

CHARITY, CHILDCARE, AND CRIME: FROM OBJECTIVIST ETHICS TO THE AUSTRIAN SCHOOL

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THE INSPIRATION FOR THIS PAPER was a presentation by John Mueller at the Austrian Economics Research Conference on March 12, 2015. In his lecture, which was based on his book *Redeeming Economics* (2010), Mueller claimed that both neoclassical economists and Austrians cannot explain adequately in theoretical terms crime, children, or charity (Mueller 2010, 111, 121; Mueller 2015). Economists, such as Ludwig von Mises, have been limited to prescriptive rather than descriptive discussions of such “unilateral transfers” (2010, 121).

Mueller’s lecture was of interest to me because of the work I have done on unilateral transfers using as a framework the ethics of Objectivism, the philosophy of Ayn Rand (Touchstone 2006; 2008a; 2008b; 2010a; 2010b). One purpose of this paper is to extend my work on one-way transfers to the ideas of the Austrian school. To do this, I address the overlap between Objectivist and Austrian thought as it relates to ethical principles. I present my approaches to crime, children, and charity, and discuss how my prescriptive ideas compare with Mueller’s descriptive positions.

Part 1 summarizes major points made by Mueller (2010). It also discusses some of the responses in the literature to his theory. According to

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Mueller (2010), economists, including Austrians, have failed to adequately integrate unilateral transfers into economic theory. Mueller challenges mainstream economist Gary Becker's position that when a person gives to another he receives an increase in utility. Instead, from the giver's perspective, there is loss in utility arising from that which is forgone. Rather than utility or happiness, Mueller claims persons are the ends of actions. Instead of a single preference scale, as envisioned by mainstream and Austrian economics, he argues there are separate preference scales for ends (persons) and means. To Mueller, people give in proportion to love of others and steal in proportion to hatred of others. I raise the point that giving may be seen as a repayment of debt. In part 2, I present the Objectivist positions on unilateral transfers, the trader principle, and preference scales, and compare these with the views of Mises and other Austrians as well as Mueller. Part 3 discusses the overlap between Objectivists and Austrians on principles. I argue that Rand's benevolent-universe premise is implicit in the principles held by Austrians such as Mises, Friedrich Hayek, and Henry Hazlitt. In part 4, I discuss giving as repayment of debt and how this applies to "reproductivity" and charity. I also discuss the separability issue in relation to my heuristics for providing for childcare and giving to charity. I also compare these positions with Mueller's.

Part 1

Part 1 summarizes major features of John D. Mueller's (2010) book *Redeeming Economics*. According to Mueller (2010, 86–89), economists, including Austrians, have not sufficiently integrated unilateral transfers into economic theory. By a unilateral transfer, I mean a transfer that is primarily one-way, e.g. crime, childcare, and charity. For crime, there is a return to the actor, but there is no compensation to the victim. For childcare and charity, there may be a "return" to the actor, but the return is primarily intangible (not explicitly measurable in monetary terms). One of Mueller's criticisms is of Mises's view that giving is an exchange rather than, as Mueller sees it, a transfer payment (2010, 143, 165). Economists generally focus on action as being undertaken for the expected betterment of the economic actor. Mises sees action, or exchange, as the substitution of a more satisfactory state for a less satisfactory state (Mueller 2010, 165). Mueller (2010, 103) also challenges the idea, associated with economist Gary Becker, that giving to others results in an increase in utility for the giver. Rather, according to Mueller, from the giver's perspective, there is loss of utility arising from that which is forgone. In addition, utility or satisfaction is not the end of action, according to Mueller. Persons are the ends (2010, 129, 130, 139). Mueller also differs with economists on the idea of a single preference scale (2010, 165). In addition,

Mueller's position is that people give (or take) from others in proportion to the significance of those to whom they give (or take) (2010, 143–50). Love is similar to the Greek concept of *agape* in that it is action.

I also present some responses to Mueller (2010) from the economics literature. Michael V. Szpindor Watson (215, 187–88) responds to Mueller's criticism of Mises by showing that unilateral transfers (gifts and crime) are implicit in Mises's concept of autistic exchange.¹ As Matthew McCaffrey (2015, 213n3) points out, Watson argues that many of the differences between Mueller and Mises are semantic. McCaffrey (2012, 187) challenges Mueller's position that there are separate scales for ends and means. Mueller's (2015, 206) response to Watson is that Mises's system remains underdetermined, by which Mueller means "there are fewer explanatory equations than variables to be explained." McCaffrey observes that to "salvage his system, [Mueller] must assert that not all action is aimed at improving conditions from the point of view of the actor" (2015, 213n1).

A point that I raise, to which I return later in this paper, is the concept of giving as repayment of debt. This is one to which Mueller alludes. If giving is a repayment of debt, then the idea of return (from the giver's perspective)—which is either concurrent with giving or comes in the future—is misdirected.²

¹ Watson makes the point that Mueller's usage of the word "charity" is similar to *agape* (2015, 182). He also notes that Mises's concept of autistic exchange is "where the category of *agape* and the gift lies" (2015, 185). Autistic action is more encompassing than *agape* in that autistic action includes crime (2015, 187–88, 190). Autistic action, like *agape*, may involve unilateral action toward others, or it may apply only to one's action toward oneself (2015, 188). Mueller's focus is on gifts (and crime) in relation to others, which is also the focus of this paper.

² The "return" received by the giver for a gift is commensurate with the gift given. For instance, if a person buys a meal for himself, then what he receives in return for his payment is the meal (or the satisfaction derived from consuming it). If a person, *A*, buys a meal for person *B*, the return *A* receives is often thought to be the satisfaction derived from giving to *B*. If a person invests in his own human capital, the return would be the (net) income he would receive on the investment. If person *A* invests in the human capital of person *B*, the return to person *A* may be the satisfaction derived from person *B*'s future income resulting from *A*'s investment. My point is that if the gift is seen as a repayment of debt, the giver does not look for a return—either one concurrent with the payment, such as a meal (or the satisfaction associated with paying for another's meal), or one received in the future, such as the net income received on an investment outlay (or

Mueller and the Mother's Problem

Mueller advocates devising “a modernized mathematical version of the Scholastic theory of final distribution—specifically, one that incorporates descriptions of personal gifts (and crime) and of distributive justice in the family, business firm, charitable foundation, and government” (Mueller 2010, 107). Economists cannot explain the widespread presence of marriage or children (2010, 111).³ The division of labor can be used to explain the prevalence of firms, but is inadequate in describing the existence of the modern family (2010, 110).

In Mueller's theory, both firms and nonprofit organizations originate from the household: “The modern household specializes in producing and maintaining people, the modern business firm in producing and maintaining property, and the modern nonprofit foundation in distributing household gifts beyond the household” (2010, 112). Mueller does not regard human action as “ultimately undertaken by ‘individuals’ for ‘utility’” (2010, 129) but “*by persons for persons*” (2010, 129; italics in the original). He states:

The modern utilitarians have therefore missed... the most important lesson that the mother has to teach: *All human action, including economic activity, is done by persons and for persons.* Human economic activity is not ultimately undertaken by “individuals” for “utility.” (Mueller 2010, 129; italics in original)

Mueller does not banish the concept of utility, but he does *seemingly* turn it on its head. When a person purchases a product for himself, it tends to increase his utility. However, if he buys a gift for another, it reduces his utility, according to Mueller (2010, 170). In what he calls the “Mother's Problem,” he states that distributing (sacrificing) scarce resources for her child *reduces the mother's utility*, which is weighed against her love for the child (2010, 108). As he puts it: “Rather than *increasing* the mother's utility, her love determines how much value or utility to herself of the scarce means she is willing to *sacrifice*” (2010, 108; italics in original). The resource given to the child, whether it is the mother's time or a material good, is a gift. Mueller defines love as a voluntary (one-way) transfer, the amount of which is determined by the relative significance to the giver of the person receiving

the satisfaction associated with the net income received by another person as a result of investing in that person).

³ Mueller cites Augustine's claim that marriage is the “first natural bond of human society” (Mueller 2010, 208). Mises does not regard the marriage or family as natural or necessary (1996 [1949], 168). I regard mother and child as the Primary Social Unit (2006, 89–104; 2010a, 23–24).

the gift (2010, 143). Unlike most economists, Mueller does not envision all “goods” as being arranged on a single, comprehensive scale of preferences. Instead of a single, overall scale of preferences, there are “separate scales for persons as ends and other things as means” (2010, 165).

Mueller’s Solution

Mueller’s solution to gifts and crime is based on love and hate. Love and hate are not emotions, according to Mueller, but the weight people assign to other persons. His formula for giving is that a person gives in proportion to how much he loves another person relative to himself. If a person loves another as much as himself, the loved one would be assigned the same weight and would receive half of his possessions (wealth, income, and time), assuming there were no other loved ones. If he loves two persons and himself equally, each would receive one-third of his income. If a person loves someone one-quarter as much as himself he would receive 80 percent and the loved one would warrant 20 percent of his income. Loving someone one-fourth as much as oneself adds up to a total of one and one-quarter persons; that is, one, which is assigned to oneself, plus one-quarter, which is assigned to the other person (2010, 143).

Time is allocated in the same way as goods and services. Mueller makes the qualification that part of the time people spend at work is devoted to whomever their loved ones are (for example, their children). Actually being present with the loved one is therefore not always required in allocating time for him. The more time and other resources (income, wealth) devoted to another person, the higher the value of the time and money forgone (that could be spent on oneself). Because resources are scarce, there is a limit to the amount devoted to others (2010, 149–50). The mother’s problem is solved for allocating a given quantity of a good, such as milk (or her time), by multiplying the relative importance of each consumer of the good (her, her husband, her children, the cat) by her assessment of the value of the *use* of the good to those consumers (2010, 108).

Hatred in turn explains crime. The more one person hates another, the more he “disvalues” him. If, say, you were to increase your wealth by one-quarter by stealing from another person, you love 80 percent of a person in total. By hating another, a negative amount (minus .20 in this case) is added

to one. The value of one (100 percent) is assigned to oneself. The percentage deducted from one reflects your hatred for another person (2010, 144–45).⁴

Misesian Responses to Mueller

Mueller's issue with Austrian and other economists is that they do not account for unilateral transfers, and instead reduce all human action to exchange. Watson counters that Mueller interpreted Mises's use of the term "exchange" too narrowly by limiting it to bilateral exchange. Mises regarded exchange as human action, in which individuals aim to exchange "states of the world"—specifically, a less desirable state for one more desirable. For instance, in Mueller's example of the mother giving a bottle of milk to her child, her aim is to trade a less satisfactory state, the child's hunger, for one of nourishment (Watson 2015, 185–86; McCaffrey 2015, 212–13). This type of human action is subsumed under Mises's concept of autistic exchange, which is undertaken for the benefit of others and in which there is no expectation of return (Watson 2015, 190; Mises 1996 [1949], 195).

To Mueller, giving is the expression of love. Love cannot be quantified (McCaffrey 2012, 185). However, according to Watson, Mueller's concept of love is analogous to *agape*, which is charitable *action* (McCaffrey 2015, 216), in which the receiver is the giver's "end" (Watson 2015, 186–87).⁵ In economics, which is value-free, *agape* loses its objective moral connotation. It reflects that which an individual subjectively regards as good for someone else via the transfer of a good or service with no expectation of return or reward from the gift recipient (Watson 2015, 188, 190).

McCaffrey challenges Mueller's idea of separate scales for means and ends. Preferences are revealed through an individual choosing one end over another: "The value of the means thus takes on the value of the ends (is imputed to them), and there is then no separation of value scales" (2012, 187). "Love" as action is choice, which can be observed. What cannot be observed are an individual's valuations (McCaffrey 2015, 217). Mueller's

⁴ To Mueller, "all economic choices are moral choices" (2010, 182). However, his perspective is descriptive, not prescriptive. For instance, he claims that hate explains crime; he is not suggesting that if a person hates another that he *should*, say, steal from him, but that crime is motivated by hate for a person.

⁵ Watson (2015, 177) indicates that Mueller limits ends to physical persons. Mueller (2015, 205) counters that, consistent with Augustine's theory, "persons" includes God—a nonphysical person.

concept of love fits into applied, not theoretical, economics: “Love represents a special (empirical) characteristic of valuation that can be used to analyze specific types of action such as gift-giving, the family, and nonprofit business activity” (McCaffrey 2015, 218). Watson, quoting Mises, notes that the only quantifiable “valuations” are market values, or prices (2015, 194; Mises 1996 [1949], 331). Money prices are the result of (bilateral) market exchange, or what Mises calls catallactics (Mises, 1996 [1949], 233). Prices permit the calculation of profit and loss, which signal to the producer whether he is “productive” or not (2015, 191). In the not-for-profit sector, there is no equivalent mechanism to inform individuals as to their success in achieving their ends (2015, 193).

Charities and families are not-for-profit institutions. The “business” of the family with respect to children is not, of course, to produce them for sale. Watson notes: “There is no pricing mechanism to determine whether families efficiently produce and raise children” (2015, 192). The success of parents may be gauged by the success of their children in achieving adulthood (2015, 193). According to Watson, gifts to persons and institutions compete with other ends in our ordering of preferences. By distributing resources to others and to nonprofits, individuals reveal their values: “Nonprofits and the like... can help us achieve a greater ‘utility’ use of our resources by reaching our ends” (2015, 196). Charities exist because they satisfy ends that the market and/or government are inadequate to fulfill (2015, 197). By giving to them, individuals are expressing a moral conviction that the market is insufficient to “ensure the good” (2015, 198).

Mueller’s response to Watson is that Austrian theory remains “underdetermined” because of its reliance on utility theory to explain both consumption and distribution (2015, 206). He poses this question: with the presence of both exchange and gifts, “under what conditions can the value of personal gifts be adequately calculated?” (2015, 208).

Gift as Repayment of Debt

McCaffrey states that the implication of Mueller’s response to Watson is “that in order to salvage [Mueller’s] system, he must assert that not all action is aimed at improving conditions from the point of view of the actor” (2015, 213n1). This is an important point. When a person—say, a mother—gives to another, in Mueller’s view, there is a loss in utility arising from that which is forgone (Mueller 2010, 170). Mueller states: “Loving someone does not increase one’s utility. Rather, our estimate of other persons’ importance, relative to our own, determines how much we are willing to *lower* our own utility to love them” (2010, 170; italics in original). Mueller does not speculate

about whether the mother derives utility from her actions, because “Only [she] can tell us” (2010, 166).

To Mises, an individual strives to exchange a less satisfactory state for a better one. There may be no direct return, but the idea is that, from the perspective of the actor, there will be improvement. If the giver receives only a reduction in utility for what is given and no return, either directly or indirectly, how is his behavior to be explained? If it is love, is love an action resulting (solely) in a reduction in utility for what is given up?

If the giver experiences only a loss in utility for what is given up and the loss is not offset by some gain, love would have little to recommend it. The point I will be making is that giving, from the giver’s perspective, is not (solely) about return (presently or in the future). Giving can be viewed as a repayment of a debt (backward-looking). When I purchase a meal at a restaurant and later receive the tab, I do not ask: “Where is my return for this payment?” My view of giving as a repayment of a debt falls in the realm of ethics because it involves what we should do, not what we actually do.

Part 2

One of the objectives of this paper is to show that there is sufficient overlap between Objectivists and Austrians on key principles to extend work I have done on unilateral transfers to the Austrian school. Before that discussion, in part 2, I present the Objectivist positions on autistic exchange, the trader principle, and preference scales. The Objectivist positions are compared with those held by Mises and other Austrians as well as by Mueller.

Mises and Rand on Exchange: Comparison with Mueller

Mises sees action as exchange, although not in the limited sense of trade between persons, but rather as “an attempt to substitute a more satisfactory state of affairs for a less satisfactory one” (Mises 1996 [1949], 97). The actor’s objective is a better state. In autistic exchange, the transfer is unilateral. If the transfer is from oneself to another (a gift), there need not be any tangible return, although the objective from the actor’s perspective is that a better state should result. This could be seen as an intangible “return” (for instance, satisfaction). According to Mises, a more satisfactory state is the aim of the actor. Mises’s position is descriptive, not prescriptive.

In her ethics, Rand argues that a person *should* strive for this. Her concept of sacrifice, which she regards as evil, is the exchange of a greater value for a *lesser* one (1964f, 44). To illustrate her point, Rand claims “If you own a bottle of milk and give it to your starving child, it is *not* a sacrifice; if

you give it to your neighbor's child and let your own die, it *is*" (Rand 1961, 140). In her view, "To love is to value" (1964a, 32). Similar to Mises, Rand envisions all (ethical) action as trade, even action typically regarded as one-way, or what Mises terms autistic exchange. Although Rand does not use the term "utility," her perspective could be translated into these terms.

Rand could be interpreted as seeing Mueller's "Mother's Problem" as an exchange of something the mother valued (a bottle of milk) for something she valued more (her child) in the same way a grocery shopper would exchange his money, which he values less, for a carton of milk, which he values more. It is still an exchange of value for value. In economic parlance, the mother's utility would decrease with the loss of the milk (in the same way a milk buyer's utility declines when he spends X dollars on it), but the value of the child's nourishment is greater to the mother than the bottle of milk she gives away (in the same way the milk is of greater value to the buyer than the money he forgoes to purchase it). This does not sound so different from Mueller's "Mother Problem," in which the mother's utility is reduced by the loss of the bottle of milk but is "offset" by her love for her child. To Rand, this would still qualify as a trade, a word Mueller eschews in this context.

To Rand, to value is to love. Her view of giving to others anticipates Mueller's in the respect that, for Rand, giving to another should be *proportional to the value of that person in one's life*. Unlike Mueller, she does not see this as a sacrifice, but as reflecting the giver's rational self-interest:

The proper method of judging when or whether one should help another person is by reference to one's own rational self-interest and one's own hierarchy of values: the time, money or effort one gives or the risk one takes should be proportionate to the value of the person in relation to one's own happiness. (1964c, 45)

One of Mueller's criticisms of Becker is that Becker regards the giver's utility as (positively) dependent on the utility of the receiver (Mueller 2010, 103). If a person gives a gift—say, money—to another, it results in a double counting of "utility" if the person giving the money receives a return (utility) from it when he receives it as income while also receiving an increase in utility from giving it away. To avoid adding utilities (which is impossible), the satisfaction of the giver may be translated into monetary terms (sometimes called "psychic income"), which can be added to the dollar value of whatever is given. Becker refers to total monetary value as "social income" (Mueller, 103; Becker 1995, 173). According to Mueller, if this were the case, there would be no end to the utility (social income in Becker's terminology) generated by giving and re-giving.

If the person forgoing the money were to receive some service or good in return—say, the person receiving the money sang a song or washed a car—this would be bilateral exchange, and we could assume the utility attached to the performance or carwash equaled or exceeded the money forgone. However, as I mentioned above and will return to later, if giving is partly or entirely viewed as a repayment of a debt for something received in the past, a giver does not look (solely) for a concurrent or future return (such as “satisfaction”) in exchange for a gift. Also, if a gift is seen as a “debt that is repaid,” giving a gift is not a “sacrifice” (in the normative sense of the word used by Rand) even if there is no apparent return to the giver.

Rand, the Austrians, and the Trader Principle—Is That All There Is?

Mueller’s (2010, 165) criticism of Mises is that Mises views giving as exchange—that is, autistic exchange. As seen above, Rand also can be interpreted as conceiving giving as a category of autistic exchange. Exchange, in a broad sense of the term, forms the basis for society in both the Objectivist and the Austrian schools of thought. Both schools identify trade as the central social principle. Trade in this context encompasses both unilateral and bilateral exchange. It is not limited to economic interaction, but includes other forms of social behavior as well.

To Rand, the trader principle, which she defines as the exchange of value for value between adults, is the central social principle and synonymous with justice (1964a, 31). For Mises, “society is division and combination of labor” (Mises 1996 [1949], 143; quoted in Herbener 2005, 163). According to Joseph T. Salerno,

in identifying the division of labor as “the essence of society” and “the fundamental social phenomenon,” Mises establishes social evolution as an ontological process amenable to rational investigation (1969, 299; 1966, 157). (Salerno 1990, 29)

To Mises, the division of labor also has normative implications. Rules of social conduct “are powerfully conditioned by the development of the social division of labor” (Salerno 1990, 34). Similarly, Hazlitt identifies social cooperation with the division of labor (Hazlitt 1998, 37). For him, as well as for Hayek, the ideal ethical system promotes social cooperation (1998, 127). Although he regards Rand’s focus as a bit narrow, Leland B. Yeager sees, through the trader ethic, the harmony of the interests of the individual and

society (Yeager 2001, 180, 290).⁶ Hayek realizes reciprocity has its limitations. Reciprocity in the narrow sense is inappropriate for interactions between some members of society, such as within the family (Yeager 2001, 291). Steven Horwitz expands on this idea in his essay “Two Worlds at Once,” in which he compares the ethical systems of Rand and Hayek vis-à-vis the family (2005, 389).

Rand’s remarks on the family are often negative (2005, 389). In Objectivist ethics (OE), having children can be a productive endeavor but it is entirely optional. Horwitz finds Rand’s approach—reducing all human interaction to trade—to be inapplicable for the most part within the family institution (2005, 376). The sole ethic of “justice” (2005, 394) is insufficient given the requirements of child-rearing (2005, 392, 396). Hayek realizes that different ethical rules apply to the micro (e.g., family) and macro (larger society) spheres. In fact, applying the rules of one to the other would be devastating to both (2005, 384). Even so, in the broader context of reciprocity, Horwitz believes the parent may expect a “return” when his child matures. The return is nonspecific, but follows from the parent’s interest in seeing his child become a “flourishing” adult (2005, 393). According to Mueller, both Mises and Hayek, who denounce communism in the political sphere, regard the family as the only institution in which it works (Mueller 2010, 121).

Rand and Mises: A Single Preference Scale

A point of disagreement between Mueller and other economists is the idea of a single preference scale. Mueller is critical of Mises for arranging “all goods on a single comprehensive scale of preferences” (2010, 165). Mises stated: “Acting man... chooses between various alternatives, no matter whether they are to be classified as material or ideal. In the actual scales of value material and ideal things are jumbled together” (Mises 1996 [1949], 233). This view is not inconsistent with the predominant economic perspective on preferences (Alchian and Allen 1977, 25–26; Becker 1995b, 7). Yeager points out that Rand views “essentially every human choice as a moral choice” (Yeager 2001, 24; Merrill 1997, 69–70). Rand sees values as measured

⁶ The trader principle is encompassed by the broader principle of reciprocity. A “harmony of interests” is dependent upon retaliation when a person’s rights are violated. Retaliation—its threat and realization—in part actualizes the negative probabilities associated with “wrongful” behavior (discussed below). Without these negative probabilities, the decision alternatives (between virtuous and wrong behavior) could flip in favor of wrongful acts. This is the deterrent aspect of retaliation.

on an ordinal scale in the same way in which economists view utility. As she puts it, “Degrees of intensity can be and are measured approximately, on a comparative scale. For instance, the intensity of emotion of joy in response to certain facts varies according to the importance of these facts in one’s hierarchy of values; it varies in such cases as buying a new suit, or getting a raise in pay, or marrying the person one loves” (1979, 40). It would appear that, as for Mises, there is a single scale of values in OE.

Because a person must allocate time, money, and other resources, and because in choosing one thing he must consider what he forgoes (his highest-valued alternative), it would follow that all would be ranked on the same scale, or so it would seem. Below, I argue that insofar as ethical decisions regarding childcare and charity are concerned, separate preference scales can apply. This use of separate preference scales is different from Mueller’s.

Part 3

My discussion of unilateral transfers—crime, charity, and childcare—is based on two Objectivist principles: the benevolent-universe premise (BUP) and what I call the productivity principle. In part 3, I discuss the overlap between the Objectivist and Austrian views of principles.⁷ Both argue for adherence to principles because they normally yield good results in the long term. That is, consistently acting on principles results in long-run success. Although probabilities favor success, failure may occur; however, failure is the not-to-be-expected. This view is explicit in OE and is referred to as the BUP. The BUP is implicit in the Austrian view of principles. Following a discussion of the BUP, I present how it applies to deciding between ethical and unethical alternatives.

Principles: Rand and the Austrians

Hayek takes an empirical-evolutionist approach to ethics (Yeager 2001, 9). To Hayek, social rules spontaneously emerge over time through the efforts of individuals pursuing their own interests, and these spontaneous rules are (or can be) superior to consciously devised rules (Yeager 2001, 9, 72; Horwitz 2005, 379). Spontaneous order, however, may rest on either spontaneous or deliberate rules, and rules of law can arise either spontaneously or deliberately. Yet moral codes and customs tend to emerge spontaneously (Hayek 1973, 45–46).

⁷ In Touchstone (2015), I cover additional areas in which there is confluence between Objectivist and Austrian concepts.

According to Salerno, Mises, like Hayek, views normative social principles as the outcome of an evolutionary process. However, unlike Hayek, Mises does not regard this process as “spontaneous,” but the outgrowth of rational, purposive action (Salerno 1990, 26–27). Mises favors the observance of social rules because doing so yields “highly valued returns” (1966, 883; quoted in Salerno 1990, 31)—that is, the benefits of social cooperation. Hazlitt and Yeager embrace Hayek’s evolutionary theory of ethical principles along with the utilitarian criterion of happiness (eudaemonia) via social cooperation to assess them (Yeager 2001, 77, 96–97; Hazlitt 1998, 6, 8–9, 72).⁸

Hazlitt and Yeager recommend strict compliance with social rules (Yeager 2001, 87, 153; Hazlitt 1998, 73). These rules should be carefully scrutinized (Hazlitt 1998, 184; Yeager 2001, 87); nevertheless, according to Hazlitt, they are worthy of adherence because they have stood the test of time (Hazlitt 1998, 184; Yeager 2001, 153–55). At the same time, Rand opposes the observance of tradition “*merely* because it is a ‘tradition’” (Rand 1967b, 198), and Hazlitt similarly warns against blind acceptance of a rigid rule (1998, 139).

Although Objectivists prefer the word *principle* to *rule* (Kelley 1997), like Hazlitt and Yeager (Hazlitt 1998, 72, 183–85; Yeager 2001, 87, 92, 94, 151, 155), Rand is aware that exceptions to rules are necessary. Objectivists stress the importance of context in the application of principles. Rand would agree with adherence to principles, although she sees all “musts” as conditional. She states: “‘You must, if’—and the ‘if’ stands for man’s choice” (1982a, 98). Hazlitt allows for such “hypothetical” reasoning as well as more “factual” interpretations (1998, 187). Rand, like Hazlitt, opposes “duty for duty’s sake” (Hazlitt 1998, 139). She states: “In a rational ethics, it is causality—not ‘duty’—that serves as the guiding principle in considering, evaluating, and choosing one’s actions, particularly those necessary to achieve a long-range goal” (1982, 98). Hazlitt advocates following social rules because they typically yield good outcomes (Yeager 2001, 4, 16, 294; Hazlitt, 1998, 57).

Why Principles?

Since, according to Rand (1961, 121), virtues are the actions a person takes to attain or keep values, why have a moral code? Why shouldn’t a person simply choose and act based on the merits of each decision he faces?

⁸ Yeager, although not an Austrian, is credited with bridging the gap between Austrian and Objectivist thought (Long 2005, 313n18).

This is the position of “act utilitarians” (Hazlitt 1998, 60; Yeager 2001, 154–55). According to act utilitarians, a person should choose by weighing the perceived benefits and costs of each decision. Some of the reasons given by Hazlitt and Yeager for following a moral code include the time and cost savings of following a rule rather than calculating costs and benefits on a case-by-case basis (Hazlitt 1998, 72, 155; Yeager 2001, 87). If rules are generally observed, this permits people to better predict behavior and thereby coordinate and plan their activities. This reduces transaction and other costs (Hazlitt 1998, 59–60; Yeager 2001, 87). Also, there may be less risk of making errors based on insufficient information (2001, 20, 175). The observance of rules by individuals also can lead to the development of ingrained traits—that is, virtues—rendering ethical behavior second nature. As traits, ethical behavior tends to reinforce emotions that can sustain good behavior in instances when there could be a tendency to act on impulse (2001, 88). Impulse-driven emotions can bias perceptions in the short term (Hazlitt 1998, 48; Yeager 2001, 89). In deciding on a case-by-case basis, a person may ignore or overly discount the long run and focus instead on short-term gains (Hazlitt 1998 52, 60, 72–73; Yeager 2001, 175).

One reason to act on principles (instead of on a case-by-case basis) that is consistent with Objectivist epistemology is that principles conform to the way in which man thinks. Man thinks abstractly. As Rand notes, “you have no choice about the necessity to integrate your observations, your experiences, your knowledge into abstract ideas, i.e., principles. Your only choice is whether these principles are true or false” (1982b, 5). Again, principles result in success in the long run. If actions didn’t have consequences, then any action would suffice, whether voluntary or involuntary—or no action at all would serve. Quoting Rand: “It is only by means of principles that one can set one’s long-range goals and evaluate the concrete alternatives of any given moment. It is only principles that enable a man to plan his future and to achieve it” (1967c, 144).

Probabilities and Principles

Rules not only save time and expense, but are also successful. There is not, however, a “strict causal chain” between action and results. In the world in which we live, there is not a one-to-one correspondence between human action and a certain outcome. An outcome may be expected but uncertain. Invoking David Hume and Hayek, Hazlitt notes that although short-term gains might appear to favor decisions that run counter to rules, probabilities support ethical behavior. There are no assurances. An action may have a high probability of resulting in long-run success; however, in the short run there

may be failure. Nevertheless, acting on probabilities is recommended, which means behaving morally (Hazlitt 1998, 52, 59; Yeager 2001, 181).

Hazitt distinguishes between probabilities associated with decision-making for rule utilitarians and for act utilitarians:

In *both* cases, it is the probable consequences of an *act* that are being judged, but in the first it is the probable consequences of the act *as an instance of following a rule*, and in the second it is the probable consequences of an act *considered in isolation* and apart from any general rule. (1998, 60; italics in original)

According to Hayek as well as Hazlitt and Yeager, rules normally result in success (Hazlitt 1998, 59; Yeager 2001, 295). They should be strictly observed in ordinary circumstances (Hazlitt 1998, 72–73; Yeager, 2001, 87). That is, rules are recommended because probabilistically they are successful, particularly in the long run (Hazlitt 1998, 51–52; Yeager 2001, 157–58, 170); in other words, “virtue pays” (Yeager 2001, 289). Likewise, Hazlitt and others contend that murder worsens a person’s probabilities (Yeager 2001, 167). The same could be said for other acts of immorality. Further, Yeager points out that Mises postulated that probabilistically there is convergence between individual and social interests in the long run. According to him, “Hazlitt makes this postulate explicit” (2001, 162; see Hazlitt 1998, 25, 35, 59–61).

Benevolent-Universe Premise

Merrill encapsulated OE in the assertion, “virtue is the best way to bet” (1991, 114–15). This position follows from Rand’s benevolent-universe premise (BUP), which is the proposition that, if a person thinks and acts rationally, in the long run he will be successful. There may be unforeseen setbacks or losses, but these are accidental. Failure can happen, but it is the not-to-be expected (Peikoff 1976). This principle was explicated (and perhaps originated) by Isabel Paterson (1968 [1943], 250–51; Cox 2004, 202). The universe is, of course, neither benevolent nor malevolent. It simply is. What the BUP states concerns man and his relationship to reality, namely, that man is efficacious. Given certain preconditions (such as protection of life and property), if man thinks and acts rationally, he can achieve his values. Success is the to-be-expected.

Herbert Simon made the observation that, in a random binary-choice experiment, if a strategy results in success most of the time (it is successful in the long run), it should be followed 100 percent of the time (Simon 1959, 260; Touchstone 2008a, 38). This is consistent with OE, emphasizing context (Rand 1964c, 51–52). It is also consistent with the position of Hazlitt, Mises, and Yeager that “probabilistically virtue pays”; therefore, rules should be

strictly observed all of the time (allowing for exceptional cases) (Yeager 2001, 87, 94, 155, 276, 294; Hazlitt 1998, 72, 79). Not only is the individual less likely to be successful if he does not adhere to principle, rules “lose their utility,” according to Hazlitt (1998, 73), if they are not followed. The predictability of the behavior of others is lessened—such as whether individuals can be trusted to follow through on promises or on contracts. Thus, not only is the individual worse off when he abandons principles, but the social fabric deteriorates as well (1998, 182).

The BUP appears to be implicit in the rule-utilitarian perspective on principles, even though it is not explicit in its lexicon (Hazlitt 1998, 59). The ultimate criterion for a principle, according to rule utilitarians, is “happiness, broadly conceived” (Yeager 2001, 96–97; see also Hazlitt 1998, 25). This is not inconsistent with the BUP, in which success and happiness are “the metaphysically to-be-expected” (Peikoff 1976, 51) if a person thinks and acts according to principles.

Application of the BUP to Decisions involving an Ethical and a Non-ethical Alternative

If principled behavior results in success in the long term, why would a person engage in unethical or criminal behavior? Humans can reason to the best of their ability and still arrive at a flawed principle, or they may derive the correct principle but apply it incorrectly. They also are not omniscient, and therefore may act on inaccurate information. Aside from these possibilities, a person could knowingly act in violation of a principle. Why would this occur? One reason is that an individual may have an impulse-control problem. This is not uncommon among those who break the law (Frank 1988, 161–62). They may know better, they may even have remorse after the fact, but they have difficulty in suppressing impulses they think will yield short-term gain. In this section, I discuss deciding between two alternatives—one ethical and the other unethical—using my interpretation of the BUP. However, first, I will discuss Mueller’s position on crime, which is that “crime pays.”

In his book *Redeeming Economics*, Mueller quotes economist Gary Becker as stating: “A person commits an offense if the expected utility to him exceeds the utility he could get by using his time and resources at other activities. Some persons become ‘criminals,’ therefore, not because their basic motivations differ from that of other persons, but because their benefits and costs differ” (Becker 1995a, 470; quoted in Mueller 2010, 169; cf. Mises 1996 [1949], 45). Mueller counters that

the problem is that this explanation doesn’t account for the fact that most people do not commit crimes, even though doing so would

increase their wealth (after allowing for the probability of punishment), thus raising the expected total utility of their wealth. To argue that most people must receive utility from not committing crimes reduces the theory to a tautology; it is unscientific, because it renders the theory unfalsifiable. (Mueller 2010, 169–70)

A reading of both Becker and, even more so, Mueller would suggest that “crime pays.” This is not the position taken by Objectivists or rule utilitarians. If these groups are correct and virtue pays, and if Mueller and Becker are correct that crime pays, the problem could be that the social preconditions mentioned above (protection of life and property) are not met in some way, and therefore actions that should result in failure do not. That is, part of the reason that crime pays could be that to some extent the criminal-justice system is broken. Even so, I doubt this accounts entirely for the perception that “crime pays.”

In fact, crime does pay for some people. This is implied by the BUP. If a person acts based on rational principles, long-run success is the to-be-expected, but accidents and mishaps can happen. Conversely, if one does not act on principle, failure is more likely in the long run than if one were consistently virtuous. But “luck” can happen. This is why looking at what “successful” people do in order to figure out what one should do is problematic. There are those who can do the “wrong” thing and still be “successful.” There are others who can do the right thing and yet experience failure. The BUP states that in the long run consistently pursuing the right actions will result in success; however, there are no guarantees.

Nevertheless, failure is the “not-to-be-expected.” If failure or loss does occur it is accidental—the out-of-the-ordinary. I interpret this to mean that in terms of decision-making, when opting for an ethical course of action, the “expected loss” that could occur is incidental and, therefore, can be ignored. For “wrongful” actions (as distinguished from “wrong” in the sense of innocence), the long-run probability of loss or failure is neither accidental nor incidental. It is related causally to the action. It cannot be ignored in decision-making. I believe this is not inconsistent with the way in which rule utilitarians view moral principles since their view is consistent with the BUP, on which my interpretation is based.

Rule utilitarians claim that because virtue pays in the long run there is really no need to calculate. I agree with their position. However, if a person *were* considering a decision between two acts, one of which was virtuous and the other not, the way in which the two alternatives would be compared based on my interpretation of the BUP is that for the virtuous act only the expected gain would be relevant since the expected loss would be “incidental” and, therefore, can be ignored. However, for the immoral choice,

the expected loss cannot be ignored for the reason given above; that is, it is causally related to the action.

Although there are a number of probabilities that could be taken into account (for instance, for the expected loss, the probabilities could include those related to imprisonment, loss of health, and other quality-of-life issues), for illustrative purposes the probabilities related to life and death can be used. This is consistent with Objectivist ethics (OE) and arguably the Austrian school, since ethical actions are viewed as life-enhancing and unethical ones are not. Therefore, if a person were to undertake an unethical action, it would be associated with a higher probability of death.

If, for instance, a person were deciding between pursuing a life in which he earned a productive living or one of crime, then, for the productive alternative, only the expected gain would be relevant (based on the probability of survival) since the expected loss would be incidental. For the life of crime, the expected gain would also be based on the probability of survival (which would be lower than for the ethical choice) and the expected loss would be based on the probability of dying (which could not be ignored because it would be causally related to the behavior) (Touchstone 2008b, 17-18; Touchstone 2006, 282).⁹

Economic vs. Ethical Choice

In the previous section, I discussed a choice between ethical and unethical alternatives—specifically, the choice of a productive livelihood versus a life of crime. The idea that virtues are actions that if persistently followed result in long-term success (that is, principles are self-preserving) can be problematic for unilateral transfers such as charitable giving. It has been noted that Rand’s writing on the family and on children was minimal. Her views on charity are captured in the following:

My views on charity are very simple. I do not consider it a major virtue, and, above all, I do not consider it a moral duty. There is nothing wrong in helping other people, if and when they are worthy of help and you can afford to help them. I regard charity as a marginal issue. What I am fighting is the idea that charity is a moral duty and a primary virtue. (Rand 1964b, 10)

Virtues, such as productive work, are life-preserving and must precede giving since a person must first earn income before he can give it away. From

⁹ Because the loss would comprise the person’s entire life value (based on explicit and psychic income), the expected loss would be significant.

this perspective, it would follow that giving would not be primary but secondary. David Kelley, who provides a justification for charity based on potential productivity, also states that charity should be marginal (1996, 10). To Leonard Peikoff, a “tinge of self-denial” is a sacrifice, and therefore evil (1991, 232). An extreme interpretation of the idea that charity is self-sacrificial, such as William F. O’Neill’s analysis of Objectivism given in *With Charity toward None* (1972, 227–28), would suggest that giving any amount to charity is unwarranted.

Many ethical systems view charity as a virtue—a major one. Charity as an ethical action is discussed by Gloria Zúñiga in her comparison of decisions that have ethical content (giving to others) with decisions that have no ethical implications. An example of the latter would be the decision whether to purchase a blue suit or a brown suit.¹⁰ Zúñiga discusses the difference as follows:

Although many, if not most, actions are economic actions, not all economic actions are morally relevant. There are certain actions that are *only* economically relevant. If, for example, I decide to purchase a hat and have to decide between a red one and a yellow one, this action has no moral relevance... But if my decision is between buying a hat and donating money to the poor, then this has two aspects. It has an economic aspect since I have limited resources and I can allocate these resources to only one of two choices. It also has a moral aspect since being charitable is morally relevant. Frequently, in fact, we may find that judgments that are beneficial from an economic self-interested perspective are also wrong from a moral perspective. Having a new hat would be economically beneficial for me since it would add a nice accessory to my wardrobe. However, from a moral perspective, it might be seen as a frivolous choice in light of my knowledge of someone’s need for food. Since economic judgments involve a set of considerations that are orthogonal to those involved in moral judgments, there is no necessary relation between economic value and moral value. (2005, 139)

My question is: if there is no relation between economic value and moral value, how does the mother feed her child? The mother is relinquishing the economic value to her of an economic good (a bottle of

¹⁰ In Touchstone (2006, 289–90), I include these decisions under ethical decision-making. For decisions in which the alternatives hinge upon, say, the color of suit to buy, as Jan Narveson says, “‘life or death’ just isn’t where it’s at” (Narveson 1998, 97). Thus for these decisions the expected loss due to early death can typically be ignored. If there are financial losses relevant to the decisions, these would have to be considered, however.

milk, or the equivalent amount of money that she could spend on something she values more than milk) for the moral value of the love she has for her child. If these values are incomparable, the Mother's Problem is unsolvable.

If economic and moral values are comparable, then, to follow the implications in Zúñiga's quote above, once a person's (economic) subsistence is satisfied, every additional purchase he makes for himself or time he spends for himself is (morally) at the expense of a person since there is always a starving person somewhere. If a person is living beyond subsistence, he is immoral since the choice to live beyond subsistence is necessarily an immoral choice. In effect, any individual is *always* making the immoral choice to spend on himself so long as he is not giving that amount of time or money to someone in need.

To take the extreme case, if any spending on oneself is merely economic, and giving to needy others is moral, there is no justification for spending on oneself at all if one wants to be moral. Hazlitt recounts other so-called *reductio ad absurdum* variations on this idea (Hazlitt 1998, 95). In any case, one's life would quickly end, as would the human race, if the principle was generally accepted. Although this extreme position is not Zúñiga's, the idea that a person should give until it hurts is the position of some.¹¹ Mother Teresa, for instance, regarded poverty as necessary "to know." She saw it as a value because by being poor there are "fewer obstacles to God" (Vardey 1995, xxxi-xxxii, 99–102).

Mises points out that "the boundaries between buying goods and services needed and giving alms are sometimes difficult to discern" (1996 [1949], 241). Concerning the limits of a person's obligations to others, Hazlitt remarks:

This is one of the unsettled problems of ethics. There will be those who think that the only obligation of the individual is not to transgress against others; and there will be those who think that his obligation to help others is practically without limits. There will be still those who take an intermediate position...

Probably no exact boundary can be drawn, and no exact rules can be framed, concerning the extent of our duties to others. In such duties, there will always be a twilight zone, shading off from what is

¹¹ An anonymous reviewer states: "I imagine that Zúñiga would argue that one cannot morally give someone money if you know they have malicious or non-virtuous intentions. I think Zúñiga would also argue that one should prioritize the good of one's family before one's neighbor, or a family in another continent, a la subsidiarity."

clearly imperative to what is clearly quixotic and in the long-run harmful. (Hazlitt 1998, 106–7)

As mentioned above, in the case of deciding between ethical and unethical acts, the expected loss for the ethical act can typically be ignored since it is incidental. This is not the case for unethical behavior. This is why ethical behavior is the “best way to bet” if it is followed consistently. But does virtue always “pay”? Virtues are those actions that achieve or maintain a person’s values—the ultimate value being a person’s life. If consistently followed, success is expected. Productive work and voluntary trade provide income (or provide goods and services directly) that sustains a person’s life.

Is the same true for virtues involving one-way transfers that primarily benefit others? The problem, as I see it, is that if charity were pursued on a large scale, it would not be life-sustaining. Mueller makes a similar point (2010, 190, 193). If instead of working for pay a person devoted the equivalent time to others, he would not be able to sustain his life. Virtues are actions that if persistently followed are life-preserving. Charitable giving, if pursued persistently on a large scale, could have the opposite effect. Children do not “pay,” either. One-way transfers of one’s time and resources may be psychically gratifying, but they are not remunerative. If pursued consistently on a large scale, the expected loss would not be incidental and could not be ignored. That is, these payments at some point are not life-preserving, but life-threatening. These appear to be of a different category of decisions. In Touchstone (2006), I presented some rules of thumb on how much to give to charity within the framework of OE. I also examined the issue of “reproductivity” within the OE context.

Part 4

In part 4, I return to the idea of reciprocity in a global sense (giving as a repayment of debt), and discuss how this applies to “reproductivity” and to charity. I then discuss the separability issue as it relates to my rules of thumb for providing for childcare and giving to charity. I also compare my positions on giving with Mueller’s.

Reciprocity: Global or Local

When a person gives a gift, whether to a child or to charity, it is primarily unilateral rather than bilateral in nature. Even when the giver loves the person, the giver does experience a loss in value for the thing given. This is true locally; however, it may not be the case globally. There is a hint of this when Mueller discusses taking care of his father during an illness. Mueller reflects: “When my turn came, it always seemed a small return for all that my

father had done for me” (2010, 164). Locally there was a reduction in value for the time forgone, and he weighed this reduction against the love he had for his father. Yet, there was also something else—there was all his father had done for him, which resulted in a feeling of nonspecific obligation or debt. There appears to be not only the specific (one-way) transfer payment of his time involved in caring for his father, but also a global sense of bilateral exchange—a repaying of a debt. On the other hand, for a child who receives “gifts” from a parent, we could ask: what has the child done for his parent to warrant all the parent does for his child? The care a parent gives to a child does *appear* to be strictly one-way, not only locally, but globally as well. The same could be said for charitable giving.

Children: Household “Production”

According to Mueller, households produce people and businesses produce physical property (2010, 112). He regards these as separate productive entities. I have argued elsewhere that child-rearing—that is, reproductivity—is sufficiently different in its essential characteristics from productivity to be a separate category (and not a subcategory) (Touchstone 2006, 11–38). Reproductivity is a productive endeavor, but it differs from productivity in several significant ways. One is that it is not nor can it be remunerative. From a broad economic perspective, a parent does produce a “good”—human capital. In that context, child-rearing is creative; however, it is not productive in the usual sense of the word. The parent cannot reap the return on the investment he makes in his child’s human capital. A parent does not own his child. There is no price mechanism or market for children as property—nor should there be. The parent cannot sell, use, or otherwise dispose of (kill) his child. A parent’s child is not a means of income. It is not the means by which a person sustains himself. The interaction between parent and child is not the exchange of value for value. The parent is responsible for the care of the child (at a minimum to sustain the child physically and provide for a basic education). An adult child may be under some moral obligation to help contribute to the care of his parents if they cannot take care of themselves, but it is not the adult child’s primary responsibility to care for his parents, and parental care should not be done at the adult child’s peril or at the expense of the care of his own child. Childcare, on the other hand, is the right of a child from his parents.¹² Parental care from one’s children is not a right.

¹² For an argument as to why children have a positive right to care from parents, see Touchstone (2006, 132–33).

To Rand, a person has one overarching purpose in life. Rand envisioned reproductivity as one of many forms of productivity from which a person might choose (1964b). However, it cannot be his sole occupation because it does not pay. If a person only engaged in parenting, he could not sustain himself or his child. Given a choice between parenting and a paying occupation, there would be very little to recommend having a child. The primary reason for productive work in OE is to sustain one's own life, and parenting does not qualify for that purpose. It fails the self-preservation test.

Why Children? Global Intergenerational Reciprocity

If virtues are actions that sustain a person's life, why have a child? Seen strictly as a one-way transfer in which a parent's utility is reduced by giving to his child, reproductivity appears to be a charitable enterprise taken to the extreme. From the perspective of parenting as a "domestic enterprise" in which people are produced, on par with business enterprises in which nonhuman goods are produced, the "psychic income" a parent receives in return for his investment would have to be enormous to be comparable to the explicit income received in the business world—as well it may be.

Psychic income (e.g., love) may be the primary motivation for having a child, and there may be others as well. Nevertheless, within the confines of OE, there is scant justification for reproductivity. Parenting appears to be a charitable enterprise, and charity is a minor virtue at best within OE (Rand 1964f, 48–49; 1964b, 10), and *not to be pursued on a continual basis*. Of course, the nature of human development requires continual one-way transfers from parent to child for a significant period of time. In *Touchstone* (2006, 245–60), I presented a justification for having children. The rationale was devised to fit within the confines of OE. Its basis is what I refer to as Rand's "productivity principle." To the extent that productivity is regarded as an important virtue, I think my case for reproductivity fits into any code of ethics. It need not (and probably does not) serve as the sole justification for having children, but it is one argument.

Productivity is central to the normative views of Austrian economists, such as Mises and Hayek. Productivity via the division of labor is an ontological process, according to Mises; however, as he, Hayek, and Hazlitt observe, it is also normative in that it is identified with social cooperation and it affects rules of social conduct. Mises regards productivity as making a profit (Watson 2015, 191), which means the income generated from what is produced exceeds expenses (the costs of production). Rand takes a similar position on productivity from the individual's point of view. However, unlike Mises's view, which is descriptive, Rand's is normative in nature. Her position

is that, to be productive from an individual's perspective, a person's income should exceed his expenditures over the course of his life. What I refer to as Rand's "productivity principle" is her statement that a person should not consume more than he earns over his lifetime (Rand 1961, 89)—including inheritance. In terms of the latter, the Objectivist position, put forth by Nathaniel Branden, is that a person should maintain his inheritance (actually Branden argues he should improve it) (Branden 1963, 22). As I see it, human capital is inheritance in the same way physical inheritance is (this is consistent with Becker's view in that he sees the two as substitutable [1995c, 349].)

Human-capital inheritance is the investment by one's parents (and/or others) in education and skills to improve productivity. It also includes imparting values other than those required for productive work. That is, human-capital investment by parents in their children is not limited to values related to income-earning capacity. I argue that a person should at a minimum maintain all capital, physical and human. A person should not trench on capital (that is, use up the principal). This means that, to the extent parents have "invested" in a child, the child has received an inheritance whether the investment is for physical goods the child will inherit or the development of an education and other life-sustaining values.

Since, according to OE, it is necessary for a person at a minimum to maintain his inheritance, this would equally apply to human capital. Since human capital is embodied within humans and humans are mortal, the way to keep human capital intact is to reproduce and to invest in one's offspring. To maintain human capital, a person could set aside a sinking fund to accumulate in value equal to the investment in one's own human capital (that is, the investment by one's parents); but to replace human capital, humans are needed because only humans embody values and virtues. Values and virtues cannot be separated from human "being." And part of maintaining human capital is not only the maintenance of income-earning capacity of an individual but also the values and virtues the person values.

This means a person "should" have a child to replace himself. Of course, like value for value, it need not be identical (of course, replacement cannot be identical since each person is unique), and may not even be a human being (even though that may be preferred). A person may alternatively invest (unilaterally—that is, without expected compensation) in those things that sustain human capital—for instance, education, research, the arts, or other individuals. Reproductivity can be seen as an intergenerational trade, and not having a child as defaulting in a "prisoner's dilemma" situation (Touchstone 2010b, 228–31).

Maintaining Human Capital and Separability

The decision to have or not have a child is different from the decision whether to work (for pay) or not (e.g., steal). Also, the expenditure decisions concerning one's child are (to some extent) different from other kinds of expenditure decisions (on oneself, for instance). My (ethical) case for having children allows for the separation of income devoted to childcare in the same way a sinking-fund payment is separated from a firm's revenue for replacement of physical capital. This amount is a "rule of thumb," but it does point to separability. This idea of separability is not the same as Mueller's position that there are separate preference scales for means and ends.

The amount to spend on childcare would be determined to some extent by the amount that one's parents had spent on one's development and education—that is, in one's human capital in total (not solely on education). That investment amount (in real terms) would serve as the basis for estimating the "sinking fund," which in turn would be a rough estimate of the minimum needed for the expenditure on a child per year. It might be thought that one should use the monetary equivalent of one's own human capital as a basis for the sinking fund.¹³ Yet this is an expected amount, and therefore only an estimate, and is furthermore the result of not only parents' investment but one's own as well. Typically, in a growing economy one's own human capital exceeds the investment in it by one's parents. At times, using one's own human capital as the basis for the sinking fund could give a distorted amount. The sinking fund required to replace Bill Gates's human capital would be far too high to spend on a child under almost any imaginable scenario. In cases such as this, to the extent a parent decided to provide a child with an inheritance beyond a reasonable investment in his human capital, it would be in the form of physical capital.

¹³ A person's human capital can be calculated as the present value of his lifetime stream of income, Y_t , and would be $PV = \int_0^T Y_t e^{-rt} dt$, where T is the life span and r is the discount rate. The sinking fund on that amount would be $S = PV(r)(e^{rt} - 1)$ (Allen 1967, 240). It would be the amount that, if it were set aside annually and earned interest at rate r , compounded annually, would accumulate to equal PV after T years. For example, if the yearly income were \$1,000 per year, r were 10 percent and $T = 10$ years, the PV would be \$6,144.45 and the sinking fund would be \$385.55, using the discrete counterparts to the PV and S equations. The amount set aside for one's child would be based roughly on the investment by one's parents (as a guideline), not on one's own human-capital amount. The number of years, T , would cover the period of childhood development, not the expected lifespan of the parent. For more on the sinking-fund method, see Simpson, Pirenian, and Crenshaw (1951), 266–67.

Admittedly not all payments devoted to one's child during his development are separable, but this is a rough guideline. By making the income spent on a child by the parent separable in this way, the parent can approach expenditures on the child in the same way he would any other expenditures. That is, the parent would rank alternatives on a (separate) scale of preferences. All of the alternative expenditures in the ranking would be for the child. The value of approaching expenditures in this way is that the child's expenditures no longer compete with the parent's expenditures on himself, particularly for basic expenditures. Since the ranking of the potential expenditures for the child is on a *separate scale*, the parent no longer sees the expenditure on his child as directly *reducing his own utility*. To the extent the parent experiences a reduction in utility when he purchases something for his child, it would be for the value of what the amount of money he spends could buy—that is, for the highest-valued alternative expenditure on *his child*, not for the highest-valued alternative expenditure for *himself*.

The way a parent decides on expenditures (of time and money and other resources) on a child could be based solely on what the parent deems important. Certainly some parents use this approach, particularly when children are young. In some cases, the decision could fall on one parent more than another. At times, it could be a joint parental decision. From an ethical perspective, as the child matures, the parent should take the child's input into consideration for some decisions. The separability of income I propose above is merely a rule of thumb. Some children have special requirements that demand more resources than others. The rule of thumb can serve as a floor to expenditures in the sense that a parent should at a minimum expend the amount of the investment spent on him by his parents (assuming this amount would be sufficient to supply the child with at least the minimum for subsistence and education).

In modern culture, it is typically not the minimum amount to spend on a child that is at issue—although, if it is, the above rule of thumb would serve. For most parents, the problem is limiting the debt they are willing to incur for their child. If a parent is spending significantly beyond the sinking fund on his own human capital (as opposed to the investment in his human capital by his parents), he may be putting his own ability to be self-sustaining at risk. In other words, the expenditure on his child is at the point at which it is directly competing with expenditures on himself. If the parent sees this as a serious sacrifice to himself or other members of the family, he may have to think of a “third way.” This could include grants or charity.

Charity

Reproductivity, although locally a one-way transfer from parent to child, may be seen in another context as a global intergenerational transfer. Charitable giving *appears* to be truly one-way, both locally and globally. Within OE, virtues are actions that if consistently followed will result in success—life being the standard by which success is measured. However, if charity is pursued on a large scale, it is not only not life-enhancing, but can actually be detrimental. Within Objectivism, charity is a marginal issue. According to Rand, a person can give to charity if it is warranted. However, there is a problem with consistency in that giving to charity arguably could be considered self-sacrificial (and therefore evil) even if it is negligible. Charity does appear to be problematic within OE; however, I have argued elsewhere that it is not (necessarily) self-sacrificial (Touchstone 2008a, 47–48; 2006, 316–26, 342). I do not think this argument is confined to OE, however.¹⁴ As will be seen, the argument is based on the “productivity principle” as well as the BUP. Because these are consistent with the Austrian school, I believe the argument ties in with it as well.

Rand has claimed that need cannot be the sole justification for charity (1967a, 26). As I see it, one reason for this is that there are far more people in need than a single person can provide for. This is the case even if the percentage of people in need within a given society is relatively small. If need were the sole reason, there would be no limit to charity from the perspective of a single giver. I have pointed out the problem with this argument above. Yet regarding any amount of charity as self-sacrificial is not tenable either. My argument is that giving to charity is not self-sacrificial because most individuals have received benefits for which they have not paid in full.¹⁵ Most

¹⁴ Neo-Objectivists Kelley (1996) and Tibor Machan (1998) have written on the related topics of benevolence and generosity, respectively. My case for charity is different from theirs, as it is based on different motivations and justifications. Also, the kinds of charitable giving are more encompassing. Kelley’s case for benevolence emphasizes investment and productivity without the expectation of a specific return (1996, 26). Machan’s focuses on spontaneity. As Machan notes, in comparison to generosity, charity tends to be more deliberative (1998, 2). My approach, which primarily relates to charity, is more deliberative in nature.

¹⁵ The reason the benefactors have not been fully compensated is because the goods or services they have provided are public goods or have public-goods characteristics. In cases such as these, production of a good or service provides benefits, called external benefits or positive externalities, to others who do not have to pay for them (see Touchstone 2006, 312, 326).

people are net beneficiaries in a broad sense; therefore, it is not a sacrifice to give to others (Touchstone 2006, 326–36).

In addition to the physical or human capital a person may inherit (typically, from parents), he also inherits knowledge. This includes basic knowledge, technology, invention, and other forms of creativity—which Mises acknowledges (1996 [1949], 178). Individuals may also have inherited freedom. Paterson makes this observation about America (Paterson 1968 [1943], 306). From a local perspective, a charitable contribution may seem like a sacrifice (a reduction in utility, in economic parlance), but globally it may be viewed as compensation for benefits one has received (inherited) but has not paid for (Touchstone 2006, 326–36).

Charity—Is There a Limit?

Virtues are life-sustaining in OE. However, charity is not directly life-sustaining and can in fact be life-threatening if overdone. This becomes a problem once charity is regarded as a major virtue, since there is conceivably no upper limit to it. The rule of thumb I have proposed for giving is based on the BUP, which states success is the to-be-expected and loss (death) is the unexpected—that is, incidental. Based on this premise, a person’s expected income for a period is the probability of survival multiplied by income plus the probability of unexpected (accidental) death multiplied by income. If a person survives the year, the expected loss (that is, the probability of accidental death multiplied by the income for the period) is “incidental” and “unexpected.” It is the result of “luck” and can be given to charity without being regarded as self-sacrificial. Yet this only accounts for monetary contributions; a significant portion of charity occurs in the form of volunteer work. A person’s time is a substitute for monetary contributions (Touchstone 2006, 48–49, 343).

There are a number of other qualifications that apply as well. If a person has suffered a difficult year because of such things as ill health or unemployment, whether personally or among family members, then he has been “unlucky” and is not under any ethical “obligation” to give to charity. Also, this assumes the person is not already paying the equivalent or more for “charity” through governmental transfer payments.

Charitable Contributions Are Separable

The discussion above gave my rule of thumb for charitable giving. The advantage of the heuristic is that charitable giving becomes separable from income spent on oneself (and family), and therefore does not directly

compete with one's own ranking of potential expenditures or those for one's child. As in the discussion of the separability of a child's expenditures, the giver would rank alternative charitable expenditures on a scale of preferences separate from those for himself (and for his child).

Because the ranking of potential charitable expenditures is on a separate scale of preferences, the giver does not see a potential charitable expenditure as directly reducing his utility (or being a sacrifice, in OE parlance). The source of the reduction in utility when the person spends on charity is the amount of money (or time) he donates—that is, for the highest-valued alternative charitable expenditure within his ranking of charities, not for the highest-valued alternative expenditure for himself. Because expenditures on charity and expenditures on oneself (and on one's child) are on separate scales, they are not substitutable. This addresses Zúñiga's point that so-called "economic" and "ethical" decisions are independent from each other.

You Can't Count on Love

The advantage to separability in the amounts spent on children and on charity is that those expenditures no longer directly compete with expenditures on oneself. This is consistent with the way in which people who both own businesses and have households have "kept their books" for some time. Undoubtedly, on family farms and other relatively small domestic concerns, there was (and perhaps still is) the tendency to mix family and business decisions together. However, in most instances, both family and business "operations" run more smoothly (legally and otherwise) if expenditures are kept separate. This similarly applies within the household for spending decisions on family members as well as for charitable expenditures.

If the scales are separate, a parent may not be tempted to pay for, say, an annual fee for a golf membership instead of spending the equivalent amount on orthodontia needed for his child. The expenditures would be on separate "accounts," so to speak. There are times in which a parent may not be able to count on love to make the right decision. There is also the other problem, which is probably more common, of a parent not knowing when to say no. The guideline I suggested above provides a rule of thumb.

Choosing among Ethical Alternatives

As mentioned, it is helpful to separate expenditures on oneself from those on children or charity. This isn't possible for some expenditures, such as jointly consumed goods or services. There are also extenuating

circumstances that may require more spending or less, but the heuristics above can provide guidance.

Expenditures of time are to some extent already separated based on employment requirements. Some jobs require X number of hours per week to be devoted to work and work alone. This leaves the balance for family, charity, and self. However, I realize there are times in which such separations are not possible. For instance, a father may want to attend his son's high school graduation ceremony but may also have a critical and unavoidable project deadline. These decisions are much harder for an ethical person because they sometimes require forgoing one value for another. This doesn't mean a person has to *violate* one principle in order to attain another. It simply means there may be two right things to do and a person has to decide between them.

There are also decisions in which the principled action may require that a person risk his life. In such a case, the probability of death for that particular event would not be incidental and could not be ignored in making the decision. I have discussed cases such as this elsewhere and will not repeat the argument here. However, among the considerations a person might take into account in choosing an alternative in which the risk of death is high would include the following: a person's identity, that values are embodied, that for a human being death is ultimately inevitable, that values can die but have the potential for immortality, and that actions are required to preserve values (Touchstone 2006, 299–305; 2008b, 181–85).

Comparison with Mueller

Mueller's solution to the amount of resources devoted to another (say, his child) is to allocate based on the degree to which one loves a person relative to oneself. But a person cannot (always) count on love—relative significance, to use Mueller's terminology (2010, 143)—to do the "right" thing. Mueller's distribution theory is based on "what is," and my heuristics are based on what a person "should" do. When a parent has a child, he is responsible for him whether he loves him or not. So-called "deadbeat dads" are responsible for their children, at least until they come of age. This leads to a second point: part of rearing a child successfully involves the child maturing and becoming independent. A parent may still love an adult child, but he is not (typically) responsible for him, and at times is not doing an adult child a favor if he provides continued support. In other words, there is a time limit on how long a parent supports a child based on maturity. The parent is responsible for human-capital replacement, which puts an approximate limit

on the amount given and on the duration of giving (with qualifications, of course).

In Mueller's theory, the percentage of time devoted to a loved one (say, a child) is also based on love. He regards the time at work used for the support of a child as time spent on the child.¹⁶ What an ethical approach to childcare acknowledges is that a parent is responsible for providing a child with care—adult supervision. When a parent is at work, that care needs to be provided by another responsible adult. In nonworking hours, how the parent allocates his time between himself (as well as other people) and his child is dependent on the level of maturity of the child—that is, on how much adult oversight and care are needed. This is not (solely) dictated by love. The amount of adult care and supervision required is determined by virtue of the child's development requirements. If the parent cannot be present during the parent's "off hours," provision must be made for another capable adult to oversee and care for the child.

This does not mean Mueller's theory and the one I have proposed are necessarily inconsistent. For instance, the proportionate amounts based on love proposed by Mueller could approximate the amounts based on the rules of thumb I have suggested. Mueller's theory is based on "what is." My heuristics suggest what "should be done." They are grounded on ethical principles consistent with OE as well as some ideas from the Austrian school. Separate preference scales result from using my heuristics because they describe the relative amounts of a person's income that should be devoted to childcare and charity, and the decisions involving these respective expenditures are separate from spending decisions for oneself. Mueller proposes separate preference scales for ends and means. That said, it may be the case that, for some or even most (actual) decisions, Mises and other economists have it right—a single preference scale applies.

Conclusion

This paper presents Mueller's view on unilateral transfers, including giving and crime. In his view, giving is proportional to love of others and stealing is proportional to hate of others. To Mueller, the ends of action are persons rather than utility or satisfaction. Rather than a single preference scale, he envisions separate scales for ends and means. Responses in the

¹⁶ The additional amount of a particular divisible good (or parent's time) given to one child relative to another is not based on love, but on comparative need—which only the parent (mother) can know (Mueller 2010, 166).

literature, by Watson and McCaffrey, were presented. I examined some of the overlap between Objectivist principles and those of Mises, Hayek, and Hazlitt. I concluded that the Objectivist's benevolent-universe premise is implicit in principles put forth by these Austrian economists. I then discussed work I have done on crime, charity, and childcare, using the BUP and the productivity principle as foundations. I compared this work with Mueller, particularly the rules of thumb I derived as well as the separability issue.

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