreover, there is truth in the allegation that unregulated competition places a premium on deceit and corruption. In any case, where the family is the social unit, the inheritance of wealth, culture, educational advantages, and economic opportunities must tend toward the progressive increase of inequality, with bad results for personality at both ends of the scale. It is plainly contrary to fact to treat the

individual as a *datum*, and it must be conceded that the lines along which a competitive economic order tends to form character are often far from being ethically ideal.

3. It is universally recognized that effective competition calls for "fluidity," the perfect divisibility and mobility of all goods and services entering into exchange. The limited extent to which this assumption fits the facts of life sets limits to the "tendency" of actual competition, which in many cases nullify the principle. Here, as in the case of other assumptions, it is illegitimate to draw practical conclusions from a "tendency," however real, without taking account of contradictory tendencies also, and getting the facts as to their relative strength. One of the dangers of reasoning from simplified premises is the likelihood that the abstracted factors may be overlooked in drawing conclusions and formulating policies based thereon.

4. One of the most important prerequisites to perfect competition is complete knowledge on the part of every competing individual of the exchange opportunities open to him. A "perfect market" would involve perfect, instantaneous and costless intercommunication among all the traders. This condition is really approximated quite closely in the case of a few commodities dealt in on the organized exchanges; but the market for most consumption goods is very crude in its workings. As regards the productive services, abstract pecuniary capital does indeed flow through a highly developed market; but the market for labor, land, and real capital, and their uses, leaves wide margins for "bargaining power" and accidental aberrations. Both the organization of production and the distribution of the product diverge correspondingly from the theoretically ideal results.

5. Competition further requires that every actual or

potential buyer of every salable good or service shall know accurately its properties and powers to satisfy his wants. In the case of productive goods this means knowledge of their technical significance. In an industrial civilization as complex as that of the modern world it is clear that the divergences from this "tendency" must often be more important than the tendency. Indirect knowledge is available to offset direct ignorance in many subtle ways, and yet no individual can know enough to act very closely according to the ideal of perfect intelligence. Moreover, perfect competition does not stop at requiring knowledge of things as they are; the competitor must foresee them as they will be, often a very considerable distance in the future, and the limitations of foreknowledge are of course more sweeping than those of knowledge.

6. The results of intelligent action are the purposes to which it is directed, and will be ethically ideal only if these ends are true values. Under individualism this means that the wants of individuals must be ideal, as well as their knowledge perfect. We have commented enough on the fact that the social order largely forms as well as gratifies the wants of its members, and the natural consequence that it must be judged ethically rather by the wants which it generates, the type of character which it forms in its people, than by its efficiency in satisfying wants as they exist at any given time.⁵

5. On the character of wants, see an article by A. F. McGoun in this Journal for February, 1923. Professor McGoun appears to intend his argument in part as a criticism of my former paper already referred to; but as he begins by drawing curves to represent want-variations, whereas my main contention was that wants are not the sort of variable that can be adequately represented by curves, it would take too much space to bring the argument to a clear issue. I should not question that the observations made in his paper have great value.

Very wise and penetrating remarks on the character of various wants will be found at many points in Wicksteed's *Common Sense of Political Economy*. Patrick Geddes's essay on John Ruskin in the Round Table Series is a brilliant argument for the reduction of all economic values to aesthetic standards. The essay on Phases of the Economic Interest, by H. W. Stuart, in the volume on Creative Intelligence, ably emphasizes the explorative, experimental character of much of our activity, in contrast with the static

7. Another sweeping limitation to the actual workings of free competition arises from the fact that men do not have free access to such imperfect markets as exist. No error is more egregious than that of confounding freedom with free competition, as is not infrequently done. As elementary theory itself shows, the numbers of any economic group can always make more by combining than they can by competing. Under freedom all that would stand in the way of a universal drift toward monopoly is the fortunate limitations of human nature, which prevent the necessary organization from being feasible or make its costs larger than the monopoly gains which it might secure. But universal monopoly is self-contradictory, and against any such tendency social action is the only recourse. The workings of competition educate men progressively for monopoly, which is being achieved not merely by the "capitalist" producers of more and more commodities, but by labor in many fields, and in many branches of agriculture, while the producers of even the fundamental crops are already aspiring to the goal.⁶

conception of wants demanded by economic logic. Many of the "higher" wants are keenly satirized in Veblen's *Theory of the Leisure Class*. A sober discussion of the problems involved, of much greater scientific significance, is found in the later chapters of G. P. Watkins's volume on *Welfare as an Economic Quantity*.

The activity of business in the way of manufacturing wants has received much attention in the literature of late, again under the leadership of Veblen. It is a serious fallacy to condemn this sort of activity without discrimination. Whether it is good or bad to create wants depends altogether on the character of the wants created. One cannot condemn advertising and salesmanship out of hand, unless one is prepared to repudiate most of education, and of civilization in general; for most of the desires which distinguish man from the brutes are artificially created. Ethically, the creation of the right wants is more important than want-satisfaction. With regard to the facts in the case, we may observe that business is interested in the fact of change in wants more than in the character of the change, and presumably effects chiefly those changes which can be brought about most easily and cheaply. Our general moral teaching would indicate that it is easier to corrupt human nature than to improve it, and observation of the taste-forming tendencies of modern marketing methods tends perhaps to confirm the view and to substantiate a negative verdict on individualistic activity of this sort.

6. The resemblance of this argument to that of Marx is evident. There seems to be ground for treating Marx's conclusions seriously even tho his supporting logic, based on the alleged universal superiority of large-scale methods of production, must be repudiated.

8. The individualistic competitive organization of want-satisfying activity presupposes that wants and the means of satisfying them are individual, that is, that wants attach to things and services which gratify the wants of the person consuming them without affecting other persons. As a matter of fact, what is desired is more largely a matter of human relations than goods and services as such; we want things because other people have them, or cannot have them, as the case may be. Then, too, the appurtenances of civilized life can be furnished to an individual only by providing them for the community, and we want to live in a civilized community as well as to live in a civilized way ourselves. With rare exceptions exchanges or contracts between individuals affect for good and for ill persons not represented in the bargain itself, and for these the bargain is not "free." Social action is necessary to promote the exchanges which diffuse benefits on others for which the parties cannot collect payment in the market, and to suppress those which diffuse evils for which the contracting parties do not have to pay. A typical illustration is the improvement or use of property in ways which add value to or subtract value from neighboring property. In a developed social order hardly any "free exchange" between individuals is devoid of either good or bad results for outsiders.

9. An exchange system cannot work at all according to "theory" without a scientific unit for measuring values. Society has to take over or carefully control activities which have to do with the circulating medium. With the use of credit highly developed, the control of banking and currency involves a large measure of control over all business, but really free banking would soon reduce all exchange relations to chaos.

10. An economic organization must employ its available productive power in part to provide for current needs of society and in part to provide for future growth. If this second function is to be performed intelligently through individual initiative under competitive organization, each member of the system must make a correct comparison and choice between his own present wants and future social requirements. The weakness of competitive individualism in this field is well recognized, since manifestly progress is essentially a social fact. In an individualistic system provision for progress depends upon the interest of present individuals in future individuals—engendered to an uncertain extent and with uncertain consequences on the form of progress by the family system—or upon their interest in progress itself or some form of it as an ideal value, or upon some accidental connection which makes progress a by-product of activities directed toward other ends. None of these, nor all together, produce results invulnerable to criticism; but the problems of social action in the same field are likewise so difficult and the ideal of progress itself so vague that it is impossible in short compass to say anything of value about the relation of different forms of social organization to the solution of the problem. It is a fact that social interference has gone further in this field than in that of controlling current production and consumption, as witness especially the social provision for education and scientific research.

11. All human planning and execution involve uncertainty, and a rational social order can be realized through individual action only if all persons have a rational attitude toward risk and chance. But the general human attitude is proverbially irrational, and much social limitation of individual freedom is called for.

Not only is it necessary to prohibit gambling, but provision has to be made for placing control of resources and the direction of wealth-production in the hands of persons reasonably fit and competent to take responsibility; and the freedom of these individuals to take chances has to be further restricted by general regulations. Thus no society has in fact ever treated productive resources as private property in any strict sense. It seems likely, however, that a socialistic society would err rather on the side of over-conservatism than on that of recklessness.

12. The last heading in this list of reasons why individualism and competition cannot bring about an ideal utilization of social resources will be the ethics of distribution. In a competitive system distribution is effected by a marketing process, the evaluation of productive services, and is of course subject to all the limitations of marketing in general, as enumerated in the last half-dozen pages. But that is not the main point. It is a common assumption — for which the exponents of the “productivity theory” are partly responsible — that productive contribution is an ethical measure of desert. This has improperly tended to bring the theory itself, as a causal explanation of what happens in distribution, into disrepute; because those who are misled into accepting the standard, but cannot approve of the result realized, react by attacking the theory. An examination of the question will readily show that productive contribution can have little or no ethical significance from the standpoint of absolute ethics. (The question of practicability, it must be kept in mind, is eliminated by the boundaries set for this discussion; we are dealing with ideals and not inquiring whether or in what respects the possibilities of the real world may be harmonious with our moral cravings.)

The examination of productivity as a standard of desert must again be handled in outline.⁷

(a) In the first place, as already noted, there is only a "general tendency" to impute to each productive agency its true product. The factor of ignorance is especially important here, since correct imputation would require perfect technological knowledge and foresight. Human beings do not live on averages, and it is only to a very limited extent that a system of free exchange can make it possible for one to live this year on what he may (or may not) earn next year. To a still more limited extent, if at all, can the particular individual whom the tendency passes over live, through free exchange, on the compensating extra share of a more favored person.

(b) The tendency to place each productive agency in the position where it will make the greatest contribution is far less effective even than the force which adjusts remuneration to actual contribution. A social system which sets artists to shining shoes and pays them what they are worth in that occupation is no less open to condemnation than one that sets them to work at their art and pays them what they would be worth as boot-blacks.

(c) The product or contribution is always measured

7. The "specific product" of any agency is what it enables society to produce more than could be produced without it, with no reference to what it could produce by itself. We assume that this is a correct use of the word "product," since it is generally true in cause-and-effect relations that "the cause" is only the deciding factor in the antecedent situation, and that which factor is regarded as deciding is largely a matter of point of view.

We recognize also that specific productivity is the only possible basis for organizing productive resources intelligently, since maximum specific contribution all round is the condition of maximum total product.

It should be kept in mind also that the absolute ethics of distribution are not affected by the fact of organization and the interconnection of the products of different agencies. In a society characterized by individual self-sufficiency, but recognizing the same ethical principles, the obligation of the more efficient or more industrious or more lucky individual who secured a superior share to divide up with others would be as great and as small as it is in a developed system of free enterprise.

in terms of price, which does not correspond closely with ethical value or human significance. The money value of a product is a matter of the "demand," which in turn reflects the tastes and purchasing power of the buying public and the availability of substitute commodities. All these factors are largely created and controlled by the workings of the economic system itself, as already pointed out. Hence their results can have in themselves no ethical significance as standards for judging the system. On the contrary, the system must be judged by the conformity to ethical standards of these facts of demand rather than by the conformity to demand of the actual production and distribution of goods. And the final results diverge notoriously from the ethical standards actually held. No one contends that a bottle of old wine is ethically worth as much as a barrel of flour, or a fantastic evening wrap for some potentate's mistress as much as a substantial dwelling-house, tho such relative prices are not unusual. Ethically, the whole process of valuation is literally a "vicious" circle, since price flows from demand and demand from prices.

(d) The income does not go to "factors," but to their owners, and can in no case have more ethical justification than has the fact of ownership. The ownership of personal or material productive capacity is based upon a complex mixture of inheritance, luck, and effort, probably in that order of relative importance. What is the ideal distribution from the standpoint of absolute ethics may be disputed, but of the three considerations named certainly none but the effort can have ethical validity.⁸ From the standpoint of absolute ethics most

8. We find a fairly general agreement among serious writers that the principle of *need*, which would practically amount to equal sharing as a general rule, is the ideal basis of distribution. Among authors of general treatises at least the following have so committed themselves: Taylor, *Principles of Economics*, 8th ed., p. 511; Taussig (with

persons will probably agree that inherited capacity represents an obligation to the world rather than a claim upon it. The significance of luck will be discussed below in connection with the conception of business as a game. We must contend that there is a fallacy in the common position which distinguishes between the ethical significance of the income from labor and that from other factors. Labor in the economic sense may represent either a sacrifice or a source of enjoyment, and the capacity to labor productively derives from the same three sources as property ownership, namely, inheritance, luck, and effort of acquisition, and with no obvious general difference from the case of property in their relative importance.

(e) The value of any service or product varies from zero to an indefinite magnitude, according to the demand. It is hard to see that, even when the demand is ethical, possession of the capacity to furnish services which are in demand, rather than other capacities, constitutes an ethical claim to a superior share of the social dividend, except to the extent that the capacity is itself the product of conscientious effort.

(f) The value of a productive service varies from zero to indefinite magnitude, according to its scarcity. The most vital ministrations become valueless if offered in superabundance, and the most trivial performance becomes exceedingly valuable if sufficiently unique and rare, as when a human monstrosity satisfies an economic demand by letting people look at him. It is hard to see how it is more meritorious merely to be different from other people than it is to be like them — except again,

a "perhaps"), *Principles of Political Economy*, 3d ed., vol. ii, p. 475. In an ideal world we may assume that all men would put forth equal effort, so that distribution according to effort would become identical with the ideal. In the present writer's view, effort, — i. e., *conscientious* effort, — is a better principle; it is more in accord with common-sense ideas of desert, which hardly go to the point of treating all men as equally deserving, and is less obviously impossible of practical application.

possibly, if the capacity has been cultivated by an effort which others refused to put forth.

(g) Finally, it may be pointed out that modern society does accept and honor the claim of the entirely helpless to a tolerable human existence, and that there is no difference in principle between this recognition in the extreme case and admitting that differences in degree of competence form no valid basis for discriminatory treatment in distribution. But, after all, does anyone really contend that "competence," as measured by the price system, corresponds to ethical merit? Is it not obvious that "incompetence" follows just as surely if not quite so commonly from being too good for the world as from being blameworthy in character?

Thus the competitive system, viewed simply as a want-satisfying mechanism, falls far short of our highest ideals. To the theoretical tendencies of perfect competition must be opposed just as fundamental limitations and counter-tendencies, of which careful scrutiny discloses a rather lengthy list. Its standards of value for the guidance of the use of resources in production are the prices of goods, which diverge widely from accepted ethical values; and if the existing order were more purely competitive, if social control were reduced in scope, it seems clear that the divergence would be enormously wider still. Moreover, untrammelled individualism would probably tend to lower standards progressively rather than to raise them. "Giving the public what it wants" usually means corrupting popular taste. The system is also inefficient in utilizing resources to produce the values which it sets up, as brought out with startling force by the report on Waste in Industry, by a Committee of the Confederate Engineering Societies. It distributes the produce of industry on the basis of power, which is ethical only in so

far as right and might are one. It is a confessed failure in the field of promoting many forms of social progress, and its functions in this regard are being progressively taken over by other social agencies. Left to itself, such a system "collapses" at frequent intervals through dilution of its value unit and through other causes which produce violent oscillation instead of the equilibrium of theory.

It is expressly excluded from the field of the present paper to pass any practical judgment upon the competitive system in comparison with any possible alternative. But in view of the negative tone of the discussion, it seems fair to remark that many of these problems are exceedingly difficult and that many of the evils and causes of trouble are inherent in all large-scale organization as such, irrespective of its form. It must be said also that radical critics of competition as a general basis of the economic order generally underestimate egregiously the danger of doing vastly worse. Finally, let us repeat that practically there is no question of the exclusive use or entire abolition of any of the fundamental methods of social organization, individualistic or socialistic. Economic and other activities will always be organized in all the possible ways, and the problem is to find the right proportions between individualism and socialism and the various varieties of each, and to use each in its proper place.

II

In turning from the want-satisfying aspect of economic activity to consider other of its value problems we enter upon a much harder task. There is little in the way of an established tradition for guidance, and the material is far less amenable to detailed subdivision or to treatment with scientific definiteness. All that can

be attempted here is to raise questions and suggest lines of investigation.

It is an essential point in our criticism of established dogma that it has accepted in too narrow and final a sense the view of the economic system as merely a mechanism for satisfying those wants which are dependent upon exchangeable goods and services. Economists have given a belated and even yet not general and adequate recognition to the want-creating side of the system, and to wants as economic products at the same time that they serve as ends and guides of production. Still less attention has been paid to aspects of the organization problem which do not fall naturally under the subject of the satisfaction of wants at all, in the ordinary sense of wants for goods and services. But when we consider that productive activity takes up the larger part of the waking lives of the great mass of mankind, it is surely not to be assumed without investigation or inquiry that production is a means only, a necessary evil, a sacrifice made for the sake of some good entirely outside the production process. We are impelled to look for ends in the economic process itself, other than the mere consumption of the produce, and to give thoughtful consideration to the possibilities of participation in economic activity as a sphere of self-expression and creative achievement.

As soon as the question is raised, it becomes apparent that there are other values involved in production besides the consumption of the goods produced. Since the light of psychological criticism has been turned upon economic theory there has been a growing recognition of the inadequacy of the old treatment of production as mere sacrifice or pain undergone exclusively for the sake of consuming the product. The satisfaction derived from consumption itself is seen to be derived largely

from the social situation rather than from the intrinsic qualities of the goods, while the mere fact that wealth is so largely accumulated, or devoted to all sorts of purposes manifestly not in view when its production was undertaken, is sufficient to prove that consumption is not the only motive of production. On the contrary, the persons most actively and successfully engaged in creating wealth not untypically limit their consumption to the point of living rather abstemious personal lives, which they must do to keep fit to meet the physical and mental demands which their business interests make upon them. At the bottom of the social economic scale, the satisfaction of physical needs is undoubtedly the dominant motive in the mind of the unskilled laborer. Higher up, consumption becomes less and less a matter of physiology and more a matter of esthetics or the social amenities. Still higher, this in turn becomes mixed with a larger and larger proportion of the joy of activity not dependent on any definite use to be made of its results. Traditionally, economics has been vague on the character of economic motives, implying at one time wealth-possession and at another wealth-consumption as fundamental, and never working out clearly the relations between these essentially contradictory impulses or between them and other possible motives.

Turning to look for motives attached to production as an activity rather than to the product, the most obvious is its appeal as a competitive game. The desire for wealth takes on more or less of the character of the desire to capture an opponent's pieces or cards in a game. An ethical criticism of the industrial order must therefore consider it from this point of view. In so far as it is a game, what kind of game is it? There is no doubt that a large amount of radical opposition to the system arises in this connection. The propertyless and

ill-paid masses protest not merely against the privations of a low scale of living, but against the terms of what they feel to be an unfair contest in which being defeated by the stacking of the cards against them is perhaps as important to their feelings as the physical significance of the stakes which they lose. In a higher social class, resentment is aroused in the hearts of persons who do not like the game at all, and rebel against being compelled to play it and against being estimated socially and personally on the basis of their success or failure at it.

Increasing attention to this "human side" in economic relations is familiar to all in the demands of labor leaders, who talk much more than formerly of "control" and much less of wages and hours. The same shift in emphasis is manifest in the entire literature of economic discontent. When the sentiment grows strong enough, the personnel problem begins to interfere seriously with business operations, and the ruling classes are forced to pay heed to it. It is probably within the truth to say that inequality in the enjoyment of the produce is now less important as a source of opposition to the competitive system than is the far greater inequality in the distribution of economic power, opportunity, and prestige. The feeling of antagonism is no doubt accentuated by the contrast between the political rhetoric about liberty and equality, on which our citizens are so largely fed, and the facts of autocracy and servitude which laboring people (rightly or wrongly) feel to characterize their actual lives.

Economists and publicists are coming to realize how largely the efficiency of business and industry is the result of this appeal to intrinsic interest in action; how feeble, in spite of the old economics, is the motivation of mere appetite or cupidity; and how much the driving

power of our economic life depends on making and keeping the game interesting. A rapidly growing literature on "incentive" is a witness to this awakening. As long as we had the frontier and there was not only "room at the top" but an open road upward, the problem was not serious. But in a more settled state of society, the tendency is to make the game very interesting indeed to a small number of "captains of industry" and "Napoleons of finance," but to secure this result by making monotonous drudgery of the lives of the masses who do the work. There are limits beyond which this process cannot be carried without arousing a spirit of rebellion which spoils the game for the leaders themselves, not to mention the effect on the output of products upon which people have become dependent.

The problem of an ethical standard or ideal in terms of which to judge the economic order is of a different and far more difficult sort when we leave the field of more or less comparable burdens and quantities of goods, to consider power and prestige as ends. In a competitive game it is absurd to speak of equality as an ideal, a fact which much radical discussion overlooks. Some of the criticisms brought against existing society amount to condemning a foot-race as unfair because someone has come out ahead. We must bear in mind, too, that the system is a want-satisfying agency at the same time that it is a competitive game, and that the two functions are inseparable, while the two sets of ideals are different. For efficiency in the production of goods a large concentration of authority is necessary. But this concentration violates the principle of equality of opportunity in the game; and when power of control carries with it the right to consume product accordingly, as it actually does, the result is flagrant inequality in this respect also. There appears to be a deep-seated

conflict between liberty and equality on the one hand and efficiency on the other. There is little comfort for democratic, equalitarian idealism in the study of evolutionary biology, in which the highly centralized or "cephalized" forms have always come out ahead. Yet apparently human society is different in some degree at least, for there appears to be a tendency for autocracies, aristocracies, and systems approaching a caste organization to be beaten out in history by the apparently less efficient "democracy," tho democracies have not in practice approached closely to the equalitarian ideal.

In a system which is at the same time a want-satisfying mechanism and a competitive game we seem to find three ethical ideals in conflict. The first is the principle already mentioned, of distribution according to effort. The second is the principle of "tools to those who can use them." This is a necessary condition of efficiency, but involves giving the best player the best hand, the fastest runner the benefit of the handicap, and thus flagrantly violates the third ideal, which is to maintain the conditions of fairness in the game.

An attempt to formulate accurately the conditions of a fair and interesting game leads into difficult problems. The difference between play and work is subtle, and remains obscure after all the attempts of psychologists to deal with it. It is an old and ever-fascinating dream that all work might be converted into play under the right conditions. We know that almost any kind of work may become infused with the play spirit, as is more or less typically true of the creative arts, the higher professions to some extent, and notably business itself, as already observed. Yet definitions of play carry us little beyond the statement that it is enjoyable activity. It is usually defined as activity which constitutes its own

end, is performed for its own sake.⁹ But this view will hardly stand examination. We cannot think of any human activity, however "playful," which is entirely spontaneous and self-contained. Perhaps the random movements of a baby's hands and feet fit the description; but the games and recreative activities of an adult or a child look more or less beyond the mere bodily movements; they have an objective, if nothing more than to build a block house to be immediately torn down, and on it they are dependent for their peculiar interest. Perhaps we can say that in play the objective usually follows so closely upon the activity that the two are naturally thought of as a unit, or that the result occupies the attention so fully as to exclude the effort from consciousness altogether, while in work they are contrasted and the activity is presented to the mind as a means, over against the end. At least, the feeling tone of play can often be imparted to work more or less voluntarily by fixing attention upon the objective, thus crowding the effort out of consciousness. The power to induce this shift of attention in other persons seems to be an important factor in leadership.

We are here concerned rather with the special psychology of competitive games than with the general problem of play, which includes non-competitive social ceremonial as well as solitary random play and formal games played solitaire. A few general statements may be made with some confidence in regard to the difference between a good competitive game and a poor one. In the first place, there are three elements which affect the question of who is to win and thus contribute to the interest: these are ability to play, effort, and luck. It

9. For an excellent brief discussion of the use of the term "play" see C. E. Rainwater, *The Play Movement*, Introduction. Dewey's definition, a typical one, covers "those activities which are not consciously performed for the sake of any reward beyond themselves." See also the lecture on *Work*, in Ruskin's *Crown of Wild Olive*.

is also significant that the ability to play brought to the game on any particular occasion is, like all human capacity, a compound of innate endowment and "education" acquired from the previous expenditure of effort in play or practice, or perhaps in some closely related activity of either a recreative or a serious character. A good game must test the capacity of the players, and to do this it must compel them to exert effort. At the same time, it must involve more than a purely objective measure of capacity (assuming maximum effort). The result must be unpredictable: if there is no element of luck in it there is no game. There is no game in lifting weights, after one once knows how much can be lifted, even tho the result measures capacity. Where "records" are made, the interest centers in the unpredictable fluctuations in the powers of men (or horses, etc.) from one trial to another.

A good game calls for some reasonable, tho far from definite, proportion among the three elements, capacity, effort and luck — except that apparently most human beings are susceptible to fascination by pure chance, in spite of the obvious fact that a competitive game of pure chance involves a logical contradiction. Certainly there is general agreement that games of skill are "superior" to games of chance. Effort is called forth by interest, and intelligent interest is dependent on the fact that effort makes some difference in the result. But effort is futile or superfluous if there is too great a difference in the abilities of the players, and the game is spoiled. Even the hunter who considers himself a sportsman always gives his quarry a chance. Finally, it will no doubt be admitted that some games are "higher class" than others, depending presumably on the human qualities necessary to play them successfully and to enjoy them. The actual ranking of games would, it is

true, raise the same problems of value standards which beset the path to objectivity in all fields of artistic criticism; and here also we should have to appeal to a general consensus and perhaps admit within limits the equal validity of opposing judgments.

No doubt different judges would disagree in their ranking of business as a competitive game, but the principles sketched above suggest some shortcomings. Its outcome is a very inaccurate test of real ability, for the terms on which different individuals enter the contest are too unequal. The luck element moreover is so large — far larger than fairly successful participants in the game will ever admit — that capacity and effort may count for nothing. And this luck element works cumulatively, as in gambling games generally. The effects of luck in the first hand or round, instead of tending to be evened up in accord with the law of large numbers in the further progress of the game, confer on the player who makes an initial success a differential advantage in succeeding hands or rounds, and so on indefinitely. Any particular individual may be eliminated by the results of his first venture, or placed in a position where it is extraordinarily difficult to get back into the game.¹

Again, differences in the capacity to play the business game are inordinately great from one person to another. But as the game is organized, the weak contestants are thrown into competition with the strong in one grand

1. In the matter of luck it is even more difficult than in the case of want-satisfaction to measure the relative strength of different tendencies. Opinions will differ as to the ideal amount of luck in a game as well as in regard to the amount which there actually is in business. The cumulative working of the luck element will probably be more generally acknowledged to be a real evil. It is worth observing that the excessively crucial character of single decisions is a common phenomenon in all phases of life, a leading source of its tragedy and pathos. Rarely are we given enough "trials" in planning any feature of our careers to test the judgment which we actually possess. And when one thinks of the possibilities of developing better judgment, one is face to face with the essential tragedy of the brevity of life itself.

mêlée; there is no classification of the participants or distribution of handicaps such as is always recognized to be necessary to sportsmanship where unevenly matched contestants are to meet. In fact the situation is worse still; there are handicaps, but, as we have seen, they are distributed to the advantage of the strong rather than the weak. We must believe that business ability is to some extent hereditary, and social institutions add to inherited personal superiority the advantages of superior training, preferred conditions of entrance into the game, and even an advance distribution of the prize money.

The distribution of prizes diverges from the highest ideal of sportsmanship in another way. In a competition where the powers of the contestants are known to be unequal but the inequalities are not well enough determined to permit the classification of the players or an equalization of chances by means of handicaps, it is possible to sustain interest by offering a larger number of prizes less unequal in value. This method brings about an automatic classification of the contestants by the progress of the game itself. But in the business game the tendency is to multiply inequalities of performance in the inequality of distribution of the stakes. Let us suppose that we are organizing a foot-race among a thousand men taken at random from the general population. At one extreme they might be all lined up on a mark and made to race for a single first prize; at the other, the prize money might be distributed equally, irrespective of the results of the race. From the standpoint of sport, the one proceeding would be as absurd as the other. If the critics of competition tend to make a fetish of equality, the system itself does undoubtedly go very far to the opposite extreme.

Admitting that business success tends in the large to

go with business ability, we must face the question of the abstract merit of such capacity as a human trait, and hence of business as a game. It can hardly be denied that there is a preponderance of cultivated opinion against it. Successful business men have not become proverbial for the qualities that the best minds and most sensitive spirits of the race agree in calling noble. Business as it is and has been does not commonly display a very high order of sportsmanship, not to mention the question which will be raised presently as to whether sportsmanship itself is the highest human ideal. As to the human qualities developed by business activity and requisite to enjoyment of and successful participation in it, there is no objective measure, and no opinion will be accepted as free from "prejudice" by those who disagree with it. We shall dismiss the subject by quoting a statement by Ruskin, which can hardly be waived aside as valueless or unrepresentative. "In a community regulated by laws of demand and supply, but protected from open violence," he says, "the persons who become rich are, generally speaking, industrious, resolute, proud, covetous, prompt, methodical, sensible, unimaginative, insensitive and ignorant. The persons who remain poor are the entirely foolish, the entirely wise, the idle, the reckless, the humble, the thoughtful, the dull, the imaginative, the sensitive, the well-informed, the improvident, the irregularly and impulsively wicked, the clumsy knave, the open thief, the entirely merciful, just and godly person."²

However favorable an opinion one may hold of the business game, he must be very illiberal not to concede that others have a right to a different view and that large numbers of admirable people do not like the game

2. Taken from *The Cry of Justice: An Anthology of Social Protest*, by Upton Sinclair, p. 752.

at all. It is then justifiable at least to regard as unfortunate the dominance of the business game over life, the virtual identification of social living with it, to the extent that has come to pass in the modern world. In a social order where all values are reduced to the money measure in the degree that this is true of modern industrial nations, a considerable fraction of the most noble and sensitive characters will lead unhappy and even futile lives. Everyone is compelled to play the economic game and be judged by his success in playing it, whatever his field of activity or type of interest, and has to squeeze in as a side line any other competition, or non-competitive activity, which may have for him a more intrinsic appeal.

III

We must treat still more inadequately our third main question, which from the point of view of pure ethics is the most important of all — the question of the ethics of competition as such. Is emulation as a motive ethically good or base? Is success in any sort of *contest*, as such, a noble objective? Are there no values which are real in a higher sense than the fact that people have agreed to strive after them and to measure success in life by the result of their striving? It seems evident that most of the ends which are actually striven after in the daily lives of modern peoples are primarily of this character; they are like the cards and checker-men, worthless (at best) in themselves, but the objects of the game; and to raise questions about the game is to make one's self disagreeable. To "play the game" is the current version of accepting the universe, and protest is blasphemy; the Good Man has given place to the "good sport." In America particularly, where competitive business, and its concomitant, the sporting view of life,

have reached their fullest development, there have come to be two sorts of virtue. The greater virtue is to win; and meticulous questions about the methods are not in the best form, provided the methods bring victory. The lesser virtue is to go out and die gracefully after having lost.

We do not mean to beg the question whether the spirit of rivalry is ethically good, but only to state it in a form which raises it sharply. It cannot be denied that appeal to the competitive motive may be a source of interest in activity. The issue raised is in part the old and doubtless scientifically unanswerable one of pleasure *versus* discipline as the fundamental moral value. The hedonist would say that, as a matter of course, whatever adds to the pleasure adds to the value, and would ask only whether more is added than is taken away.

But here we appear to run into the obverse of Mill's paradox of hedonism, which is perhaps the paradox of life. It is in fact much easier to argue that the introduction of the contest motive into economic life has made it more efficient than that it has made it more pleasurable! Candid observations of industrial operatives at work, and of their frenzied, pathetic quest for recreation when off duty, alike fail to give the impression of particularly happy existence. As already observed, economic production has been made a fascinating sport *for the leaders*, but this has been accomplished by reducing it to mechanical drudgery for the rank and file. In the large is the competitive urge a lure, or is it rather a goad? Is it positive or negative, especially when we recall that for the masses the competition is in the field of consumption, with production regarded purely as a means? From the standpoint of pleasure, does the normal human being prefer a continuous, unquestioning,

and almost deadly competition, or the less strenuous atmosphere of activity undertaken for ends that seem intrinsically worth while, with a larger admixture of the spectator attitude of appreciation? Current comment on the rush of life and the movement toward guilds and medievalism indicate a widespread feeling of opposition to the competitive tendency.³

If on the other hand one adopts the view that the end of life is to get things done, the case for competition becomes much stronger; but even here misgivings arise. It is hard to avoid asking, *what things*. If it is thought to be important which things are done, competition may be entirely indifferent and unselective, equally effective as a drive toward worthy and unworthy ends. If so, the selection of ends must be left to accident or to some other principle. There seems to be a tendency, however, for competition to be selective, and not in a very exalted sense. It is hard to believe that emulation is as effective in the "higher" fields of endeavor as it is in relation to material concerns or mere trivialities.

It is possible to hold that it does not matter what is done, that all activity develops personality equally, or that action and change as such are what make life worth living. From the point of view of mere interested activity, if we are to bring into question neither the character of the result nor that of the interest (beyond the fact that it is an "intelligent" interest, the result a foreseen result), the organization of life on a competitive basis would seem to be abundantly justified. Perhaps the organization tends to foster a philosophic attitude

3. Bertrand Russell, in his *Principles of Social Reconstruction*, makes the distinction between competitive and non-competitive values virtually equivalent to good and bad, the devotion to the former the primal sin of the modern world. H. G. Wells, in an early book, *In the Days of the Comet*, drew an idyllic picture of a world with competition eliminated. On the other hand, modern socialism has perhaps more commonly accepted competitive emulation as a motive, claiming only that under socialism it would be moralized and turned toward social welfare instead of private gain.

which will justify itself; and if so, we have a sufficient "economic interpretation" of the vogue of pragmatism. Interpreting life in terms of power as such, including "intelligence" as a form of power, there can be little question that competitive business has been an effective agency in bringing the forces of nature under human control and is largely responsible for the material progress of the modern era.

It is in terms of power, then, if at all, that competitive economics and the competitive view of life for which it must be largely accountable are to be justified. Whether we are to regard them as justified at all depends on whether we are willing to accept an ethics of power as the basis of our world view. And as Fichte said, "Was für eine Philosophie man wählt hangt davon ab was für ein Mensch man ist." But like most aphorisms this may be turned around without ceasing to be equally true: the sort of person one is depends on the sort of philosophy one chooses. It is the eternal law of reciprocal cause and effect; as just suggested, the system tends to mold men's minds in the channels which will justify the system itself, and in this sense there is a partial truth in the "economic interpretation," which we have gone to such lengths to attack and repudiate.⁴ But the matter does not, cannot, rest there. The whole question is, are we to accept an "ethics of power" à la Nietzsche, or does such an acceptance involve a contradiction in terms and really mean the rejection of any true "ethics" altogether? Most of us have been taught in various connections not only that there is some sort of contrast between ethics and power, between right and might, but that the contrast is fundamental to the nature of morality. In these days it is eminently respect-

4. See the paper above referred to: "Ethics and the Economic Interpretation," in the *Quarterly Journal of Economics* for May, 1922.

able to hold that all ideas of this sort belong to those childish things which one must put away on becoming a man. It is a part of the modern scientific world view, and a legitimate part. To many of its "tough minded" advocates, one who calls it in question must class himself as not merely "tender-minded," but "feeble-minded" as well.

And "logically" they are inevitably right! A strictly scientific discussion of general world problems leads inexorably to fatalism, to a mere question of power, to the relegation to a land of dreams of any ethics which involves questions of another sort than that as to which of two forces is the greater in magnitude. The question at issue must be clearly recognized to be precisely this: whether the logic of science itself is universally valid; whether there is or is not a realm of reality which is not comprehended in factual categories and describable in terms of definite meaning combined in propositions subject to empirical verification. Or, more accurately, it is the question whether knowledge of any such reality is possible, or whether it can be intelligently discussed. The tough-minded scientist, if candid, will admit that there *may be* such a reality, but will insist that we cannot talk about it "intelligently." Which of course is true, in the nature of the case, if to talk intelligently means to talk scientifically, which are to him equivalent terms. To the modern mind any attempt to argue such a question is fraught with the greatest difficulty, since the modern mind itself is molded into conformity with the scientific view of what is meant by intelligent discourse. Two facts, however, must apparently be accepted. The first is that one may also find "respectable" company in the belief that the scientific world view not only finds no place for many of the most fundamental data of human experience, but that, tested by the canons of its own

logic, it is ultimately riddled with contradictions; numerous minds of demonstrated competence in the field of science itself hold this view. The second fact is that people do manage to "understand each other" more or less, in conversation about things which are not matters of scientific fact, but of interpretation, as in discussions of art and of character or personality.

Assuming that all ethical standards other than that of quantity of accomplishment, the ideal generated by the institution itself, are not to be dismissed *a priori* as manifestations of incompetence to discuss the question, we may close the discussion by referring briefly to the relation of some historic types of ethical theory to the problem of the evaluation of competition. From the standpoint of hedonism, the question would be simply whether competition has added to the pleasure of living. This question has been raised above, and we shall recur to it presently. In our view the nineteenth-century hedonists were not ethical hedonists anyway. They held, or assumed, the position of psychological hedonism, which involves the question-begging procedure of using pleasure as a synonym for motive in general, and to attack or criticize it at this day would be to slay the slain. They were really utilitarians in the sense in which the term was used by Paulsen, referring to the judgment of human actions by their consequences and not in accordance with formal rules. On the crucial question, how to judge the consequences, they were commonly silent or vague. But examination will show that nineteenth-century utilitarianism was in essence merely the ethics of power, the "glorified economics" to which we have referred before. Its outcome was to reduce virtue to prudence, its ideal the achievement of the greatest *quantity of desired results*. It was scientific, intellectual, in the naturalistic, pragmatic conception of knowledge

as instrumental to power, that is, as power itself. As to the purposes for which power *ought* to be used, the true problem of ethics, they had nothing to say in any definite or systematic way; the fact of desire was tacitly accepted as the essence of value. Spencer bravely reduced the whole system to an ethical absurdity by explicitly carrying desire back to an ultimate justification in the desire to live, postulating that any species "must" desire what is good for it in a biological sense; and for all the group, survival power was in fact the final measure of rightness.

It seems to the writer almost superfluous to deny the appropriateness of the term "ethics" to any such conception. The conditions of survival are merely the laws of biology. It may well be the part of prudence to act in accordance with them, assuming that one *wants* to survive, but it can hardly be associated with the notions of right or duty, and if these have no meaning beyond prudence the whole realm of ethics is illusory.⁵ Ethics deals with the problem of choosing between different kinds of life, and assumes that there is real choice between different kinds, or else there is no such thing as ethics. The ethical character of competition is not decided by the fact that it stimulates a greater amount of activity; this merely raises the question of the ethical quality of what is done or of the motive itself.

With this so-called ethics of scientific naturalism may be contrasted, as general types of ethical thought, true ethical hedonism or eudemonism, the Greek and the Christian views. From the standpoint of the first, the happiness philosophy, little need be added to what has already been said. Competition may form an added source of pleasure in activity, especially to the winner

5. These writers could find no place for and would have to reject an ethical obligation to live.

or, in the progress of the game, to those who stand some chance to win. But it is more likely to become a goad, especially when participation in the contest is compulsory. There is a fairly established consensus that happiness depends more on spiritual resourcefulness, and a joyous appreciation of the costless things of life, especially affection for one's fellow creatures, than it does on material satisfaction. A strong argument for coöperation, if it would work, would be its tendency to teach people to like each other in a more positive sense than can ever be bred by participation in a contest — certainly in a contest in which the means of life, or of a decent life, are felt to be at stake. The dominance of salesmanship in the business world, as well as the spirit of economic rivalry, must also tend to work against the appreciation of the "free goods."

It should be observed also that while the principle of "whom the Lord loveth he chasteneth" is hard to apply as a maxim of practical morality, it is generally admitted that human nature is likely to show up morally finer under adversity than in security and ease; also that few people can be trusted with much power without using it to the physical damage of others and their own moral discredit.

Surely no justification of competition as a motive is to be found in the Aristotelian conception of the good as that which is intrinsically worthy of man as man, or the Platonic idea of archetypal goodness. The outstanding characteristic of Greek ethical thought was the conception of the good as objective, and of the moral judgment as a cognition. A thing should be done because it is the thing to do, not because it is or is not being done by others. Virtue is knowledge, and the good is intellectually conceived, but the meaning of these statements contrasts as widely as possible with the modern reduc-

tion of virtue to prudence and of choice to a calculation of advantage. The intellectual quality in Greek ethics is the capacity of discrimination between true and false values, which is a wholly different thing from the ability to foresee changes and adapt means to ends. The one runs in terms of appreciation as the other runs in terms of power. The ideal in the one case is perfection, in the other that of bigness. To be sure, the Greeks were far from indifferent to recognition and glory, and the contest spirit played a large rôle in the life of the people, as shown in the national games. But the ideal seems always to have been the achievement of perfection, and the education of the people to recognize superior merit, not merely to win. Certainly it was not the mere winning of power.

Christianity has been interpreted in so many conflicting ways that one must hesitate to bring it into a scientific discussion; yet even this wide range of uncertainty will not admit competitive values into Christian thought. If there is anything on which divergent interpretations would have to agree, it would be the admission that the Christian conception of goodness is the antithesis of competitive. We are by no means forced to believe that the central figure of the Gospels was an ascetic; he never condemned pleasure as such, and seems to have had his own pleasure in life. But his participation in any sort of competitive sport is not to be imagined. Among his most characteristic utterances were the fervent exhortations that the last should be first and that he who would be chief should be the servant of all. The Christian ethical ideal contrasts as sharply with the Greek as either does with modern ideas derived from natural science and political economy. We have said that any *ethical* judgment of activity must be based not upon its efficiency, the quantity of results

accomplished, but on either the character of those results or the character of the motive which led to the action. The Greek view fixes attention upon the character of the result, and gives an essentially esthetic conception of ethical value; Christianity centers attention upon the motive, and its ideal of life may be summed up in the word "spirituality," as the Greek ideal is summed up in "beauty" or "perfection." As the Greek identified virtue with knowledge, assuming it to be inconceivable that one should recognize true values and not act in accordance with them, Christianity (more explicitly as formulated by Paul — Romans 7: 15; Galatians 5: 19-23) makes virtue consist in conscientiousness, in doing what one believes to be right, rather than in the correct perception of objective goodness. It must be admitted that if it is hard to describe or define beauty, it is enormously more difficult to discuss spirituality in terms that seem at all intelligible to a scientific age. Both ideals agree in differing from economic (scientific, pragmatic) ethics in that they are *qualitative* in their ideals, whereas the last is merely quantitative. It seems fairly clear to the writer that it is from Christianity (and from Kant, who merely systematized Christian, or Pauline, principles) that modern common sense derives its conceptions of what is ethical when that point is explicitly under discussion.

The striking fact in modern life is the virtually complete separation between the spiritual ethics which constitutes its accepted theory of conduct and the unethical, uncriticized notion of efficiency which forms its substitute for a practical working ideal, its effective values being accepted unconsciously from tradition or the manipulations of commercial sales managers, with a very slight admixture of esthetic principles. For "spirituality" is reserved in practice a smaller and smaller

fraction of the seventh day, by a smaller and smaller fraction of the population; and even that is more and more transformed by organizations into a mere contest in membership and display, with a larger or smaller admixture of the element of esthetic diversion and a smaller or larger admixture of pure commercialism. The spirit of life in the "Christian" nations and the spirit of Christianity offer an interesting study in the contrast between theory and practice. And all the while there are multiplying evidences of a genuine spiritual hunger in the modern peoples. They have got away from the spiritual attitude toward life, and do not know how to get back. Science is too strong for old beliefs, and competitive commercialism too strong for old ideals of simplicity, humility, and reverence.

Thus we appear to search in vain for any really ethical basis of approval for competition as a basis for an ideal type of human relations, or as a motive to action. It fails to harmonize either with the Pagan ideal of society as a community of friends or the Christian ideal of spiritual fellowship. Its only justification is that it is effective in getting things done; but any candid answer to the question, "what things," compels the admission that they leave much to be desired. Whether for good or bad, its esthetic ideals are not such as command the approval of the most competent judges, and as for spirituality, commercialism is in a fair way to make that term incomprehensible to living men. The motive itself has been generally condemned by the best spirits of the race. In academic life, for example, though every (American) institution feels itself compelled to use credits, marks, and honors, they are virtually never defended as intrinsically worthy incentives to effort.

Whether it is possible to bring about improvement by substituting some other basis of social organization for

competitive individualism, is beyond the scope of this paper. Its purpose has been merely to bring out fundamental weaknesses of competition from the standpoint of purely ideal standards, and so to establish bases for comparison with any other possible system. Summarizing the argument, it was first emphasized by way of introduction that any judgment passed upon a social order is a value judgment and presupposes a common measure and standard of values, which must be made as clear and explicit as possible if the judgment is to be intelligent. Efficiency is a value category and social efficiency an ethical one. Now the standards which underlie a competitive system, according to orthodox economic theory, are the actual desires of the individual members of society. Competition is supposed to effect a comparison of these, and to organize the resources of society in such a way as to satisfy them to the greatest possible extent in order of magnitude—that is, it is supposed to “tend” to do so. The first main task of the paper was therefore to enumerate the more fundamental and obvious limitations on this tendency, or counter-tendencies which are in many cases quite as important as the tendency itself. Economic theory must isolate the ideal tendencies with which it can deal most readily; but no practical conclusions as to the real beneficence of the system can be drawn until the actual relative importance of the tendencies recognized by the general theory—which in endeavoring to explain always seems to justify—are measured in comparison with divergent tendencies and taken into account.

In the second division of the paper it was pointed out that the competitive economic life has value implications on the production side, the most notable of which is its appeal as a competitive game. An examination from this point of view reveals notable shortcomings of

business considered purely as a game. There is also a certain ethical repugnance attached to having the livelihood of the masses of the people made a pawn in such a sport, however fascinating the sport may be to its leaders.

Finally, we have called in question from the standpoint of ideal ethics the predominance of the institution of sport, or action motivated by rivalry, and in particular have contrasted it with the Pagan ethics of beauty or perfection and the Christian ideal of spirituality.

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