

Samuel Gregg

Markets, Morality, and Civil Society

The free market has always occupied an uneasy place in conservative thinking. Conservatives have generally proven better at identifying the economic systems they oppose rather than any one economic theory they can wholeheartedly support. While most conservatives identify themselves as supporters of free market institutions, others harbor considerable reservations. Some have advocated corporatist economies. Others, such as some European Christian Democrats, have searched for a “third way.” Indeed, beyond a commitment to private property rights and opposition to statism, it is often difficult to find common ground among conservatives on economic matters, either at the level of principle or of policy.

At the root of this uneasiness is *not* primarily a concern about inequalities of wealth. The drive to radically equalize economic outcomes is largely opposed by conservatives as wrong in itself. Nor since Communism’s collapse have many self-identified conservatives questioned the market’s capacity to produce material wealth more effectively than any other economic system. Instead, the concerns of many conservatives about the market reflect a deeper, more fundamental unease with certain basic aspects of modernity.

During the Cold War, conservatives could avoid dwelling on these matters.

Many were willing to form strategic alliances with classical liberals and libertarians on the grounds that the political priority in such circumstances had to be the rallying of those forces opposed to the patent evil of Marxism-Leninism. Now, however, with the exception of a handful of maverick states, Marxist-Leninist and centrally planned economic systems have been rejected across the globe. And many on the center-left acknowledge the market’s superior wealth-creating capacities. This being the case, conservatives now find themselves freer to debate the virtues of the market among themselves, as well as with classical liberals and libertarians, and to assess where the market fits into conservative thought about the moral culture and civil society of free political orders.

The Ascendancy of Planning

Standing at the beginning of the twenty-first century, it is difficult to imagine the omnipresent hostility towards the market which prevailed in left-wing, modern-liberal, and even some conservative circles at the end of World War II. The commitment to Keynesian economic planning went

Samuel Gregg is Director of Research at the Acton Institute for the Study of Religion and Liberty. His latest book is *On Ordered Liberty: A Treatise on the Free Society* (Lexington Books, 2003).

largely unchallenged, save by figures such as Friedrich von Hayek and other intellectual pariahs. Though the British Conservatives did oppose the Labour Party's socialist program during the 1945 general election, that party's shattering electoral defeat contributed to the eventual dominance of "One Nation" Tories within the Conservative Party.

One exception to this trend was the market-liberalization program pursued in post-war West Germany by Ludwig Erhard and the *Ordo* liberal school of economics associated with figures such as Wilhelm Röpke, Alfred Müller-Armack and Walter Eucken. These reforms were undertaken largely against the wishes of the Allied Military Occupation authorities (advised by John Kenneth Galbraith among others) and were realized via administrative fiat before the first post-war elections. Erhard was later to remark that had his proposals been subject to the approval of political parties, their implementation (and West Germany's "economic miracle") would never have happened.

The secret of the *Ordo* liberal program's success may be found in its distinction between competitive market processes and the institutional framework within which free economic activity occurs. While insisting that the state should help to shape the social and economic order, *Ordo* liberals believed that price-determination and economic exchanges should be generally left to competing individuals. On the one hand, they stressed that market economies are premised upon widespread acceptance of certain rules and institutions, such as the law of contract and private property. These in turn presuppose the existence of public order guaranteed by state authority.¹ At the same time, the *Ordo* liberals underlined a reality about markets that many, including a number of conservatives, often failed to appreciate. Too often "the market" is

spoken of as if it is an anonymous amoral conglomerate that exerts its own will. Markets, however, actually consist of literally millions of people making free choices in the buying and selling of goods and services. To subvert this process through centralized planning, the *Ordo* liberals stressed, was bound to distort prices and eventually the process of supply and demand itself.

From the standpoint of the history of ideas, one should note that the post-war intellectual opposition of many conservatives to economic planning and burgeoning welfare states was never solely based upon arguments about efficiency. Many who favored market economic orders stressed the connection between the suppression of economic liberty and a resulting diminishment of political and civil freedom. It was not coincidental that the determination with which Communist regimes sought to suppress liberty in the commercial realm was only exceeded by the intensity with which they attempted to crush religious freedom. Marx, Lenin, and other luminaries of Communist thought had always stressed that institutions such as private property, processes such as free exchange, private entrepreneurship, and the subsequent growth of a commercially based middle class, were among the prime obstacles to the implementation of their vision of the future.

The conservative insistence upon the link between economic and political liberty was not new. It was pivotal to Edmund Burke's criticisms of the British government's policies toward its American colonies. But it was also, and remains, an argument about the moral imperative of allowing the free human choices and free human acts of free human persons to be expressed in economic life. In short, the conservative argument about the proper structuring of economic life is less concerned with efficiency than it is about the market as a moral requirement

of a society that takes the idea of freedom *seriously*. This point lies at the heart of Wilhelm Röpke's insistence that only a market order is able to give individuals the necessary scope for free choice in the material realm. As Röpke explained in 1953, "my opposition on technical grounds is that socialism, in its enthusiasm for organization, centralization, and efficiency, is committed to means that simply are not compatible with freedom."² "My fundamental opposition to socialism," Röpke continued, "is to an ideology that, in spite of all its 'liberal' phraseology, gives too little to man, his freedom, and his personality; and too much to society."³

Market Revivals and Conservative Doubts

Given the immediate post-war ascendancy of socialist and Keynesian economics in the academy and in government, it remains surprising just how suddenly these became discredited by the end of the twentieth century. Communism's collapse, of course, removed command economies as an alternative to the free market. But perhaps more startling was the pace at which a growing number of governments beginning in the late 1970s—a decade before the fall of the Berlin Wall—adopted measures with the intention of making their economies freer, more open, and less regulated. In many instances, this development transcended traditional "left-right" categories. For example, some of the more radical and far-reaching market-oriented reforms were pioneered by Labour governments in New Zealand and Australia in the 1980s.

Admittedly, the picture is a muddled one. In even the most market-directed countries, the state continues to control large proportions of national GDP. Taxation levels in some of the same countries have barely altered over the past twenty

years. There also remains a long list of countries in which only limited shifts in economic policy has occurred. Sweden, for instance, remains largely frozen in a post-war Social Democrat time-warp. In those countries that have sought to embrace market economic policies, the process has usually occurred erratically and has experienced restrictions and reversals. Nonetheless, on balance, the past thirty years has seen national economies becoming more market-oriented, and international transactions less subject to restrictions.

For many people, the material and technological advances facilitated by this expansion of the market and private enterprise are enough; they are conclusive evidence for the incontestable superiority of free market economics. There are, however, others who—while acknowledging the material progress flowing from this expansion of economic liberty—have not regarded the spread of markets with unmitigated joy. For those who aspire to be reasonable, no set of economic arrangements makes sense unless it is grounded in a theory that identifies the purposes that the economy is supposed to serve. It is the posing of this question that has resulted in considerable conservative anxiety about the market.

One conservative concern has been the association of free markets with modernity. From the standpoint of most conservatives, modernity has proven a deeply mixed blessing. The mixture of modernity's deliberate abstention from reflection upon the proper ends of human action with the tremendous scope for choice offered by the market is bound to alarm those conservatives who hold certain high views of ethical life and cultural life. In this connection, conservatives have noted that the dominant philosophical justifications currently offered for free market arrangements, be they evolutionist (Hayekian), positivist

(Friedmanite), or utilitarian (Misesian), are all rationalizations. The essential unreasonableness of these explanations, they suggest, leaves the market economy presently bereft of all but the weakest of moral justifications.

Other conservatives have expressed unease at the current application of free market thinking to a range of areas from which it has traditionally stood aloof. The reason for this concern was, ironically enough, perhaps best outlined by a committed libertarian, Murray Rothbard:

In recent years, economists have invaded other intellectual disciplines and, in the dubious name of science, have employed staggeringly oversimplified assumptions in order to make sweeping and provocative conclusions about fields they know little about. This is a modern form of "economic imperialism" in the realm of the intellect. Almost always, the bias of this economic imperialism has been quantitative and implicitly Benthamite, in which poetry and pushpin are reduced to a single-level, and which amply justifies the gibe of Oscar Wilde about cynics, that they (economists) know the price of everything and the value of nothing. The results of this economic imperialism have been particularly ludicrous in the fields of sex, the family, and education.⁴

Conservatives familiar with the ideas promoted by some adherents of the Law and Economics School (most notably, Richard Posner) will immediately recognize that Rothbard's concern was not misplaced. Insofar as conservatives believe that utilitarian arguments have only a minor role to play in explaining why freedom ought to prevail, they are bound to take issue with the application of market logic to those spheres of human existence that do not lend themselves to utility calculations, such as the good of beauty or the value of human life.

A twentieth-century economist and social philosopher who anticipated such difficulties was Wilhelm Röpke. One suspects

that Röpke would probably have resisted the label "conservative." Yet the extent to which his ideas have been embraced by many conservatives indicates, at a minimum, that they regard Röpke as a fellow traveler. Röpke is especially instructive precisely because of the development in his own thought about the place of markets in free societies. Prior to being exiled from Nazi Germany, Röpke was very critical of pre-Enlightenment European thought. His philosophical defense of the market at this early point in his career remained very much rooted in the late-Enlightenment emphasis on utility.

The factors which caused Röpke to repudiate the instrumental-rationalist defenses of the market that remained central to the thought of some of his colleagues (most notably, Ludwig von Mises) were several. First, Röpke's experience of liberal democracy's collapse throughout continental Europe when confronted by the profoundly anti-Christian movements of Nazism, Fascism, and Communism awakened him to the indispensability of Christianity's contribution to Western civilization. Another factor was his acceptance of many insights of Old Whigs such as Edmund Burke (like Röpke, a deeply religious man who had a youthful flirtation with rationalism) concerning the importance of tradition in preventing tyranny.

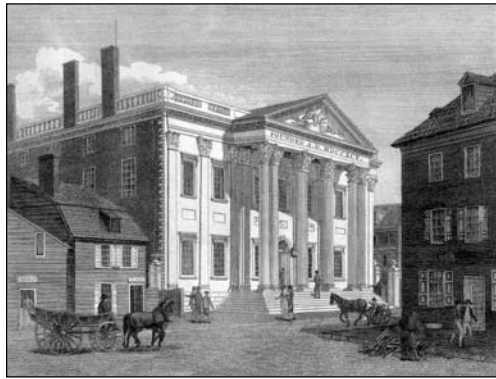
Another important influence in the development of Röpke's integration of the market economy into "conservative" thought was his experience of living in Switzerland from the 1930s until his death in 1966. Many have been critical of Röpke's somewhat romantic vision of rural life and small villages. Whatever the validity of such criticism, there is no question that in Switzerland Röpke discovered a multi-ethnic society in which economic liberty flourished, but did so embedded in a culture emphasizing personal responsibility and

within an institutional framework that encouraged the growth of genuinely free associations. From this, he drew the conclusion that market economies had to be embedded in a flourishing range of intermediate associations, bounded by a limited state, and grounded in a culture that emphasized an objective hierarchy of values.

Röpke is perhaps even more important today insofar as, unlike some market-orientated economists, he did not dismiss

attempt to get along without God, and he maintained that atheistic and agnostic anthropologies of man were inadequate foundations for free societies—including even the economic component of free societies. At the core of man's identity, Röpke stressed, is a spiritual and moral essence. This, by definition, means that man is destined for greater things than being a mere pleasure-machine.

Commerce and Human Flourishing



The First Bank of the United States.

moral-cultural matters as something too ephemeral or insubstantial to be taken seriously. Röpke was increasingly perturbed in his later years by what he described as Western society's "proletarianisation": a mounting uniformity and monotony of social life. But he did not identify commerce or the market as being primarily responsible for these developments. Nor did he maintain any romantic illusions about the conditions of material existence that prevailed in the pre-modern world until the spread of economic freedom began to liberate man from poverty. Nonetheless, as a Christian humanist, Röpke sought to remind his audiences of the insight of Judeo-Christian revelation, which is confirmed by right reason: that man is much more than *homo economicus*. "Above all," Röpke wrote, "man is *Homo religiosus*." Thus, Röpke stressed the futility of modern man's

This brings us to the nub of conservative worries about the market's place in society. To the extent that conservatism embodies a sense of awe before the transcendent or adherence to the principle that the moral and the spiritual necessarily enjoy primacy over the material, then conservatives are bound to be uneasy about the market's potential (shared by all other economic systems, insofar as they in fact "deliver the goods" of material life) to facilitate an inversion of this priority.

If conservatives regard the purpose of human existence as human flourishing (in the sense that figures such as Aristotle and Aquinas understood this expression), then they are likely to be alert to any sign that a commercial order might contribute to the diminishing of those conditions that facilitate human flourishing. One obvious danger in market systems is that their very success in wealth-creation may encourage some to view this as an end in itself. This is a problem, or an error, since wealth is only instrumental to the fulfillment of persons. Wealth in itself does not represent the actualization of any intrinsic moral goods. Another difficulty is that everyone in the marketplace is exposed to calculations of utility. There is always a risk that this will encourage people to objectify or instrumentalize other persons.

There is, however, another way for con-

servatives to look at this matter, and that is to consider how markets might actually facilitate conditions that *favor* human flourishing. Admittedly, this is an area in which much reflection is still required. Conservatives may, however, be uniquely positioned to think through the possible connections between human flourishing and the market in a way that many classical liberal and libertarian thinkers are not. For conservatives generally purport that their philosophical commitments compel them to be morally concerned about the ends that people choose to pursue with their freedom, whereas most classical liberals and libertarians (if they are consistent with the premises of their philosophies) cannot.

Of course, the nature of market competition is such that it cannot be expected to replicate the life of a religious order. (Any conservative who imagines it should is forever doomed to regard markets with profound distaste.) It is true that commercial relations tend not to embrace the degree of self-giving that occurs, for example, in family life. Different forms of communities do, however, have naturally different purposes. A commercial business has different immediate ends to that of a marriage. The purpose of marriage is the participation of a man and a woman in the same good of an exclusive and life-long self-giving to each other, consummated through sexual acts of the reproductive type. The same cannot be said of a business relationship in which two or more people may cooperate in order to attain monetary resources that enable them to pursue somewhat dissimilar ends.

Nonetheless, conservatives should not underestimate the capacity of market economies to promote the realization of non-material goods. Commercial life demands, for instance, that people take prudent risks, trust others, and be diligent, industrious, and reliable. In other words, living within a market economy encour-

ages certain forms of virtuous behavior. Careful reflection upon the nature of contracts underlines this point.⁵ When people make a contract, they are engaging in a commercial convention and a recognized legal practice. Such an activity presupposes a basic exercise in promise-making in which we make a reasoned choice to commit ourselves to performing certain actions. Contracts are in fact null and void without such prior commitments. They thus enlist our willingness to be truthful and act upon the reasonable promises we make. In this sense, they require us to act in a practically reasonable manner. To this extent, the very act of entering into a contract can directly facilitate human flourishing.

Then there is the calming, almost civilizing potential of commercial activity. The market brings people from very different backgrounds into contact with one another, while simultaneously reducing the possibility for conflict. Echoing Montesquieu's earlier reflections on the effects of commercial life, Alexis de Tocqueville wrote,

Trade is the natural enemy of all violent passions. Trade loves moderation, delights in compromise, and is most careful to avoid anger. It is patient, supple, and insinuating, only resorting to extreme means in cases of absolute necessity. Trade makes men independent of one another...it leads them to want to manage their own affairs and teaches them how to succeed therein. Hence it makes them inclined to liberty but disinclined to revolution.⁶

What Type of "Civil Society"?

For all the conservative's potential appreciation of the market's ability to create conditions that encourage human flourishing, some vital questions concerning the market's place within the wider social order remained unresolved. These concern the effects of commercial life on a society's intermediate associations, often referred

to as “civil society.” Educational, religious, cultural, and charitable associations have the capacity to assist people to look towards those higher ends of truth, beauty, and the good that many conservatives believe reflect the Divine within man. Drawing people out of their immediate family without subsuming them into the state, these “little platoons” have long been defended and promoted by conservatives.

Here, we should recall that the modern use of the phrase “civil society” owes much to the tradition of reflection on social questions that began only with the growth of commercial societies in some eighteenth-century European countries. Prior to this period, the term “civil society” was usually employed to distinguish the secular realm from that of the ecclesiastical, or else as a synonym for the political community. Aquinas spoke, for example, of *communitas civilis sive politica*. The coterminous use of the expressions “political society” and “civil society” forms part of a European tradition traceable back through medieval thinkers to Cicero’s idea of *societas civilis*.⁷

The concept began to undergo significant change in the eighteenth century. The Physiocrats used the term *société naturelle*, meaning economic relations, to distinguish their area of interest from *société politique*. Likewise, the Scottish Enlightenment scholar Adam Ferguson noted that by promoting a multiplication of wants and a more complex division of labor, the spread of commercial relations facilitated the growth of a range of non-caste-based intermediate groups whose impact upon society could not be ignored.

Moreover, such was the power of this commercial dimension of what the post-Enlightenment era calls “civil society” that even among the earliest observers of the spread of commerce we can discern concerns about its implications for a society’s moral culture. Ferguson himself expressed

distinct anxieties about the effects of commerce upon what he called “civic virtue.” He drew attention to commerce’s potential to narrow man’s horizons, coarsen his moral habits, and diminish his taste for the sublime.

The phenomenon of consumerism is, of course, not new. Nor is it something limited to market economic orders. The profound shortage of material goods that prevailed in Communist countries, for example, contributed to making them among the most materialistic societies known to history. The ongoing dilemma for the conservative is that while he usually respects the importance of free will, he also holds that what is good for each and every person is not a matter of arbitrary taste. Markets celebrate and seek to enhance choice. They are, however, rather less good at providing moral guidance as to what people *ought* to choose.

Some might argue that as long as the moral culture is in sound condition, people are more likely to make economic choices that will reinforce rather than damage that culture. The fact remains, however, that throughout much of the West, the moral culture is *not* in good shape. In many Western nations, access to pornography is regarded as a right of free speech, abortion is justified on the strange basis that choice in itself “outweighs” the value of human life, and autonomy and tolerance are widely regarded as the only legitimate moral reference points. Throughout these societies, the cultural influences that might encourage consumers to buy Thomas More’s *Utopia* instead of the latest offering from *Playboy* are weak. In the wake of the biotechnological revolution, moreover, the stakes have become even higher: businesses anxious to pursue the potential profits to be made from practices such as embryonic stem-cell research (which involves the intentional destruction of embryonic human beings) increasingly appeal to consumer

choice to justify experimental practices that both reflect and contribute to what some have aptly described as a culture of death, understood as an array of outlooks and practices indicating a willingness to *intend* the death of others for the sake of individual expediency, utility, or self-satisfaction.

Conservatives therefore find themselves in a bind. While Western moral culture remains immersed in the quick-sands of utilitarianism, a willingness to detach liberty from truth, and a mindset of what Plato described as “practical atheism” (when people live and act as if God does not exist), then the market is likely to reflect the choices of many for a culture that does not aspire to be authentically human, and in which many intermediate associations cannot even begin to understand why “having” ought to serve “being.” Conservatives, one hopes, will regard themselves as compelled to resist this. But can they do so in ways that do not emasculate the market, the material prosperity it generates, and its potential to help people to acquire particular virtues?

One way for conservatives to grapple with this matter is to examine whether it is possible to ground key market institutions, such as contracts and the rule of law, in a human anthropology that does not take its inspiration from emotivists such as David Hume or utilitarians such as Jeremy Bentham. To put it another way: is it possible to base purportedly “liberal” market-economic arrangements upon “non-liberal” understandings of man? At this point in history, the answer is not yet clear.

Conservatives nevertheless need not be daunted by such intellectual challenges. After all, the moral validity of private property was firmly established by some of the finest minds produced by Western civilization centuries before John Locke penned his thoughts on the matter. Likewise, the practices of commerce, free trade, and markets were not foreign to the world of the High

Middle Ages. Neither, one imagines, were materialism or mindsets that we would describe today as consumerist. Yet conservatives, one suspects, are likely to recognize the pre-Enlightenment reasoning underpinning these arrangements as more true to the nature of man as *homo religiosus*, *homo creator*, *homo dignus*, *homo rationalis*, and *homo peccatus* than the emoting pleasure-maximizer that Bentham and other moderns would have us believe humans to be. Retrieving and renewing these older traditions and introducing them to contemporary reflection about the market economy is surely an appropriate endeavor for conservatives, and a genuine contribution to civilizational renewal.

1. See, for example, Walter Eucken, *Grundsätze der Wirtschaftspolitik* (Tübingen: Mohr Siebeck, 1952); Franz Böhm, “The Rule of Law in a Market Economy,” in A. Peacock and H. Willgerodt (eds.), *Germany's Social Market Economy: Origins and Evolution* (London: Macmillan, 1989), 115-131
2. Wilhelm Röpke, “The Economic Necessity of Freedom,” *Modern Age* 3, (Summer 1959), 230.
3. Röpke, “The Economic Necessity of Freedom,” 230.
4. Murray Rothbard “The Hermeneutical Invasion of Philosophy and Economics,” *Review of Austrian Economics* 3, 1989, 45.
5. See John Finnis, *Natural Law and Natural Rights* (Oxford: Clarendon Press, 1980), 298-308.
6. Alexis de Tocqueville, *Democracy in America*, ed. J.P. Mayer, trs. G. Lawrence (New York: Perennial Classics, 2000), 637.
7. See John Keane, “Despotism and Democracy: The Origins and Development of the Distinction between Civil Society and the State 1750-1850,” in John Keane (ed.), *Civil Society and the State: New European Perspectives* (London: Verso, 1988), 36.