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What Price the Moral High Ground in a Competitive Economic Environment?

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Market Report	Yr Ago	4 Wks Ago	6/29/05
Livestock and Products, Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight	$84.35	$80.56	$79.02
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb	134.91	144.90	131.45
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb	119.95	112.79	114.66
Choice Boxed Beef, 600-750 lb. Carcass	141.86	135.73	125.53
Western Corn Belt Base Hog Price Carcass, Negotiated	77.23	64.34	66.61
Feeder Pigs, National Direct 45 lbs, FOB	43.11	47.35	45.70
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean	80.10	64.59	71.89
Slaughter Lambs, Ch. & Pr., 90-160 lbs., Shorn, Midwest	95.00	*	101.00
National Carcass Lamb Cutout, FOB	227.00	251.69	249.50
Crops, Daily Spot Prices			
Wheat, No. 1, H.W. Omaha, bu	3.36	3.10	3.02
Corn, No. 2, Yellow Omaha, bu	2.12	1.99	1.89
Soybeans, No. 1, Yellow Omaha, bu	5.71	7.02	6.58
Grain Sorghum, No. 2, Yellow Columbus, cwt	3.09	3.16	3.23
Oats, No. 2, Heavy Minneapolis, MN , bu	1.49	1.92	1.81
Hay			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton	115.00	117.50	117.50
Alfalfa, Large Rounds, Good Platte Valley, ton	62.50	45.00	37.50
Grass Hay, Large Rounds, Good Northeast Nebraska, ton	57.50	52.50	52.50

* No market.

A recent book by Robert Frank (2004), a well-known researcher and writer on the nature of our economic nature, points to how the business world appears to be in the grip of "infectious greed" attributing this phrase to Alan Greenspan, the current U.S. Federal Reserve Chairman. Greenspan has also said it is "not that humans have become more greedy than in generations past," but rather that "the avenues to express greed have grown so enormously (quoted by Frank, 2004, p. vii)." So, apparently in the minds of the business community, perhaps even in our own agribusiness and farming communities, many see *doing well* as possible only at the expense of *doing good*. That is, anything goes in the spirit of gaining more economic wealth and power as long as no one is looking!

Intriguingly, this is not an especially new concern, as Greenspan also suggests. Adam Smith, the first capitalist, at least the first one to write a couple of books about it that have lasted now for over two centuries, also was concerned about the moral and ethical dimension of the competitive environment. In fact, he understood that it would take empathy—walking-in-the-shoes-of-others with whom one was competing, and supplying product to, or buying from, that would produce true economic wealth. He spoke of this as an expression of the "moral sentiments." It is only with empathy being expressed all the way through the food system channel, from producer through processors, handlers and distributors, to retailers, restaurateurs and consumers, and back again, that the food system can produce and experience true economic wealth. We each need to walk-in-the-shoes of others engaged in this complex, modern food system we generally have referred to in the past, a kind of dated term now, as "agriculture."

But, let's get back to Frank. What he brings to the table in this book is empirical evidence that shores up the philosophical claims of Adam Smith, who was writing more on the basis of his intuition and experiences rather than on a sound scientific basis about just what our economic nature is. Achieving true success in a competitive environment such as the U.S. food system is all about "sustainable cooperation" and "adaptive rationality."

Empirical evidence first shows that we must be able to identify those with whom we can cooperate to achieve more than any one individual can achieve by oneself. If not, we may cooperate with individuals that will take advantage of us. Fortunately, the natural state of things is such that those who always take advantage eventually self-destruct, in that everyone taking advantage of everyone else cannot be sustained. It is also the case that complete cooperation cannot be sustained, in that someone will always defect. What is really interesting is the mix: Every person in the food system would both seek their own internalized self-interest and other(shared)-interest at the same time. As Frank says it, in a situation with a mix, "cooperators" would become just vigilant enough "to prevent further encroachment" by those who take advantage, the "defectors" as Frank refers to them. It is when each individual is experiencing both selfish and altruistic (i.e. sacrificing something for someone else) motives in varying degrees, at the same time, that the system starts to work appropriately, and indeed, becomes economically sustainable.

This leads to the suggestion by Frank for an "adaptive rationality," which in simple terms means we condition our natural economic selfishness with doing-the-right-thing. To be adaptive is to be successful in a highly competitive environment. To be adaptive is to recognize that being economically rational (i.e. making good financial decisions) is compatible with doing the right thing. We in turn know what the right thing is by imagining ourselves in the situation of someone we are about to take advantage of, and by asking ourselves how we would like to be treated if we were in that situation.

So there are reasons going well beyond maximizing profits that need to guide the farm, agribusiness and retail firms in the food channel. The reasons also go beyond just being prudent, that is, going beyond just being careful to not take advantage of someone because they may return the (dis)favor some day! Rather, this is really about doing the right thing now, and at every other time in the future.

Empirical evidence includes the fact that individuals doing morally satisfying jobs tend to be paid less, which saves the employer money, as well as the economy overall. Given the opportunity to help others, most are willing to take some sacrifice in pay. It was far more difficult to recruit high quality employees into the railroad industry even as late as the 1960s due to the reputation that industry had from an earlier time as the "robber barons." Noticing unethical behavior among one's fellow workers within a business tends to lower job satisfaction. A survey of recent graduates of a major land grant university showed that "for profit" jobs earned 21 percent more than those who had taken government jobs; non-profits earned 32 percent less than the government worker. Frank claims the differences reflect motives other than maximizing wealth at any cost. Generally, jobs with high "sociability" ratings earned 30 percent less than those with lower ratings. Some of the larger law firms have gone to "summer furloughs" during which time hires wanting to give their time to the public interest can do so while staying on the regular pay rate. This helps the law firm demonstrate "an interest in humanity, and therefore is humane" (Frank, p. 84, citing a S. Hancock). Perhaps most intriguingly, expert witnesses testifying that second-hand smoke is not harmful are generally paid a great deal more than those who are testifying on the other side. In fact, most, if not all testifying that second-hand smoke is quite dangerous (which science has demonstrated) generally do so for some minimal expense reimbursement, modest fees, or in most cases, for free. Bottomline: Unselfish motives play a substantive role in economic behavior and in building a moral and ethical base to the economy.

The standard economic idea that we learn and often hear about is that to "be economic" is to maximize one's own self-interest. This would mean not voting in elections (because the cost of doing so exceeds any possible individual gain from doing it); not recycling; not leaving tips when traveling; pouring unwanted pesticides down the drain or dumping them in the back; not making anonymous donations to charities; and generally, taking advantage of others whenever possible. That is, we all have selfish goals, and we might pursue them without conditioning them to the greater good in which we share. The new science on economic behavior tells a different story: We seek an integrated mix of both selfish and altruistic (self-sacrificing) goals, and it pays! We need to appeal to both motives in others, and to entertain both within ourselves. A strong economy generally, and a strong food system in particular, depends upon it.

Reference:

Frank, Robert. *What Price the Moral High Ground? Ethical Dilemmas in Competitive Environments.* Princeton, New Jersey: Princeton University Press, 2004

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