Symposium: David Schmidtz's *Living Together: Inventing Moral Science*

Political Economy and Social Philosophy

Peter Boettke
George Mason University

I have followed the writings of David Schmidtz since we were Summer Research Fellows at the Institute for Humane Studies in the mid-1980s. At the time, Dave was working on his dissertation, which resulted in his first book *The Limits of Government*.[1] It was a common theme of the time for political scientists and economists to explore the implications of Prisoner's Dilemma games for understanding social cooperation. Dave blended game theory, experimental economics, and political philosophy to explore in depth the limits of the standard public goods argument to justify government. That was a fascinating project related to an emerging literature on how to understand the economic theory of cooperation without command. As Elinor Ostrom demonstrates in *Governing the Commons*, such cooperation is possible, even in the most uncongenial of circumstances.[2]

As Dave and I went off to start our careers—Dave at Yale University and me at New York University—we stayed in contact and I continued to learn from his work. In the mid-1990s, he published *Rational Choice and Moral Agency*,[3] which I read through the lens of my teacher James Buchanan's play between political economy and social philosophy, but in Dave's case it was applied to the reflective exercise of the individual in their moral learning. In Buchanan's

[1] David Schmidtz, *The Limits of Government: An Essay on the Public Goods Argument* (Boulder, CO: Westview Press, 1991).

[2] Elinor Ostrom, *Governing the Commons* (Cambridge: Cambridge University Press, 1990).

[3] David Schmidtz, *Rational Choice and Moral Agency* (Princeton, NJ: Princeton University Press, 1995).

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construction, the play is between the rules of the social game and the strategic behavior of individuals given those rules, and the constitutional order of the "good society" emerges in the exercise. In Schmidtz's, the outcome is our emergence as moral beings capable of living a "good life." I read that book with great interest and often discussed it in my classes over the next several years at NYU and then at George Mason University.

When Dave published *Elements of Justice*,[4] I used that book in my graduate courses in political economy and social philosophy. His arguments about what constitutes a fair and decent race in life and the contours of a good neighborhood as opposed to the ideal theorizing that is characteristic of much of the philosophical literature on justice certainly resonates with political economists. It is what we do. The task of the political economist is to study how alternative institutional arrangements impact the ability of individuals to pursue productive specialization and realize peaceful social cooperation through exchange. The choices individuals make are not invariant to the institutional environment within which they find themselves operating. It is the rules of the game (both formal and informal) and their enforcement (both formal and informal) that dictate whether we trade or raid, whether our social order is Smithian trucking, bartering, and exchanging or Hobbesian pillage and plunder. Ultimately, it is these rules that dictate whether we see the world as positive-sum, zero-sum, or negative-sum games. We, as social scientists, better pay attention to rules.

I have started this essay with a detour through Dave's earlier works (and there are many I have not mentioned) because *Living Together*[5] is very much a culmination of his earlier work at the intersection of political economy and social philosophy. A major theme of his latest work is that there was knowledge and wisdom lost in the transformation of the moral sciences where political economy and social philosophy existed in a symbiotic relationship with one another to the divorce in the disciplines and the hermetically sealed-off discourse between technical economics and abstract philosophy. As one might expect, Dave's focus is on the damage done to philosophy by this split. In my own work, as one might also expect, the focus has been on the damage done to political economy. Philosophy divorced

[4] David Schmidtz, *Elements of Justice* (Cambridge: Cambridge University Press, 2006).

[5] David Schmidtz, *Living Together: Inventing Moral Science* (New York: Oxford University Press, 2023).

from reality produces speculative nonsense, but technical economics divorced from institutions produces precisely stated irrelevance. Both are a far cry from the contribution to understanding the human condition that one can read in Adam Smith—both his *The Theory of Moral Sentiments* as well as *An Inquiry into the Nature and Causes of the Wealth of Nations*.[6]

Schmidtz is not the first person to call for a renewed marriage between these disciplines. Many years ago, for example, Amartya Sen published *On Ethics and Economics*, arguing that economists had long lived in a "corner solution"[7] and had lost sight of the worldly philosophy.[8] We needed, he argues, to move back along the scholarly-production-possibility frontier from the corner solution of technical refinements to economic theory and once more join up with philosophy and ethics. However, Sen's work is different in character from Schmidtz's; Sen wanted a marriage between abstract technical economics with an abstract and ideal philosophy. Schmidtz's demand is more concrete. Economics to him represents a reality check on the workability of various proposed rules of social living. This is not an abandonment of theory, but a positive embracing of the idea that you can have abstractions in the moral sciences that are realistic rather than the instrumentalist belief that unrealism of assumptions does not matter.

Schmidtz discusses the nature of science throughout *Living Together* because he is attempting to establish the ground for a reconstituted moral *science*. I share this project with him, and I, too, draw inspiration from Adam Smith as well as Vernon Smith.[9] Our quest to understand the human condition must be constrained by holding our feet to the ground and checking against the consequences of the proposed rule changes on actually living human beings. We seek, in short, social rules for mortals—so did Adam Smith, Friedrich

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[6] Adam Smith, *The Theory of Moral Sentiments*, ed. D. D. Raphael and A. L. Macfie (1759; repr., Indianapolis, IN: Liberty Fund, 1982); Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, two vols., ed. R. H. Campbell and A. S. Skinner (1776; repr., Indianapolis, IN: Liberty Fund, 1982).

[7] That is, one operating under the assumption that the chooser does not make a trade-off between goods.

[8] Amartya Sen, *On Ethics and Economics* (Malden, MA: Blackwell, 1987).

[9] See, e.g., Vernon Smith, *Rationality in Economics* (New York: Cambridge University Press, 2007).

A. Hayek, and James Buchanan. We must in our theorizing move the conversation from speculative exercises on what is desirable to a more rigorous understanding of what is feasible and, even more narrowly, to what is viable. Economics, with its emphasis on scarcity and trade-offs, provides us with the hard-nosed logic to work our way from the desirable to the viable. But economics meets philosophical judgment through institutional answers to institutional questions and the study of the consequences for peaceful social cooperation.

To put this basically: The explanandum of political economy from Smith forward was peaceful social cooperation among diverse and disparate individuals; the explanans was a form of rational choice institutionalism. Smith never argues that individuals pursuing their self-interest would produce a socially desirable outcome regardless of the institutional context within which they found themselves. Instead, Smith, for example, explains that the professors in Oxford behaved differently from the professors in Glasgow and that the difference was not to be found in the content of their character, but in the different institutional arrangements in which they were operating.[10] In Oxford the professors were paid from an endowment, and thus the incentives for careful attentiveness to their students was lacking. However, in Glasgow the professors were paid from student fees, and thus there was a direct link between service and payment. To Smith scientific knowledge advances when we move from wonder to surprise and ultimately to appreciation. We wonder why the professors behave differently, we are surprised to learn it is because of the different institutional arrangements they operate under, and, in that discovery, we come to appreciate the power of incentives in structuring human action.

Another way to put this is: In our explanation of the variation in performance, we draw not from the different characteristics of people, but rather, from the alternative institutional arrangements. People are people. It is perhaps true that differences in people matter, but if our social explanations were only to require us to assert that good people do good things and bad people do bad things, we would not need social theory. We would just have descriptions. The same would be true if we were to rely on deliberate design theories to explain either nature or the social world. The genius of Smith, though, was to articulate the foundations of "invisible hand" explanations.[11] In these

[10] Smith, *Wealth of Nations*, Vol. 1, Book V, pp. 249–73.

[11] For a discussion of this style of reasoning, see Robert Nozick, "Invisible Hand Explanations," *American Economic Review* 84, no. 2 (1994):

explanations, we derive the invisible hand proposition (publicly desirable outcomes) from the rational choice postulate (self-interested individuals) via institutional analysis (property, contract, and consent). This is what I call "mainline economics."[12] What is relevant for our discussion here is how the very idea and practice of mainline economics is intimately connected to Schmidtz's reconstitution for our age of moral science.

Living together in peace and harmony requires rules of governance. Note that I say *governance*, not necessarily *government*. We are prodded and cajoled, we are disciplined and corrected, but within the rules of the social game. We are able to live in peace and harmony with our neighbors not because of a transformation of the human psyche or our genetic code, but because we learn to live within the boundaries of our experiences with difficult yet inevitable conflicts that perhaps leave us with some scrapes and bruises but never mortal wounds. In short, we learn that living together is better than living in isolation. We produce more peace and prosperity; we experience more toleration and justice. We unlock the creative powers of a free civilization to tackle the most pressing problems communities face. This is what an appreciation of the spontaneous order of a free society reveals to us as reflectors on the human condition. We are not capable of accurately judging the system from some Archimedean point outside of the system; we must judge from within the system, from our known reality.

Schmidtz's *Living Together* is a wonderful exploration of what the moral sciences have to offer us in terms of understanding the human condition. The material contained is much richer than I have been able to communicate effectively. Hopefully, others in this symposium will fill in the gaps. But I would like to end with one last implication that follows from Schmidtz's deconstruction of ideal theorizing and substitution of a moral science grounded in the marriage between political economy and social philosophy. What does such a science look like? Hayek, in his Nobel lecture,[13] makes the following observation about the evolution of technical economics in the second half of the twentieth century. He starts by pointing to the empirical

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pp. 314–18.

[12] Peter Boettke, *Living Economics* (Oakland, CA: Independent Institute, 2012).

[13] Friedrich Hayek, "The Pretence of Knowledge," December 11, 1974, Nobel Prize Lecture, *The Nobel Prize*, accessed online at: https://www.nobelprize.org/prizes/economic-sciences/1974/hayek/lecture/.

reality of the 1970s and declares that economists have nothing to be proud of, as we have made a mess of things. At the time, this was a consensus position, so there is nothing too shocking there. However, he then explained that we made a mess of things because we followed a wrong philosophy of science. That philosophy of science clouded our understanding of the world and, potentially worse, created expectations for our discipline that it cannot by its nature achieve. But our power and prestige as economists depends on us being able to achieve what we cannot, so we act as if we can live up to the expectations. In acting in this way, we threaten turning the discipline of economics into a haven for charlatans. Worse yet, acting in this way runs the risk of turning economists into tyrants over their fellow citizens and destroyers of the very civilization to which they owe their existence.

That is a lot to absorb. Basically, what Hayek is saying is that "scientism" kills science and that the alliance between scientism and statism threatens our peace, our prosperity, and our liberty. What should political economy look like, if not what economics has become? To practice the sort of moral science Schmidtz is asking us to pursue, we must pursue our discipline as it were from the inside-out and not from the outside-in. What this means is that the actors who populate our "model" must take priority, for it is their cleverness, creativity, and resourcefulness that we must give an account of, not that of the theorist who does the studying. The theorist can never know what the actors in the economy know, and thus they cannot act as if social control of a free people is possible. The moral sciences can yield social understanding; they cannot be the basis of social control. Moral sciences are a science fit for a democratic self-governing society; the technical economics and abstract philosophy of the twentieth century are fit for a totalitarian society. The frustration and failure of the efforts of ideal theorizing in economics and philosophy are a consequence of trying to force fit an alien science into the environment of freedom—and the consequences for the human condition have been dire.

But this situation is not by any means hopeless. To say that a situation is hopeless would be to say that a situation is ideal, but as Schmidtz establishes, our intellectual situation is far from ideal in terms of understanding the human condition. Thus, we can effectively change the situation for the better. A necessary, though not sufficient, step is to reestablish the moral sciences and effectively push back the unrealistic and irrelevant ideal theorizing that has plagued both economics and philosophy and led to an intellectual divorce that produced a mess in comparison to the grand tradition of political

economy and social philosophy. Schmitz's *Living Together* will help us get back on track.