The Ethical Foundations of Free Market Societies

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Let me begin by putting your minds at ease. I=m sure that many of you are suspicious, and rightly so, of anyone who seeks to raise ethical issues with regard to commerce in free market societies. Most writers who do so have some external political agenda designed to distort or to thwart market processes; most of them naively think that all social and political problems are the results of a mysterious arcane event called >market failure= and that such problems can be redressed only through the redistribution of wealth or another government bureaucracy; many of these writers are advocates of an idealized classical or medieval world view acquired through a liberal arts education that somehow managed to exclude courses on science, technology, economics, and law;[1] some are openly hostile to and contemptuous of commerce because of some alleged conflict with another cherished cultural practice. I am not one of those writers.

On the contrary, I hold that the free-market economy is the greatest force in the modern world; it has transformed the ethical landscape by improving the material conditions of life and by institutionalizing individual freedom. One would think, therefore, that such a phenomenon deserves special praise and attention. But the free market economy is not understood even by many of those who are surrounded by it. One explanation is, ironically, that it has been defined largely by its critics; so much so that even the defenders

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[1]Many, but not all, of the followers of Leo Strauss embrace a historical narrative that emphasize the virtues of the ancients and the progressive deterioration of modernity; see Leo Strauss, AThe Three Waves of Modernity,@ in Hilail Gildin (ed.), *An Introduction to Political Philosophy, Ten Essays by Leo Strauss* (Detroit: Wayne State University, 1989); many conservative Catholics want to >return= to an idealized conception they have of the Middle Ages; many agrarians want to >return= to some idealized notion of the pre-industrial world.

of free-market economies have often unwittingly adopted the framework of their critics. At present there exists no positive, internal, comprehensive framework for understanding free-market economies and the larger cultural context of which they form a major part.[2]

A market economy does not exist in a vacuum. Too little attention has been given to understanding the relation between markets and the totality of our culture. What is not usually made clear even in very illuminating discussions of specific economic issues is that a market economy depends upon and presupposes a framework of ethical presuppositions. Economists have sometimes unwittingly contributed to this pervasive misunderstanding. It also seems at times as if free market societies are intrinsically incapable of legitimating themselves and of providing mythic potency.[3] Conflicts within our own culture often reflect ignorance, misunderstanding, or deep disagreement over what the ethical presuppositions are.

What we need to provide is a comprehensive framework or grand narrative that would identify the ethical presuppositions of a market economy; to do this would be to fill a major lacuna in the contemporary intellectual environment, provide more solid support for the market economy, and significantly influence public policy discussion.

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[2]The best work to date is that of Hayek, Oakeshott, and Fukuyama.

[3]This is a concern expressed by Peter Berger in *The Capitalist Revolution; Fifty Propositions About Prosperity, Equality, and Liberty* (New York: Basic Books, 1986).

Internal ethics vs. external ethics

I shall begin by distinguishing between the internal ethics of commerce and the larger external ethical frameworks from which to judge the practice of commerce. An analogy will help us here. We can distinguish between the internal ethics of boxing (meaning the rules that prizefighters have to follow) and the external question whether there should be a professional sport of boxing (about which some have reservations). The existence of these external reservations by no means shows that boxing as a practice lacks a set of clearly defined internal norms.

A number of writers have done an excellent job of identifying the internal norms of commerce in a free market society: Austrian economists in general, Fukuyama on *Trust*, Jane Jacobs, and Deidre McCloskey to name a few. What I want to discuss is what I see as a larger external ethical framework that encompasses free market activities. My claim is that I am identifying the dominant ethical paradigm that operates in the world today.[4] Of course, some might question whether what I call the dominant ethical paradigm is itself ethical, that is, whether it coheres with their alternative paradigm. I address this question directly at the end of my paper, but I contend, without argument at this point, that I believe this dominant ethical paradigm is consistent with the major Abrahamic religious faiths of the West and with the major Asian religious traditions with which I am familiar.[5]

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[4]The reason this paradigm comes in for so much criticism is precisely because of its dominant position. Those who adhere to it should be flattered by the attention. This also explains the curious phenomenon that while most academics reject all or part of this paradigm and that this opposition is deeply entrenched and pervasive in the academic world, the very same academics view themselves as embattled and do not concede their own dominance in the academy.

[5]I have organized a conference on this theme to be held June 10-13, 2004 at Loyola University in New Orleans.

The larger external ethical framework of free market societies

What is the larger ethical framework? Here is the Big Picture (otherwise known as a grand narrative). Since the Renaissance, the modern western world has endorsed the technological project. By the technological project[6] I mean the program identified by Bacon, Descartes, and Locke. Descartes in his *Discourse on Method* proclaimed that what we seek is to make ourselves the Amasters and possessors of nature.@ Instead of seeing nature as an organic process to which we as individuals conform, Descartes proclaimed the modern vision of controlling nature for human benefit. It is the same project that Bacon had in mind when he observed that knowledge is power. In Locke=s version, AGod, who has given the world to men in common, has also given them reason to make use of it to the best advantage of life, and convenienceY. it cannot be supposed He meant it should always remain common and uncultivated. He gave it to the use of the Industrious and RationalY not to the Fancy or Covetousness of the Quarrelsome and ContentiousY. for it is labor indeed that puts the difference of value on every thingY of the products of the earth useful to the life of man nine tenths are the effects of laborY.@[7]

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[6]The so-called industrial revolution is but an expression of the Technological Project. The more fundamental idea is the notion of transforming the world. See Rene Descartes, *Discourse on Method*; Francis Bacon, *Essays* (Amherst, NY, 1995) nos. 13, 16-17, and *The Great Instauration and New Atlantis*, ed. Jerry Weinberger (Arlington Heights, Ill.

[7]John Locke, *Second Treatise*, Chapter Three (The Right of Private Property), sections 26, 27, 34, and 40).

A detailed account of the project would have to take seriously questions and criticisms about the viability of the project and some of the serious ethical questions, such as environmental ones, embedded within it. For the moment I make two claims on behalf of this project: first, commitment to the project is by now an *irreversible* historical fact [Protester=s are forced to use technology not only in their own lives but in order to mount a protest against it, especially cell phones and computers] B there is, in short, no going back now; second, to the extent that ethical problems are raised by our relationship to the environment I believe that those problems have been creatively addressed by Julian Simon[8] and practically engaged in market friendly ways by organizations such as PERC. Finally, lest anyone think that the TP is insensitive to or excludes other cultural domains, I call attention to Leonardo da Vinci as among the first to embrace all and to excel in all of these aspects of modernity.[9]

The technological project has been a success in two senses: first, remarkable technological advantages have been achieved; second, those advantages have enabled subscribers to the project (mostly American and Western European) to >spread= this project around the entire globe. The spread has not been a simple matter of the powerful imposing on the weak; the weak have largely come to embrace the project on their own. We understand ourselves to be living in a world which has accepted or is in the process of accepting and coming to terms with the technological project. The thorny issues of globalization would not have arisen outside of the context of the technological project. It is the technological project, not market economies per se, that places enormous side-constraints on any narrative that attempts to capture the way the world is. The analogy I would draw is with Tocqueville=s observations about democracy in the nineteenth century, namely, that like it or not,

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[8]Julian Simon, ACan the Supply of Natural Resources be Infinite?@ in *Ultimate* Resource 2 (Princeton: Princeton University Press, 1996), pp. 54-69.

[9]Tyler Cowen, *In Praise of Commercial Culture* (Cambridge, MA: Harvard University Press, 2000).

assets and liabilities aside, it is the political fact with which all theorists must come to terms.

Some of you may have observed that I make reference to French thinkers such as Descartes and Tocqueville. Two of my other favorite French Thinkers are Montesquieu and Benjamin Constant. After the mid-nineteenth century it=s all downhill after them; and it makes me sad to observe that all bad ideas come from France; but notice, I did not say that all ideas that come from France are bad.

The TP, not the market, is the starting point for our narrative. There have always been markets, but it is only since the 16th century that markets have come to play such a dominant role in our lives. What I am arguing is that it is the presence of the TP that explains the centrality of markets.

Why is this? A free market economy[10] is the most effective means of carrying out the technological project. Markets have been around for a long time, but the concept of the free market did not become an important theoretical construct until the modern period and the rise of the technological project. The technological project requires constant innovation, and the free market economy maximizes such innovation through competition and specialization. A free market means that there is no central allocation of resources and tasks, and it means that resources remain largely in private hands (i.e., private property). Innovation, by definition, is something that cannot be planned. A competitive market where individuals may experiment is the best guarantee of fostering creativity.

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[10]To the extent that the classical liberal narrative is primarily a political narrative with implications for the economy rather than a narrative that recognizes the primary of the technological project and the role of the market economy within it and therefore implications for the political domain, the classical liberal narrative is in my estimation a defective one. Moreover, the classical liberal narrative is pre-Kantian and pre-Hegelian and therefore inadequately encompasses autonomy.

The crucial theoretical argument for the centrality of a free market was made by Adam Smith in the *Wealth of Nations*. His example of the manufacturing of pins explains how an assembly line of narrowly focused specialists is far more productive. Specifically, Smith pointed out that once we are focused on one part of a process creative individuals are led to invent labor saving devices. Another way of putting this point is that the market economy provides the context and the incentives for maximizing creative activity in the technological project. The practical or empirical argument for the advantages of a free market economy is 1989, the implosion of the Soviet Union. Almost everywhere it is now believed (or at the very least people have to pay lip service to the view) that a free market economy is the most efficient method for engaging in the technological project. Economists can point out the other virtues[11] of a market economy, perhaps give more complex arguments of a purely technical kind, but the fact remains that the market is what works vis-à-vis the technological project.

[11]The promotion of innovation is not the only thing which makes markets valuable. However, my claim is that innovation is of paramount importance because of its relevance to the Technological Project.

What is the role of government in this narrative? Government operates in two domains, domestically and internationally. Let us look at the domestic role. The government=s domestic role with regard to the economy is carefully circumscribed. The role of the government is to serve the free market economy. It does this by providing personal security, and providing a legal system for the protection of rights, most especially property rights, for the enforcement of contracts, and for the resolution of contractual disputes. Rather than employ ideological slogans like the night watchman state or boundary-less and relative metaphors like the >minimal= state, it is more advantageous to recognize that state action is always to be understood in terms of whether it serves the interests of a market economy within the technological project. This focus is evident in our political life as well. Whatever else they may pretend to be, political parties are primarily a collection of economic factions; everything else is a side show.

A free market economy flourishes best under limited government,[12] where >limited= means restricted to actions that enhance a market economy within the technological project. The most successful instantiations of limited government have come about because of the rule of law, the promotion of individual Arights,@[13] where rights are understood to be restrictions upon government action, and religious toleration. The rule of law is not to be confused with the mere existence of a legal system, and most certainly it is not the rule of lawyers. As Hayek (1982, 1994) has made so brilliantly clear, a legal system that *constrains government* is said

[12]>Liberty= is the absence of arbitrary external constraint. To have political liberty is to be able to restrain or limit the government. >Freedom= (hereafter, autonomy) is an inner condition, the condition of imposing order on oneself. Liberty is a means to freedom. Liberty degenerates into license only when it is not in the service of freedom.

[13]For a variety of reasons I would like to avoid or do away with Arights@ talk altogether. It appears as if this can be best done by absorbing what I want to say about Arights@ into the discussion of the rule of law, especially as formulated by Hayek (1994) and Oakeshott (1983).

to exhibit the rule of law. It stands in contrast to despotic rule. The rule of law typically divides the powers of government among separate branches, has an independent judiciary, entrenches individual rights (notably due process and the equal protection of the law) behind constitutional walls, and provides for the orderly transfer of political power through fair elections. As further elaborated by Michael Oakeshott,[14] the rule of law exists only in a modern state that is a civil association, that is, one in which there is no collective good, no phantom of social justice, only the goods of its individual members. Moreover, the laws are not instruments for some collective good or purpose but rather prescribe conditions to be observed by individuals who pursue their own purposes, alone or with others.[15] The laws are neutral or indifferent with regard to

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[14]M. Oakeshott, Supplement (*On Human Conduct*, pp. 119, 139, 181, 153-58 [mentions Fuller], 234-5, 286, and 315). 56pp.

[15]Free economic activity, effective economic competition and free markets unfettered by monopolies are, in Oakeshott=s words, Anot something that springs up of its own accord,@ but are Athe creature of law.@ They are created by the systematic rule of law. Economic competition can only exist, Oakeshott maintains, by virtue of a legal system Awhich promotes it.@ This underscores the fact that for Oakeshott Aa connection is drawn between the rule of law and a free society@ as a whole. This explicit language of promotion, creation, and connection suggests some causal relation between rule of law and economic and general freedom. From the vantage point of the economics, it could be argued that one direct purpose of the rule of law is to maximize economic utility. However, this of course directly conflicts with Oakeshott=s famous insistence that the rule of law is a mode of ethical association in terms of the recognition of the authority of known, non-instrumental laws. Such ethical associations are fundamentally distinguished by Oakeshott from purposive or enterprise associations. As Oakeshott points out in his *Rule of Law*, many apologists of the rule of law, Arecognizing the inconsistency of attributing the virtue of a non-instrumental mode of association to its propensity to produce, promote or encourage@ substantive outcome, have insisted that the Rule of Law=s specific virtue is precisely its promotion of the outcome of either peace, order, economic efficiency or more prominently freedom. But such outcomes, Oakeshott maintains, are not the consequences of an association of legal persona, but instead are inherent in its character, thus characterized by it. Given these subtle differences, the questions arise: what precisely is the difference, especially in terms of outcome, between an inherent substantive condition and one resulting from a purposive action? Most importantly in this context what difference

whether the purposes are achieved. Once the law is construed as an instrument for achieving particular economic[16] or political objectives, the rule of law will disappear.[17] In other contexts, I have argued that affirmative action as quotas is a preeminent example of the violation of the rule of law. There are unfortunately too many other examples.

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would these differences, if any, make to economists? How would Oakeshott=s view of the relation between the legal non-instrumental mode of association and freedom affect the economists= understanding of the relation between law and economic systems? Would it make a difference to economics whether a free market system is inherent in the character of an association of legal persona, or whether it is the explicit purpose of a legal system? Does it matter to various economic theories to be aware of Oakeshottean distinctions, or are they irrelevant? That to me is one of the most interesting points implicitly raised by Oakeshott. The beginning, only the beginning, of an answer, would be that all talk about the purpose of law is unconfirmable and irresolvable metaphysical mischief. The law and economics defenders (e.g., Posner) do not have to provide additional arguments for their contention; their position is inherent in the very idea of the rule of law. Another way of putting this is that the familiar claim that there is no government that respects individual freedom unless there is first a free market should be rendered as free markets only exist where there is a government that respects individual freedom. The notion that authoritarian societies exhibit free markets is a mistake; sometimes such societies are characterized as capitalist (Marxist concept), but no society where one group can arbitrarily and >legally= exclude others from the market can be said to be a free market society.

[16]Misleading caricature in *Law and Economics*; to say that free market economic objectives are promoted by the rule of law as a consequence, is not to say that a specific consequence is the objective or purpose of the law.

[17]Oakeshott notes that no society perfectly instantiates the rule of law. Moreover, the rule of law is threatened by ever-increasing government bureaucracies, war, and the anti-individual.

It is important to note that the rule of law does not entail a particular form of government, such as democracy, monarchy, etc. Any of these forms may or might not exhibit the rule of law. That is why it is important to stress that the U.S., for example, is a Republic and not a democracy, at least not yet. Democracy was understood originally by advocates of limited government as part of a system of checks and balances[18] that prevents one interest from imposing its will upon others. Democracy, as Madison made clear in *Federalist #10*, is a negative device for blocking one powerful interest group from imposing its will on others. Democracy was never intended as a positive device for articulating a suspect common good.

Democracy later came to be viewed as a potential threat (Tocqueville, Mill),[19] for it harbors within it the formal notion that what is right is what the majority decides or that the common good is what the majority decides it is on a given occasion. The majority can clearly redefine the fundamental values. Two ways are available for preventing the abuse of democratic procedure: one is the political and legal machinery of checks and balances (we have recently been reminded of the role of the Electoral College) and the other is a larger cultural context in which the fundamental values are somehow safeguarded or maintained even in the process of change and reform. Political machinery ultimately depends for its proper use on the larger cultural context. We are, therefore, brought back to the need for a public ethic that preserves something like the importance of individuality.

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[18]Sen=s paradox (1970) presents a more precise formulation of why democracy is a negative device rather than a positive one. Marxists have always been rightly contemptuous of democratic socialism because shifting majorities literally makes even the façade of economic planning impossible.

[19]Public Choice economics helps to explain the structure of that degeneration.

We turn now to the international domain. A national government is obliged to serve the market economy not only at home but abroad. As Hume, Smith, Kant, and Constant argued one of the consequences of modern commerce is the potential end of war, what Kant referred to as perpetual peace. With commerce we create wealth through the TP not by stealing it from our neighbors. Just as a domestic market leads to constructive competition and specialization so an international market will do so as well. As Kant pointed out, commercial republics do not go to war with each other; this is a hypothesis that has enormous support: it has been argued that in the last two hundred years since Kant wrote *Perpetual Peace*, there have been no major wars where all of the combatants have been commercial republics. This is also sometimes called the AMcDonald effect,@ since no two countries where McDonald=s fast food is available go to war with each other. Moreover, if the whole world consisted of commercial republics, then there would be no need for a world government or even a world court; all contractual disputes could be resolved through national courts.[20]

So far I have maintained that the Technological Project requires a free market economy and that the free market economy requires limited government and the rule of law; now I am maintaining that everything rests upon a larger cultural context that promotes individuality. The notion of individuality has historically and logically depended upon a larger cultural context in which an ethical consensus has operated. The ethical consensus contains a commitment to personal autonomy. By autonomy is meant self-rule. An individual is free to the extent that he/she imposes order upon himself/herself. Personal autonomy is lacking in cases of

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[20]The current UN is not what Kant had in mind; most of the countries that belong are not commercial republics (France includedCmercantilist); the Security Council, five of whose members have veto power, has veto-power members at present who are opposed to the ethical ideals of free market societies. A similar problem haunts the EU, an organization seemingly committed to mercantilism and to French cultural hegemony. A world court is unnecessary; if all countries are committed to the rule of law, and if all contracts specify where disputes are to be resolved, a world court would be a needless duplication.

heteronomy, including the exploitation of others. Although the concept of autonomy is classical (Stoicism) in origin, its Christian roots are most relevant for the modern period. It is the culmination of the Christian doctrine of free will and responsibility both secularized and transposed to the civil sphere.[21]

[21]Many economists and social scientists will express some resistance at this point. While those social scientists in general and economists in particular who are committed to scientism (or extreme versions of positivism) may concede that religious belief has in fact played a significant role in affecting market behavior and social institutions in the past and present, they may also think that it Aought@ not to have this influence in the future. Given a larger context than this one, I would argue (a) that the spiritual dimension is a >necessary= condition for the continued vitality of free societies; (b) that any form of scientism is intellectually deficient (see N. Capaldi, *The Enlightenment Project in the Analytic Conversation,* 1998); (c) that scientism cannot generate an adequate account of ethical principles.

The clearest expositors of autonomy are Kant, Hegel, and John Stuart Mill. What Hegel (who was by the way an avid reader of Smith and no totalitarian)[22] added was the claim that what autonomous individuals want and need is recognition of and respect for their autonomy. This can only come from other autonomous individuals. This insight not only explains the modern transformation of human relationships and institutions but it solves the major problem of modern political economy. That problem is to resolve the conundrum of the potential conflict between the interest of any one individual and all other individuals. Hegel=s solution is brilliant.[23] Our greatest ultimate and objective good is autonomy; in order to sustain my own I am obliged to promote yours; since autonomy is not a zero-sum entity,[24] there is no conflict between mine and yours; finally, promoting your autonomy does not mean redistribution; it means equality of opportunity not equality of result; it means holding you accountable for your action not condescension; it means teaching you how to fish, not giving you a fish.

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[22]Fukuyama. 1992. *The End of History and the Last Man*. New York: Free Press. (Kojeve=s interpretation of Hegel inspired Fukuyama); see also Hegel=s discussion of Adam Smith in *The Philosophy of Right*.

[23]See Hegel=s discussion of the master-slave relationship in the *Phenomenology of Spirit*. I urge free market economists to recognize that their passionate attempt to spread the benefits of the market economy is not so much an expression of self-interest as it is a moral crusade to promote universal human autonomy.

[24]As David Crowther [AThe Dialectics of Corporate Value Measurement,@ in Arnold, G. and Davies, M. (eds), *Value Based Management: Context and Application* (Chicester: Wiley & Sons, LTD., 2000), pp. 105-132] indicates, in AClassical liberal philosophy ... society being an artificial creation resulting from an aggregation of individual self-interest, with organizations being an inevitable result of such aggregation for business purposes ... Locke ... Bentham ... Mill [operate] ... with a tacit assumption that maximizing individual benefits would lead to the maximization of organizational benefits and also societal benefits@ (p. 119). Our narrative does solve a problem that the classical liberal narrative does not adequately resolve, namely, the relationship between the individual good and the common good understood as the good of others. If our ultimate good is autonomy, and if we need recognition from other autonomous individuals, then we are obligated to promote their autonomy.

The basic ethical concept that emerges is the concept of personal autonomy.[25] The concept of autonomy presupposes that human beings are in some non-trivial sense possessed of free will; the possession of free will is not an obvious fact but something we come to discover about ourselves. This discovery is only possible for those who learn to control their impulses and who reject the idea that standards are external. Three important features of autonomy are worth noting. First, to govern oneself is not to be confused simply with defining oneself. Autonomy is often misrepresented by its critics (usually advocates of teleology) as a form of self-indulgence. Although it is true that advocates of autonomy deny an intrinsic teleology and recognize an enormous number of ways in which we pursue fulfillment, all of these ways avoid heteronomy and therefore any notion of imposing on others. The usual litany of counter-examples always turns out to be composed of forms of heteronomy.

Second, recognizing, pursuing, and sustaining autonomy are the spiritual quests of modernity and the technological project. The ultimate rationale for the technological project is not material comfort or consumer satisfaction but the production of the means of accomplishment. We discover that our greatest sense of fulfillment comes from freely imposing order on ourselves in order to impose a creative order on the world. We have now come full circle. We started with the TP and now we have explained that even the TP expresses a fundamental ethical presupposition, namely, the centrality of the autonomous individual.

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[25]Autonomy can be connected with the recent and growing literature on spiritual capital. The notion of >spiritual capital= grew out of Robert Putnam=s work on >social capital= (*Bowling Alone: The Collapse and Revival of American Community*C2000). >Spiritual capital= consists of those religious beliefs and practices that have a positive effect on free market societies and its institutions: economic, political, and legal. Autonomy is one such example. A number of economists have turned their attention to this phenomenon, including Gary Becker, Vernon Smith, Robert Barro (Barro and McCleary, AReligion and Economic Growth,@ *American Sociological Review*, October 1993), Lawrence Iannaccone (AAn Introduction to the Economics of Religion,@ *Journal of Economic Literature*, September 1998), and Robert Nelson (*Economics as Religion*, 2001).

I ask the reader to perform the following thought experiment. Imagine we discover another part of the universe with intelligent life but where the laws of physics and the truths of the social world are different from our own. Among the differences, the most efficient economy is a centrally planned economy. Ask yourself whether under those circumstances you would still choose to live in a free market society. My contention is that most of you would still prefer freedom even if it were less efficient![26]

[26]Michael Walker has reminded me that earlier editions of Samuelson=s widely used textbook on economics raised a version of this issue by projecting that the Soviet Union would overtake the U.S. economically by 2000!

Third, autonomy, or more precisely the lack thereof, explains the existence of dysfunctional people in free societies. The standard diagnosis [usually this means the politically correct explanation] for the existence of dysfunctional people and I might add every conceivable social problem is the lack of resources or the lack of positive rights. The default remedy, given the standard diagnosis, is some form of redistribution. But if we[27] are right, the existence of these dysfunctional people and a whole host of social problems is the presence of people who have not yet developed a sense of personal autonomy. I believe that this is true both domestically and internationally.

I would add to this that the greatest obstacle to globalization is the resistance to cultural change that seeks to substitute the notion of personal autonomy for more collectivist conceptions of the self. Some will argue that this amounts to western cultural hegemony. My responses would be, first, that autonomy is a fundamental truth about human nature and that its prevalence in the West is an accident of history. Second, those non-westerners who have experience and embraced personal autonomy recognize that it is an irreversible transformation of the self, not one choice among many; in fact, the notion of choosing an identity only makes sense if we have the capacity for autonomy. Third, cultures are not rigid structures but historical artifacts that change over time, most especially when confronted with alternative cultures. Finally, as V.S. Naipaul has put it, the Aidea of the pursuit of happinessY is an elastic idea; it fits all men. It implies a certain kind of society, a certain kind of awakened spirit. I don't imagine my father's parents would have been able to understand the idea. So much is contained in it: the idea of the individual, responsibility, choice, the life of the intellect, the idea of vocation and perfectibility and achievement. It is an immense human idea. It cannot be reduced to a fixed system. It cannot generate fanaticism. But it is known to exist; and because of that, other more

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[27]This explanation is borrowed from Michael Oakeshott=s discussion of autonomy in the AMasses in Representative Democracy,@ where he identified the dysfunctional as anti-individuals.

rigid systems in the end blow away.@[28] One does not impose personal autonomy, and that is the secret of its power.

[28]The Manhattan Institute for Policy Research, The 1990 Wriston Lecture, *Our Universal Civilization*, V.S. Naipaul, October 30, 1990, New York City.

Alternative ethical views

Having now laid out a positive, internal, comprehensive ethical framework for understanding free-market economies and the larger cultural context of which they form a major part, there may still be some skeptics among you. Is this just a story we tell ourselves, an exercise in apologetics, or does it help us to deal with critics in the practical domain?

Let=s test it by application to a specific practical problem, namely, the minimum wage. I=m sure all of us in this room understand that minimum wage laws do not achieve the end for which they were designed and that such laws are, in addition, counter-productive. If it is so obvious to us, why is it not obvious to everyone?

There are two parties to this dispute, and they have very different philosophical and ethical frameworks. I shall briefly spell them out (although I note that the other side never does this).

I call your attention to the communitarian principle that subordinates production to distribution. Given that principle, no amount of empirical evidence of the counter-productive consequences of minimum wage laws will have any effect. In fact, you will be greeted with the counter-assertion that even more intrusive redistributive policies are necessary to counteract those effects, *ad infinitum*.

Which of these two positions is true? Supporters can be found for both sides offering elaborate arguments in favor of each. Included in these debates are many of my friends B Aristotelian realist defenders of the market, Rights theorists, and, among economists, positivistic reductivists. No body ever wins these arguments. Why not? The reason is that the argument cannot be won. At this point readers may be perplexed and wonder why I am opting for a form of moral epistemological skepticism when I want to defend a particular ethical view. As you will see in what follows, the skepticism will be the basis for a different kind of argument in defense of personal autonomy.[29]

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[29]Moral epistemic skepticism is not the same as metaphysical moral skepticism.

Moral epistemic skepticism acknowledges the limits of resolving moral controversies through sound rational argument; metaphysical moral skepticism doubts whether there is moral truth; one can be skeptical about discursive moral rationality=s ability to establish a canonical moral understanding without being a metaphysical moral skeptic. What I am claiming is that the contemporary world is marked by a moral pluralism that reflects two things: (a) the impossibility of resolving moral controversies by sound rational argument based on geneerally available secular moral premises, and (b) that true moral knowledge presupposes a personal transformation of the knower. The special relevance this has for contemporary philosophical ethical discussion is that a large part of such thinking reflects a confidence in >reason= that can only be understood as misplaced in discursive rationality=s capacity to provide a canonical content-full moral understanding of right conduct. What I am suggesting is that we must take seriously the limits of discursive moral epistemology.

I now offer the following case against the possibility of a purely philosophical resolution of ethical diversity. It is not simply the case that there are significant ethical disagreements about substantive issues. Many if not most of these controversies do not appear to be resolvable through sound rational argument.[30] On the one hand, many of the controversies depend upon different foundational metaphysical commitments. As with most metaphysical controversies resolution is possible only through the granting of particular initial premises and rules of evidence. On the other hand, even when foundational metaphysical issues do not appear to be at stake, the debates turn on different rankings of the good. Again, resolution does not appear to be feasible without begging the question, arguing in a circle, or engaging in infinite regress. One cannot appeal to consequences without knowing how to rank the impact of different approaches with regard to different ethical interests (liberty, equality, prosperity, security, etc.). Nor can one uncontroversially appeal to preference satisfaction unless one already grants how one will correct preferences and compare rational versus impassioned preferences, as well as calculate the discount rate for preferences over time. Appeals to disinterested observers, hypothetical choosers, or hypothetical contractors will not avail either. If such decision makers are truly disinterested, they will choose nothing. To choose in a particular way, they must be fitted out with a particular ethical sense or thin theory of the good. Intuitions can be met with contrary intuitions. Any particular balancing of claims can be countered with a different approach to achieving a balance. In order to appeal for guidance to any account of ethical rationality, one must already have secured content for that ethical rationality.

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[30]This point has been persuasively made for the field of bioethics by H. Tristram Englehardt, *The Foundations of Christian Bioethics* (Lisse: Swets & Zietlinger, 2000): see p. 38 and Chapter One in general.

Not only is there a strident ethical diversity defining debates regarding all substantive issues, but there is in principle good reason to hold that these debates *cannot* be brought to closure in a principled fashion through sound rational argument. As one author has put it, AThere seems to be no rational way of securing ethical agreement in our culture.@ The partisans of each and every position find themselves embedded within their own discourse so that they are unable to step outside of their own respective hermeneutic circles without embracing new and divergent premises and rules of inferences. Many traditional thinkers find themselves in precisely this position. They are so enmeshed in their own metaphysics and epistemology, so convinced that they are committed to >reason= when what they are committed to is a particular set of premises and rules, so able to see the >flaws= in the positions of others who do not accept the same rules, that they quite literally do not understand the alternative positions or even how there can be other positions. More important, they fail to understand the character of contemporary ethical debate. What is peculiar about contemporary ethical debate is not just the incessant controversy but the absence of any basis for bringing the controversies to a conclusion in a principled fashion. This is what it means to live in a post-modern world.[31]

[31]The implicit recognition of this point has led many economists and social thinkers to embrace relativism, or to substitute politics for ethics, or to abandon the discussion of normative issues altogether and to remain mum.

Why is ethical pluralism both inevitable and a welcome result? The reason ethical pluralism is inevitable is that there is no such thing as human nature, only the human predicament. By >nature= here we mean an objective built-in teleology universally present in all human beings that would form the basis of a common ethicality.[32] This we deny. [It is strange to live in a world that promotes cultural diversity but refuses to recognize ethical diversity.[33]] There may be truths about the human >predicament= but these do not amount to a >nature= in the classical sense of the term. One fundamental feature of that predicament is human freedom. That is why no individual is a cultural automaton, and why any child makes up new sentences, that is, sentences not previously heard. Freedom is part of the ordeal of consciousness within which we create ourselves continually and our understanding of the world based on our experience of it. The way in which this task is accomplished is through learning. However, what distinguishes us from animals is that we are free to choose how we interpret experience.[34] Experience does not come to us in pre-packaged units.[35] This is why any reductive scientific account of the mind or learning (e.g., artificial intelligence or evolutionary biology) is bound to fail, as is the case with most educational reform. Our

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[32]Some defenders of free market society adhere to such a teleological view. I have three objections to such views: (a) they are empirically falseBsuch views are at best interpretations of the facts; (b) they fail to see that there are alternative teleological views with very different conclusions from the defense of free market, views that would justify massive intervention and redistribution to help everyone achieve those purported ends; and (c) they fail to show how they prove any one of these views.

[33]Of course, it is not so strange if the supporters of cultural diversity use that expression to mask a private hegemonic political agenda.

[34]This view is adapted from Michael Oakeshott. See especially his educational essays in *The Voice of Liberal Learning*, ed. By Timothy Fuller (New Haven: Yale University Press, 1989).

[35]This is the message and implication of Kant=s Copernican Revolution in philosophy or of what contemporary philosophers refer to as the >myth of the given.=

freedom is employed in our imagination and intelligence; these faculties are used in defining ourselves as individuals and in giving meaning to our experience of the world we inhabit; this engagement is called learning and is the source of our humanity. An individual freely chooses meaningful ways of understanding himself and the world around him. We must use our imagination in order to learn, but it is the unique ordering of our experience in imagination that makes us unique individuals.

What role does our cultural inheritance play in all of this? It is only through interaction with our inheritance that we become who we are. A cultural inheritance is a set of cultural achievements and practices, not a doctrine to be learned. The content of an inheritance can only be conveyed in the form of meanings. One of the most important ways in which we utilize our imagination is in reconstructing the inheritance. The inheritance is re-created through its appropriation; it is not homogeneous; there is no final or definitive formulation of it; and within it there are many voices.

The foregoing discussion of ethical diversity is welcomed because it enables us to address the issue of ethical diversity. Ethical diversity is not a problem to be solved; it is instead a reflection of a fundamental truth about the human condition. The ultimate truth is human freedom. It is this truth that is the only possible objective foundation of any ethical position.

To the extent that a universal civilization exists, it is based upon procedural norms on which most of us can agree; and these procedural norms (most especially the rule of law), are compatible with a wide variety of different substantive ethical views, but not every substantive view. It is a free market society that is most compatible with this kind of ethical diversity. In short, the ethics of a free-market society is a procedural ethics; the foundations of such a society are compatible with an extraordinary variety of substantive ethical and religious world views. Only the fanatic, the authoritarian, and the totalitarian are excluded. What unites the latter three (the fanatic, the authoritarian, and the totalitarian) is their inability and unwillingness to embrace the challenge of freedom and responsibility. It is not we who have to apologize to them; it is they who will

eventually have to apologize to us. It is, therefore, high time for us to take back the ethical high-ground and demand that apology!

Conclusion

Our grand narrative explains and encompasses other narratives. It is compatible with a plurality of different substantive narratives. It does not require the delegitimization of the plurality of substantive views. No one is excluded except those who exclude themselves. This is the ethical foundation of free market societies.

GRAND NARRATIVE
The Ethical Foundations of Free Market Societies

Basic Argument

Technological Project (TP) □Free Market Economy (FME) □ Limited Government (LG) □ (Individual Rights + Rule of Law (RL) + Toleration) □ Culture of Personal Autonomy (PA)

Technological Project (Bacon, Descartes, Locke)

1. Technology
2. Environment
3. Wealth (resources; issues of distribution)

Free Market Economy (in the context of TP B Hume, Adam Smith)

1. Private Property
2. Competition
3. Innovation

Limited Government (Political Economy)

Domestic

Individual Rights (civil association vs. enterprise association B Oakeshott) individual good vs. common good vs. collective good (James Madison Federalist #10): Republic vs. Democracy

Rule of Law (Oakeshott, Hayek)

International

International division of labor | world peace (Kant, Constant)

Foreign Policy | Globalization (WTO vs. Protesters)

Culture of Personal Autonomy (Kant, Hegel, J.S. Mill)

a. Inner-directed individual (Descartes, Ignatius Loyola, Max Weber)

b. Hegel on the relation of master-slave (solves problem of relating the individual good to the common good)

c. TP needs autonomous individuals

   i. Intermediate institutions like family and religion foster autonomous individuals

d. Autonomy as the spiritual quest of modernity and the TP as an expression of PA

e. The anti-individual & the culture of Poverty (Oakeshott, Lewis)

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