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Altruism, Self-Interest, and the Morality of the Private Sector: An Austrian Approach

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Many scholars—including some otherwise sympathetic to the market—consider altruism and the market to be fundamentally incompatible. A key insight of Austrian economics, however, is that altruistic ends can be best served by utilizing the price signals generated by the market: Market prices offer the most effective means of learning about the needs, values, and preferences of people of whom we have no direct personal knowledge and of ensuring that the benefits of our actions exceed the costs. An appreciation of this insight leads to the conclusion that the private sector is an institutional setting in which altruistic ends can be efficaciously pursued. Two principal objections to this thesis are considered and rejected.

As a university lecturer in the social sciences, I am fortunate to meet many bright young people with a keen interest in public affairs and a strong social conscience. When discussing future career plans with these young people, one hears a familiar refrain: almost all aspire to work in the voluntary or public sectors. Their rejection of the private sector has little to do with the kind of work available within commercial organizations; the scope of government regulation today means that the private sector offers ample opportunity for challenging policy-oriented employment. Rather, their rejection of the private sector is a *moral* choice. They believe that private sector workers are motivated by profit and pecuniary self-interest, whereas their voluntary and public sector counterparts are motivated by altruism and a public service ethos. Therefore, employment in the voluntary or public sectors is perceived to be the morally correct career path to choose.[1]

This article will show that the perceptions that these young people hold about the motives of those working in the different sectors of the economy mirror (and are no doubt informed by) the considered views of many scholars, including many who would be considered promarket in orientation. However, an appreciation of a key insight of Austrian economics—that price signals are the most effective means of learning about the needs, values, and preferences of other people who are not personally known to us and that without prices we have no way of efficiently allocating resources to meet those needs, values, and preferences—should lead to a reconciliation of altruism and participation in a market economy and to skepticism as to the extent to which altruistic ends can be realized in a nonmarket context.

This introduction will be followed by a discussion of how scholars have understood altruism and self-interest in relation to the motivation of those employed in the different sectors of the economy. It will then present the Austrian argument that it is only by utilizing the price signals generated within a market economy that we can help others of whom we have no direct personal knowledge and ensure that the benefits of our actions exceed the costs. The article will then present the two principal objections to this Austrian argument and show why each should be rejected.

Altruism, Self-Interest, and the Market

Altruism and self-interest are notoriously slippery concepts. The term *altruism* was first coined in the mid-nineteenth century by the French social theorist Auguste Comte to describe a selfless desire to "*vivre pour autrui*" or "live for others." For Comte, altruism was a label that implied the positive moral virtue of acts whose principal end was the welfare of others.[2] Today, altruism is usually understood as actions that benefit others at the expense to oneself, whereas self-interest describes actions that are principally intended to achieve self-benefit.[3]

However, scholars who are working in a number of disciplines have challenged the view that a straightforward dichotomy exists between altruism and self-interest. Instead, it is argued that some element of self-benefit can be identified in all seemingly altruistic acts. In mainstream economics, Andreoni has argued that donations to charity should be understood as self-interested attempts to purchase the "warm glow" that comes from charitable endeavor,[4] while Margolis has termed the personal rewards that come from helping others as "psychic income."[5] In social psychology, Batson has argued that all behavior, "no matter how noble and beneficial to others," may be really directed "toward the ultimate goal of self-benefit."[6] According to Batson, even an apparent act of self-sacrifice may ultimately be undertaken for personal benefit if it enables a person to derive utility by acting in accordance with their own personal values or by demonstrating the nature of their character to themselves and others.

The question of whether any human action can ever be considered truly altruistic will probably never be resolved, but it is nevertheless possible to make a meaningful distinction between other-regarding actions intended to benefit others (but that may also bring a warm-glow benefit to the "altruist") and self-regarding actions taken without (or with minimal) consideration of their impact on others. It is on this basis that this article will understand the distinction between altruism and self-interest.

Altruism and Self-Interest in the Different Sectors of the Economy

The view that voluntary and public sector workers are motivated by altruism while private sector employees are driven by self-interest does not merely reflect the prejudices of a particular body of students but also represents the considered view of many scholars, including some who would otherwise be considered strongly sympathetic to the market.

Baroness Mary Warnock, one of the UK's preeminent moral philosophers, is one of those thinkers who have drawn a distinction between the altruism of the voluntary sector and the self-interest of the private sector. She has argued that charities exist because in "running them, working for them, giving money and time … there exists a large number of individuals who are motivated by altruism."[7] Clohesey, Ranci, and Rubin are among the other scholars who have similarly argued that altruism is the distinctive characteristic of voluntary sector organizations and their workforces.[8] Scholarly works on altruism frequently use examples of charity and philanthropy to illustrate altruistic behavior and examples of commercial or private sector activity to illustrate the self-interested or selfish counterpoint.[9]

Likewise, the contention that the public sector has a special ethos of public service that sets it apart from the private sector is widespread among scholars in the social sciences. Such a view was at the center of Richard Titmuss' influential work on the principles underpinning the British welfare state[10] and continues to inform much criticism of private sector involvement in the provision of welfare, which is alleged to undermine the public service ethos among public sector employees.[11]

Even many of the market's staunchest defenders appear to have identified self-interest as the key motivation of those in the private sector. Adam Smith's "butcher, brewer, baker" quote, for example, famously described "self-love" as the motivating force of market participants,[12] while contemporary neoclassical economics begins its study of individuals and firms in private markets from the assumption that individual behavior is driven by self-interested, utility maximization.

One of the most important Austrian economists, F. A. Hayek, contrasted altruistic motivations as appropriate to nonmarket relationships and self-interested motives as appropriate to the marketplace. For Hayek, altruism was a hangover from man's evolution in the atavistic small group whose survival depended upon cooperation among a small number of known individuals. Altruism was not applicable to an advanced civilization whose survival depended upon the coordination of the actions of many millions of people—coordination that could only be attained if people pursued their own self-interested ends via a series of disinterested exchanges and interactions. Indeed, in his final major work, Hayek could not have been clearer that the altruism essential to the success of small, intimate groups was not applicable to the extended order of the market: "If we were to apply the unmodified, uncurbed, rules of the microcosmos (i.e., of the small band or troop, or of, say, our families) to the macrocosmos (our wider civilization), as our instincts and sentimental yearnings often make us wish to do, *we would destroy it*."[13]

Furthermore, Hayek argued that the principles of the market were incompatible with the successful functioning of small, close-knit groups. He warned that people's "intuitive craving for more humane and personal morals corresponding to their inherited instincts is quite likely to destroy the Open Society." Some years later he stated: "If we were always to apply the rules of the extended order to our more intimate groupings, *we would crush them*."[14]

Given the prevalence of such views, it should be no surprise that so many young people believe that employment in the altruistic voluntary or public sectors is morally superior to employment in the self-interested private sector and that they therefore aspire to a career in the voluntary or public sectors. To aspire to work in the private sector would seem indicative of moral weakness or failure.

However, an appreciation of a key insight of Austrian economics provides a strong case for believing that individuals who are principally motivated by altruism should seek employment in the private sector and, moreover, that without recourse to market institutions, altruistic ends may be impossible to achieve. Indeed, Hayek's own work in this context is foremost among the Austrian contributions that lead to this conclusion.

An Austrian Argument for the Private Sector: Prices, Needs, Values, and Preferences

There are a number of strong arguments for believing that private sector employment within a market economy is inherently virtuous: The private sector is the principal wealth-generating sector of society and therefore the wealth that is spent in the voluntary and public sectors is largely created in the private sector; because commercial success requires a reputation for probity and trustworthiness, the market can act as a so-called school for virtue that encourages and rewards prosocial behavior; and an autonomous private sector is an essential component of a pluralistic free society in which individuals are able to make choices outside of the political realm and to undertake experiments in living without the need to first secure majority approval.[15]

In addition to these arguments, Austrian economics provides a distinct and compelling argument for viewing the market as the institutional setting most compatible with altruism. This Austrian argument centers upon the epistemological function of the price mechanism and the nature of the information that prices communicate.

In the Walrasian tradition of classical economics, it is accepted that prices provide information about the relative value of goods and services throughout an economy that enables individuals to learn the relative cost of different patterns of production and consumption. Today, all economists accept that prices contain and convey information, but a unique characteristic of the Austrian approach is a deeper and more sophisticated appreciation of the epistemological function performed by the price mechanism than is standard within mainstream neoclassical economics.

Austrians believe that prices are not simply a very efficient means of discovering and communicating information that could be found and communicated by some other more costly means. Rather, for Austrians, prices communicate information that may be dispersed throughout the economy, may reflect each individual's subjective values or perceptions and may be tacit and therefore impossible to articulate verbally. In the absence of the price mechanism, some of the information that prices communicate would not exist, some of it could not be discovered, and some of it could not be communicated. It is the ability of prices to communicate this dispersed, subjective and tacit knowledge that enables the price mechanism to coordinate economic activity more efficiently than any deliberative process. Without some mechanism for accurately comparing seemingly incommensurable needs, values, and preferences, it would be impossible to ensure that the benefits of economic activity exceeded the costs and that the most highly desired and urgent options were chosen over the less desired and less urgent alternatives. Hence, it is the epistemological function of the price mechanism that accounts for the success of market economies relative to nonmarket alternatives.[16]

The price mechanism, then, should not be understood as analogous to a huge computer instantaneously performing millions of calculations on the basis of millions of objective facts. Rather, the price mechanism should be understood as the means by which millions of individuals engage in a process of interpretive learning about (1) the needs, values, and preferences of millions of other people with whom they have no direct contact and (2) the relative costs and benefits of countless alternative courses of action.

It may be possible to altruistically help a limited number of known individuals without recourse to the market—for example, when help or care is given to family members, to a known, identifiable group, or even to a person in the street in need of assistance. However, if altruism is applicable at all at a general societal level, it is only by responding to the information about people's needs, values, and preferences communicated by price signals. The pursuit of profits in the marketplace leads people—as if by a Smithian invisible hand—to meet the needs, values, and preferences of other people that they could not otherwise consciously comprehend.

This function of market prices is equally relevant to a society of perfect altruists and to one composed entirely of selfish egotists. Indeed, if we imagine a society of perfect altruists, all wishing to help others but without recourse to market prices, these altruists would be unable to efficiently prioritize their numerous and potentially competing plans for helping others and to efficiently allocate the resources at their disposal to achieve their altruistic ends.

Steele has illustrated this difficulty with the example of a woman who wishes to altruistically conserve water. Unless water is priced—and that price is heuristically determined in the marketplace—she has no way of knowing the correct amount of water she should altruistically consume. Using only the minimum amount of water required to stay alive, for example, would not necessarily be altruistic as this might place an undue burden on others if as a consequence she became ill or repulsively malodorous. Consuming too much water, on the other hand, might result in shortages for others. Hence, there is a socially optimum amount of water that she should use—neither the minimum nor the maximum possible—but, without a pricing mechanism, she has no way of discovering what this optimum is and so is unable to act altruistically. As Steele has described, in such a situation, "an entirely altruistic or benevolent person, without a trace of self-interest, will try to guess at the correct trade-off, but in the absence of market prices will make mistakes, with inefficiency resulting."[17] When such mistakes are repeated throughout society, the resulting inefficiency will become endemic (it is essentially the problem faced by all command economies) with the end result being that very few altruistic (or other) ends can be realized.

In the absence of the information provided by market prices, the assumption of altruism in the nonmarket sectors of the economy becomes heroic. In this epistemological darkness, altruists have little option but to pursue the ends that they consider to be most important. One altruist may want to help the elderly, another may wish to save wildlife, but, without knowledge of the relative costs and benefits of each course of action, they have little choice but to pursue the priorities *they consider most important*, even if these are in fact not the most urgent.[18]

Self-interested motivation is not a prerequisite for an individual to be able to utilize the price signals generated by the market. Although Adam Smith described self-love as being the motivating force driving economic coordination in commercial society, in reality, what matters is not that individuals are self-interested but that individuals *are motivated* to respond to the price signals generated by the market. Economic coordination demands that people are entrepreneurially alert, which can only be the case if individuals pursue ends that they themselves believe to be important, irrespective of whether those ends are altruistic or self-interested. Smith's description of the importance of self-love to the operation of the market should be properly understood as highlighting the polycentric, decentralized basis of economic coordination and hence the importance of individual motivation to observe and respond to the needs, values, and preferences of others—as communicated by the price mechanism.[19]

An appreciation of the Austrian account of the epistemological function of the price mechanism should lead to a reassessment of what actions are consistent with an altruistic motivation. An altruist who wishes only to ameliorate the visible needs of people around them, or to help a particular group of people deemed to be in need, can pursue this end in the public or voluntary sectors. In order to do this efficiently, their actions must be guided by market prices; feeding a small number of poor people with resources that could feed many millions of people if invested elsewhere is hardly socially beneficial. Furthermore, an altruist who wishes to respond to people's needs on a wider scale, beyond the relatively few needs that any one person can consciously comprehend, should do so by observing and responding to the price signals generated by the market. Once the full implications of the Austrian perspective have been appreciated, it can be seen that public or voluntary sector employment should not be viewed as inherently more virtuous than private sector employment.

Prices, Needs, and Efficiency: Objections to the Austrian Argument

Before the Austrian argument set out above can be accepted, however, two important objections must be considered. These objections concern (1) whether market prices accurately reflect people's needs, values, and preferences and (2) whether market prices bring about economic coordination more efficiently than any alternative mechanism. This section will present each objection in turn and show why each should be rejected.

Do Market Prices Accurately Reflect People's Needs, Values, and Preferences?

Perhaps the most enduring and the most straightforward criticism of the claim that market prices accurately reflect the needs, values, and preferences of people dispersed throughout the economy concerns the actual relative prices that exist in real world market economies. The prices in real world market economies often bear little relation to what many people would deem to be the true need for, or value of, a particular good or service. As the Chicago economist Frank H. Knight described: "No one contends that a bottle of old wine is ethically worth as much as a barrel of flour, or a fantastic evening wrap for some potentate's mistress as much as a substantial dwelling-house, though such relative prices are not unusual."[20]

Indeed, even more stark examples of the prices commanded by nonnecessities than those provided by Knight can be cited. In November 2006, for example, Jackson Pollock's masterpiece *No 5, 1948* was reported to have been sold for \$140 million. It seems difficult to accept that someone's need for a Jackson Pollock painting, its value, or its social utility exceeds many times over the need of people in the poorest parts of the world for such essentials as food, clothing, and shelter, or adequate healthcare and sanitation. Rather, it may be argued that market prices actually reflect the purchasing power of different individuals. As Knight argued: "The money value of a product is a matter of 'demand,' which in turn reflects the tastes and purchasing power of the buying public."[21]

It can also be argued that market prices cannot accurately reflect people's needs, values, and preferences because not all needs, values, and preferences can be expressed as monetary prices, and, for this reason, there are certain goods and services that practically cannot be priced. Sagoff has drawn a distinction between those preferences that are properly satisfied by private markets and can be appropriately expressed as monetary prices—such as relative preferences for ice cream or sorbet—and people's moral and political values that cannot be meaningfully expressed as monetary prices. Sagoff argues that these values do not refer to desires or wants but to deeper and more important normative beliefs. Hence, it is claimed that it is not possible to attach a price to the deeper values that people attach to the unspoiled natural environment, for example, without committing a category mistake.[22]

For this reason, it is argued that market mechanisms tend to overvalue those materialistic desires that can be easily communicated via the price mechanism and simultaneously undervalue those deeper, more reflective choices that cannot be reflected as market prices. Hence, it is claimed that a society that only or principally used the price mechanism to allocate resources would oversupply material goods and undersupply nonmaterial ones.

The final dimension to this objection is the contention that the needs, values, and preferences that the market responds to and satisfies are not genuine but are created by the market itself via advertising and other techniques of salesmanship that "bring into being wants that did not previously exist."[23] The demand for consumer goods, it is argued, would not exist if these goods were not produced and therefore is said to be created by the process of production itself.[24]

All of the criticisms outlined above betray a misunderstanding of the way that market prices are formed and their role within a market economy. Prices reflect people's *subjective* values, perceptions, and preferences. Prices are not arbitrarily allocated by any one individual or group of individuals but reflect countless agreements, negotiations, and trade-offs between buyers and sellers throughout the economy.

The differential purchasing power enjoyed by different individuals is indeed reflected in the prices generated within a market economy. As Milton Friedman noted, in (what might be termed) the economic democracy of the marketplace: "voting is in proportion to the number of dollars a person has," a fact that "is not obviously 'just.'"[25] Many of the relative prices generated within a market economy do offend our sense of the moral worth of different goods and services; the fact that one bottle of wine may cost more than the monthly food bill for a family of four, or that a rare manuscript may command a higher price than a family house, can hardly be considered moral or just.

Albeit, it cannot be stated definitively that a fine wine really does have less value than the monthly food bill of an average family, or that a top-of-the-range sports car really is worth less than an average family house. If one individual saved for ten years to purchase a bottle of one of the finest vintages of wine ever produced, would it really be the case that the price did not reflect its "true" value—at least to that person? Likewise, if one person was willing to remortgage their house in order to purchase a rare manuscript, could it really be said that the manuscript did not have tremendous value? Hence, it cannot be said definitively that a deliberative process of allocating values to different goods and services would arrive at a different set of prices to those allocated by the market.

There is, then, no one objective or true value for any good or service against which to compare the prices generated in the marketplace. On the contrary, the value of every good and service can only be determined by consumer demand and producer willingness to meet that demand, which will be driven by each individual's subjectively defined, and perhaps tacit, needs, values, and preferences. Therefore, if there is such a thing as a just price, it must be the market price.[26]

Moreover, there is no *a priori* reason why market prices should be able to communicate some values but not others because, in reality, as Sowell has described, there is no dichotomy between monetary or economic values and nonmonetary or noneconomic values: "There are only noneconomic values." Money and prices are simply proxy measures of the *noneconomic* values that inform the choices that all individuals must make on a daily basis: Prices simply provide a means of representing the *noneconomic* trade-offs inherent in any decision.[27]

When people's needs, values, and preferences are expressed as market prices, this enables comparative evaluations of different courses of action to be made that reflect the fact that every choice involves trade-offs against other alternatives. Where resources are finite, including resources of time and energy, the decision to devote resources to one particular use means that those resources cannot be employed elsewhere.

In the context of environmental conservation, for example, prices reflect the fact that preservation of the environment will produce benefits, such as the enjoyment of the natural environment and the survival of wildlife, but it will also involve costs: land may not be developed, goods and services may not be produced or may be produced more expensively in a different location or by different means, and people may not be employed or may have to move to find employment in a different location. To suggest that prices should not be attached to environmental resources is to negate the fact that conservation involves benefits *and costs*. It is imperative, however, that prices arise out of the heuristic exchange of property titles in the marketplace and are not simply arbitrarily attached by politicians or bureaucrats. In the latter instance, there is of course no reason why such nonmarket prices should reflect people's genuine needs, values, and preferences.

Where the government restricts the market to the provision of material goods largely produced for immediate consumption, the market may indeed appear to be a mechanism that caters only to the short-term gratification of material desires. The fact that nonmaterial goods and services such as healthcare and education may be provided by the market is obscured by the fact that markets are frequently prevented from supplying these goods and services or are crowded-out by government supply. Indeed, those who accuse the market of simply responding to myopic, hedonistic preferences appear to be blind to the fact that markets can and do provide such wide-ranging goods and services as insurance, healthcare, schooling, housing, transport infrastructure (for example, almost all of London's underground railway lines were originally built and operated by private companies), health clubs, and world travel. It is simply incorrect to suggest that market prices can only reflect materialistic preferences; markets can and do supply goods and services to meet the whole gamut of human needs, values, and preferences.

Of course, all individual choices are to a large degree determined by the context in which they are made. Indeed, a large part of every individual's personality is contingent upon the cultural context in which they are socialized. Any need, desire, or taste, beyond the most basic needs for food, shelter, and sex, is to a very great extent socially contingent. As Hayek described, "the tastes of man, as is also true of his opinions and beliefs and indeed much of his personality, are shaped in great measure by his cultural environment."[28]

Needs, values, and preferences are formed via an evolutionary social process characterized by innovation and imitation. As Hayek set out, then, the argument that the needs that the market satisfies are not genuine because they are dependent on the process that satisfies them is a complete *non sequitur* because only the basic needs are innate. The demand for any good or service, whether education, classical music, or boiled sweets, and whether provided by the state, charities, or the market, is a product of the social context in which it is supplied.[29]

Do Market Prices Efficiently Coordinate Economic Activity?

The second principal objection concerns whether market prices efficiently coordinate economic activity in the way set out above and thereby enable people to ensure that the benefits of their actions exceed the costs. Grossman and Stiglitz have argued that prices may not communicate all the information necessary for efficient economic coordination because, in order to respond effectively to price signals, individuals may need to know more than that a price has risen or fallen; they may also need to know *why* a price has risen or fallen.[30] It is argued that it is not enough for market participants to observe only prices; successful adjustment within a market economy requires additional information. "The price system," Grossman and Stiglitz concluded, "conveys some information, but does not transmit all the information from the informed to the uninformed."[31]

O'Neill has built upon the work of Grossman and Stiglitz to argue similarly that the market does not communicate the information required to ensure the successful coordination of individual plans.[32] O'Neill has argued that the seeming communicative efficiency of the price mechanism in fact produces cycles of boom and bust that lead to chronic social and economic problems. According to O'Neill, the information communicated by the price mechanism is too basic to facilitate anything beyond a knee-jerk response to price fluctuations: When a change in price occurs, all producers within the economy respond in unison, either expanding or contracting production. Because the price mechanism does not communicate information about why a price has changed, or how long a change may last, it is argued that producers have little option but to respond to the bare fact of the price change, rather than to make a more measured response that would require more information. The problem is said to be compounded by the fact that the competitive nature of a market economy creates a disincentive against the sharing and communication of information by other means. Firms that are rivals, it is argued, will withhold information that could be useful to their competitors, who must instead rely on the rudimentary information communicated by the price mechanism. The result is a series of overcorrections in response to price changes, leading to a cycle of boom and bust.

Grossman and Stiglitz's critique of the epistemological efficacy of the price mechanism—that also forms the basis of O'Neill's critique—is based upon a partial misinterpretation of the Austrian concept of the role performed by prices and the nature of the information that prices communicate. The Austrian claim is not that prices communicate all economic information but that prices communicate *sufficient* information to enable coordination to take place. Prices do not facilitate the creation of perfectly competitive markets in constant states of equilibrium by perfectly communicating all available and relevant information but facilitate a process of intersubjective learning in which the presence of profit opportunities resulting from incomplete information provide incentives for producers and consumers to discover new prices and new courses of action. It is *because prices are imperfect* that they facilitate the entrepreneurial activity that leads to the creative discovery of new ways of doing things. A price based upon producers' subjective perceptions of consumer demand, for example, may be set higher than the price most consumers are willing to pay for a particular product, thus providing the opportunity for a new entrant to the market to entrepreneurially supply the good at a lower price. It is the very fact that prices do not communicate all the relevant information that creates the dynamic market process in which the actions of so many dispersed individuals with different, often incommensurable ends can be reconciled.[33]

O'Neill has similarly misinterpreted the claim that market prices are the most effective means of communicating certain economic information to mean that prices are the only source of information necessary to produce mutual adjustments in a market economy. In reality, while many changes in production or consumption will result from price fluctuations, others will come about in response to information received from other sources. A firm may reduce output in response to press reports of a pending rise in production costs, for example, before any change in actual prices.

Equally, it is wrong to assume that all producers and consumers will respond to a price signal in a uniform manner. Every price signal must pass through the filter of each individual's subjective perceptions, which will be informed by highly personal knowledge that will produce numerous different reactions. The rivalrous nature of a market economy also means that producers will actively seek opportunities to second-guess and out-maneuver each other, rather than automatically responding in the same way. It should also be noted that—contra O'Neill's depiction of a market economy—not all firms in a market economy are competitors: many will engage in long-term cooperative relationships as suppliers and subcontractors.[34]

In a market economy, even rivalrous firms cannot avoid communicating information via prices, their own advertising, or their own production decisions. It is impossible to keep secret, for example, the launch of a new product or the construction of a new factory. Moreover, O'Neill's argument neglects the crucial role performed by competition in *discovering* the information necessary for economic coordination, such as the most appropriate levels of supply of different goods and services. The idea that noncompetitive firms could cooperatively decide the most socially beneficial use of the resources at their disposal is an example of the synoptic delusion that one omnipotent mind or group of minds working together can comprehend the economy in its totality and plan outcomes accordingly. As Steele noted in a response to an earlier version of O'Neill's argument: "Even if all the production plans were known, it would still *not* be known a. what the desirable total output would be, nor b. what the best division of output among those firms would be."[35] Such knowledge can only be discovered via trial-and-error learning guided by the information communicated by market prices.

There is good reason to believe, then, that market prices do efficiently coordinate economic activities and reflect the needs, values, and preferences of the many individuals dispersed throughout an advanced economy, and, as such, they enable market participants to meet the needs of others of whom they have no personal knowledge and to ensure that the benefits of their actions exceed the costs. This is not to suggest that market prices are perfect communicators of perfect information. On the contrary, if prices did communicate perfect information, there would be no possibility of entrepreneurial innovation or intersubjective learning, and the market would quickly cease to function.

Conclusion

It may be the case that at present the majority of people employed in the public and voluntary sectors are principally motivated by altruism, and a majority of private sector employees are principally motivated by self-interest. This article has shown, however, that a key insight of Austrian economics offers a distinct and compelling argument for believing that altruism and the market should be reconciled. It is only when individual action is guided by the price signals generated by the market that people are able to (1) respond to the needs, values, and preferences of millions of people of whom they have no direct personal knowledge and (2) ensure that the benefits of their actions exceed the costs. Without recourse to market prices, people can only respond to the needs of the relatively small number of known individuals, and they cannot be sure that the benefits of their actions outweigh the costs. The extent to which the voluntary and public sectors operate efficiently reflects the extent to which enterprises within those sectors utilize market prices.

The market is an institutional setting that enables people to effectively realize their ends, whether those ends are altruistic or self-interested. This insight drawn from Austrian economics should lead to the conclusion that private-sector employment is not morally inferior to employment in the public or voluntary sectors. Therefore, young people (and others) principally motivated by altruism should be positively encouraged to pursue a career in the private sector.

Notes

1. Although this article will treat the private, public, and voluntary sectors as separate entities, in reality, the boundaries are not always so clear: Voluntary sector organizations very often receive a large proportion of their funding from government, and voluntary and private sector organizations are frequently involved in the direct provision of government services. The key distinction in the context of this article, however, is that private sector organizations are profit-maximizing enterprises, while public and voluntary sector organizations exist to provide specific goods and services irrespective of whether such provision is commercially profitable.
2. Auguste Comte, *The System of Positive Policy*, Volume 1, trans. J. H. Bridges, ed. C. Cherfils (1851–54; repr., London: Longman, Green and Co., 1875).

3. For example, Howard Margolis, *Altruism, Selfishness and Rationality* (Chicago: University of Chicago Press, 1984); Kristen Renwick Monroe, *The Heart of Altruism* (Princeton: Princeton University Press, 1996).

4. James Andreoni, "Impure Altruism and Donations to Public Goods: A Theory of Warm-Glow Giving," *The Economic Journal* 100, no. 401 (June 1990): 464–77.

5. Margolis, *Altruism, Selfishness and Rationality*.

6. C. Daniel Batson, *The Altruism Question: Towards a Social-Psychological Answer* (London: Lawrence Erlbaum, 1991), 2.

7. Mary Warnock, "Altruism and Philanthropy." Hinton Lecture 1998. (London: NCVO, undated [ca. 1998]). http://www.ncvo-vol.org.uk/events/speeches/hinton/?id=1211.

8. William W. Clohesey, "Altruism and the Endurance of the Good," *Voluntas* 11, no. 3 (September 2000): 237–53; Costanzo Ranci, "Altruism in Voluntary Organizations: Mobilization and Transformation of Voluntary Action in Italy," in *Political Altruism? Solidarity Movements in International Perspective*, ed. Marco Giugni and Florence Passy (Lanham, Md.: Rowman and Littlefield, 2001), 67–86; Hank Rubin, "Dimensions of Institutional Ethics: A Framework for Interpreting the Ethical Context of the Nonprofit Sector," in *The Nonprofit Organization: Essential Readings*, ed. David. L. Gies, J. Steven Ott, and Jay. M Shafritz (Belmont, Calif.: Wadsworth, 2000).

9. For example, Monroe, *The Heart of Altruism*; Robert M. Page, *Altruism and the British Welfare State* (Aldershot, U.K.: Ashgate, 1996).

10. Richard M. Titmuss, *Problems of Social Policy* (London: HMSO, 1950); Richard M. Titmuss, *The Gift Relationship* (London: Allen and Unwin, 1970).

11. Barry J. O'Toole, "The Loss of Purity: The Corruption of Public Service in Britain," *Public Policy and Administration* 8, no. 2 (1993): 1–6; Page, *Altruism and the British Welfare State*; James L. Perry and Lois Recascino Wise, "The Motivational Basis of Public Service," *Public Administration Review* 50, no. 3 (1990): 367–73.

12. Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, ed. R. H. Campbell and A. Skinner (1776; repr., Indianapolis: Liberty Fund, 1981), 26–27.

13. F. A. Hayek, *The Fatal Conceit* (London: Routledge, 1988), 18 (original emphasis).

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16. Among the key texts are: Ludwig von Mises, *Economic Calculation in the Socialist Commonwealth* (1920; repr., Auburn, Ala.: Ludwig von Mises Institute, 1990); F. A. Hayek "The Use of Knowledge in Society," in *Individualism and Economic Order* (Chicago: University of Chicago Press, 1948), 77–91; F. A. Hayek, "Economics and Knowledge," in *Individualism and Economic Order* (Chicago: University of Chicago Press, 1948), 33–56; Peter J. Boettke, *Calculation and Coordination* (London: Routledge, 2001); Richard M. Ebeling, "What is a Price? Explanation and understanding (with apologies to Paul Ricoeur)," in *Economics and Hermeneutics*, ed. Don Lavoie (London: Routledge, 1990), 177–94.

17. David Ramsay Steele, *From Marx to Mises* (La Salle, Illinois: Open Court, 1992), 205.

18. Public choice theory similarly suggests that political actors very often pursue their own ends because it is unclear what ends are congruent with "the public interest."

19. Israel M. Kirzner, *The Meaning of Market Process* (London: Routledge, 1992), 204–8.

20. Frank H. Knight, *The Ethics of Competition* (1935; repr., London: Transaction Publishers, 1997), 48.

21. Knight, *The Ethics of Competition*, 47; see also Elizabeth Anderson, "The Ethical Limitations of the Market," *Economics and Philosophy* 6, no. 2 (October 1990): 179–205; John McMurtry, "The Contradictions of Free Market Doctrine: Is There a Solution?" *Journal of Business Ethics* 16, no. 7 (May 1997): 645–62.

22. Mark Sagoff, *The Economy of the Earth* (Cambridge: Cambridge University Press, 1988).

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24. See also Peter J. Buckley and Mark Casson, "The Moral Basis of Global Capitalism: Beyond the Eclectic Theory," *International Journal of the Economics of Business* 8, no. 2 (July 2001): 303–27; Christopher Lasch, *The Culture of Narcissism* (New York: W. W. Norton and Co, 1978); Paul L. Wachtel, *The Poverty of Affluence* (New York: Free Press, 1983).

25. Milton Friedman, *Price Theory* (New York: Aldine, 1962), 10–11.

26. On just prices, see Woods, *The Church and the Market*, 44–50.

27. Thomas Sowell, *Knowledge and Decisions*, rev. 2d ed. (New York: Basic Books, 1996), 79; see also: James M. Buchanan, *Cost and Choice* (1969; repr., Indianapolis: Liberty Fund, 1999).

28. F. A. Hayek, "The *Non-Sequitur* of the Dependence Effect," in *Studies in Philosophy, Politics and Economics* (London: Routledge, 1967), 315.

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31. Grossman and Stiglitz, "Information and Competitive Price Systems," 247.

32. John O'Neill, *The Market: Ethics, Knowledge and Politics* (London: Routledge, 1998), chap. 10.

33. Roger Garrison, "Austrian Economics as the Middle Ground: Comment on Loasby," in *Method, Process, and Austrian Economics*, ed. Israel Kirzner (Lexington, Mass.: Lexington Books, 1985), 31–38; Meadowcroft, *The Ethics of the Market*, chap. 3; Esteban F. Thomsen, *Prices and Knowledge* (London: Routledge, 1992).

34. For example, Edward H. Lorenz, "Neither Friends nor Strangers: Informal Networks of Subcontracting in French industry," in *Trust: Making and Breaking Cooperative Relations*, ed. Diego Gambetta (Oxford: Basil Blackwell, 1988), 194–210.

35. Steele, *From Marx to Mises*, 251.