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## THE SOCIAL CONTRACT

Thomas Hobbes lived from 1588 to 1679, and John Locke lived from 1632 to 1704. Both were English and lived primarily in England, but both also left England and lived in exile for certain periods of time fearing the possible repercussions of their political ideas and associations. According to Ramon Lemos, Hobbes was 'the first postrenaissance philosopher to present an original and comprehensive system of political philosophy' (1978: 3). This was a theory of the social contract, a theory of rational individuals creating a rational government, a government not based on class.

Hobbes's social contract theory became very important, but its importance was soon eclipsed by the later social contract theory of John Locke. Locke's version of the theory was influenced by Hobbes but was different in crucial ways, and Locke's version was much more amenable to the Europe of his time. As a result, in the words of Peter Laslett, he helped 'to change the philosophical and political assumptions of humanity' (1960: 16). As John Dunn has observed, Locke's career 'ended in an extraordinary eminence'.

It left him in his own lifetime as one of the luminaries of the European intellectual scene and, after his death, as the symbolic forerunner and philosophical foundation of the Enlightenment and of what has become fashionable to call the Age of the Democratic Revolution. (1969, 11)

Locke built on Hobbes to create a political vision, a vision of individualist government. And both Hobbes and Locke assumed in their theories an image of wilderness America; a place of 'natural' individuals (Indians) and thus of new beginnings. Hobbes began and Locke defined the basic individualist conception, and this conception always included the idea of a wilderness frontier.

### **Agrarian civil society**

The basic individualist idea was that rational individuals would compete for private property in a context of equal laws. A limited, democratic

government would enforce those laws and protect private contracts, the basis for market exchange. Government would otherwise remain minimal and passive, with no dominant power to enforce sacred rules, tradition, or morality. Social order would be based on market relations, and this would be a civil, not a sacred, social order. No sacred tradition or morality would be necessary because the market laws of supply and demand would create a good society, a society of freedom and equality. This was the vision of the early individualists, a vision from within European feudal agriculture in the seventeenth and eighteenth centuries. Essentially this was a vision of letting everyone own land and work that land, a vision of owner-workers, independent agrarians. Neither Locke nor Smith foresaw the rise of industry, although their individualist ideas soon led to the rise of industry. They thought market relations would lead to a good society, a civil society, but only if all individuals could own and work their own private property, their own land.

In the later eighteenth century, Smith began to see a rising group of 'merchants and manufacturers', in his words, as opposed to independent farmers. This would mean a structural division between owners and workers, and this, Smith thought, would undermine any possibility of a civil, just market. He assumed, that is, along with Locke and Jefferson, that the market could only be civil in a context of agrarian owner-workers. He also assumed, as Jefferson clearly states, that all individuals can only be agrarian owner-workers as long as there is free wilderness land. In 1787, Jefferson wrote in a letter to James Madison:

I think our governments will remain virtuous for many centuries; as long as they are chiefly agricultural; and this will be as long as there shall be vacant lands in America. When they get piled up upon one another in large cities, as in Europe, they will become corrupt as in Europe. (1903: 392)

Jefferson lived from 1743 to 1826. He saw the early beginnings of industry, and he thought an urban structure of owners and workers could not be compatible with civility. This perspective was also shared by other founding Americans, including Benjamin Franklin, Thomas Paine, and George Washington. Civil society, in their view, required agrarian owner-workers, and this required endless free land. As a consequence, many proposals were made in early America to restrict the amount of land an individual could own so all individuals would always have a chance to own and work land.

This was the original individualist idea of equal opportunity – the equal opportunity to become an owner of property, specifically land. If everyone can be an owner of property, then everyone will be equal. Everyone can be an owner-worker, and no one will have to be only a worker. In this book I will call this *real equal opportunity*, the original idea of equal opportunity. This idea of equal opportunity requires endless free land, an open frontier. In our modern industrial society there is no longer an equal opportunity for all individuals to claim and own real property, such as land. Today we tend to understand equal opportunity as the equal

opportunity to get a job, that is, to become a worker. This is a necessary industrial adjustment of the legitimating market idea of equal opportunity, but it is not the idea of the early individualists. For them, market relations could only be civil and just in a context of real equal opportunity, a context of endless free land.

In a context of real equal opportunity, such as an agrarian frontier, everyone can be an owner-worker, which means everyone can be *structurally equal*. In an urban, industrial context owners and workers are structurally unequal. Workers must work for owners – sell their labor – in order to live, so owners have far more structural power than workers, who are structurally dependent. Owners can make money from their property (land, factories, patents, minerals, etc.), while workers can only make money from their labor. Further, the labor of the workers helps make the owners richer, while the workers generally have little chance to get rich. In an industrial city a class of owners can essentially monopolize all the productive property, all the factories, machines, railroads, etc. Everyone, then, who is not an owner must be a worker. Industry creates *class monopolies* and thus a structural inequality between owners and workers. The frontier, however, prevents class monopolies. If free wilderness land is available to everyone, no class monopolies of property can exist. No matter how rich some people get, all other people always have a chance to claim and own productive property (land). This is why Jefferson saw free western land as necessary for civil society, and why the cowboy myth sees the western frontier as the basis for justice and decency.

The early individualists argued for *legal equality*, where everyone has an equal legal right to own private property – equal legal opportunity. They argued for this equality to end the legal class inequality of feudal society, where aristocrats had exclusive legal rights to own land. But the early individualists also assumed that the legal equality of private property would also imply structural equality, a context of agrarian owner-workers. That is, they also assumed endless free land where no class monopolies could exist. They thought legal equality with private property (equal opportunity) would create civil society because all individuals could become structurally equal. Their market institutions, however, including legal equality, soon led to urban industry and structural inequality – owners and workers. In our modern industrial market, then, we have legal equality with structural inequality, and this contradicts the original individualist vision. The implicit image of an endless agrarian frontier – real equal opportunity – was essentially an individualist fantasy, a civil market hope. This theoretical fantasy, however, justified individualist ideas and market relations. It also generated a legitimating individualist myth, a myth of market origin, the myth of the Wild West.

The individualists did not argue for *economic equality* – equal individual wealth – as Karl Marx would, for example, in the nineteenth century. Some could be richer than others, in their view, because some would be

better, or luckier, at market competition. They did think, however, that everyone should have an equal opportunity to claim and own productive property, such as land. They worried about class monopolies and structural inequality, issues of feudalism and the cities. The legitimating individualist vision, then, the vision of civil society, was always a frontier fantasy, and this vision created urban industry. This is what the cowboy myth portrays through its imagery of the West and the East. The frontier West can be civil and just if greedy, corrupt villains, usually from the East, can be defeated. The West offers real equal opportunity while the urban East does not. This implicit frontier fantasy is clear in the myth, and market culture in general, particularly American culture, has generally romanticized agrarian life. Small family farms and rural communities are typically seen as more humane and fulfilling than industrial cities and corporate factories. This romantic, pastoral image is inherent in individualism, as Jefferson remarks and the cowboy remembers.

## Heroes

Individualism is essentially the assertion that all individuals are 'naturally' equal. If all individuals are 'naturally' rational, in a rational universe, then they are also 'naturally' equal. They are 'naturally' equal, that is, in the sense that no 'natural' reasons exist – no reasons derived from Nature – to justify traditional class privilege. All rational individuals should have equal opportunity – legal equality. They should not have economic equality (equal wealth), because some will compete better than others in the market. But they should all have equal opportunity – no class privilege. For the individualists, the reference to Nature replaces the reference to God as the basis for social order. And the reference to Nature implies that all individuals are 'naturally' equal.

If Nature replaces God and the market replaces feudalism, then a new kind of individualist hero must replace the traditional aristocratic hero. The individualist hero – the frontier scout, the cowboy – always defends equality, while the traditional hero – Achilles, Arthur, Lancelot, Robin Hood – always fights for privilege. The cowboy hero emerges from the wilderness as a 'natural' individual. He has no social lineage or rank, usually not even a family. He has a lowly or illegal job, or he may be unemployed. He is still, however, a social hero, the equal of anyone and superior to many. The traditional hero must have a family: he cannot be a hero without the proper lineage. He fights to save the social order just like the cowboy, but he also fights for fame and glory and he is proud of his class privilege. The cowboy does not fight for fame and glory and he only fights reluctantly. He never expects or accepts social superiority and dominant authority, but the traditional hero must be superior and dominant in order to be a hero.

The knight is the hero of feudal institutions and the cowboy is the hero of market institutions. But the cowboy is a hero on an agrarian frontier where everyone can claim free land. The cowboy is the hero of civil society, but civil society, according to the theory and the myth, requires structural equality – an open frontier. So what happens when the frontier is gone and market institutions become industrial? What happens when the cowboy, as the individualist hero, has to live in the city amid structural inequality? In mythical terms this is the urban East, a place of greed and corruption, a place of class monopolies.

In classic cowboy imagery, classic Western films, the cowboy must purge greedy villains from decent agrarian (or mining) communities – *Dodge City* (1939), *Tall in the Saddle* (1944), *San Antonio* (1945), *Man Without a Star* (1955), *The Far Country* (1955), *Blood on the Moon* (1948), *War of the Wildcats* (1943), *The Violent Men* (1955), *The Sheepman* (1958), *The Outlaw Josey Wales* (1976), *Joe Kidd* (1972). The villains are typically identified with the East. They are from the East, they wear eastern clothes and they have eastern, as opposed to agrarian values: that is, they seek to monopolize all the property and create structural inequality. In other popular Westerns, the frontier is closing and the cowboy hero can no longer fight to save a civil society. In these films the hero can only try to remain free by seeking remaining frontiers, and he must fight to escape western towns that are now greedy, petty, and corrupt, just like the urban East – *The Magnificent Seven* (1960), *Lonely Are the Brave* (1962), *Butch Cassidy and the Sundance Kid* (1969), *The Wild Bunch* (1969), *Dances With Wolves* (1990), *The Professionals* (1966), *Unforgiven* (1992).

When the frontier is completely gone, the individualist hero must live in the industrial city amid inequality, bureaucracy, and corruption. But the individualist hero is a cowboy who fights for freedom and equality, and he needs an open frontier. The films that tell this story, the story of the industrial 'cowboy', are our modern urban action films, the films of Clint Eastwood, Charles Bronson, Sylvester Stallone, Arnold Schwarzenegger, Bruce Willis, and other stars – *Death Wish* (1974) and its sequels, *Die Hard* (1988) and its sequels, *First Blood* (1982) and its sequels, *Dirty Harry* (1971) and its sequels, *The Eiger Sanction* (1975), *Armageddon* (1998), *The Terminator* (1984) and its sequel, *Eraser* (1996), *Clear and Present Danger* (1994). Over the last few decades these action films have essentially replaced Westerns as our most popular cultural entertainment, our mythical version of individualism. In these films the hero still fights for freedom and equality, justice and decency, but he can only hope to survive pervasive corruption, he cannot hope to build a good community.

These are films of urban paranoia where no one can be trusted and betrayal is everywhere. The hero must exist in a bureaucratic structure – the police, the government, a newspaper – where all his bureaucratic superiors are incompetent or corrupt. He must defy those superiors to defeat the villains, and he is commonly denounced and condemned as a

'cowboy' – not a team player – by outraged bureaucrats. When the cowboy lives on the western frontier, he is filled with individualist honor. He does not draw first, shoot in the back, kill the unarmed, or harm women. The 'cowboy' in the city, however, must abandon all honor to win and survive. He must shoot in the back, kill unarmed men, even kill women. Honor only makes sense, these films tell us, when civility is possible, and civility requires an open frontier. The industrial 'cowboy' hero is desperate to be free, desperate to the point of massive, excessive violence. Sometimes he finally tries to return to the wilderness, or at least to the rural West, as the original source of individualist freedom – *First Blood*, *Blade Runner* (1982), *L.A. Confidential* (1997).

When the frontier is gone the cowboy myth becomes the urban action myth. In this version individualist freedom, the freedom of the open frontier, is no longer compatible with market relations. The market cannot be civil, according to the myth and the early individualists, in an urban context of class monopolies and structural inequality. The frontier cowboy hero must become the industrial 'cowboy' hero. The frontier hero can combine honor and violence, freedom and civility, but the industrial hero can only combine violence and freedom in a context of absolute corruption. This industrial version of the cowboy myth reflects the original individualist assumption of a civil *agrarian* market, a market of structural equals. But the market the individualists created in turn created industry and the structural inequality of the cities. This industrial market was analyzed by the social theorists – Marx, Weber, Durkheim – who generally saw it as oppressive and degrading, just as the individualists feared. The cowboy myth portrays both these visions, the agrarian frontier and the industrial city, and it shows how the cowboy hero, the true individualist, must respond to each as he fights for freedom and equality.

### **A theoretical story**

The basic individualist conception derives from social contract theory. And this theory, though stated abstractly, was always essentially a story, a story that became a myth. According to this story, individuals originally lived in a completely 'natural' condition with no government or laws – the *State of Nature*. In the State of Nature, individuals were perfectly 'natural' and free. They were free, that is, of all artificial social roles and duties, the roles and duties of class, religion, tradition. These 'natural' individuals only had 'natural' characteristics, characteristics given to them by Nature, and these 'natural' characteristics, then, had to be the basis for creating a rational government.

This idea of 'natural' characteristics was the crucial individualist vision. People were to be understood in terms of their similar 'natural' qualities,

not in terms of their traditional class differences, and a rational social order would then be created based on these 'natural' qualities. The idea of the State of Nature was essentially an idea of seeing people in terms of Nature rather than God. According to the feudal version of God, there are fundamental sacred differences between people, specifically between families, and this justifies class structure. According to social contract theory, however, no class differences exist in the State of Nature, so no class structure can be legitimate in a rational society.

The central individualist issue, then, is what these 'natural' qualities are. The idea of the State of Nature – 'natural' individuals – rejects the traditional social order, so what kind of rational social order should now be established? This rational social order must be based on these 'natural' individual qualities, so what are the basic characteristics of all individuals in the original State of Nature? According to social contract theory, individuals in the State of Nature are *rational, autonomous, and self-interested*. They are rational in the sense that they can understand their own world and control their own destiny. They do not need the obedience and submission of faith. They are autonomous in the sense that they have no 'natural' social duties. They are 'naturally' free as rational individuals to do whatever they want, with no sacred, traditional obligations. They are self-interested in the sense that what they 'naturally' want is to maximize their wealth, that is, their private property. Individuals in the State of Nature, according to social contract theory, are perfectly independent and detached, perfectly autonomous, and they rationally seek to maximize their property any way they can. This is the defining individualist vision, the vision of the State of Nature, and all social efforts to build market institutions will be based on this 'natural' vision.

In particular, the idea of the State of Nature defines the central individualist values of freedom and equality, the values that legitimate individualism. The value of equality is derived from the assumption of rationality. If all individuals are 'naturally' rational, they are also 'naturally' equal, since no 'natural' differences of class and rank exist. All rational individuals, therefore, should have legal equality – the equal opportunity to claim and own property. The value of freedom is derived from the assumption of autonomy. If all individuals are 'naturally' autonomous, then they are 'naturally' free to do whatever they want, with no concern for class, tradition, or even for family. In particular, they are 'naturally' free to maximize their property any way they can, using their rationality and their equal opportunity. Further, if all individuals are 'naturally' self-interested, then they all have a 'natural' right to own private property. The idea of private property follows from the assumption of self-interest, and the idea of private property defines individualist freedom and equality. 'Natural' individual equality means an equal opportunity to own private property with no concern for class privilege. 'Natural' individual freedom means the complete individual freedom to maximize private property with no concern for traditional constraints.

Rationality, autonomy, and self-interest are the basic assumptions of individualism, the qualities of individuals in the State of Nature. From these assumptions Hobbes and Locke told the social contract story, a story of rational individuals choosing to leave the State of Nature to form a rational government. According to this story, individuals are perfectly free and equal in the State of Nature as they compete for private property. But this means they are also free to lie, cheat, steal, and kill. They are essentially too free in the State of Nature, so their property is always in danger and their lives are always at risk.

Because they are 'naturally' rational, they all agree to leave the State of Nature and enter a social contract. Through this social contract, they agree to accept a rational government, a government to enforce rational laws. The point of this government is to enable rational competition for private property, a rational market order. Thus, the rational laws must guarantee legal equality and private property, giving everyone equal opportunity. More generally, government must be strong enough to enforce rational contracts, mutual agreements between rational individuals. Individuals must still be free to compete, but now they must compete in a rational market. They must make rational agreements for production and trade, and then they must fulfill those agreements even if they change their mind. Government, that is, must prevent lying and cheating, coercion and violence, so that all individual competition takes place through market relations.

According to this story, a government can only be legitimate for rational individuals if it assures an equal market opportunity to own and accumulate private property. Hobbes and Locke agreed on the social contract story up to this point. They disagreed, however, on how much power this government must have to protect a rational market. Hobbes thought that rational, autonomous individuals could only be constrained and controlled by a strong, dominant government, a government with absolute power. Locke, however, thought that rational, autonomous individuals would only agree to accept a government (the social contract) with limited, minimal power, a government controlled by its citizens. Locke supported the idea of *laissez-faire* (let it work), the idea that the market would regulate itself with no need for active government control. The market would 'naturally' generate a prosperous civil society based strictly on individual self-interest and rational competition. As a result, government could always stay limited, simply enforcing rational contracts and assuring legal equality. This idea of limited government was far more appealing to early individualists than Hobbes's idea of absolute government, so Locke's version of the social contract, together with *laissez-faire*, became the basis for market institutions, particularly in America.

In either version of the theory, rational individuals surrender some of their 'natural' freedoms when they accept a rational government, the freedoms, for example, to lie, cheat, steal, and kill. In Hobbes's version,



they must simply trust government to protect their other freedoms, the freedoms of private property, since they also surrender any ability to control or influence government. In Locke's version, however, they accept the need for government but they also distrust the government, so they always retain some power over it. Government must be controlled by its citizens, a representative government. From Locke's perspective, government can easily begin to take too much power and restrict too much freedom. Government will tend to become corrupt and serve special interests, the interests of a privileged class. Rational individuals, then, must always retain some power over government for the sake of freedom and equality. Government must always maintain a delicate political balance, a balance between too much power and not enough power. Without enough power, government cannot end the dangerous State of Nature and assure a rational market. With too much power, however, government will undermine a rational market by serving a privileged class.

Through this delicate balance, government must maintain maximum *market freedom*. This is the freedom of rational individuals to maximize their property in a rational market context. Market freedom is compatible with market society, but complete 'natural' freedom is not. Government must restrict the 'natural' freedoms that threaten market relations, the dangerous, disruptive freedoms of the State of Nature. But it must also let individuals remain as free as possible – market freedom – to maximize their property within a social order.

This issue of freedom, then, is the central problem for market government in Locke's social contract theory. Government must restrict just the right amount of individual freedom, not too much and not too little. Rational individuals form a government, according to the theory, to serve their rational interests. Their property and their lives will be more secure in a rational market order. But they must also always be wary of government and fear its potential power. Government can easily become arrogant and corrupt and threaten market freedom. So government must always be responsive to its citizens, a representative government, and those citizens, according to Locke, should overthrow the government if it becomes oppressive. Rational individuals always have the right to reject and fight their own government, since they created government to serve their interests and protect their freedom. Locke made this argument while Hobbes would not, and Jefferson in America agreed with Locke as he helped create American government. This was the ultimate endorsement of the individualist conception. Rational individuals have the 'natural' right to defy the government and disrupt social order simply to protect their 'natural' freedom.

This social contract story created the individualist vision and justified market government. It is a mythical, theoretical story about a dim, distant past, an imagined individualist story. But it still serves to justify our

modern market government through the idea of implied consent. According to this idea, all individuals are equally rational, so they all would choose the same form of government, the government of the social contract. Modern individuals did not leave the State of Nature and enter a social contract. The government created by that contract, however, is exactly the government modern individuals would choose. The original individuals gave explicit consent and later individuals give implied consent. Rational individuals created market government as the best way to serve their rational interests, and since we are all rational, we are still bound, implicitly, by the original social contract.

Social contract theory tells a story, a theoretical story of social origin. It is a story about rational individuals leaving the State of Nature, and the cowboy myth simply retells that story for popular, cultural understanding. In effect, social contract theory is a theoretical myth, a 'metahistory', a 'myth of human origins', according to historian Carl Pletsch. Locke recognized 'the need for a modern myth to organize thinking about modern relationships, whether political, economic, or social'. He was quite 'successful in supplanting the biblical story [and] establishing [the social contract] as the dominant social and political myth of the succeeding centuries' (Pletsch, 1990: 133, 135).

While European nations were still immersed in tradition and class, America was created on individualist ideas and market institutions. As a result America developed the definitive market myth, the cultural myth of individualism. This was the myth of the wild frontier, a myth of 'natural' individuals emerging from the wilderness as the original State of Nature. This myth followed the social contract story as told by Hobbes and Locke, and Hobbes and Locke had told that story with America as the image of the State of Nature. Hobbes wrote in 1651 that the condition of 'the savage people in many places of America' represented the State of Nature (1958: 108). And Locke wrote in 1690 'in the beginning all the World was America' (1966: 319).

In effect, the image of wilderness America helped to create and legitimate individualist ideas. America embodied the State of Nature and the bounty of rational Nature. It was dangerous, promising, pure, renewing, and opportunistic. Individuals could return to Nature in wilderness America, leaving class and tradition behind, and then they could emerge with freedom and equality to build a civil society. America was an endless frontier where everyone could own and work land, and this was the image of social contract theory, the image of civil society. The frontier was the boundary between market freedom and 'natural' freedom, between social order and the State of Nature. Social contract theory implied an open frontier, and America offered a real frontier, a frontier on endless wilderness. America was always implicit in the social contract story, and America told that story in its institutions and its culture, a story of market individualism.

## Morality

One of the central early appeals of market individualism was the idea of eliminating moral constraints, the traditional moral constraints that characterized feudal Europe. Morality had long been associated with religion and class, the morality of feudal order. Sacred moral rules had been used for centuries to endorse the arrogance of the aristocracy and the subservience of the peasants. The aristocrats, of course, were happy with this sacred morality, but the peasants were not and neither were the merchants. The merchants in particular wanted more control over their property and their wealth, and this would mean less power for the aristocrats, less moral commitment to class. The sacred feudal morality supported the feudal idea of property – aristocratic power and control. The merchants wanted private property, property divorced from feudal morality, so they supported the individualists and the idea of market society.

Christianity supported feudal morality, and the individualists did not want to challenge Christianity. So individualism did not assert an alternative morality, it simply asserted no need for morality. This was the idea of *laissez-faire*, the idea of a self-regulating market. According to individualist assumptions, ‘naturally’ rational individuals are also ‘naturally’ autonomous, and they ‘naturally’ pursue their private self-interests. They will therefore ‘naturally’ compete to maximize their property. They need a minimal government to prevent cheating and coercion. Otherwise, they will ‘naturally’ create a decent civil society with no need for sacred moral rules. From the perspective of *laissez-faire*, a good society only needs rational individuals pursuing their private interests. It does not need a strong government to enforce moral rules. Moral rules tend to support one group or class over another, as in feudal Christianity, so they tend to be incompatible with individualist equality. The market will work just fine by itself, based strictly on rationality and equality, and any commitment to moral rules would tend to corrupt the market, not maintain it.

This individualist perspective on the market follows very closely, in early modern Europe, the new scientific perspective on the universe, the idea of rational Nature. The Christians had argued for a thousand years that God maintained a mysterious universal order, an order beyond human understanding, and He also maintained the feudal social order, requiring moral rules and judging human actions. The scientists, then, began to argue that the universe is simply a rational machine, working strictly by itself and available to human understanding. They did not reject the Christian God but rather simply sidestepped him. God could still remain in the background as the Creator of the universe, but He was no longer active in the universe and humans could easily ignore Him. The early individualists, then, used this same image to justify *laissez-faire*. The market would work by itself, just like a rational machine, creating a good society. Both the universe and social order could now be seen as rational, and neither would involve sacred moral rules.

This rejection of morality, however, presented a serious problem. Morality, it was generally thought, was what kept people from lying and cheating, from abusing and killing each other. From this perspective, morality would be necessary for a good society, and any society without morality could only be mean and violent. Individualists wanted to argue that public morality would not be necessary for a good society – only rational self-interests would be necessary. Individuals should only be privately selfish and greedy; they would not need to act morally.

The serious individualist problem, then, was how to expect private, greedy selfishness to turn into social decency. For *laissez-faire* to work, perfectly selfish individuals should ‘naturally’ generate through market competition a just, civil society. This was an appealing individualist image: individuals should only think about themselves and everything would work out fine. It was not completely convincing, however, because it seemed more likely that completely selfish individuals would create a society that was cruel, vicious, and oppressive. This was the individualist problem of morality, and it became known in early modern Europe as the problem of egoism versus altruism. The market would be based on egoism – complete private self-interest. But a good society would require altruism – mutual sharing, caring, respect. Somehow, civil altruism had to be seen as ‘naturally’ emerging from market egoism, and this meant that selfish market individuals would also have to act morally, altruistically. No society could be decent without a sense of trust, and trust would require shared social commitments. Some sense of morality, then, would have to infuse the market, but it could not come from sacred moral rules; that is, it could not come from religion.

For Hobbes this individualist problem of morality implied the need for absolute government. If individuals can be perfectly selfish and greedy in market competition, only a strong, dominant government can maintain social order. Government must have more power than any individual or any group of individuals; that is, it cannot be controlled by the people. Hobbes was willing to abandon morality altogether, unlike Locke or Smith. In this sense he fully embraced the implications of individualism. But his only solution, then, to the problem of morality – the problem of a good society – was to create an absolute government and hope it would not become corrupt.

When Locke faced the same moral problem, he solved it quite differently. Essentially he assumed that rational individuals are also innately moral, innately kind, decent, honest. Because of this innate morality – a ‘natural’ morality – the market would ‘naturally’ be civil and government could always remain limited. Individuals would always be honest and trustworthy even in market competition, even in pursuit of private self-interest. In this way Locke solved the problem of morality simply by a moral assumption. No sacred moral rules, and thus no dominant, moralistic government (aristocrats), would be necessary for a decent social order. Government could always remain passive, simply enforcing

rational contracts, because rational, self-interested individuals would always constrain their selfishness through 'natural', innate altruism, creating a good society.

This was an appealing solution and Locke became quite famous. But it was also finally unconvincing because it contradicted individualism. From the individualist perspective, individuals are 'naturally' rational, autonomous, and self-interested. They are not 'naturally' moral. Indeed, the basic point of individualism was to envision a good society that did not depend on morality. If individuals are assumed to be moral, then they are not autonomous and self-interested. If individuals are inherently moral, then private property is not strictly private; that is, the owners of property always have moral obligations to others. Locke did not solve the moral problem but rather just assumed it away. His basic moral assumption made his theory very appealing as a political individualist vision, but it also guaranteed the quick return of the individualist moral problem, the problem of egoism and altruism.

This problem remained for nearly a century after Locke until Smith finally solved it, or at least he appeared to solve it. Hobbes and Locke had analyzed the political issues of government for rational individuals, but they had not analyzed the economic issues of the market. Before the work of Adam Smith, the idea of *laissez-faire* was essentially an individualist hope that the market would be self-regulating so government could be limited. Smith provided the necessary economic analysis, an analysis of supply and demand. He showed in great detail how market competition between selfish individuals would 'naturally' lead to a civil society, with no need for government control. Smith even argued for less government than Locke, and his economic analysis of market relations solved the problem of morality. He showed indeed that *laissez-faire* would work, that private, selfish egoism would 'naturally' generate public, civil altruism.

At least this is what he *seemed* to show and how he was generally interpreted. He became world famous for proving the individualist vision, that the market could be just and civil based strictly on selfish greed. In fact, however, this was not what he argued. Rather, like Locke, he assumed innate morality. Innately moral individuals would temper pure self-interest, and the market would be civil. We will look more carefully at Smith's market analysis in Chapter 3, but he could only solve the market problem of morality by assuming it did not exist, just as Locke had done. Locke assumed that all individuals belonged to a 'community of nature', and Smith assumed innate 'moral sentiments', a shared 'sociability'. Both could support the idea of *laissez-faire* only because they assumed individuals were not perfectly selfish, although Smith was interpreted quite differently.

The market problem of morality, then, was not truly solved. Hobbes faced it directly and recommended absolute government. Locke and Smith refused to face it and recommended limited government. Locke and Smith became the basis for market institutions, but they assumed an

innate morality that made no sense within those institutions. If rational individuals are autonomous and self-interested, why would they be moral? But if they are not moral, the market cannot be civil according to Locke and Smith. The early individualists, including Thomas Jefferson, generally assumed that rational individuals would also be honest and honorable. Only this assumption could make the market vision work, as Adam B. Seligman points out:

The workings of a free-market ... are not sufficient preconditions for the existence of civil society ... civil society rests first of all on the idea of the autonomous individual and the terms of association, trust, and mutuality between these individuals ... ( ... the classical idea of citizenship ... ) ... civil society calls for the generalization and the universalization of trust. (1992: 178–179)

Locke and Smith, it seems, could not fully face the implications of individualism, the idea of pure self-interest. From one special perspective, however, their assumption of innate morality can be seen as compatible with individualism. This is the perspective of an *agrarian market* on an endless, open frontier, a frontier of free land. This is the market both Locke and Smith assumed and that Jefferson clearly wanted. On an agrarian frontier, all individuals can always be owner-workers, working the land they own. As a result, they can always be structurally equal. Some individuals may become richer than others, but no class structure can arise, no class monopolies of property. As a result, no individual or group of individuals will be able to achieve structural dominance, the dominance of owners over workers.

Owners are not very likely to be honest and honorable with workers, moral and altruistic, because owners make profit from the exploitation of workers. This is why the moral assumption of Locke and Smith cannot make sense in an industrial market. If a rational owner can make more money by exploiting and oppressing a worker, and that owner will not be punished because of structural privilege, then no innate morality is likely to prevent that owner from making more money.

If everyone can be structurally equal, however, as on an open frontier, then individuals will tend to be honest and honorable, and trust will be easy to achieve. This is not because of innate individual morality. Rather, it is because everyone will have a rational, private interest in acting with honesty and honor. If no individual or group of individuals can achieve structural privilege, then a context of trust and respect is generally best for maximizing rational self-interests. In such a market context, agreements are most reliable, investments are most secure, and business plans are encouraged. In a context of structural equality, it makes the most rational sense for all individuals to compete with a shared morality. Anyone who lies and cheats for immediate market profit will tend to be exposed and punished and lose market access. In a context of structural inequality, however, it often makes most rational sense for an individual

to lie and cheat, particularly an owner. Owners will not tend to be punished for deceiving and abusing workers, so there is far less rational incentive for a shared, civil morality.

From this perspective the moral assumption of Locke and Smith was really an agrarian assumption, an assumption about endless free land, as Jefferson understood. On an open frontier in a context of owner-workers, mutual trust and honor make rational market sense, and this is what the cowboy myth always portrays. On the mythical frontier the villains try to achieve monopolies of property – ‘own all the land in the valley’ – and the good, decent citizens act with honesty and trust – ‘a man’s word is his bond’. The villains represent the eastern market, a market with no frontier, and the western market can only remain just and civil as long as the frontier lasts. In this sense, then, the only solution to the problem of morality is an open, agrarian frontier. This was Jefferson’s point as he helped construct America on the ideas of Locke and Smith. The market could be civil based on independent agrarians, and America was an image of endless free land.

The ideas of market individualism derive from the social contract theory of John Locke and the market theory of Adam Smith. Both these theories rest on basic individualist assumptions, assumptions that are most clearly articulated in Locke’s social contract theory. These are assumptions about ‘natural’ individual qualities, the qualities of the original State of Nature according to Locke and Hobbes. These assumptions shaped all individualist ideas and market institutions. They were intended to replace traditional morality although they were also laced with morality. They were not always clear and they were often contradictory, but they led to the rise of our modern society – to all our modern wealth as well as our modern dilemmas.

### **Illustrative films**

Some Westerns and action films are listed in the chapter. Other typical Westerns to view would be *The Westerner* (1940), *Shane* (1953), *Silverado* (1985), *Pale Rider* (1985). In *The Westerner* and *Shane* (and *The Violent Men*), the villains are essentially still in the State of Nature, unwilling to submit to law. They are early, rugged westerners who resist the civilizing newcomers. In *Silverado* and *Pale Rider* (and also *Tall in the Saddle*, *War of the Wildcats*, *Dallas*, *Man Without a Star*, *The Far Country*), the villains are more identified with the corrupt, greedy East. *Pale Rider* is more or less a remake of *Shane*, and in *Shane* the villain is an early rancher who denies the rights of the homesteaders. In the later version, however – *Pale Rider* – the villain owns a mining company and is identified with the East. Part of the imagery of his villainy in this film is the use of industrial mining technology. In *Shane* the hero is clearly identified with the wilderness,

typically filmed against the mountain glory of the Grand Tetons. But the villainous gunfighter, though not from the East, is never seen in a wilderness setting. He is only filmed against the backdrop of a building or in the saloon. All these films show the morality of small agrarians (or miners) and the threat from greedy monopolists.