

The Moral Effects of Commerce

And so, as time goes on, and they advance in the pursuit of wealth, the more they hold that in honor the less they honor virtue. May not the opposition of wealth and virtue be conceived as if each lay in the scale of a balance inclining opposite ways?

Plato¹

Commerce has a special character which distinguishes it from all other professions. It affects the feelings of men so strongly that it makes him who was proud and haughty suddenly turn supple, bending and serviceable. Through commerce, man learns to deliberate, to be honest, to acquire manners, to be prudent and reserved in both talk and action. Sensing the necessity to be wise and honest in order to succeed, he flees vice, or at least his demeanor exhibits decency and seriousness so as not to arouse any adverse judgement on the part of present and future acquaintances; he would not dare make a spectacle of himself for fear of damaging his credit standing and thus society may well avoid a scandal which it might otherwise have to deplore.

Samuel Ricard²

True, it must be owned, we for the present, with our Mammon-Gospel, have come to strange conclusions. We call it a Society; and go about professing openly the total separation, isolation. Our life is not a mutual helpfulness; but rather, cloaked under due laws-of-war, named 'fair competition' and so forth, it is a mutual hostility. We have profoundly forgotten everywhere that Cash-payment is not the sole relation of human beings; we think, nothing doubting, that it absolves and liquidates all engagements of man.

Thomas Carlyle³

1. *Republic*, Book VIII, 550e, in *Plato: The Collected Dialogues*, edited by Edith Hamilton and Huntington Cairns (Princeton, N.J.: Princeton University Press, 1980.)

2. *Traité general du commerce* [C1704] (Amsterdam: Chez E. van Harrevelt et Soeters, 1781), 463. As quoted in Albert O. Hirschman, "Rival Views of Market Society," in *Rival Views of Market Society and Other Recent Essays* (Cambridge: Harvard University Press, 1992), 108.

3. *Past and Present* (London: George Routledge and Sons, n.d. [1843]), 114.

Innumerable times [competition] achieves what usually only love can do: the divination of the innermost wishes of the other, even before he himself becomes aware of them. Antagonistic tension with his competitor sharpens the business man's sensitivity to the tendencies of the public, even to the point of clairvoyance, in respect to future changes in the public's tastes, fashions, interests—not only the businessman's, but also the journalist's, artist's, bookseller's, parliamentarian's. Modern competition is described as the fight of all against all, but at the same time it is the fight for all.

George Simmel⁴

The legal framework of an economic system includes a structure of permissions, requirements, and prohibitions that delimit the manner in which individuals may interact and trade with one another. The economic system of the market establishes laws of property, contract, and exchange within which individuals produce and exchange goods and services. However, the effective operation of any market may require that the participants not only adhere to the rules of the legal framework but that they exhibit certain qualities or norms of conduct, psychology, or character (see Section AIV). If so, then the legal framework together with these normative conditions would constitute an economic and social order within which individuals interact. Might this order, or the interaction of agents within it, bring about certain consequences of a moral sort? In other words, are there ethical effects of market systems?

The conduct of an individual is intentional in that it is initiated with the aim of bringing about certain consequences. However, within a complex economic system, such as a market, individuals possess divergent goals and aims, but their interaction may bring about consequences that were not part of any individual's intention. In fact, as individuals interact some of their aims and goals will materialize, some will not occur at all, and other consequences will eventuate that are utterly unintended. Indeed, some of these unintended consequences may serve to alter the very moral norms that underlie and guide behavior, thereby transforming, for better or worse, the very moral character of the society.

It should not be surprising that the market, as a particular economic system, might generate consequences of an ethical sort, whether positive or negative. Some have argued that the market has destructive effects on traditional morality, encouraging self-interest and an impersonal attitude toward others. However, it has also been argued that participation in market activities serves

to bolster certain moral qualities, including honesty, civility, and impartiality. A consideration of the moral effects of commerce is not only eminently worthy of interest but vital to an understanding of the market and to a more nuanced evaluation of it as an economic system. If we are to consider the extent to which the operation of the market tends, over time, to generate or cause certain normative moral effects, then let us begin by considering the nature of causal arguments.

THE MARKET AS CAUSE

A Causal Argument⁵

The focus of our investigation is whether or not, or to what extent, the market, or certain specific market rules, institutions or processes, may causally affect the content or nature of the moral qualities or norms by which individuals conduct themselves. Such effects could be either positive or negative. For example, the operation of the market, or some aspect thereof, might serve either to strengthen or to weaken qualities or norms thought to be morally important. In analyzing any such causal claim it is important to establish, first, that the phenomenon alleged to be the effect has actually occurred (and to what extent, manner, degree, and location). From considering whether the effect has occurred, one must turn to its alleged cause (or causes), presumably some aspect of the market or the market as an economic system. In most matters of social explanation, there are multiple elements of causation for any particular effect. That the causes of some effect may be multifaceted renders more difficult any attempt at understanding. Nonetheless, it is worthwhile to note two additional matters regarding causes.

4. *Conflict* [1908] and *the Web of Group Affiliations* [1922], translated by Kurt H. Wolff and Reinhard Bendix (New York: The Free Press, 1955), 62.

5. A similar discussion of causal argument may be found in the introduction of Section AIV.

Sufficient or Necessary? It is important to recognize that a causal argument may seek to show either that some feature or phenomenon is a *sufficient* condition for some effect or that it is a *necessary* condition. If it is claimed that markets are sufficient for some effect, then that effect should be present in every instance of the market (or in every instance in which the relevant market phenomenon is present). On the other hand, if it is claimed that markets, or some aspect thereof, are necessary for some effect, then if that effect occurs without the presence of the relevant market phenomena, one may reasonably infer that markets are not *necessary* for the production of the effect.

Contingent or Essential? In considering any causal argument linking some aspect of the market to some moral effect, one should also examine whether the causal aspect of the market is merely a temporary or contingent feature of a particular market or whether the causal aspect is an essential or necessary aspect of any market. For example, do certain regulatory rules favor large corporations at the expense of smaller businesses, perhaps thereby encouraging the survival of organizations with a greater propensity to impersonality? Are such rules necessary or essential to the operation of markets, or are these rules incidental features of a particular market in a particular time and place?

It should be clear that it is not easy to diagnose the causal links between markets and their effects. Social and economic causality is often difficult to establish if only because the relevant circumstances exhibit complexity. The alleged effects, as *moral* effects, are nondiscrete general tendencies that are difficult not only to define but to measure; in addition, the causal forces that, presumably produce such effects are often several, and these operate in complex ways.

POSITIVE AND NEGATIVE EFFECTS

Market Neutrality

It might be argued that market systems generate no ethical consequences whatsoever; in other words, the market is neutral with respect to the ethics of the society, just as the market might be neutral with respect to the goods and services that are bought and sold. For example, if the legal framework of the market does not favor one type of economic good or service over another, then the market is neutral with respect to the goods that are exchanged—not favoring sofas over chairs, or lanterns over lamps, but producing and distributing whatever goods buyers and sellers might agree to exchange. Indeed, the fact that a

market framework would allow for the exchange of any goods at mutually agreeable terms is the sort of assumption that might lead one to conclude that the market is also neutral with regard to human motivation, moral qualities, and moral norms. However, that the market is neutral with respect to the goods and services exchanged need not entail that the ongoing exchange of goods and services has no effects on the moral norms of the society. A market neutral to morality would not privilege or encourage one set of values, preferences, or virtues over any other; a neutral market would neither improve or corrupt morality, nor would it alter those spheres of society not governed by market norms (including familial and religious spheres). So stated, the assertion of market neutrality seems dubious, for it does not seem likely that the operations of the market would have *no* effect on the normative moral values of the individuals who interact within a commercial society.

Permissions and Incentives Most arguments to the effect that the market brings about certain moral effects, whether positive or negative, focus on the question of *permissions* and *incentives*. For example, it has sometimes been suggested that the market permits conduct that is self-interested if not selfish. Of course, the very laws that permit selfish behavior also permit other-regarding, and nonselfish, conduct. If it is argued that markets affect morality because the markets *permit* certain kinds of conduct, then perhaps it is not the market that is causing or bringing about the moral effect; rather, the market permission allows for some prior moral tendency to appear. (As to whether that tendency is part of human nature or was developed through some social or cultural process is a question which must be set aside for now.) On the other hand, the market may create *incentives* for behaving in certain manners. For example, does the market create incentives to do what is right or does it provide incentives to act *against* what one knows to be right? Some have held that the market provides strong incentives for individuals to adhere to certain moral norms, but others have charged that the market encourages forms of selfishness which, if left unchecked, tend to permeate spheres of society previously exempt from the norms of commerce.

Positive Effects

Those who hold the view that the market tends to improve morals have often noted the important way in which markets provide incentives to do good. On this view, the market is so structured that adherence to some traditional moral standard or virtue is encour-

aged, either because the *failure* to adhere to such conduct is penalized or because adherence is *rewarded* in the form of success in the competitive marketplace. (This is not to say that the rightness of an act is determined by what will succeed in the marketplace, only that the marketplace may encourage right actions.) It is the very competitive aspect of the market that ensures that those persons and firms that exhibit moral behavior will also acquire a reputation for good conduct (or fair dealing) and, other things being equal, gain an edge over competitors.

There are at least three areas in which it has been argued that the market provides incentives for doing good. In the first type of instance, the market encourages or supports certain virtues, whether these be required for individual achievement or necessary for pleasant interaction with others. It might be argued that the market rewards the industrious, the prudent, and the self-reliant and in this manner encourages these virtues. Similarly, if friendliness, politeness, and civility are virtues, then it might be argued that commercial success requires that one be friendly, polite, and respectful. This claim might seem surprising only because so many of us are well-accustomed to a certain level of politeness. In nations that have not been introduced to widespread commerce, there are consistent tales of poor service, rude clerks, and belligerent workers.⁶ For example, if we assume that consumers prefer to interact with a businessperson who is civil, polite, and honest, then a businessperson's deviation from the social virtues of civility, honesty, and politeness would, all else equal, be penalized. Insofar as the practice of these virtues are good for business, then so are they strengthened. However, are practices that are "good for business" practices that are truly ethical?

There is an important distinction between, say, honest conduct performed for strategic reasons and honest conduct performed for moral reasons. That said, it is worth considering that when the market provides incentives for doing good, it may serve to habituate a person to *be* good. For example, Immanuel Kant draws the distinction between an action that conforms to duty and one done from duty (or out of respect for duty). In developing this distinction he offers the example of a

"prudent merchant"⁷ who refrains from cheating a child not because such cheating is wrong, but because doing so would be bad for business. In this case, Kant holds that the shopkeeper acts prudentially rather than morally. However, even if one initiates and reiterates an action out of some prudential motive, the reiteration of that act may habituate one to perform the act, and, over time, one's motive may become less prudential than moral. Suppose that a rude and dishonest person comes to recognize that civility, honesty, and politeness are good for business, and this person decides to adhere to these norms for purely strategic reasons. Although this person conforms to these norms for reasons other than their virtue, the steady adherence to norms of civility, for example, may so affect the person's habits that the person comes to adhere to these norms out of moral commitment rather than out of business strategy.⁸

A second manner in which markets might have positive moral effects for social interaction lies in the very nature of markets to promote respectful and peaceful interaction with persons of different origins, backgrounds, and outlooks. Commercial exchange is, by definition, nonviolent exchange, and the proliferation of commerce serves to reward those who are adept at initiating and completing mutually beneficial exchanges. The parties to such exchanges need not share any commonalities except that each wishes to make a trade; it makes no difference whether one knows the other party to the exchange or whether the parties share one another's outlook, race, religion, ethnicity, or politics. Those who are willing to trade with strangers, or others who differ from their group or clan, have opportunities for beneficial exchange that others do not, a fact that would seem to encourage us to trade with persons different from us. Even if one does not like a certain person because of the group to which he belongs, the possibility of productive trade gives one an incentive to treat the person with respect and to engage in peaceful commerce. In the process of trading with a person from a differing group, one may come to understand the other less in terms of group identity than in terms of skills, knowledge, and productive capacity. In this way, markets may tend to stimulate change, breaking down barriers of culture and group identity, thereby rendering us

6. "In China, store clerks were so predictably rude that the government banned 50 of their choicest phrases: [including] . . . 'Hey!' 'Didn't you hear me? What do you have ears for?' " "If you're not buying, what are you looking at?" Seth Faison, "Service with Some Bile," *The New York Times*, 22 October 1995, 4E.

7. The relevant text is not included in the selection in Section AV. Consult Kant's *Grounding for the Metaphysics of Morals*, translated by James W. Ellington, 3d ed. (Indianapolis, Ind.: Hackett, 1993), 10 (Section I, 397).

8. Aristotle emphasizes how virtues are learned through habituation. See the selection, in Section AV, from *Nicomachean Ethics* (esp. Book II, 1-4).

less reliant on traditional partialities such as those born of race, ethnicity, kinship, language, or religion.

Finally, there is a third way in which markets help to generate good conduct. Insofar as success in the market is a function of satisfying the wishes of buyers and consumers, then so does the market link its rewards to the idea of serving others. If one wishes to sell a product or service, then one must take into account the wants and desires of other persons. Even if a person is motivated only by selfish concerns, these concerns can be satisfied only by serving consumers, thereby satisfying some of the wants of others. It must be granted that this may not entail that one is considering the needs of those who are least well-off, only the needs and wishes of potential *consumers* (those able and willing to pay for one's goods or services.) Nonetheless, it is a strength of a system that it cannot only coax other-regarding behavior out of *good* persons, but it can also elicit this behavior from those, such as the selfish, who might otherwise act in ways that would prove nonbeneficial, if not harmful, to others.

Negative Effects

There are interesting and powerful considerations as to whether the market has negative moral effects or undermines ethical conduct more generally. It is sometimes argued that a market tends to bring about a version of morality distinct from the moral norms that would typically prevail in other, noncommercial, spheres of society. Either the market encourages or celebrates self-interested behavior at the expense of some traditional norms or virtues (such as benevolence), or the practice of commerce encourages impersonal attitudes, an unwarranted emphasis on efficiency, and, more generally, a rationalistic mentality that is inimical to the very foundations of morality. The charge that the ethics of markets are distinct from those of noncommercial spheres often comes with a corollary indictment: that market morality seeps into other realms of society previously immune to the lure of profit, efficiency calculations, and contract, thereby undermining or destroying traditional moral norms.

The theory that the market generates a new and distinct morality, like the argument that the market generates beneficial moral effects, often focuses on certain virtues, traits, or norms. For example, it is suggested that benevolence is not reinforced by the market but dis-

couraged. The person who makes the effort to act benevolently, especially when there is no economic reward for doing so, is at a competitive disadvantage to the person whose conduct is less benevolent. Similarly, the virtue of honesty may suffer under the strains of commerce. Under the lure of profit, individuals are motivated—whether as businesspeople, workers, or consumers—to shade the truth and lie, if these acts promise a reward of a larger monetary gain.

Comparative Assessments

In examining the effects of any institutions or economic systems (rules or policies), it is worth pointing out that even if the market has certain negative incentives, one's overall evaluation of the market should also take into account the incentive effects of possible alternatives. For if the market (or some aspect thereof) has certain incentive effects that are negative, an alternative institution may have the same or worse incentive effects. As in most matters of complexity, there is little to be gained by demanding perfection or by relying upon slogans or invective. Rather, one must weigh, as best one can, the advantages and disadvantages of an institution, keeping in mind that the elimination of one system, institution, or rule may only bring into being an alternative whose effects are worse. In other words, even if it were true that the market does have negative moral incentives, that alone would not demonstrate that the market should be abandoned, for an alternative system or institution may operate via a set of incentives that are more harmful yet. For example, if one replaces decentralized market decision making with a centralized institution in which decisions are made or influenced by those who are elected or appointed to power, then those who affect economic decisions may not be individuals skilled in satisfying the wants of consumers but persons adept at acquiring political power. The qualities and norms required for the attainment of political power may be no better than the qualities that the market allegedly effects.

Market Domination

Another sort of negative effect sometimes attributed to the market is that the ethics of markets tend to permeate and dominate other noncommercial spheres of life. (This point of view, prevalent in the nineteenth century, has received renewed interest in the current debates over globalization.) In the first volume of *Capital*, Karl Marx forwards one version of this claim, contending that cap-

italism tends to turn all objects and actions (including human labor itself) into a commodity to be bought and sold. In this way, it is argued, the morals of markets tend to permeate the noncommercial spheres of society, corrupting or undermining what had been noncommercial modes of interaction, thereby *commodifying* society. Thus, if markets tend to generate a strategic mode of thinking in which objects are considered as commodities to be bought and sold and persons are understood in terms of their specific marketable skills, then as markets acquire ever greater importance so do these modes of thought permeate other spheres of society, effectively destroying the nonmarket relations among and between family members, friends, and co-religionists.

POLITICAL EFFECTS OF MARKETS

That the market may have moral effects, for good or ill, suggests that markets may also have *political* effects, a thesis that has been argued as often as the thesis of moral effects. The readings that follow focus on moral rather than political consequences, but it is worth pointing out, briefly, how some have understood the market to generate noteworthy political consequences. One might ask, first, whether there are certain *virtues* requisite for certain kinds of government, and if the market makes it more or less difficult to realize these virtues. The virtues of courage, self-control, and responsibility are often taken to be important for citizens living in democratic and free states, so one might ask whether participation in markets encourages the cultivation of these virtues.⁹ If markets increase the likelihood that individuals will be courageous and self-controlled, then markets might serve to generate some of the virtues that render freedom more likely, depotism less likely.

Markets and Democracy

Some have argued that markets have a causal relation to democracy. Although the idea of a market is, of course, conceptually distinct from the idea of a democracy, historically the rise of democracy has occurred in those nations in which industry and commerce were also emerging. The association between democracy

and markets may be a historical coincidence, but it may also provide evidence of a causal link between markets and democratic political institutions. In which way might the causal link run, if there is one? Since there have been, and are, market economies in which there are no democratic political institutions, it seems unlikely that democracy is a necessary condition for markets or that markets are a sufficient condition for democracy. However, since there has been no modern democracy in which there were not significant market institutions, this may provide evidence that markets are necessary for democracy, but this is not conclusive.

In order to weigh these matters more fully, let us consider whether certain principles essential to the market are similar to (or necessary for) principles essential to democracy or to democratic institutions. For our purposes the term "democracy" refers to a method or system of government in which both the procedures for enacting, or altering, the rules governing political decisions and the persons who make these decisions are subject to some form of popular control in which all adults share some equal rights to vote freely (in accordance with principles of majority rule and periodic elections) and in which there is freedom for candidates to enter the electoral process. In order for these features to be realized, however, there must be freedom of the press, freedom of assembly and organization, and the freedom to run for office. It has been argued that the freedoms necessary for a democracy, such as freedom of speech (including the freedom to write and publish what one wishes) and association, require that one also have the freedom to own property (whether that be a printing press or a computer) and to exchange that property with others. Whether or not the freedoms and institutions of a democracy must be understood solely in terms of property rights, it is at least clear that certain democratic freedoms would be considerably less secure if these freedoms could be exercised only under the aegis of the government itself. For if a democratic government were to fund, supply, regulate, or organize either political assemblies or the press, then it would be highly unlikely that the government would grant full liberty to those who assemble *against* democracy, speak out *against* the majoritarian impulses, or write *against* the governing classes or the major political parties. However, if there are sources of power and authority distinct from that of the government, then these would provide conditions for independent thought and action. In this sense, a case can be made that some of the very principles that permit a market to emerge are also necessary for democracies to function

9. In the eighteenth century Adam Ferguson argued that the rise of a commercial society might encourage weakness and moral decline. See *An Essay on the History of Civil Society* [1767], edited by Fania Oz-Salzberger (Cambridge: Cambridge University Press, 1995), esp Part V.

well.¹⁰ The institutions that vouchsafe the decentralized decision making and dispersed power (and property) essential to markets also permit the independent sources of authority and thought that are crucial for a robust democracy. This is not to say that every market-oriented society is a democracy (that would mean that markets were a *sufficient* condition of democracy); rather, this claim entails only that a functioning democracy requires some of the same institutions as a functioning market.

HISTORICAL PERSPECTIVE ON MORAL EFFECTS

From the seventeenth into the eighteenth centuries, the nations of western Europe (in particular Britain and Holland) witnessed the steady emergence of commerce and industry, a growth in technological innovation, and rising standards of living. Those who questioned the rise of commerce (and the concomitant opulence) often suggested, either through the written word or in public debate, that societies were held together less by economic relations than by the observance of the traditional virtues. For these individuals the state and society must be so ordered that individuals would seek not a private but the public interest. Often referred to as *republican*, these thinkers suggested that the criteria for judging political and economic systems ought to concern whether those systems had beneficial effects on qualities of mind and character. Having assumed that a society could function only if a sufficient number of individuals were virtuous, and alarmed by the rise of commerce and the concomitant growth of wealth, many feared that public spirit and virtue would diminish in the pursuit of business and the acquisition of worldly goods. (Some of those who advocated this position were not, themselves, in commerce but were the inheritors of great estates; for these persons, the pursuit of money was not only an encouragement to self-interest but was, more broadly, corrupting of civic and public morality generally.) Aware of the contrast—whether real or imagined—between virtue and liberty, Montesquieu seeks to support the new regime of commercial liberty, and writes in book 3 of *The Spirit of the Laws*: “The political Greeks, who lived under a popular government, knew no other support than virtue. The modern inhabitants of that country are entirely taken up with manufacture, commerce, finances, opulence, and luxury.”¹¹

10. Milton Friedman makes this sort of argument in chapter 1 (“The Relation Between Economic Freedom and Political Freedom”) of *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962).

11. *The Spirit of the Laws*, translated by Thomas Nugent (London: G. Bell & Sons, 1914), Book 3, chapter 3.

Eighteenth Century: The Positive View

Arrayed against the republican view were thinkers such as Bernard Mandeville (1670–1733), who argued that vice, not virtue, was the mainspring of society. Others, such as Turgot (1727–1781), believe that the new age of commerce is not only morally superior to its predecessors but the last of a series of societal stages progressing from hunting, to agriculture, to a final stage of commerce.¹² Some, including Samuel Ricard (1637–1717), argue that a social order characterized by economic growth and commerce not only ensures happiness but improves morals, for commerce provides incentives for cooperative and other-regarding conduct. Among the virtues advanced by commerce, the eighteenth-century thinkers emphasize industry, honesty, impartiality, punctuality, friendliness, and thrift. In his *Lectures on Jurisprudence*, Adam Smith (1723–1790) distinguishes the age of commerce from that of “rude and barbarous” societies and maintains that honesty (probity) and punctuality—both of which first arise from a view to one’s own advantage—characterize commercial societies.

Whenever commerce is introduced into any country probity and punctuality always accompany it. These virtues in a rude and barbarous society are almost unknown. Of the nations of Europe, the Dutch, the most commercial, are the most faithful to their word. The English are more so than the Scotch, but much inferior to the Dutch, and in some remote parts of this country they are far less so than in the more commercial parts of it. This is not at all to be imputed to national character, as some pretend. . . . It is far more reducible to self-interest, that general principle which regulates the actions of every man, and which leads men to act in a certain manner from views of advantage, and is as deeply implanted in an Englishman as a Dutchman. A dealer is afraid of losing his character, and is scrupulous in performing every engagement. When a person makes perhaps 20 contracts in a day, he cannot gain so much by endeavouring to impose on his neighbours, as the very appearance of a cheat would make him lose. Where people seldom deal with one another, we find that they are somewhat disposed to cheat, because they can gain more by a smart trick than they can lose by the injury which it does their character.¹³

12. See Mandeville’s poem, “The Grumbling Hive,” in Section AIV. For a selection from Turgot, see Section CII.

13. *Lectures on Jurisprudence* [1762–3, 1766], edited by R. L. Meek, D. D. Raphael, and P. G. Stein (Indianapolis, Ind.: Liberty Classics, 1982), 538–39.

Eighteenth Century: The Negative View

In the eighteenth century, the idea that commerce improved morals did not go unchallenged. For Jean-Jacques Rousseau (1712–1778), it seemed obvious that humankind had, as a negative consequence of the invention of property, perverted and corrupted the natural tendencies of the human being. Rousseau adumbrates these ideas in two essays, the first of which was written as a response to an essay contest of 1749, sponsored by the Academy of Dijon. Though the Academy expected a positive response to its contest question, “Has the restoration of the Arts and Sciences Tended to Purify Morals?,” Rousseau’s prize-winning essay, *Discourse on the Sciences and the Arts* (1750), offered the opposite. Rousseau charges that progress in science and the technological arts has resulted in the corruption of morals and encouraged hypocrisy: “One no longer asks whether a man has integrity, but whether he has talents; not whether a book is useful, but whether it is well written. Rewards are showered upon the wit, and virtue is left without honors.”¹⁴ This *Discourse* proved to be a foreshadowing of a second essay, one focusing on inequality and on the manner in which the natural tendencies of self-preservation and compassion had been corrupted into egoism by modern luxury, itself the consequence of one fateful step, or misstep—the development of property.¹⁵

Nineteenth Century: Community and Society

In the nineteenth century, with the continuing growth of industry and commerce, new criticisms of the market emerged, many of them reflective of the growing awareness of a shift from traditional closely knit communities to larger groups whose bonds were often constituted by economic relations. The sociologist Ferdinand Tönnies (1855–1936) distinguished between a traditional community, or *Gemeinschaft*, and a society, *Gesellschaft*.¹⁶ A community manifests an ethic of solidarity in which individuals are related through kinship, history, and religion; in a society, on the other hand, individuals are related to one another more through their functional roles than by rooted connections. The distinction between *Gemeinschaft* and *Gesellschaft* reflects an awareness of signifi-

cant changes within society, alterations which some nineteenth-century thinkers viewed rather negatively. With the rise of industry and commerce there emerged a new emphasis on specialization (the division of labor), contract, individualism, competition, and self-interest, all characteristics which were attributed to a *Gesellschaft* and not a *Gemeinschaft*.

Some of the first to articulate a concern were the literary romantics such as Thomas Carlyle (1795–1881) and John Ruskin (1819–1900). For social critics such as these, the market generates a self-interested ethic in which, as Carlyle contends, individuals are related to one another by “Cash-payment.” The market permeates all spheres of society, effectively dominating, if not destroying, the moral relations by which family, religion, and society had developed. As land, labor, and art are converted into saleable commodities, so do human beings become alienated from others and from their own labor.

Nineteenth Century: Marx

The idea of alienation was developed more fully and forcefully by Karl Marx, for it was he who articulated most insistently the idea, first broached in the eighteenth century, that economic arrangements—the division of labor, classes, and, more generally, the productive forces and relations of production—serve as the underlying cause of ethics and culture. It is in this sense that, for Marx, the material conditions of production determine the legal, cultural, and moral ideas of an epoch. Obviously, then, a capitalist mode of production must have moral effects and, in Marx’s view, the emergence of capitalism, though an *essential* step toward a future communist order, nonetheless destroys the traditional moral relations and obligations of family and society. The growth of industry and commerce not only destroys traditional crafts and small farming, but it institutes a dehumanizing system of wage labor. Indeed, for Marx the very capitalist division of labor generates a fateful division of classes into which individuals come to view one another less in terms of their whole person but in terms of their specific contribution to commerce.¹⁷

Nineteenth Century: A Positive View

Not all of the nineteenth-century philosophers viewed commerce with scepticism. The French political philosopher

14. *Discourse on the Sciences and the Arts* in Jean-Jacques Rousseau: *The Basic Political Writings*, translated by Donald Cress (Indianapolis: Hackett Publishing, 1983), 17.

15. *Discourse on the Origin of Inequality* in Jean-Jacques Rousseau: *The Basic Political Writings*.

16. *Community and Society* [1887], translated by Charles P. Loomis (East Lansing: Michigan State University Press), 1957.

17. See, for example, “Economic and Philosophic Manuscripts of 1844,” in *The Marx-Engels Reader*, by Robert C. Tucker, ed., 2d ed. (New York: W. W. Norton, 1978), 77.

Benjamin Constant (1767–1830) contended that the age of commerce replaces the age of war, noting that “War and commerce are only two different means to achieve the same end, that of possessing what is desired. . . . War then comes before commerce. The former is all savage impulse, the latter civilized calculation. It is clear that the more the commercial tendency prevails, the weaker must the tendency to war become.” The English philosopher Herbert Spencer (1820–1903) believed that history progressed toward ever greater individualism and freedom, including rights to property and free exchange. For Spencer, spontaneous and free association was preferable to coercion by the state.¹⁸

Twentieth Century

That markets may have positive or negative effects has not been ignored in the previous century. Toward the close of the nineteenth century the great sociologist Emile Durkheim (1858–1917) argues that the division of labor creates new ties and obligations. In the early twentieth century the sociologist Georg Simmel (1858–1918) suggests that commerce moves one to consider the needs of the customer in ways that one might not otherwise do. And the economist Frank Knight (1885–1972), though a defender of markets, nonetheless laments “as unfortunate the dominance of the business game over life, the virtual identification of social living with it [business].”¹⁹

It is one thing to say that the market has the effect of altering traditional morality. It is another to say that the alteration is such that the market effectively destroys the very qualities that it requires in order to function successfully. This view is put forth by Daniel Bell who, borrowing from Max Weber (see Section AIV), argues that the ascetic morality essential for the emergence of capitalism creates an economy that destroys its very conditions. Others, including those affiliated with the Frankfurt Institute for Social Research, such as Max Horkheimer (1895–1973), have argued that the very instrumental reason that is celebrated by capitalism serves to deprive us of any rational discussion of common ends. We are left, then, relating to one another under the command of state-man-

aged capitalism.²⁰ Many in the twentieth century have—like Bell, Knight, and Horkheimer—decried the effects of capitalism in destroying traditional morality and undermining the virtues, but it is not obvious that they are correct. For even if it is the case that traditional morality has been undermined (which itself is not obvious), there may be alternative versions as to the cause of its destruction.

ALTERNATIVE EXPLANATIONS

Enlightened Reason and the Rise of Secular Religion

It has often been suggested that as American society has changed from a more settled and rooted life to a more mobile, prosperous, and impersonal one, there has been a simultaneous demise of the moral qualities of moderation, modesty, honesty, humility, industry, responsibility, civility, and a concomitant rise in selfishness, dishonesty, and cheating, not to mention crime and a host of social ills. Are these effects—if true—to be attributed to the market? Or might there be alternative explanations?

Of those who believe that morality has languished, one explanation traces its demise less to burgeoning commerce than to an enlightened secularism. On this view, the modern world of the past two hundred years is essentially a secular world, shorn of the religious principles that once animated individual conduct and social norms throughout much of history. Since the “Age of Reason” in the eighteenth century, this argument goes, individuals have been taught to appeal not to traditional religious beliefs but to the power of individual reason. Reason, it was said, would liberate individuals from traditional social and religious beliefs (allegedly the cause of oppression and suffering), serve as the arbiter of good and bad, and usher in a new and rational age of enlightenment. However, some argue that the exaltation of reason at the expense of received religion (or traditional institutions) has resulted in an increasing secularization in which moral conviction is weakened, hedonism is celebrated, and family life disrupted. Such an explanation of moral degeneration often relies upon a utilitarian defense of religion, a defense which is not altogether new. In 1531 Machiavelli (1469–1527) wrote, “Princes or republics that wish to maintain themselves without corruption must, above all else, maintain free of corruption the ceremonies of their religion and must hold them constantly in veneration; for

18. For Constant, see *The Spirit of Conquest and Usurpation and Their Relation to European Civilization* [1814] in *Political Writings*, translated and edited by Biancamaria Fontana (Cambridge: Cambridge University Press, 1988), 52. The relevant works of Spencer include *Social Statics* (1851) and *The Man versus the State* (1884).

19. Emile Durkheim, *The Division of Labor in Society* [1893], translated by George Simpson (New York: The Free Press, 1933); Georg Simmel, *Conflict and the Web of Group Affiliations*; Frank Knight, “The Ethics of Competition,” in *The Ethics of Competition and Other Essays* (Freeport, New York: Books for Libraries, 1969), 66.

20. See for example, Max Horkheimer, “The End of Reason,” in *The Essential Frankfurt School Reader*, edited by Andrew Arato and Eike Gebhardt (New York: Urizen Books, 1978), 26–48.

there is no greater indication of the ruin of a country than to see its religious worship not respected."²¹

War and Centralization

In one of the readings to follow, Robert Nisbet, while allowing that commerce may have played a role, suggests an alternative explanation that lies in the twin phenomena of war and governmental centralization. The eruption of World War I in 1914 and the entry of the United States into that war in 1917 served not only to break down custom and tradition but also to inspire more government intervention into society and the marketplace. As the central state took on more and more tasks in the twentieth century, it shifted power to the national government and shrunk the authority and power of the states and local communities. Moreover, the expanding role of the government served to diminish the function and authority of the numerous voluntary social groups, mutual-aid societies, charitable associations, and business, labor, and professional organizations that serve to foster benevolence, friendship, responsibility, and to informally enforce and encourage norms of civility, honesty, and trust. These institutions and societies—intermediary between the state and citizen and neither governmental nor commercial—serve to encourage individuals to relate to each other in ways other than through commercial exchange, thereby creating networks of friendship and acquaintance that might help to counterbalance any tendencies of the market to valorize efficiency and rational self-interest over the bonds of neighborhood, community, and society. These intermediary institutions, so noted by Alexis de Tocqueville (1805–1859), in 1835, after his travels throughout America,²² may exist in tandem with the market, but they may

be easily diminished by the expanding powers of the state.

The centralization of power has often been accompanied by a cleavage between elite opinion and the opinion of the larger population. Joseph Schumpeter argued that capitalism would create an elite of intellectuals who were radically opposed to it and who would seek to undermine it.²³ Others have argued that elites have attacked the morality of the larger masses in order to acquire power for themselves. Allied with central government, elites have attacked alternative sources of authority, be they religious, local, or traditional, and in so doing nonmarket sources of moral authority have been diminished, leaving in their wake nothing but the norms of buying and selling and the unopposed ideology of the elites.

21. *The Discourses*, translated and edited by Peter Bondanella and Mark Musa (Harmondsworth: Penguin, 1979), chapter XII.

22. "Americans of all ages, all conditions, and all dispositions, constantly form associations. They have not only commercial and manufacturing companies, in which all take part, but associations of a thousand other kinds—religious, moral, serious, futile, general or restricted, enormous or diminutive. The Americans make associations to give entertainments, to found seminaries, to build inns, to construct churches, to diffuse books, and to send missionaries to the antipodes; they found in this manner hospitals, prisons, and schools. If it be proposed to inculcate some truth, or to foster some feeling by the encouragement of a great example, they form a society. Wherever, at the head of some undertaking, you see the government in France, or a man of rank in England, in the United States you will be sure to find an association." Alexis de Tocqueville, *Democracy in America* (New York: New American Library, 1956), Part 2, Book II, chapter 29 (p. 198).