

EVERY ECONOMY IS A MORAL ECONOMY*

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Introduction

In this paper I will explore some of the relationships between two debates: about the concept of a ‘moral economy’, and especially its contested applicability to market economies; and about the place of ‘ethical’ judgments about conceptions of the good in political argument, and especially the neutralist liberal exclusion of these from justifications of state action. I will do this by responding to some of the central claims in a seminal article by William Booth, ‘On the Idea of the Moral Economy’, published ten years ago in the *American Political Science Review* (88, 3, 653-667). This is not only an excellent critical discussion of the moral economy school, including the work of Karl Polanyi, but one of the few that engages with its arguments from the perspective of political theory.

In the first section I outline Booth’s objection to a key claim of the moral economists, that market economies, by virtue of their ‘disembedded’ character, are non-moral economies, by contrast with the embedded and hence moral nature of economic activity in pre-market societies. Against this he argues persuasively that the normative (liberal) principles expressed in contractual exchange demonstrate the embedded, moral character of market economies. Following some terminological and conceptual reflections in section 2, I make use of the distinction between ‘ethics’ and ‘morality’ (the latter term now understood in a restricted sense, to exclude questions of the human good addressed by ‘ethics’) to suggest, in section 3, that Booth’s position might usefully be expressed as the claim that market economies are moral but not ethical (and are hence consistent with anti-perfectionist liberalism).

In the following two sections I question this claim, arguing that just like their non-market predecessors, market economies are both moral and ethical. In section 4 this view is supported by presenting the market as a device whose ethical goal is the use-value of consumer goods. In section 5 the focus switches to production, and specifically to the ethical character of the conduct of economic activity within the firm (a non-market institution essential to market economies). In both cases, the arguments are conceived as belonging to analytical, not normative, moral (or ethical) economy as a form of enquiry: no substantive normative judgments are made or implied.

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In the final section I return to the issue of perfectionism and neutrality in political theory. I suggest that the ‘actually’ ethical nature of market economies – often unrecognised because of an exclusive focus on exchange relations - makes liberal neutrality unduly restrictive in its implications for the normative basis of political choices between economic systems. I suggest also that identifying the ethical character of any economy requires a kind of institutional analysis at odds both with neo-classical economics and ‘new’ institutionalism.

1. Moral economies and market economies

As Booth argues, the central theoretical concept used by the moral economists is that of *embeddedness*, with the associated distinction between embedded and disembedded economies (or economic activities). Economic activity is said to be embedded when it takes place in a normative and institutional context provided by social and political relationships of various kinds, including those of kinship. It is thus seen and practised as a particular aspect or dimension of more broadly characterised activities from which it cannot be separated, and is subject to the normative rules and distinctions stemming from these non-economic dimensions of the social and political life of the community as a whole. By contrast, when economic activity is disembedded, it ‘takes on a life of its own’ [my phrase, not Booth’s]: it no longer forms part and parcel of the community’s social and political life, but is seen and practised as distinct from this, and as thereby ‘freed’ from any normative institutional order. Indeed, only in societies where economic activity is thus disembedded can there properly be said to be ‘an economy’ as such, a separate sphere or domain.¹

More specifically, according to the moral economists, it is only in *market* societies that this condition obtains. Market economies differ from all others in being disembedded, and what Polanyi (1957/1944) famously described as ‘the great transformation’ in modern European history consisted precisely in this disembedding of economic activity: the emergence of a ‘self-regulating’ economy no longer subject to normative order (though soon to be followed, according to Polanyi, by processes of at least partial ‘re-embedding’ as the damaging effects of disembedding became apparent). Thus the transition from pre-market to market economies can be characterised as the displacement of moral by non-moral economies (putting aside the impropriety of referring to the former *as* ‘economies’).²

Booth’s criticism of these claims by the moral economists – developed more fully in his book, *Households: On the Moral Architecture of the Economy* – consists in arguing that market economies are *also* moral economies: what distinguishes them is the substantive content of the morality in which they are embedded, not the lack of any

¹ Booth’s discussion of the moral economists focuses mainly on the work of Karl Polanyi and others influenced by him, and he gives particular attention to the contrast they draw between market economies and household economies, especially in ancient Greece. He gives little attention to their discussion of other kinds of non- or pre-market economy, and I shall follow him in this. He also discusses the work of James Scott (1976) and others on peasant revolts against the market, but much more briefly and mainly in relation to what I shall call the ‘meta-theoretical’ dimension of moral economy.

² As Booth points out, there are parallels here with Habermas’s distinction between lifeworld and system, and his account of their modern ‘de-coupling’ (Habermas 1987). Habermas notoriously refers to the economic sub-system as a sphere of ‘norm-free sociality’. [See Keat 2008c for a critical discussion of Habermas’s distinction, where it is argued that his account of colonisation implicitly requires both lifeworld and economy/system to have moral and ethical characteristics].

such morality.³ He articulates this content through the work of liberal social contract theorists, especially Locke, and argues that their endorsement of voluntary contractual relationships between equals can be seen as directed against the hierarchical, status-differentiated (and indeed patriarchal) nature of the pre-modern household. It thus involved the rejection, *inter alia*, of the specific character of the ‘normative embedding’ of household economies. (Booth takes ancient Greece as the paradigmatic case of household economies, and Aristotle as the most illuminating guide to their philosophical rationale).

Partly re-articulating this early-modern liberalism in more recent terms, he thus claims:

“The mode of producing and distributing the means for human sustenance embodied in the market is expressive not of a human propensity to truck, trade and barter or of the desire to acquire ever more things but rather of a moral redrawing of the community and of the place of the economy within it. What that transition yields is a new form of moral embeddedness for the economy. The attributes claimed for it are familiar: an economy whose actors are considered equals and a system indifferent to their noneconomic attributes; a contractarian, voluntaristic institutional context for exchanges; and the view that the public authority should not decide among preferences – that one is entitled to live one’s life “from the inside”, selecting and ordering one’s preferences according to the good as one understands it and seeking to engage the voluntary cooperation of others in one’s pursuit of them”. (Booth 1994, p.661b)⁴

Indeed, Booth is strongly inclined to believe that economic activity is always normatively embedded, in any society. Thus:

“The economy, in short, is suffused by the norms of the community of which it is a part, and we would expect that where divergence occurs either economic relations will be refashioned so as to bring them into harmony with the community or the latter’s values will, in a process of reflective equilibrium, undergo change. In this sense, and contrary to Polanyi-type arguments, all economies, including the near-to-pervasive-market economies, are moral economies, embedded in the (ethical) framework of their communities”. (*ibid.*, 662b)⁵

In section 3 of this paper, following some terminological reflections in section 2, I will say more about the ways in which Booth distinguishes the moral embedding of market from non-market economies. But before doing so I will briefly note two further elements of the moral economists’ position to which Booth gives some attention.

³ Booth distinguishes the normative from the institutional aspects of embedding, and concentrates on the former whilst also noting the latter (especially contract law and property rights). I will follow his emphasis here.

⁴ This leads him also to question the (implicitly critical) characterisation of the sale and purchase of labour as ‘commodification’, and to argue that what Polanyi regarded as the *re*-embedding of market economies through the development of the welfare state ‘actually’ represents additional forms of embedding, partly in tension with its (classical) liberal form: see Booth 1994, p.662a (also Booth 1993, pp 150-155).

⁵ This is the passage which inspired the title of this paper, though as will be seen, it might have been better entitled ‘every economy is an *ethical* (as well as moral) economy’. In the quoted passage, however, Booth (quite reasonably) uses the term ‘ethical’ interchangeably with ‘moral’.

First, there is the ‘meta-theoretical’ view [my term] that modern (neo-classical) economics cannot be used to understand the nature of embedded, non-market economic activity, and is appropriate only for disembodied, market economies. This is because its basic concepts and assumptions in effect mirror the distinctive nature of market economies, including the depiction of economic agents as self-interested rational maximisers and the ‘definition of the economic problem’ as one of rational choice between alternative resource-uses in a situation of scarcity. But this, it is claimed, is not how economic activity is conceived and practised in non-market societies, nor indeed what economic agents are like in such societies. The moral economists thus reject the universalising pretensions of modern economics, especially in its ‘formalist’ guise, and argue instead for a ‘substantivist’ approach to understanding and explaining economic activity in non-market societies, one that recognises methodologically its actual normative and institutional embeddedness.

Second, Booth notes that at least implicitly – and often more explicitly in those influenced by them – there is a normative dimension to the moral economists’ work. In various ways, the embedded nature of non-market economies is seen as a virtue, the disembodied nature of market economies as a vice. For Booth, however, to the extent that such judgments depend on the supposed absence of normative embedding in market economies, they cannot be sustained. What matters is the specific and differing characters of these embeddings, the desirability or otherwise of their substantive content: the contest is between rival moralities, not between the moral and the non-moral.

I will say more about how Booth characterises these differences in section 3. But first I want to make some terminological and conceptual comments.

2. Terminological interlude

Note: most of the following can be omitted without loss of understanding of the rest of the paper, and is anyway sketchy and tentative. However, the last three paragraphs introduce a distinction between ‘ethics’ and ‘morality’ that is central to its later argument.

The use of the phrase ‘moral economy’ to refer to a theory or family of theories with a specific content – including the claim that market economies are distinguished from others in being disembodied and (hence) non-moral – is unfortunate and potentially confusing. For example, it has the consequence that someone who disagrees with this substantive claim cannot be described as a ‘moral economist’, despite actually believing that more economies are moral economies than ‘the moral economists’ maintain. It would be preferable, instead, to define ‘moral economy’ analogously to ‘political economy’, ie as indicating primarily a kind of enquiry or discipline, and secondarily the presumed ‘object’ of this enquiry.

Admittedly, this would reproduce the oddity of ‘political economy’ having both of these senses, instead of following the distinction between ‘economics’ as the discipline, and ‘economy’ as its object; but one can usually avoid ambiguity here by the definite or indefinite articles being used when referring to the object (‘the/a political economy’) and not when referring to the discipline. The same could then be done with ‘(the/a) moral economy’. One would then, ideally, find another phrase altogether to name the substantive

theory. However, using ‘moral economy’ to refer to the specific theory is long-established, and although I shall avoid this usage, I will use ‘*the* moral economists’ to refer to those who accept this theory.

The more important question is: what would be the definition of moral economy as a discipline or field of enquiry? By analogy with a standard definition of ‘political economy’ as the study of the relationship between political and economic processes, institutions etc – including what might be termed ‘the political dimensions of economic processes etc’ – one would presumably say: the study of the relationships between economic and moral processes, institutions etc (including the moral dimensions of economic processes). An apparent difficulty with this is that whereas – at least in modern, ‘differentiated’ societies⁶ – we have a rough sense of what specific institutions and processes ‘political’ might refer to, and hence of what would be involved in investigating relationships between them and economic ones, the same is not true for ‘moral’ ones (although this does not affect the other part of the field of study, ie ‘the moral dimensions of the economic’). But this difficulty might be resolved, in somewhat ad hoc ways, by identifying various institutions etc in which relevant norms could be ‘located’.⁷

A further potential source of confusion is that the phrase ‘moral economy’ is also used in expressing a normative evaluation of a type or instance of an economy (as object). Thus ‘a market economy is a moral economy’ might mean that it is a morally justified and/or desirable one. (There is no parallel problem with ‘political economy’: if one wants to say that an economy is politically desirable or justified one just says that, not that ‘it’s political’). But this is primarily a problem of potential ambiguity, rather than conceptual inadequacy. In a similar vein, it should be reasonably easy to distinguish between normative and non-normative (say, ‘analytic’) moral economy as disciplines or forms of enquiry, just as one does between normative and non-normative/analytical political economy or political theory.⁸

However – and finally - the category of ‘the moral’ may itself be in need of some internal differentiation, in light of the argument made by many recent political theorists and philosophers that it conceals an important distinction between two kinds of normative judgments. First, there are those concerned with *morality*, now used in a restricted sense to refer to claims about the rules which should govern people’s relationships with one another, the proper limits on their pursuit of their own interests, the principles upon which income,

⁶ This reference to ‘differentiation’ could generate another paper-length discussion, but I will only note here that a somewhat different response to the moral economists is to argue that disembedding is a misleading way of representing the process of differentiation (see Holton 1992). According to this conceptualisation, institutionally distinct spheres or domains emerge, but between these there are relations of influence and dependency, and within them normative dimensions exist. These points apply to ‘the economy’ as much as to any other such institutional domain (and on some accounts of institutions, they are themselves inherently normative: hence, crucially, economies do not need to be ‘embedded in society’ to be social and moral). [See Krippner 2001 for an illuminating analysis of the extensive literature on ‘embedding’, including Mark Granovetter’s (1985) influential contribution].

⁷ To pursue the analogy with political economy a little further, one might consider whether ‘there is no political economy in this society’ is a possible substantive claim in this discipline.

⁸ However, there is a problem here: is normative moral economy an enquiry into the moral desirability of economies, or of moral economies? The latter would seem to involve questions about whether ‘the morality in which the economy is embedded is a good one’, or about the adequacy or desirability of the embedding, and so on. The former would simply be concerned with the desirability or otherwise of *any* feature of an economy, not only its ‘moral’ ones.

wealth or opportunity should be distributed amongst them, and so on. Such judgments are also often referred to as being concerned with what is 'right' and/or 'just', and closely associated with the ascription to people of 'rights'. Second, there are judgments concerned with *ethics*. In ordinary language, the meaning of this term is rarely distinguished from that of 'morality', and indeed in phrases such as 'business ethics' or 'professional ethics' it is used in precisely the sense outlined above for 'morality'. However, in its technical definition here it is used instead to indicate a different set of concerns: not with how people should behave in relation to one another, but with what their 'good' consists in: what would constitute a 'life worth living', what would contribute to their well-being or flourishing or fulfilment, what it would be best for them to pursue as goals or ends, and so on.

This distinction between morality and ethics, the right and the good, has been central to debates between liberal and non-liberal political theorists (and also to the work of Habermas and his critics). In particular, it has been used by 'anti-perfectionist' or 'neutralist' liberals to articulate and defend a basic principle governing state action (and by implication, the basis of political debate and decision about such action): that it should not be directed towards the realisation of any specific conception of the good, and/or not be justified on the basis of ethical judgments, ie judgments about the substantive merits or defects of any such conception; the normative basis of such decisions should instead be restricted to 'moral' judgments. Although the legitimacy of this distinction, and hence the conceptual coherence of anti-perfectionist liberalism, is challengeable, I shall make use of it now in identifying what is involved in Booth's critical response to the moral economists and in developing my critical response to this.

3. Moral economies and ethical economies

I return now to Booth's claim, contra the moral economists, that market economies are moral economies. This claim is a more nuanced, qualified one than I have so far indicated. He draws attention to the fact that the basis upon which he argues for the normatively embedded character of market economies will not seem adequate from an Aristotelian standpoint, since something that is central to ancient Greek (and other) household economies, and is required by genuinely moral economies, is missing from this liberal representation of the market's moral underpinnings. This missing element is a clearly articulated and shared sense of the overall end or purpose served by the economy, of the human good to which it contributes, and hence of the economy as an instrument for this purpose, open to evaluation in terms of how well it serves it.⁹

In the case of the Greek household economy, Booth argues, this ethical end consisted in providing sufficient leisure-time and resources for engagement in the kinds of activities seen as constituting the 'good life for humans', including friendship, politics, private and public giving, and philosophical reflection; or rather, providing the opportunities for these activities to a particular group or class of individuals, namely citizens.¹⁰ By contrast, market economies not only seem to lack any such ethical purpose, but the specific character of their normative basis is such that it rules out the possibility of subordinating economic activities to an

⁹ As Booth notes, this also implies that economics as a discipline should be guided by philosophical enquiry into the proper ends of economic activity; he refers to Sen's support for this view.

¹⁰ Ie (free) male masters of households, not themselves engaging in work etc; this analysis is developed more fully in *Households* (Booth 1993), where Booth also notes the linkage between the internal hierarchy of ('despotic') households and the ethical hierarchy of ends.

overarching good: by endorsing voluntary contractual exchanges between equal individuals who pursue their freely chosen goals or preferences, and refusing to discriminate between these on the basis of authoritative social judgments about their value, it appears to reject this central aspect of household economies and their Aristotelian rationale. As Booth puts it, from Aristotle's standpoint market economies look like "... masterless households in which one can do whatever one wants.... One does as he wishes because the idea of a sovereign good (the master) is absent and in its absence all desires and pleasures, all life plans, are treated and honoured equally".¹¹

As a first approximation, subject to some later qualification, Booth is inclined to accept this Aristotelian contrast between market economies and their household counterparts: not, it should be emphasised, to accept any critical judgment of the former based on this contrast, but only this characterisation of a central difference between them. And although he does not explicitly present it in the following terms, I think it would be both illuminating and consistent with his own presentation of the contrast to make use of the distinction between *morality* and *ethics* to re-articulate its nature. We can then say that, on Booth's account, what is distinctive about market economies is that they are *moral* (in the restricted sense) but *not ethical*, whereas non-market economies (or at least household economies) are both moral *and* ethical. The great transformation, then, was not from moral to non-moral economies, since market economies *are* moral economies; rather, it was from (moral and) *ethical* to (moral but) *non-ethical* economies.

In the following sections of this paper I will be arguing against this view, and claiming instead that *every economy is an ethical economy* – or at least, that this is true of the 'contested case', ie market economies (and would be a more appropriate title for this paper!). But first I need to qualify and refine the attribution to Booth of the view that market economies are moral but non-ethical economies.

Booth rightly emphasises that the liberal rejection of any subordination of the economy to a 'sovereign good' is itself a principled one, and correspondingly that the market's lack of an ethical goal is seen (from this liberal standpoint) as a virtue, not a vice. Hence, as he puts it, the liberal *does* have an answer to the Aristotelian question, "For what end is the economy in this specific, market, form?", namely: "So that within this sphere I may do with my things, my labour, and so on as I wish, consistent with a recognition of the rights of others to do likewise; in short, so that as far as is possible under conditions of interdependency, I may lead my life 'from the inside'." (*ibid.*, p.664a)

Booth characterises this answer as expressing "...a more reflective form of liberalism – guided by the question of the good rather than by a theory of rights alone, but a liberalism nonetheless" (664b). From the references he then makes to the work of Ackerman, Larmore and Rawls, it seems that this reflective liberalism is nonetheless conceived as remaining within the neutralist, non-perfectionist camp. However, there are aspects of this answer which, when combined with other ways in which Booth characterises the liberal-normative underpinnings of the market – for example, his comment that voluntary contractual

¹¹ Booth 1994, p.664a; cf pp.663-4, where he represents this liberal market morality in terms of 'neutrality and egalitarian pluralism'.

relations are seen as “a central *good*” [my emphasis] – would be open to an alternative, perfectionist form of liberalism, which identifies the human good in terms of (some form of) autonomy.¹²

From this standpoint, market economies might then be seen as ethical economies, to the extent that they can be shown to embody this liberal ‘ethic’. But of course this perfectionist liberalism is significantly different from other perfectionisms, including Aristotle’s, since it refuses to specify the substantive content of the good life for humans, insisting only that whatever that content is, it must be chosen and pursued autonomously: the good for humans is to choose freely what life to live (whatever that may turn out to be). One might register this difference by saying that, on the perfectionist liberal account, market economies are *quasi*-ethical economies.

However, I want now to argue that market economies are ‘fully-fledged’ ethical (as well as moral) economies. I will begin by noting that when Booth poses the Aristotelian question about what end is served by market economies, the only kinds of answers he considers are those that might be provided by liberal theorists.¹³ This is understandable, given the way in which he has argued for the moral nature of the market, ie by focusing on exchange relationships and their liberal rationale. But it is also potentially misleading, since liberal theory has tended to conceive of market economies as if they were ‘nothing but’ a series of contractual exchanges, thereby excluding from consideration other features which might well be relevant to their ethical character, and which have been central to the concerns of other theoretical traditions. More specifically, the liberal focus on exchange needs to be complemented by attending both to the outcomes of economic activity in *consumption*, and the processes (and institutional structures) involved in *production*. I will consider each in turn in the following two sections.¹⁴

4. From exchange to consumption

If one returns to the Aristotelian question about the (ethical) end of economic activity, and puts aside a liberal mindset, there is an apparently obvious answer in the case of market economies, namely the one given by Smith, when he said that the purpose of production was consumption (and then tried to show why market economies were so successful in achieving this aim). Consumption, that is, is the ethical goal: market economies are ‘instruments’ by which contributions to human well-being are made in the form of consumer goods and the various uses to which they are put (uses which generally take place outwith the economy itself: see Keat 2000 chs 7 and 8). Of course, this doesn’t tell us much until a great deal more is said, both about the

¹² Booth makes this comment in criticising Polanyi’s account of the ‘re-embedding’ of market economies, arguing that when contractual freedom is over-ridden to achieve other goods, what is partly sacrificed is itself a good (*ibid.*, pp.661-2). An autonomy-based perfectionism is perhaps also suggested by his implicit view that contractual exchanges are not only ‘voluntary’ but based on ‘freely chosen ends’. [See O’Neill 1998, chs 5-7, on perfectionist liberal defences of the market].

¹³ There is also a difficult methodological issue here, about whether we should be looking to theoretical answers at all, as distinct from those ‘provided by the economy itself’, since we need to avoid thinking that an economy is an ethical or moral economy simply because there is a possible ethical or moral justification for it. But in the case of liberal theory and exchange relations, what is being normatively endorsed is something which ‘actually belongs’ to market economies, in their exchange relationships – though whether these in practice have the moral meaning attributed to them by liberal theory is another matter.

¹⁴ Of course liberal theory has been concerned with exchange relationships in the sphere of production, ie between workers and employers; but not with the further relationships involved in ‘carrying out what has been contracted to be done’, as it were.

different kinds of consumer goods concerned and about the possible value of their contribution to well-being. We can no doubt anticipate that Aristotle would not have been greatly impressed by much of what would then be said, but that does not show there is no ethical answer to his question about ‘the end’ of economic activity in the market, only that he might dispute its value normatively.

I will not say anything here about the uses of consumer goods and their possible ethical value(s), other than to register some dissatisfaction with the way in which such discussions too often treat ‘consumption’ as a single category and then either berate or celebrate it, ignoring its heterogeneous and concrete character. Instead I will make a few comments about why this apparently obvious answer to the Aristotelian question has sometimes been denied, especially in the Marxist theoretical tradition.

In his book, *Households*, Booth argues that Marx regarded the replacement of production for use-value by production for exchange-value as the crucial distinguishing feature of the (capitalist) market economy; that this distinction both mirrored and derived from Aristotle’s distinction between the household economy (*oikos*) and the pursuit of wealth through the market (*chrematistike*), and that both theorists regarded this as disqualifying market economies from being properly said to have an ethical goal, the human good. But this conclusion does not obviously follow from the ‘fact’ that production (by firms) in market economies ‘aims only at exchange-value’. The (implicit) Smithian reply seems to me quite persuasive (especially, as I shall shortly suggest, if it is given an additional ‘political’ gloss): the market is a system which generates use-values precisely through firms aiming only at generating exchange-values, and indeed does so more effectively than systems whose constituent agents aim directly at producing use-values.¹⁵

It might be objected that this does not justify regarding use-value as the ‘goal’ of market economies, on the grounds that this teleological concept should be restricted to conscious human purposes, as distinct from unintended systemic ‘goals’ of the kind implied by this use of the Smithian reply. But even if this objection is accepted, its force can be removed – at least in principle – in the following way. Imagine the members of a political community coming to a decision about what kind of economic system to ‘institute’, and hence in all probability to utilise the powers of the state to support. They become convinced of the merits of the Smithian claims about the market, and agree therefore to institute such an economy in order to generate use-values (through consumption) for their members. By doing so they will, as it were, transform the unintended systemic goal into a consciously intended purpose: their market economy will be an unchallengeably ethical one. Of course, no such simple episode has ever actually occurred; but it would be implausible to deny that something broadly resembling this kind of ‘democratic choice’ of market economies (or at least consent to them) can be attributed to at least some actual political communities.¹⁶

¹⁵ I am not saying that this is true, but only that if it is, it may legitimately be used to justify attributing this ethical goal to market economies.

¹⁶ This argument also has implications for the way in which Polanyi presents the ‘self-regulating’ nature of market economies as demonstrating their ‘disembedded’ character. If a self-regulating system is politically chosen because of its presumed benefits, it can reasonably be regarded as politically ‘embedded’, despite otherwise operating (largely) independently of political intervention.

One final set of comments on this argument for the (at least potentially) ethical nature of market economies... . What I have just referred to as ‘becoming convinced of the merits of the Smithian claims about the market’ would only be a reason to ‘institute’ a market economy if people not only believed it was the best generator of consumer goods but also that these were indeed valuable, that they contributed significantly to well-being. In other words, judgments have to be made about the ethical value of what the economic system generates, and it is on the basis of these kinds of judgments that the use of the state’s powers – to define and support property rights and contract law, for example – is justified. And this, it seems clear, would be inconsistent with non-perfectionist liberal theory, which rules out ethical judgments as a justification for state action.

Whether it is inconsistent with the kind of autonomy-based perfectionist liberalism noted in the previous section is less clear. It might be argued that this rules out state action that is aimed at securing any ‘good’ other than that of autonomy, and hence would have the same implications as non-perfectionist liberalism for political decisions about the market based on the presumed value of consumption. However, this argument depends partly on the analysis provided for autonomy. In particular, Joseph Raz (1986, 1994) has argued that one of the conditions for autonomy is the existence of ‘an adequate set of valuable options’ for individuals to choose to pursue, and that it is not only permissible but obligatory for the state to ensure this, provided that in doing so it acts in autonomy-consistent ways (and that the options themselves are thus consistent). That both the ‘instituting’ of a market economy and its ‘mode of operation’ meet these requirements seems *prima facie* plausible; judgments about the value of consumption could then enter the political debate about what to include in ‘an adequate set of valuable options’.¹⁷

5. From consumption to production

Although a consumption-based argument for the ethical nature of market economies is both plausible and significant, it needs to be complemented by an argument which focuses on the ethical dimensions of the sphere of production. Much as Aristotle might have disliked ‘the consumption answer’ to his question about the ethical purpose of a market economy, this answer is at least consistent with an important assumption in the way that question is normally put, or interpreted: that whatever end is served by the economy must reside outwith the economy, since there is nothing of ethical value in economic activity itself. That is, the Aristotelian question is typically interpreted (and intended by Aristotle) as implying a purely instrumental value for economic activity. The possibility of answering the question by referring to human goods intrinsic to economic production would be denied by Aristotle, and this denial is reflected in the allocation of such activity in the household economy to those without citizenship status. Production is not, for Aristotle, a genuine *praxis*.

But not all ‘Aristotelians’ have taken this view: most notably Marx, and more recently, for example, Alasdair MacIntyre (MacIntyre 1981). In the latter’s view, economic production is at least potentially what he calls a

¹⁷ However, I do not think Raz’s analysis of autonomy is quite right, since it implies that there is no value in autonomously performing worthless actions (and arguably involves a circularity in the definition of autonomy). I would argue instead for a ‘liberal perfectionism’ which permits state action based on *non*-liberal ethical values provided that they are autonomy-consistent, ie are not *il*-liberal. [I develop this argument, and the distinction between perfectionist liberalism and liberal perfectionism, in Keat 2006 and 2008b].

'practice', and hence a site for the development of distinctively human powers and the enjoyment of goods 'internal' to the activity concerned, as distinct from 'external' goods such as money and power.¹⁸ Indeed, prior to the rise of the market, he implies, economic production actually was conducted as a practice. Thus MacIntyre's version of 'the great transformation' depicts it as a transition from an ethical (and moral) to a non-ethical (and non-moral) economy, a transition in which the demise of ethical *production* – production conducted as a practice – is central. In modern, market societies, he claims, the conduct of production as a practice survives only at the margins, by contrast with its dominant form in market-driven firms or enterprises. He illustrates the contrast by comparing two kinds of fishing crew. The kind typical of a market economy is described as follows:

"A fishing crew may be organized and understood as a purely technical and economic means to a productive end, whose aim is only or over-ridingly to satisfy as profitably as possible some market's demand for fish. Just as those managing its organization aim at a high level of profits, so also the individual crew members aim at a high level of reward. Not only the skills, but also the qualities of character valued by those who manage the organization, will be those well designed to achieve a high level of profitability. And each individual at work as a member of such a fishing crew will value those qualities of character in her or himself or in others which are apt to produce a high level of reward for her or himself." (MacIntyre 1994, pp. 284-5).

He then depicts its non-market counterpart crew, engaged in a practice:

"Consider by contrast a crew whose members may well have initially joined for the sake of their wage or other share of the catch, but who have acquired from the rest of the crew an understanding of and devotion to excellence in fishing and to excellence in playing one's part as a member of such a crew. Excellence of the requisite kind is a matter of skills and qualities of character required both for the fishing and for achievement of the goods of the common life of such a crew." (*Ibid.*, p. 285).

There are several further dimensions to this contrast between production conducted as a practice and its predominant form in market economies. But I will focus here on what I regard as the overall strengths and weaknesses of his account as a way of thinking about the ethical nature of production. Its main strength (at least potentially) is that it focuses our attention on the main 'site' of production in market economies, the firm, and treats it as a specific kind of institution which either facilitates or discourages certain kinds of relationships, attitudes and motivations, ideals of character and virtue, the prioritisation of particular kinds of goods and sources of enjoyment, and so on. In other words – though not ones that MacIntyre would employ – it encourages us to explore 'the ethical life' of production in this institutional location.

Its main weaknesses are twofold. The first is conceptual. MacIntyre's normative commitment to practices leads him to deny the status of 'ethics' to the ways in which, on his account, productive activities and

¹⁸ "By a 'practice' I am going to mean any coherent and complex form of socially established cooperative activity through which goods internal to that form of activity are realised in the course of trying to achieve those standards of excellence which are appropriate to, and partially definitive of, that form of activity, with the result that human powers to achieve excellence, and human conceptions of the ends and goods involved, are systematically extended." (MacIntyre 1981, p.175)

relationships are conceived and valorised in market firms. For example, although 'internal' goods may be judged superior to 'external' goods as sources of human well-being, this does not imply that pursuit of the latter is not to be conceived as an attempt to realise a certain conception of the good: a 'materialist', after all, is someone who *values* goods of a certain kind. Thus what MacIntyre represents as a transition from ethical to non-ethical production is better conceived, analytically speaking, as one involving a change in the specific ethical character of productive activity.¹⁹

The second weakness is empirical. Although MacIntyre's depiction of what I would call 'ethical life within market firms' is instantly recognisable, this might have more to do with the reader's familiarity with economics textbook representations of such firms than with actual ones. Or perhaps more accurately and significantly, MacIntyre's depiction may be true of some kinds of firms, but not, or less so, of others. (See Keat 2000, ch. 6 on these and related points). More specifically, it might be argued that the kind of firm he presents as typical of modern market economies is instead typical only of a certain 'variety' of such economies: of what is often (though a bit misleadingly) referred to as a *liberal* market economy, exemplified by the UK and USA, as distinct from a *coordinated* market economy, of which Germany would be a paradigmatic example.²⁰

Indeed, there are features of the latter which are arguably quite conducive to at least some elements of production-as-a-practice: the focus on quality- rather than price-competition; intra-industry cooperation between firms in research and development, and in apprenticeship-based training systems; protection from short-term profitability requirements; and so on.²¹ So although there may be generic features of the ethical life of production that are present in any market economy, we need to avoid the assumption that these are the only or dominant ones, and likewise to avoid taking theoretical short-cuts by assuming, for example, that neo-classically based accounts of principal-agent relationships, or Weberian representations of instrumental rationality, tell us much about the realities of ethical life within the productive institutions of specific kinds of market economies.

¹⁹ There are some difficult methodological issues here, and the position I have taken depends on being able to provide a generic definition of 'ethics' (and 'morality'), or perhaps on replacing these concepts by phenomenologically defined ones, of the form 'what is *seen as...*' etc. Consider Weber's 'spirit of capitalism'. Yes, that is 'an ethic', but what about its supposed successor, 'mere' instrumental rationality? My inclination is to treat that too as 'ethical', as a specific way of acting seen as valuable (and requiring interpretive understanding as an 'object' of moral-economic enquiry). It should also be noted that MacIntyre does not deny the value of external goods. [Indeed this first criticism of MacIntyre is arguably unfair, since external goods *are* 'ethical', for him. I try to do better in my discussion of MacIntyre in Keat 2008b].

²⁰ See Hall and Soskice 2001, who use this terminology; cf Crouch and Streeck 1997, who do not, but make similar contrasts. I suspect 'the moral economists' would regard LMEs as disembodied, non-moral economies, and the latter as embedded, moral ones. My view is that they are both equally, but differently, moral (and ethical) and embedded. [See Keat 2006 for an extensive use of Hall and Soskice's work to show the ethically differing character of different kinds of capitalism]

²¹ For example, MacIntyre says that for firms in market economies, "...when the level of profitability is insufficiently high, relative to comparative returns on investment elsewhere, management will from its point of view have no good reason not to fire crew members, and owners will have no good reason not to invest their money elsewhere." (*Ibid.*, p. 285). But one could argue that this is more true of firms in LMEs than in CMEs, due to institutional differences in finance and governance. [I develop this argument in some detail in Keat 2008a].

6. Institutional economics and perfectionist politics

I will conclude by returning to Booth's analysis of market economies as (only) moral economies in light of the attempt I have made in the preceding sections to show how they may also be understood as ethical, especially if one shifts attention away from an exclusive concern with exchange.²² Booth himself draws attention to the fact that market economies typically consist not only of 'market' (ie exchange) relationships between individuals, but also of 'non-market' relationships, especially those involved in firms. What we refer to as 'market economies' are economies in which production itself takes place in non-market institutions, and as he also points out, neo-classical economists have recently devoted considerable attention to explaining the existence and nature of firms – for example, through the kind of 'transaction costs analysis' developed by Williamson (1975) and others, often now referred to (though not by Booth) as 'the new institutionalism'.²³

The main use to which Booth puts these points is to cast doubt on the moral economists' claim that although modern (ie neo-classical) economics is appropriate as a basis for understanding (disembedded, non-moral) market economies, it is not so for their (embedded, moral) predecessors – roughly, 'formalism for market economies, substantivism for the rest'. He argues that this claim ignores the fact that modern economics deals not only with market relationships but also with non-market institutions, and then explores the possibility that the conceptual resources with which it does so might likewise be applied to other 'non-market', ie *pre-market*, institutions and relationships. He eventually concludes that this will not quite work, since there are cultural differences that make the application of even a broadly defined model of rational choice to agents in pre-market economies problematic, at least in some contexts.²⁴

There is, though, another possibility here, which Booth does not consider: that the application of neo-classical economics to the non-market institutions of *market* economies might *also* be unsuccessful. This, at least, would be the view taken by critics of the 'new' institutionalism, including those such as Hodgson (1988, 1993) who argue that what is needed instead is a revival of 'old' institutionalism, rejecting the methodological individualism of its (inferior) successor and its failure to break with the neo-classical paradigm, and developing a more sociologically and historically oriented analysis of economic institutions, including firms. If this approach were taken, one would presumably respond to the moral economists' 'formalism only for market economies', not by the neo-classicists' 'formalism for *all*', but by '*substantivism* for all'. And this itself, I suggest, would be consistent with – indeed required by – the way in which I have tried to argue for the *ethical* (as well as moral) character of market economies, especially with respect to production, since if one is to

²² One might also argue 'the ethical case' by considering exchange as a specific kind of social relationship, but I will not do this here. [See Raz 1994, pp 40–42, on what he calls 'duty-constituted goods'].

²³ In many respects, firms are the equivalent of households in pre-market economies – something which Hayek emphasised in distinguishing between markets and firms, and in depicting the 'error of socialism' as believing that one could revive a pre-modern, household-economy, by trying in effect to organise a modern economy as a single firm. Whether the hierarchical nature of firms is consistent with (liberal) autonomy is problematic; it may be worth noting here that 'reduced hierarchy' is a feature of coordinated market economies.

²⁴ See especially his reference to Bourdieu on p 660a. However, Booth's main argument is not so much about the application to pre-market economies of TCA and the 'new institutionalism' with respect to firms, but of the choice-theoretic approach more generally and the use of concepts of scarcity, surplus, and so on. He also argues that 'the economy' is, in the Greek case, 'visible and distinct', contrary to the moral economists' view of non-market economies.

identify and understand the ‘ethical life’ of production in firms, one needs the conceptual resources of ‘old’ rather than ‘new’ institutionalism. [See Keat 2009 for further discussion of institutional v. neo-classical economics]

The ‘fact’ that market economies are ethical (as well as moral) economies does not, of course, have any implications for whether they are ethically (or morally) desirable, justifiable or the like: the claim that they are ethical belongs to what can be called ‘analytical’ moral economy, as distinct from its normative counterpart (see section 2 above). It would seem, however, that it does have implications for the kinds of grounds on which these normative evaluations should themselves be based, and hence for what would count as legitimate reasons for a political community’s acceptance or rejection of a market economy, or its decision to institute one ‘variety’ of market economy rather than another, and so on. These grounds, one might think, should at least *include* distinctively ethical ones: amongst them, judgments about the value of (various kinds of) consumption as a source or form of human well-being, and about the value of the relationships, meanings and conceptions of the good which are available through engagement in production in the institutional context of (various kinds of) firms.

But these are the kinds of grounds which, it seems, non-perfectionist liberal theory rules out of court: political debates and decisions about the market inevitably imply particular uses of the powers of the state, and the neutralist liberal prohibits these being justified by reference to substantive ethical judgments about the merits or value of specific conceptions of the good. Of course, there is no logical inconsistency between the neutralist prohibition on ethical arguments as a basis for political decisions about market economies, and the ‘fact’ of the ethical character of these economies: the neutralist can accept that there are non-neutral ethical *consequences* of such decisions while still insisting that these should not figure as justificatory grounds for them.

However, there comes a point at which this ‘principled limitation’ of political debate (and of normative political theory) may well seem unduly, artificially – and I would argue, unnecessarily – restrictive [see Keat 2006]. This is not a problem that has greatly exercised liberal theorists, who have generally regarded ‘the political choice of the market’ as an unproblematic application of non-perfectionism. But this, I have argued, only seems at all plausible if one restricts one’s understanding of market economies to exchange relationships, where liberal ‘morality’ is on show,²⁵ and ignores both their non-economic outcomes in the sphere of consumption and their non-market relationships in that of production, in both of which non-liberal (but not thereby il-liberal) ethics are in evidence.

²⁵ [And even then, the ethical character of exchange itself should be recognised: see Note 22 above; also Note 12 on perfectionist liberal defences of the market, which typically focus on autonomy in exchange].

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