

## 03 Human Nature

Neoclassical economics is seductive. Like a good horror movie, once we think in neoclassical terms it is hard to think otherwise and easy to rationalize exceptions. We act like the dazed clueless victim wandering in denial, waiting for the monster or the savior. We need precautions. This chapter shows that we need some ideas of human nature, morality, and the state together with standard economic ideas about people as rational, strategic, and self-interested. This chapter is not a lecture or a sales pitch. Anybody could disagree and still do good economics. If you disagree then you have to come up with ideas of your own and have to make them explicit and clear. From now on I say “economics” for “neoclassical economics” or “economists” for “neoclassical economists”.

**03 Human Nature; Synopsis.** For a capitalist economy to work well for the benefit of most people, people and business firms have to compete properly. Firms have to seek profit, have to know how to seek it, and have to be adept at seeking it. That is no problem for firms or for economic theory. Likewise, people have to know what they want, know how to efficiently seek it, and they have to be adept at seeking. People have to know a lot, and they have to be good at using what they know. People have to be rationally strategic at achieving their goals. This can be a problem for both people and theory.

Mostly people are strategic but not always. We do not always know what we want or the best ways to get it. We make mistakes. We have all succumbed to vices. None of us knows enough always to be perfectly strategic. If people were perfectly individualistic, we all would differ in our desires, but, in fact, most people want similar things: family, health, success, wealth, friends, safety, good government, etc. That similarity seems to show that people are not led by rational choices but by instincts. We want things that we think are beyond rationality, such as love, God, enlightenment, goodness, duty, and honor. The market does not always provide the greatest benefit. Economists have no way to deal with all these facts at once. Stressing that people are always rational strategists sometimes leads economists into silly assertions, such as that people never make mistakes, people never succumb to vice, people always know exactly what they want and how to get it, people can never be fooled, the market always delivers the greatest benefit, and the economy never has problems unless the state interferes. Economists get trapped in circular reasoning. Their reasoning often serves the rich and powerful at the expense of the poor and weak.

To say that people are not rational enough is a way to bolster the power of the state. If people can't take care of themselves, then the state has to take care of them, and the state has to be powerful enough to do the job. Some economists insist that people are rational, even at the risk of over-insisting, as a way to curb the state. If people can take care of themselves, then we don't need the state to intrude in our lives. The real issue is not whether people are perfect strategists but whether it is warranted to use the state when people are not adept enough and when the free market fails to deliver the most benefit. Usually, it is not.

Animals that have evolved through natural selection are primarily strategic, competitive, know when to

cooperate, mostly want the same things, vary a bit in personal desires, and can choose adeptly most of the time. Evolved sentient-moral animals understand ideas beyond the system such as duty and love. If we look at people not as ideally rational angels but as evolved sentient-moral beings, then people know their selves well enough and can choose well enough. We can know the minds of other people well enough. We can take people as strategic enough so we can use Smith's ideas to understand the vast majority of the economy as a self-regulating system powered by individual interaction. We can use this view of people to understand when Smith's ideas might not apply, as with religion, and when the system might not work ideally, as with debt slavery. We can better judge the situations in which the state is needed. This way of looking at people is an exciting new field in economics.

The flaws of capitalism lead to problems such as unemployment. Suggested cures for problems often lead to other problems, sometimes worse than the original. In these situations, we have to decide, we have to use judgment. We have to look both practically and morally. Sometimes we have to do something about a problem, such as medical care for children, even when the solution carries a high practical cost. Sometimes we have to overlook a moral need, such as medical care for old people and fat people, because it costs too much. Sometimes one morality cancels out another, as when welfare makes people dependent on the state or when drug laws hurt poor people and encourage organized crime. To sort through this, it helps to have an idea of human moral nature grounded in nature in general, an idea of human nature grounded in evolution. It helps to have an idea of how human nature and the state interact.

**Core Problems.** This chapter is really about the following issues. These issues have been wrapped in cloudy ideological arguments since about 1900.

-Can individual free action automatically lead to the best for the group as a whole and for most people in the group? When does it lead to the best, and when does it not?

-Does human nature sometimes cause free action to fall short of the best practical good for the group as a whole and for many people? Does human nature itself sometimes lead to problems?

-What do we do when things don't turn out for the best through free action?

-Can we be sure that a proposed solution does not cause more harm than the original problem? Does human nature sometimes cause the solutions to be worse than the original problems?

-If we see that solutions have their own problems, do we have to act anyway because of a moral compulsion? For example, do we have to feed hungry and their children, especially if we know that feeding some people will cause them to stop seeking work and will cause other people to stop working?

-Can we balance practical gain-and-loss against morality?

-Do we have to involve the state in proposed solutions? Is state involvement more likely or less likely to lead to even worse problems? Does human nature play a role in whether we involve the state and whether involving the state leads to worse problems?

-Do we more likely need the state in case of an urgent moral situation? Is human nature more likely to

play a role when we bring in the state because of an urgent moral situation? Is the state more likely, or less likely, to be able to help us balance practicality versus morality?

**Rationality.** The only official theory of human nature and human action in economics is that people are “rational”. This is another way of saying that (1) people are necessarily strategic by nature, and (2) “being strategic” is all that people are by nature. We are always strategic and we are always only strategic. Even when we act on emotions, attachments, seeking pleasure, avoiding pain, towards our family, towards society, morally, or religiously, we act strategically. We never act except strategically.

“Rational” does not necessarily mean sane and reasonable. “Rational” is a technical term. It means:

(A) People are consistent in their desire for goods. If a person likes good X more than good Y, and likes good Y more than good Z, then the person likes good X more than good Z. If Albert likes two oranges more than two bananas and likes two bananas more than two apples, then Albert likes two oranges more than two apples. Usually economists also take “rational” to mean:

(B) people can exactly order their preference for all possible combinations of goods; and

(C) people are efficient at getting higher ranked combinations in preference to lower ranked combinations. People know if they prefer a Chevrolet or a Buick, and they are adept at getting what they prefer. Or people know if they prefer the full option package Chevy to a regular Buick, and know how to get that. People know if two apples and one orange are better than one apple and two oranges, and always pick what they prefer. People know if they want a little bit of justice for other people with a lot of material wealth for themselves or if they want a lot of justice for everybody with less material wealth for themselves. People know if they want (a) to insure success for their children at the cost of some injustice to other children versus (b) strict fairness with more risk to their own children. People know if they want their children to succeed in school even if their success means other children do not get the same tax money to do well. People know if they want to enforce drug laws as strictly for their own ethnic, social, and religious group as for others.

A less strict but more useful way to put it is: (D) People know what gives them satisfaction. (E) People know what gives more satisfaction or less satisfaction. (F) People are efficient at getting the most satisfaction for their effort, and out of their available resources. (G) People are efficient at minimizing costs along with getting the most from their resources. An easy way to think about this is a trip to the grocery store. People know what gives them the most satisfaction. They are efficient at getting the most satisfaction from their food dollar. They do the best they can to avoid the eye-catching displays and checkout counter traps; and they are clever at finding the odd goodies tucked away at the side of a shelf, such as real maple syrup. They alter strategies when situations change, as when there is a sale on ground round. They do not spend too much time at the supermarket or else they lose time they could have spent watching a sit com at home. People cast their votes where their votes will do the most good-for-me however they think of good-for-me. People distribute bribe money among the officials most likely to help them. People have their elected officials spend tax money on them. People maximize their satisfaction by efficiently using resources and minimizing costs.

In the 1920s, Lionel Robbins said that economics is about the apportionment of scarce resources among

competing ends (goods). We do not have all of what we need (resources) to get all of what we want (goods). We have to use what we have to get what we most want in the order that we want it. We have to make do with what is available to get the most of what we want. We have to choose.

“Resources” includes not just money or material goods but also time, attention, commitment, and other non-material stuff. “Ends” includes not just a bigger car but also the safety of our children, the glory of our country, and worshipping through our religion. In theory, economics is about any strategic action of any kind, toward any end. Since people are supposed to be strategic about all action, economics offers a strategic interpretation of all human action.

Many people do not like looking at people, especially themselves, as if people were primarily strategic. They do not mind looking at how people get a job or buy gasoline in strategic terms but they do not like looking at finding a spouse, having a family, defending the country, worshipping, or seeking truth scientifically, in strategic terms.

Maybe because of that aversion, and maybe because it is easier, most people think of economics as having to do with money prices on a market and as not having to do with personal lives, social lives, national life, or morality. Money prices on the market are a big part of economics but not all of economics. Economics tries to cover as much of human action as possible. Economics does try to explain why people want a certain kind of family and why people choose to go to a Unitarian Church, Catholic Church, or Muslim Mosque. That is why we have to be clear about economics, human nature, and the state. I think we can see nearly all action strategically but economics alone does not have all the tools for the job. We have to include ideas from evolutionary biology. I return to this question after we have built a price-and-market system at the end of Chapter Five.

**Utility.** To make better sense of strategy, economics developed the concept of “utility”. To say that people maximize “satisfaction” is not exactly right. The word “satisfaction” implies “pleasure”, “happiness”, or “contentment” as in the song “I Can’t Get No Satisfaction”. Yet people do things that they know are good for them but that do not bring pleasure or contentment. People go to the dentist, get their colon scoped out, pay taxes, watch TV with the family during holidays, get divorced, etc. People learn to avoid things that give a lot of pleasure but that are not worthwhile in the long run such as drugs, casual sex, some religious ideas, and some political causes. Some things detract from goodness, such as a hangover, paying taxes, and having to read a hundred tedious books on economics just to get a few simple ideas straight. Goals come in rough hierarchies. We go to the dentist for the sake of our overall health. We buy a lawnmower to mow the lawn to make the house look good to keep up our status in the neighborhood so that our kids can get good dates so that they will feel successful and go to a good school and be successful. We need an idea for whatever people seek to maximize because it is good for them even if it does not feel good, an idea that can help us also to see what people avoid, and that can help us to arrange goals in proper order.

“Utility” is that idea. Whatever people seek gives them utility. Whatever takes away from utility is “dis-utility” or “cost”. People seek to maximize their utility by using their resources efficiently and by minimizing their costs.

We can think of some things as both resources and costs. Time is something that we have to spend,

and we minimize how we waste time so as to get the greatest utility from what we do use. We have an afternoon to spend. We minimize the time at the store so that we can spend more time listening to music. The same dual character is true of labor and even of thinking.

Sometimes it is useful to measure utility, as long as we do not get carried away. The term for a unit of utility is a “util” or sometimes “utile”. We can say that, for Harry, an apple provides 5 “utils” of utility while an avocado provides 8 utils.

Jeremy Bentham developed the idea of utility in the early 1800s so Classical economists and politicians could compare the needs of various people and thus could decide what was best for society as a whole. Whatever gave the greatest total sum of utility for all people was what society should do. When economists use the idea of utility this way, they speak of “the sum of welfare” or “welfare” without meaning the system of support for poor people. For Bentham and his followers, If the free market achieved the greatest total utility by itself, fine. If not, the state would intervene to achieve this result. This was Bentham’s way of deciding on “the greatest good for the greatest number” or, as Vulcans say it, “the needs of the many outweigh the needs of the few”.

For example, Harry and Sally need to decide whether to use the spare bedroom as a game room or to raise tropical fish. It is not possible to do both because of danger to the fish tanks. Harry gets 10 utils out of games and 12 utils out of fish. Sally gets 13 utils out of games and 8 utils out of fish. If they go with games, they get a total of 23 utils (10 + 13) while if they go with fish they get a total of 20 utils (12 + 8); so they should go with games.

If the free market always automatically led to the greatest total sum of utility for the group (greatest welfare) then we would not have to worry about the group level – we could just “turn people loose”. We can let any individual person do what he-she wants as long as he-she does not hurt other people.

For us to rely on the free market, we have to be sure that individual actions lead to the greatest welfare (greatest total utility) for the group. As anybody knows who has played “which restaurant tonight” among friends, even when people have good intentions, individual strategies do not always automatically lead to the best outcome for the group. It is hard to be sure that the free market leads to the greatest welfare, and the search for proof can lead to odd results.

If the market does not make these decisions well for us, then we have to think about what else to do. If alternatives are even worse than the market, we might have to go back to the flawed market; but we need some way of evaluating that case too.

The best way to decide whether the free market leads to the best results, or if any practice leads to the best results for a group, would be to directly measure the utility for all individuals for various practices, sum the utilities, and then compare, as Bentham wished to do. If the free market led to the greatest sum of utility, we could rely on the free market. If another method led to the greatest sum of utility, we could rely on that method.

Early neoclassical economists made calculations based on utility to try to determine directly the best outcome for a group. Then modern economists reversed policy about 1920 and refused to make such

calculations. Economics is based on the idea that people are strategic but it is also based on the idea that things turn out best when people are most free. As this chapter goes along, we will be caught in a bind between freedom of action versus accuracy of analysis: On the one hand, to make decisions for the greatest welfare of the group, and to evaluate that individual action really is rational, we have to make assumptions that take away individual freedom. On the other hand, if we let people act freely, then we cannot always be sure they achieve the greatest good, and we have to allow them to act silly and badly. We have to choose between freedom and accuracy. If we choose freedom, and we want to support the idea that freedom leads to the greatest good, then we have to indulge in a strange kind of seductive circular logic. Economists chose freedom even at the risk of this seductive misleading circular logic.

**Interlude: Technical Point.** Game theory can show that people do not often achieve the greatest total utility for a group even when each person acts freely to try to achieve his-her own greatest utility, can show the conditions under which they do achieve greatest total utility for the group, and can show that those conditions are unusual. It takes us too far out of the way to consider the range of conditions in which groups do, or do not, achieve the greatest utility, and how the free market fits in. The free market is one condition in which people can approach the greatest total utility possible through individual rational action, so I focus on the conditions that are relevant to the market rather than consider all possibilities. Narrowing the focus cuts out some fun topics, such as the propensity of people to trust each other even under risk, but it has to be done for now.

**Strategy as Maximization.** It is easy to say that people are “strategic in nature” or “rational” but those phrases do not mean much unless we can be specific. We need to show that people are strategic. The best way to show this is by maximization. If an organism wants some thing, and the organism acts efficiently so as to get the most of that thing (maximize), then the organism is rationally strategic. Cats want as many mice as they can get their jaws around. Tabby can get the most mice by dividing his time between guarding the mouse hole, hiding by the refrigerator, and lurking in the pantry, in the ratio of 50%, 35%, and 15%. If Tabby actually does this, then Tabby is a rational strategic maximizer. Real hunters in the wild, human and non-human, do apportion effort this way so as to get the most kills or the most weight. We cannot evaluate strategies accurately unless we can assess the extent to which something is maximized.

For people, utility is what strategies maximize. If we can see that freely acting people maximize utility, then we can say that people act as economics expects them to act, and that economics is correct. If free people maximize utility, under the right conditions, then the sum of utility will be greatest for the group (the group will achieve greatest welfare) even if we cannot directly measure utility for individuals or for the group. If people are rationally strategic, then we have good grounds to say that the freer people are then the better off society is. We can rely on the free market to achieve greatest welfare.

**Circular Subjectivity Weirdness.** If we want to show that people actually are strategic, and that free strategic action leads to the best result, then we need an objective way to assess that people do maximize utility. We need to measure that the cat actually catches the most mice or measure that the person actually gets the most utility. We need to measure utility.

To validate that people are strategic in nature, we need objectively to say what gives them the most utility just as we objectively count mice. We need to be able to say that men maximize utility if they spend 50% of their time at work, 35% of their time on recreation, and 15% of their time with their family.

The problem is that we cannot measure utility apart from actual behavior like we can count mice. We have to guess that people do something because it maximizes their utility, and then we validate that it maximizes their utility because that is what they do. We reason in a circle. We say people do something because it maximizes their utility, and then we use utility maximization to explain what they do. If we wish to avoid thinking in a circle then we have to impose standards on people. Imposing standards on people takes away their freedom.

Steve actually might get the greatest utility if he spends his time in the ratio listed above but John might get the greatest utility if he spends 50% of his time at work, 20% on recreation, and 30% with his family. We do not wish to say that John is not rational because he differs from what we said he should do, from the norm, or from Steve. Yet unless we have an objective standard to measure utility that we can apply to John we cannot say that John actually maximizes his utility or that John is rationally strategic. Unless John allocates his time to get the most utility according to what we figured objectively should give him the most utility, then we cannot say he is rationally strategic, and we cannot say he is not.

If we use an objective standard to judge whether John is rationally strategic and has maximized his utility, then we take away John's freedom of action. If John acts as we say he should act, then he is strategic but not free. If he acts as he wishes but his actions do not conform to our objective standard, then he is free but he is not rational.

We can say that John maximizes utility too by saying that he does what gives HIM the most utility regardless of what is best for Steve or for anybody else. But we have no way to show this objectively. We look at what John does to say THAT is best for him, and then decide THAT is best for him by looking at what he does. This is just a circular rationalization. Non-economists accuse economists of this kind of logic all the time.

If we could be sure that John always does what is best for him, we could rely on the free market to lead to the greatest good for the whole. We never need to check the market by measuring total utility (welfare) and never need to correct the market. If we doubt that John always does what is best, then we cannot rely on the free market. But we have no alternative that is anywhere as congenial as the free market, so we have to hope that John always does what is best for him even when his actions seem odd. This is a bit weird.

The quickest way to see the weirdness is through a trap that children often spot and have fun with. If people always do what gives them the most utility then they can never make mistakes, and can never do anything wrong. Thus people never do anything out of moral motives but always act only selfishly. Amy robs a bank because robbing banks maximizes her utility. Bob catches bank robbers because catching bank robbers maximizes his utility. Cathy saves kids from a burning building because that maximizes his utility. Dave stands outside and watches a building burn, with kids in it, because that maximizes his utility. Ed went to the market to buy soap flakes but bought cereal instead. Yet Ed did not make a mistake because buying cereal maximizes his utility. We know that buying cereal maximizes his utility because that is what he did. Fran went to the supermarket to buy puppy chow but bought lotto tickets instead because of the enticing display. We know that Fran was not seduced and that Fran maximized utility, even though her puppies go hungry, because she is rationally strategic. No matter what people

do, that is always the best for them, it always maximizes their utility, they never make mistakes, and they are always rationally strategic. There can be no “Golden Rule” because people only do well unto others so that others will do well unto them or so that they will feel good themselves; people never really use the Golden Rule as a standard for what is right or wrong. Serial killers are perfectly rational as long as they know what they want to do, and do it efficiently in accord with their own symbolic worlds.

This is a trap of “circular subjectivity”. A “subject” is a person or animal or angel that can make up his-her own mind, and into whose mind we cannot see. We have to infer their motives from what they do, and then we have to validate our conclusions from what they do. We make conclusions from actions and then validate our conclusions from the actions. We claim that we can “get into a subject’s head” by watching what he-she does. We reason in a circle. Validating that people maximize utility based only on what they do is “circular subjectivity”. Economics is not the only discipline that suffers from circular subjectivity. Validating that people are moral, immoral, good, bad, seek power, or anything else, would also entail circular subjectivity. Non-economist social scientists, including anthropologists, do this all the time.

This paragraph is a dense summary but please step through it. If we want people to be free then we have to let them make up their own minds. If we let them make up their own minds then we cannot apply objective standards to them. If we cannot apply objective standards to them then we cannot validate that they are rationally strategic. If we cannot validate that they are rationally strategic then we cannot show that self-interested action leads to the best for the group in accord with the self-regulation of the Invisible Hand. If we want to validate that self-interested action leads to the best for the group then we have to apply objective standards of satisfaction (utility). Or if we want to decide what is best for the group regardless of whether or not that best comes out of self-interested action by individual people, still we have to apply objective standards of utility. In applying objective standards, we make up people’s minds for them. If we have to make up their minds for them, then people are not free. On the one hand, applying objective standards of utility can prove that people are strategic and can help us figure out the greatest good for the group but it takes away freedom. On the other hand, saying that “whatever people do is what they want to do and is what maximizes utility for the person and the group” is circular, does not guarantee the best for the group, and is often silly; but it does allow for free action. Circular subjectivity does not guarantee freedom and it undermines freedom in some ways but at least it rationalizes free action and holds out some hope. Objective standards validate freedom only if people act according to the objective standards, and that is not freedom.

Economists have to choose between freedom with all the weirdness of circular subjectivity versus objective standards. Some of the most sophisticated beautiful logic of the 1900s went to show that self-interested free action does lead to the best for everybody even if we cannot prove it with objective measures. The logic is almost successful, but not quite, and well worth studying, but I cannot go into it here.

“Revealed preference” is the technical term for inferring desires from what people do, and then using the inferred desires to explain their behavior. Textbooks vary in how explicit they are about the circularity and weirdness inherent in the idea of revealed preference.

**Freedom Wins.** In a choice between circular-subjectivity-with-the-hope-of-freedom versus objective-validation-of-strategic-nature-without-freedom, freedom wins. Economists chose not to worry much about



whether they can “get into people’s heads”, that people make mistakes, people fool each other, most people are similar, or people also differ. Amy robs banks because she likes to rob banks. All we can do about that is build better banks.

It is easy to make fun of this position but it is not a silly position. It is important to let people do what they wish. It is important not to develop theories that tell us what to like unless we have compelling reasons for those theories and have good independent evidence to support those theories.

**Sort Of.** Allowing free subjectivity is fine in theory but not for practical everyday use or for policy. Who can stand the idea that a teenage girl cuts herself because that is what gives her the greatest utility? Who would allow Amy to rob banks because she likes to do it even if the banks are insured and we can show that Amy causes little harm? Who would allow a rich person to control the legislature even if he/she interferes little and does little harm? Somebody has to take care of puppies rather than buy lotto tickets. We need to decide if we want a new airport and we need to decide on some basis.

So, in practice, with one hand, economists, politicians, state officials, analysts, and commentators impose their ideas of human nature, human priorities, and morality, even when, with the other hand, they stridently defend the free market. Economists use common sense ideas about what people are like, and about what is right or wrong. Sometimes they twist those ideas a little bit to fit what they want and what they think is right. For example, economists tacitly accept that most people want food more than recreational drugs and that most people want families more than brothels. The people that oppose Social Security, such as former President George W. Bush, do not oppose it only because they (wrongly) think it is on the verge of bankruptcy but also because they think Social Security is immoral. They think Social Security takes away responsibility and undermines the economy. They wish to kill Social Security as a way to force us to take more responsibility and to be more moral.

When people have to sneak in ideas about human nature and morality, they often sneak in bad ideas, and it is usually difficult to evaluate ideas fairly. The confusion about Social Security is a case in point, as is confusion about poverty, national defense, and the environment. When people do things openly, they often rely on common sense, and it is easier to evaluate ideas fairly. When people sneak in ideas, they block out common sense. When people do things openly, they can give criticism and take criticism. They can tell actions that really hurt other people. They can tell the difference between getting drunk yourself versus offering liquor to minors. They can tell the difference between mistakes and personal tastes. When people have to sneak in their viewpoints, they are belligerent about it, do not take criticism, are not open to other opinions, and cannot tell what hurts people.

*Rationalize the Status Quo.* To defend freedom we have to say that whatever people do is what they wish. This defense of freedom implies that whatever is, is best; whatever already is, is there because that is what people want; whatever is, gives the greatest possible welfare. This kind of rationalization is called “defending the status quo” (“status quo” means “what already is”). Some people are poor, do not have a good job, or do not have a job at all, because that is what they wish. Some people are rich because the economy rewards their superior talent.

People use a defense of freedom as a rationale for whatever already is when whatever already is favors them, including abuses such as monopoly, oppressing the poor, and serving clients. Economists did not

develop ideas about human freedom as a way to justify abuses but their ideas often have been used that way, and even some economists have abused ideas about freedom. The reader should keep in mind that abuse of ideas about freedom is used to justify bad policy, and the reader should be ready to use common sense to fight against abuses and bad policies.

*No Inter-Subjective Comparisons and Redistribution.* Economists use technical terms that you need to recognize even if not memorize. An “inter-subjective comparison (of utility)” compares the utility of one person with the utility of another person, often over similar goods. An example is the case of Harry and Sally above deciding about fish and games. If we could compare utilities between people, we could say that Harry gets 5 utils from one apple while Sally gets 6 utils from one apple.

Nobody might care who got more utils unless we also argued that Sally should get the apple because she gets more utils, regardless of wealth, income, or what the market leads to. When we argue that way, we start battles.

A real historical instance of this argument had to do with the distribution of wealth. If we can compare utilities between people, it is not hard to show that the total sum of utility increases as the distribution of wealth gets more equal. In a society of 10 people, the wealth consists of 10 chocolate chip cookies. It is reasonable to think that each person gets about the same utility from a chocolate chip cookie as any other person. In that case, if 1 person has all the wealth (10 cookies) while 9 people have none (0 cookies), then the total utility is not as great as it could be.

If 2 people each had 5 cookies, while 8 people had 0, the total utility would be higher. If 3 people each had 3 cookies apiece, 1 person had 1 cookie, and 7 had 0, the total utility would be higher still. If 2 people had 2 cookies apiece, 6 people had 1 cookie apiece, and 2 people had 0, the total utility would be yet higher. If everybody had 1 cookie each, the total wealth would be about as high as it could be. Of course, people differ in how much utility they get from cookies, but we can intuitively see that greater equality and greater utility go along pretty well.

Ever since Jeremy Bentham in the 1800s, some economists used arguments like this to urge the redistribution of wealth: take money from the rich, and give it to the poor, because that makes society as a whole better off.

Beginning in the 1920s, other economists blocked the argument for redistribution by using a strict interpretation of subjectivity that does not allow comparison of utility between people. If we cannot compare the utility that different people get from wealth, then we have no basis to argue for any distribution of wealth other than what we have now. Under a strict interpretation, we cannot compare the utility that one person gets from a cookie with the utility that another person gets from a cookie. We cannot say that a distribution of 1-person-with-10-cookies-and-9-people-with-0 is any better than a distribution of 10-people-each-with-1. So we have to go with what we have now. Whatever we have is best because it is what we have.

When economists in general began to argue for subjectivity so that they could defend freedom, some of them also used a strict interpretation of subjectivity to argue against any inter-subjective comparisons so as to block arguments for the redistribution of wealth. They used abstract ideas about subjectivity and

freedom to block a concrete policy about wealth. They used abstract ideas to defend the status quo and the rich. Since then, non-economists have accused economists of using abstract ideas about freedom and subjectivity as a cover to block any redistribution and to help the rich. Non-economists say that economists want to have their cake of subjectivity and eat it with a frosting of wealth too. The actual intent varies with the economist.

A strict interpretation of subjectivity, that blocks inter-subjective comparison, and so blocks any redistribution, might be fine in theory, but any sane sensible person can see that differences in wealth persist, are not fair, and do not lead to the best for society. The market does not lead to the greatest total welfare, and we can see where redistribution might help. Using common sense, we correctly make inter-subjective comparisons, and judge accordingly, whether neoclassical theory allows it or not. Just as we do not want teenage girls to cut themselves, we do not want society to cut itself either. Maybe the rich should pay a little more in income tax, and a little more for education.

But redistribution raises its own problems. Is interference really liable to do more good or more harm? What if we soak the middle class to pay for "welfare queens"? The real questions are not whether we can see problems and propose solutions, but (1) whether solutions definitely improve the situation and (2) whether we want the state to interfere. Those are questions in their own right apart from theoretical issues of subjectivity, utility, and comparison. Anybody with enough common sense to overcome a strict interpretation of subjectivity, and with enough sympathy to see problems of unequal wealth, also should have enough sense to think deeply about schemes for redressing grievances. Likewise, anybody smart enough to use a strict idea of subjectivity to block redistribution also should be smart enough to see real problems in the differences between rich and poor, and should wish to help if we can.

The reader has to make up his-her own mind in particular cases. We will see similar problems with fairness in several places in this book.

**What We Need.** We need a theory of human nature, and a moral code, that does the following:

-Validates the idea that people are strategic while it still protects freedom. -Justifies freedom but does not easily allow abuse of freedom.

-Gives us reasonable standards for what most people do but allows for much individual leeway.

-Explains how people can understand other people but does not say we always understand completely and does not justify forcing our understanding on other people.

-Allows us to compare people while recognizing variation and recognizing limits to comparison.

-Is based solidly on scientific understanding of human nature yet gives genuine status to moral decisions.

-Admits moral judgments without subjecting everybody to shallow moralizing.

-Admits common sense while recognizing that science can improve on common sense.

-Evaluates strategies, tells when people make mistakes, tells when people are fooled, suggests when

to meddle, tells us when not to meddle, and tells us when to let people carry on in their folly even when we can see that it is folly.

-We need a theory of human nature and of morality that helps clarify the role of the state, the interaction of the state and individuals, and the interaction of the state and the economy.

We need a theory of human nature and a moral code that tells when we have to help the poor.

That is a lot. Probably we cannot find a theory of human nature and a moral code that can do all this.

**Evolutionary Human Nature.** If we ask, "Why do people have families?" most people answer "because it is natural". If we allow that people have a nature that comes out of nature, then we have to consider what natural human nature is and we have to consider the implications of having a natural human nature.

In the modern world, the only acceptable answer is that nature evolved. We have to see nature as the result of evolution. Every thing in nature, all the birds and all the bees, and all their inter-doings, evolved. We have to understand nature in terms of evolution. Any theory of human nature either has to accept that we evolved our nature or it has to show how we got our nature despite having evolved for four billion years. The theory of human nature given here is the simplest I know that takes seriously the question of the natural origin of human nature and that meets the requirements of the section above. There is no other consistent and reliable option. Not economic insistence on full rationality, traditional religion, Marxism, or Politically Correct petulance, gives a consistent and reliable alternative. Evolutionary theory is based on Darwin. The seeds were planted in the 1930s, it flowered in the 1970s, and it has grown steadily since. Among scientists, now it is the way to understand all organisms including people. Because it goes along with common sense, the public has begun to accept it.

An evolutionary theory of human nature has about the same practical results as common sense. With it, we can assume that people are rational enough so that Smith's ideas can apply, but also that we are not perfectly rational. We see judge problems and schemes. We can judge when to intervene or leave alone. We can argue about the role of the state. The results of evolutionary theory of human nature do not differ much from neoclassical economics mixed with reasonable common sense, which is what most economists do anyway. Then, why bother? Because it is better if we are explicit about these issues and it is better that we sneak in as little as possible.

Most people now understand that obvious physical traits such as the trunk of an elephant or the stripes of a tiger evolved. People do not yet fully appreciate that, not only did physical traits such as antlers and thumbs evolve, but so also did tendencies for behavior. The character of the deer or of the fox evolved along with antlers and red fur. The propensity of a cat to leap and run, or to pounce on a rat, evolved along with the strong hind legs and big paws that make those behaviors succeed. Human nature evolved too. We are not that much different from the deer or the fox although we are more complicated.

A large portion of evolved human nature is the ability to learn quickly. We learn easily to do what is to our biological advantage while we have a hard time learning what is to our disadvantage.

All animals, including people, evolved to be self-interested. Any animal that was not self-interested did

not leave its genes in later generations. Only genes that supported self-interest lasted into later generations. We are the end result of millions of generations of self-interested genes. People seldom do what is not in their self-interest.

People tend to misunderstand self-interest among non-human animals and among people. We think it means “narrowly and stupidly selfish”. The best self-interest usually is cleverer than that. The most successful self-interest usually does not severely conflict with the self-interest of others. Self-interests often coincide to the mutual benefit of everyone, as in wolf packs. We will see more aspects of self-interest below.

The biggest part of self-interest ordinarily is the family. Families are an extension of our selves. Selves merge in the genetics of kinship. We can think of seeking self-interest usually as seeking the welfare of the family.

Contrary to myth, people and other mammals almost never seek the good of the species before the good of their own families. Actions that lead to the good of the species stem from attitudes that are based on the good of the family. Packs fight foes together because pack members are family members.

We understand an action by thinking about how it serves self or serves family.

Behaviors evolved to work well in particular circumstances. We only understand the spring of a cat when we realize how cats hunted food in the wild. The swing of an ape only makes sense when we see them in their original wild. When we take an animal out of its original wild, then its behaviors can get strange and do not always make sense. Panthers do not pace in the wild as they do in zoos. Before trying to make sense of a behavior we have to think about how it might have worked in the original wild and how it might be out of place in domesticated circumstances.

The original wild of people was hunting and gathering. We understand an action by thinking about how it might have served self or family in the original wild of hunting and gathering. Sometimes this can be hard to do because people are so removed from their original situation. Luckily, people are very good at adjusting to new circumstances, and so we can still understand most of what people do by thinking about how it might help self or family even in the wilds of Auburn, AL.

So we understand an action by thinking about how it serves self or family now, and how it might have served self or family in the original past. We understand the fact that men like to hunt not only by how much (or little) meat they bring in now but because their hunting would have brought in meat in our original past.

What exactly is the goal by which to evaluate actions? People wish to maximize the chances that their family members will grow up healthy and will themselves have families of their own that will grow up healthy.

In simple terms, we can evaluate actions by how many healthy competitive children they lead to. If working hard and staying sober leads to 3 healthy children while moving from job to job and drinking

hard leads to only 1 sickly child, then we evaluate accordingly. We do not usually evaluate only by number of children but also by number of grandchildren or great grandchildren. The technical term for number of offspring of whatever generation is "reproductive success". For example, 6 healthy children means a reproductive success of 6 in the first generation while 8 healthy grandchildren means a reproductive success of 8 through the second generation. We evaluate actions according to reproductive success through a particular generation. If hunting leads to 3 healthy grandchildren while farming leads to 5 healthy grandchildren, then we say that farming has a greater second-generation reproductive success.

Using reproductive success to evaluate an action does not mean we evaluate only according to number of children. Like most mammals, people act in accord with quality as much as quantity; and people act to succeed over the long term. Sometimes having 10 children leads to having only 2 grandchildren. Sometimes having only 3 children leads to having 9 grandchildren.

Sometimes it pays more to invest much each in a few children than to invest a little each in many. We have to think about what actions work to produce the most healthy grandchildren or great grandchildren. Reproductive success is better evaluated through grandchildren or great grandchildren, if we can get that information. This is why people are so proud of how many grandchildren they have even now in the days of small nuclear families.

People cooperate for many reasons. People cooperate as a kind of insurance. One person gives when he/she has much so that he/she can get when he/she has little. If Albert has a lot of meat after a successful hunt, he shares the meat with people that did not do well today so that in the future, when they have done well and he has not, they will share with him. Cooperation is a kind of sharing. People cooperate to do tasks that could not be done alone such as killing a bear or protecting against marauders.

Success is inherently comparative. It is not enough that I have 6 healthy, happy grandchildren if my neighbor has 8 healthy, happy grandchildren. People are attuned to think about the Joneses. People compare themselves to other family members, and they compare their whole family to other families. They compare their own families to generalized ideas about how everybody is doing. They want their families to exceed the norm. Parents have been saying, "See how smart my little Sally is" and "My Dad is better than your dad", for a couple million years.

Despite the value of cooperation, people do compete, and people conflict in their competition. Perhaps people cooperate to hunt a bear but they compete to hunt rabbits and deer. People hunted a lot more rabbits and deer than they hunted bear. People argue when they encroach on hunting territories. People can be violent in their competition and their arguing. If they cannot resolve an argument about hunting territories, they shoot it out with arrows. Women too compete and can be violent, although they do it in different ways than men.

The balance of cooperation and competition, and the extent of violence, depends on the circumstances and on the history particular groups. I cannot go into how this works here.

Physical traits are almost always a compromise. The average height of people is about five-and-a-half feet because tall people have problems with the knees and hips while short people cannot run and

chase well.

Any behavior also comes from a compromise, and depends on circumstances. People have to balance assertiveness and conciliation, gossip and truth, hunting and gathering, bravery and survival, etc. We have the propensity for various behaviors in any particular situation.

Learning hones our propensities and teaches us the right compromise for the right situation. Men and women learn to do different things in the same situation because what men do worked for men in the past and what women do worked for women in the past. Women learn to gather and men learn to hunt not primarily because those behaviors are hard-wired into genes but because men and women have learned that that division of labor works well. Children learn to do what men say but learn to seek comfort from women because that strategy works. Abstract morality is nice as an ideal; but people learn when they do well to insist on the rules against stealing or when they do better to close their eyes instead.

Unlike the idealized free market, the end result of human interaction among hunter-gatherers was not always for the obvious best. People sometimes bullied each other. Some families dominated other families. A strong family or coalition of families might capture the group and make other families do things for them. People were mean. People stole. Aboriginal human life was probably fairer than in most stratified agricultural societies but it might not have been as fair and as congenial as a comfortable American suburb.

Now that we have this much background, it makes sense to say that all human propensities can be understood by how they worked during our evolutionary past, including: love, sexual pleasure, language, imagination, drawing, music, making things, craftsmanship, marriage, religious belief, morality, friendship, cooperation, sharing, foresight, planning, sympathy, clothing, housing, earning a living, status, beauty, attraction, affairs, lying, stealing, coercion, violence, power, politics, jealousy, gossip, backbiting, etc.

**Interlude: The Real Issue.** Even this glimpse of evolved human nature is enough to show that people can be fooled in the capitalist world, that we are not fully rational and fully capable. Free individual action, the free market, does not always lead to the best practical outcome. There are problems. Human nature plays a role in the problems. Everybody knew this all along, even the most doctrinaire economists and Libertarians. This is not the central issue. It only points us to the central issue. Recall that the largest real issue is this: When we see a problem, and see that proposed solutions have their own problems, do we still have to act because of a moral sense? Do these moral situations likely involve the state? What role does human nature play in the original problem, proposed solutions, moral evaluation of the situation, and involving the state? Do we have to use the state to provide universal health care? Will giving universal health care lead to a greater use of resources and people, or do we have to provide universal health care regardless because it is the right thing to do? Should we provide health care only as long as it is cost effective, and no further, even though a lot of morally deserving people are left uncovered, and we still feel a moral obligation? We need to consider some implications of an evolutionary view of human nature, especially for morality.

**Implications for Morality.** See my other writing on the evolution of morality, and on morality and the state, mostly available on my website, usually for free.

The capacity for morality evolved, just like the capacity to tell stories, gather, and hunt. Because morality evolved, mostly it serves our evolutionary success. Fortunately, morality and practicality coincide most of the time, so we don't usually have to contradict morality to do what is in our self-interests. Honesty really is the best policy most of the time. Usually when we are kind to people, they are kind to us.

Even though morality evolved, and serves our self-interest most of the time, it does have its own logic. We see that logic in ideas such as the Golden Rule ("do to other people what you want them to do for you", and the maxim that moral rules should apply equally to everybody including self, kin, friends, allies, and possessions. We follow moral rules that are framed in accord with this logic, such as "do not lie".

When we follow moral rules, sometimes we do act against our short-term self-interest, as when we tell the truth to our disadvantage even though we would not get caught. Sometimes we do see issues morally even against practicality. That situation does not arise often, but it arises often enough in the capitalist world, and with deep enough problems, to be a real issue.

Moral rules help to minimize negotiations so that people know what to expect and thus can get more done more efficiently. Moral rules promote reliability and cooperation so that a group can get the most benefit from situations without each person having to worry too much about the details of his-her own strategy or about cheating. Moral rules tend to move groups of people toward the more beneficial solution out of a range of solutions. Moral rules are often "pro-social". Even though moral rules tend to be pro-social, they are still founded on self-interest and cannot deviate too much from self-interest. People tend to use morality for self-interest.

People use moral rules to control their own behavior and to control the behavior of other people. For example, we respond differently to moral rules according to how the rules affect our own success and the success of our family. We tend to follow rules that are good for us and for our families, and to break rules that are not in our self-interest. We get more upset when somebody steals from our brother than when somebody steals from Joe Dokes.

If we do get hurt when someone breaks a rule, we base our complaint not primarily on our loss but primarily on the abstract breach in morality. We do not complain that someone took OUR milk; we complain that someone STOLE some milk, and that milk just happened to be ours. We reinterpret strategic events in terms of morality. When we want to enforce a moral rule, we allude not to our gain or loss but to the abstract quality of morality. Usually we avoid questions of our own gain or loss, especially gain, when we argue about morality. When we want to overlook a moral rule, as when we "borrow" from the fridge, we use another moral rule as a counter, such as "follow communal spirit", or we say that the moral rule that we want to overlook does not matter very much.

People break a particular rule according to their own need as long as breaking a lot of rules does not threaten to "take down the system" in a way that will hurt them more than they gain by breaking a particular rule. Rich people embezzle as long as they do not get caught so often that it gives the poor a license to steal.

People push for vigorous enforcement of the rules that most benefit them while they overlook the rules that do not benefit them. The poor cry out for justice and generosity. The middle class makes sure that



everybody is monogamous.

When faced with a dilemma in capitalism, such as health care, all these implications mean that it is harder to decide practicality versus morality. We are not sure if people push solutions, or resist solutions, because they really believe it is the right thing to do or because their own best interests are at stake. There is no general formula to help us decide.

### **Other Implications.**

*Tendency to Trust; Vigilance Against Cheating.* More than most other animals, people tend to give other people the benefit of the doubt. People want to trust other people. People want to cooperate, to share, and to exchange. People want to start out on a good foot and to keep walking on good feet if they can. People are willing to take a chance on other people, and even on being cheated, especially if the stakes are not too high, and if the people expect to encounter each other often. People forgive more than we might think from watching only action movies. People smile at strangers. This tendency inclines us to help, and to see helping in moral terms, when helping might cost more than we realize.

On the other hand, cheating and laziness can ruin a trustful situation, so people are also looking out for betrayal and for bad character. If people feel that they have been cheated, or might be cheated, or they stand to lose a lot by being cheated, people will end a hopeful relation, replacing it with a more careful relation. People not only end bad relations, they also punish cheaters even beyond the harm that cheaters have done. Cheating is not just a strategically selfish and short-sighted act, cheating is also the morally bad act “betrayal”. People see cheating morally and they punish cheating with moral fervor. This tendency inclines us to resist helping even when helping really does some good. We want to end all welfare because of a few “welfare queens” even though we know that some people need welfare and deserve welfare. We find it very hard to evaluate if welfare does more good than harm.

*Sacred Way of Life.* People tend to see the way of life that promotes their own reproductive success as the most moral and most sacred. People tend to see the institutions that they have developed as part of their way of life, to promote their own reproductive success, as the most moral and most sacred: monogamy in some cases or polygamy in others; being a priest, a warrior, a merchant, or a politically correct crusader; nuclear families or extended families; using sacraments or having a direct personal relation with God; being a “good girl” or being a rebel; being strict or being lax; inspired or scientific. People see other ways and other institutions as immoral or anti-sacred. Especially they tend to see the ways and institutions of any potential competitors as immoral and anti-sacred, much as residents of a country tend to see immigrants, or as members of one economic class tend to see the members of other classes. The working class and the middle class tend to see their way of life as moral and sacred and to see the poor as immoral and anti-sacred. The poor tend to see their way of life as moral and sacred and to see the rich as immoral and anti-sacred.

*Using the State.* When people can, they use institutions to promote the way of life that most helps their reproductive success, and people use institutions to act against competitors. People called “kin” the people who were most likely to help them. People called “strangers” the people who were least likely to help and most likely to be in other competing groups. The state is a modern institution. In our times, people use the state to promote their way of life, to reward friends, hamper competitors, punish enemies,

set up conditions of trust, monitor violations of trust, and punish cheaters.

*Possessions.* People have possessions (some animals have basic possessions such as burrows but not like people have possessions). Aboriginal people had less “stuff” than modern people do and were more inclined to share - but they did not live communally. People know “mine” and “yours”. They recognize that a captured rabbit or a gathered basket of berries is “mine” rather than “yours”. They pilfer when they can get away with it but they recognize that they are doing something against the idea of “mine” and “yours”. This innate propensity for property does not validate the bizarre absolute property rights claimed by some advocates of free enterprise but it does show that property is not just an invention of society as claimed by some Leftists.

*Exchange.* As Adam Smith pointed out, people trade far more than any other animal (other animals have rudimentary kinds of trade but nothing like what people do). People know that trade is often beneficial. People seem uniquely adapted to seek trade; to know when trade continues to be beneficial; and to know when to stop trading because trade is no longer beneficial. We can see most economic systems, including capitalism, as variations on trade. Some idea of property is necessary to trade.

*Knowing Others.* People can legitimately claim to understand the minds of their fellows, and people have a right to act according to how they understand others. People are similar to each other. People can use understanding of self to understand other people, use observation to understand other people, and use understanding of other people to understand self. People need to anticipate what other people will do and what we will do. We never fully dispel the mystery of other minds but even our limited knowledge validates most common sense about other people. This limited knowledge is enough so that we can understand self-interest, and so that we can debate moral questions such as “do not steal”. It is enough to get over circular subjectivity.

*Sabotaging Others.* People can succeed comparatively through their own efforts or people can succeed comparatively by sabotaging the efforts of their fellows. Too often, we use morality to hinder the efforts of our fellows, as when rich people insist on “do not steal”; or when a poor person gets 6 years in jail for stealing a loaf of bread while a rich person gets 6 months at a “penal country club” for destroying a pension fund.

*Capturing.* People try to capture situations, including the economy, in many ways including violence, persuasion, lying, cheating, coercion, and unfair competition. People form subgroups so that they can capture social situations; and people use subgroups to oppress their fellows. Our aboriginal condition had less scope for capture than we have now because there were fewer enduring goods such as real estate and fewer institutions such as formal government. Even so, we should not expect social life automatically to lead to Smithian outcomes where everybody does well and life is stable and happy. Even hunter-gatherers had subgroups that sometimes took control. We have to think about the conditions that hinder capture and that allow free action to lead to the best outcome. We have to think about the institutions that hinder capture and that allow free action to lead to the best outcome.

*Array of Abilities.* Humans have an unmatched array of abilities for sensitivity and cooperation. We have morality. We share, cooperate to carry out tasks too large to do alone, delegate authority, give without expecting an immediate return, save for the future, plan, and create rules for general good. Although

these abilities are usually subordinated to the welfare of our families, these abilities are still there on their own, available for us to call on when we need, as long as we do not push too hard against the welfare of our families.

*Derived Pleasures.* Most of the things that served our self-interest in our evolutionary past felt reasonably good: eating, sleeping, sex, drinking, hunting, gathering, telling stories, drawing pictures, singing songs, good craftsmanship, the sight of our children playing, and probably some mild intoxication. Out of these original pleasures, we have crafted additional pleasures to suit our times: sports, TV shows, theater, concerts, parks, and democracy. Most crafted pleasures do no harm. Some crafted pleasures might do little harm if taken in moderation but can do harm if taken too far, such as addiction to watching TV or addiction to rich foods. Some pleasures are likely to do harm in themselves, such as addiction to alcohol, tobacco, and other drugs. We tend to suppress the activities that we personally do not like, especially if we can make the case that they do harm, such as recreational soft drug use. Nature has given us a tremendous gift in the range of pleasures that we enjoyed originally and in the range of derived pleasures that we have crafted. Probably we should be lenient in allowing our neighbors their pleasures.

*Practicality.* We cannot rely on altruism or on our “better nature” to defeat selfishness and so to give us the best. We cannot rely on the state to give us the best. We have to construct social institutions, including the economy, as much as possible, so that self-interested action by individuals leads to the best that we can get. When self-interested action does not lead to the best outcome, we have to use our common sense knowledge of human nature, our scientific understanding of human nature, and our technical knowledge of economics, to correct the situation as best we can. When we can see that interfering causes more harm than good, we have to leave well enough alone.

**Some Basic Patterns.** Because there is no general formula to decide the central issues, we have to get at them through various scenarios. Most of these scenarios are familiar. Still it is worth going through the exercise because we can see how considering evolved human nature helps us think.

*Lying.* In our evolutionary past, lying sometimes succeeded. So the ability to lie is part of our nature. Lying is clearly immoral. Lying certainly causes a lot of trouble. Everybody would be better off in the long run if everybody told the truth, yet people gain in the short run, so we all lie sometimes. Free action does not lead to the best result. Yet we do not go to a lot of trouble to suppress lying, not even on a personal level. Most of the time people do tell the truth. It would take a lot more trouble than it is worth to suppress lying. Even though lying causes a lot of harm, it is immoral, and it is a case where free action does not lead to the best possible outcome, we do not want to ask the state to suppress all lying. We ask the state to suppress only some kinds of lying, the kinds that cause the most harm, for example breach of contract and large scale fraud. All this is an appropriate adjustment to our evolved nature.

*Stealing.* Stealing succeeded in our evolutionary past, and so we all have the ability to steal. Much the same is true of stealing as with lying except that stealing is usually worse than lying because the consequences are unavoidable and usually larger. We don't have to pay attention to a lie, and a lie about our choice of shirt hurts nobody, but we have to pay attention of somebody steals our car. We overlook some cases of lying, such as pilfering paper clips, but we punish most cases of stealing, and we ask the state to get involved in many cases of stealing. When we ask the state to get involved, we argue that free action cannot be fully trusted, stealing hurts in some cases, and stealing is immoral. All this too is an

appropriate response to our evolved nature.

*Assault.* Physical violence also worked in our evolutionary past, and so at least some of us have the ability to learn to do it. We can tolerate physical violence less than stealing. We tolerate only a little bit of violence, mostly among children and adolescents. We rightly involve the state, and we rightly use all three arguments against violence: free action is not enough, violence hurts, and it is immoral. State involvement might lead to some additional problems such as jail time for a bar fight, but, on the whole, it is better than letting everybody slug it out at will.

*Child Abuse, Including Child Sexual Assault.* For reasons that I can't go into in detail, child abuse also worked sometimes in our past. Partly child abuse results from other tendencies, such as toward violence, and partly it succeeded directly, as with killing stepchildren and having sex with girls. It is part of our nature. Free action does not suppress it enough. It causes much more harm than benefit. It is clearly immoral. We rightly involve the state. State action might lead to some problems and some loss of benefit, such as wrong prosecution and ruined reputations, but, on the whole, state action is better than letting children suffer.

*Various Sexual Acts.* Many Americans don't know that, until recently, many sexual acts were illegal in the United States and people were prosecuted for them, such as oral sex and anal sex, any sex between two people of the same sex (gender), and any sex involving more than two people. In our evolutionary past, most sex probably was stereotyped genital sex between two people of opposite gender. But sex is fun in itself because in our evolutionary past it led to children, it is easily generalized outside the stereotype, and sexual activity outside the stereotype likely did reduce reproduction unless it became an obsession, like golf or computers.

Why the change in attitudes and in state involvement? The moral right to privacy contradicts state involvement in sexual acts. We now judge the moral right to privacy more important than any immorality that might arise through most consensual sexual acts. Besides, it is not clear that any sex act is immoral if it does no harm. Sex acts cause little practical harm, and various sex acts likely add to the sum of utility. So, in this case, because sex is fun, free action does lead to greatest benefit. Free action goes along with morality. State involvement would be expensive, do little good, detract from the total sum of utility, impose a lesser morality over a greater morality, and likely lead to considerable abuse. So argument to involve the state fails on all three grounds: free action, practicality, and morality.

*Prohibition.* People evolved to tolerate alcohol because we use to forage on fruit, and often some pieces of fallen fruit have fermented. A bit of alcohol is in our nature. The Prohibition of alcohol in the United States in the 1920s is the most famous case of misapplied zeal, nearly everybody knows the story, and so I won't go into it much. Suppose that people in general really would be practically better off if we could get everyone to stop drinking, so Prohibition passes one test for needed action. Even so, Prohibition fails overall because of our evolved nature. As long as alcohol does not disappear from Earth, people will want it, even though they know we would all be better off if they did not want it. As long as some people want it, then other people, gangsters and corrupt politicians, will supply it. The demanders and suppliers will corrupt the state, and, in the end, cause more harm than good. We lose the practical benefit. The moral good that might have been achieved cannot be met, so we lose moral benefit too.

Besides, it is not clear that banning alcohol would in fact lead to a greater total benefit. Despite the fact that some people abuse alcohol, sometimes badly, overall, alcohol probably does more good than harm. So, free action alone is enough to lead to the best practical benefit. Drinking is not intrinsically immoral. It is immoral only if abused. So there is no need to involve the state.

Mild regulation works much better than strict control. While they might need more regulation than alcohol, the same is almost certainly true of “soft drugs” such as marijuana and of gambling.

It is immoral for the state to protect us against ourselves as long as the only people that we affect very much is ourselves. For the state to protect us against ourselves is to take away our status as people, as rational beings and moral agents. It is to take away the underlying rationale for the free market itself. Of course, many vices, including alcohol, harm people other than the personal abuser, often children and dependents. In those cases, we have to review the argument in light of the considerations here. Even then, we have usually found that heavy state involvement to stop use is not the best response. Rather, the state does better by helping the innocent victims.

*Forced Development and Renovation.* The United States has been forcefully renovating urban neighborhoods since the 1950s. I don't know how much of this action is based on our evolved nature. To the extent that the action is based on the desire of merchants for gain, of politicians for power, and of middle class people to be surrounded by other people like themselves, then it probably does a solid evolutionary basis. For those people, natural urban development clearly has failed, the result is harmful, and immoral too. So they ask the state for help. But it is not clear that they are correct. To residents of poor neighborhoods, sometimes the neighborhood was good enough and not immoral. Either way, state involvement often did cause more harm than good, and did not always promote morality. People were displaced who could not find a similar decent place to live. Often the renovations were not sustainable because they did not result from free underlying action. Business did not improve as it should have. The net result was bad.

*Unforced “Gentrification”.* “Gentrification” occurs when many people with good incomes go to live in run-down areas of cities. They create a new neighborhood. Usually they do this on their own, with help from aggressive real estate developers. Sometimes the state provides support through increased police protection. I do not push the evolutionary basis for this action other than that people like to live near other similar people and like to live well. I do not argue whether the net result is practically good or bad, or morally good or bad. The point is that gentrification is done without much state involvement. If it does cure a practical problem and/or lead to increased moral good, then it is a case of free action working out. If it does not lead to overall benefit, because it displaces residents of poor neighborhoods in favor of people who could afford to live elsewhere, then the situation is sad, but it still does not call for state involvement. The state could do little in this case to protect the previous poor residents without making everything worse for all involved. Sometimes the world changes on its own.

*Modern Library.* Pretend people still read paper books. People also read books on electronic reading devices (Kindle and Nook), people like to play computer games, and some video games are educational. It has become clear to everyone in a certain city that children are not reading enough, and that children are not getting enough education by going through the usual school system, especially poor children. Private schools don't bridge the gap. So the state builds a library system. From the libraries, anybody

can borrow books or games. Many people do. Free action has not delivered the most benefit, has not solved a problem, and might have made things worse. There is a practical call. There is a moral call. The state steps with appropriate action. That seems to do the trick.

Then things begin to go bad. Children check out far more games than books, and far more games without educational content than with educational content. People abuse the paper books so that the paper books wear out quickly and have to be replaced. Paper books are expensive now. People make illegal copies of the e-books and the games. People check out the books, e-books, games, and then sell them for a cheaper-than-market price. People abuse the disks and jump drives on which the electronic material comes. Disks come back scratched and jump drives come back unreadable. The library has to replace materials much more often than planned. People who used to buy their own books and games, and can afford it, now no longer buy their own but get their material from the library, and even these people abuse the material. Use is heavier than planned. People stop donating to the library; the state had counted on donations, and the community had promised. The whole project becomes much bigger and more expensive than anticipated, and much less effective. The practical goal is not being met. The moral goal is not being met. People abuse the system even though they know they do more harm than good overall. In abusing the system, people act as strategic rationalists seeking their own-self interest. The project fails.

The project does not fail because the state carried it out. In fact, the state should have gotten involved, the state did the right thing, and it did a good job. The project fails because of human nature.

If the state made any mistakes, it was to not anticipate human nature correctly. Maybe it made a mistake in not having run the original educational system so that children really did get what they needed, and so a big-target library system was needed.

*Debt Slavery.* I grew up with working class people who bought everything on credit and were in chronic debt. That was a bad way to arrange family finances. I admired the middle class who saved up before they bought anything, did without until they had cash, always paid cash, and never were in debt except for houses. I was appalled when Americans went the other way after the rise of Reaganism and the rise of credit cards, and sank into debt slavery. It got worse under the second Bush administration and the housing crisis. Don't fool yourself; modern debt slavery is real slavery just as bad as most other slavery in human history. Although the state made this situation worse, the state is not the only actor to blame and not the worst actor. At the heart of the issue is human greed. People want stuff. They want stuff in itself and they want more stuff than their neighbors. They want it now. They are not good at judging what debt means, and they are susceptible to bad debt bargains. All this behavior has roots in our evolved history. Free strategic action does not lead to the best outcome. This is like the library. The problem is both moral and practical. Even though the state helped cause the problem in the past, it seems we should ask the state to help stop the problem now, and we have to make sure the state does not again promote the problem in the future.

The problem itself, and asking for any help from the state, puts us in a bind. Debt slavery takes away our status as free human beings. Free human beings willingly negate their freedom by getting into debt slavery. They choose to be slaves; they choose to lose the ability to choose. To compound the situation, if anybody intervenes to save them from self-imposed negation, then that actor (the state) says to them,

“You are not free enough to make yourself free. By setting you free, I say you are not good enough to be free. To set you free this way is to confirm your status as not free”. Either way, people lose freedom. It is very hard to save people from themselves. There is a moral issue here but it is hard to pin down and harder to know what to do. The debt crisis incurs a moral obligation to help, a moral obligation that is only made worse by adequate help.

This might be a case where practical considerations trump moral considerations, and we have to invite the state to manage the rules of debt because we can't manage it for ourselves. For the practical good of the economy, and everybody in it, including the people who are not debt slaves, likely the state has to write debt laws so that foolish people cannot get into debt slavery. People won't like it, credit companies won't like it, and I don't like it, but it might have to be.

**Lessons.** Economists, and people who care about these issues, need to see human nature naturally, even if they do not become students of evolution. We need to appreciate that people are strategically self-interested but also that we are not perfectly adept. We need to see how much people have in common so we can appreciate individual differences and freedom. We need to know the particular weaknesses of humans under capitalism so we can lessen the bad effects in the best ways possible.

Sometimes free action (the free market) leads to the greatest overall good, and sometimes not. We have to assume that people act in their self-interest even if that does not lead to the overall best outcome, even if it hurts the overall outcome, and even if people know that. We can see such situations if we think about them for a while with level heads and if we call on past lessons. Some issues really have moral considerations. Not every problem is a moral issue. Don't make problems moral issues just to get your own way. When morality is involved, we have to balance practicality with morality, whether we like doing that or not. We should avoid using the state if we can help it. Sometimes we have to use the state. The state can do a good job. How well a state project succeeds depends on the project, planners, and doers. If we find a project is not working, then stop the project and start over. Sometimes we have to put up with the original bad situation because proposed solutions are unworkable or eventually worse.

Free market zealots have to accept that sometimes free action does not work. They have to separate cases where the free market does not work from cases in which alternatives are worse than the free market. They have to stop saying the free market always works as a way to block projects they don't like. They have to admit that most projects to promote business are simply state-interference mercantilism, and are contrary to the ideals of the free market. Free market opponents have to admit the free market works most of the time, and that proposals to correct problems with the market often are worse than the original problem. They have to admit that people are not angels, and real human nature often undermines proposals to correct problems. They have to stop denouncing the free market as a way to promote groups and projects that they like. Both groups have to sharpen their moral sense and have to practice balancing morality with practicality.

When people have a project that they personally want, they see it as with child abuse. They invoke practicality, morality, and the state, even if unwarranted. They say morality is on their side, and that morality cannot be compromised with practicality in this case. When people are told of the problem of another group, they see it as with lying: although there might be a small practical issue, cures are worse than the disease, there is no real moral issue, and we should not get the state involved. Even if there is a

small moral issue, practicality outweighs morality in this case, and still we should not get the state involved. For example, people who argue for health care see it as urgently as child abuse. People who oppose it see it as something regrettable but not urgent, like lying. It is hard to untangle all the threads, put aside our own involvement, and come to a right decision. The same is true of welfare, Social Security, national defense, projects to promote business, tax breaks, and many other issues. Please see the Suggestions at the back of the book.