ON THE LIMITATIONS OF THE IMPLICIT MORALITY OF THE MARKET: A PERSPECTIVE FROM MODERN ECONOMIC ANALYSIS

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Abstract

The paper explores the norms and values supporting the market as a social institution, seeking to outline them explicitly. After this, it addresses the following questions: what dimensions of value in things, relationships and persons are acknowledged or ignored by the norms of the market? Second, what are the ideals of self and society that the market attempts to embody? Third, does the extension of the market to a certain realm undermine the realization of other ideals? The main point of the paper is that market forces must be embedded in supportive, but constraining, social, institutional and normative frameworks.

1. Introduction

The world economy is undergoing startling change. Almost every country has been moving toward freer markets and extensions of the private enterprise capitalist system. Of late the process has been most marked, I suppose, in Cina during the early 80's and more recently in the amazing transformation of the formerly centrally planned nations of Central and Eastern Europe. But the nations belonging to OECD have also privatized state-owned industries, have de-regulated private industry, have freed international trade and capital movements and seem intent on further liberalizations. Meanwhile, the aid, loans or debt relief to developing countries provided by the World Bank, the IMF or other lending agencies appears to be tied more and more to schemes that extend the influence of world markets upon each nation's economic system.

However, it is mainly with reference to the Central and Eastern European Countries that recourse to the market has become the cliché that is being used to characterize the new direction toward which these economies aspire to turn. But there are disturbing signs that many inhabitants of those countries were not aware of what the market entails and what circumstances are necessary for it to perform the miracles that Karl Marx admired so extravagantly: "It has accomplished wonders far surpassing Egyptian pyramids, Roman aqueducts and Gothic cathedrals... The bourgeoisie during its rule of scarce one hundred years, has created more massive and more colossal productive forces than all previous generations together" (The Communist Manifesto).

They seemed unwilling to recognize that the market depends, for its effectiveness, upon the acceptance of specific values and social relations. More specifically, they seemed uncapable to recognize that the market is much more than a mere mechanism for allocating resources. First and above all, the market is a social institution and as such it embodies an implicit morality consisting of norms regulating the production, exchange and enjoyment of goods that are sensitive to some values and insensitive to others. These norms also foster certain shared understandings of the relations of the participants and thereby promote particular ideals of self and society.

The object of the present paper is to explore these norms and values, seeking to outline them explicity, and to bring them fully into the open. For, surely, unless the pillars of the implicit morality of the market are understood fully, a dispassionate evaluation of the proper extent of the market in providing goods is impossible. In particular, it is impossible to determine which goods are properly subjects of market transactions and which are not. Indeed, it should be noticed that a distinctive feature of modern capitalist societies is the tendency of the market to take over the production and distribution of goods that were previously produced and distributed by non-market means.Yet, there is a wide range of disagreement regarding the proper extent of the market in providing many goods.

To help tracing out the ethical limitation of the market, in what follows I will address the following questions: first, what dimensions of value in things, relationships and persons are acknowledged or ignored by the norms of the market? Second, what are the ideals of self and society that the market attempts to embody? Third, does the extension of the market to a certain realm undermine the realization of other ideals? The main point I want to stress in this paper is that there is more to capitalist economies than the free play of market forces. Market forces must be embedded in supportive (but constraining) social, organizational, institutional and normative frameworks.

2. Social norms and relations of the modern market

In order to answer these questions we need to understand the ideals and social relations of the modern market.

The most important ideal that the modern market attempts to embody is a particular conception of freedom. On this view, freedom is primarily exercised in the choice and consumption of commodities in private life. It consists in having a large menu of alternatives things in the private sphere without having to ask permission from anyone else[1]. The freedom that the market gives us is the freedom to use commodities without the constraints implied by other modes of valuation. To appreciate the latter, one requires an investigation into the social relations of the market.

Five features of the social norms and relations of the market are particularly important for understanding the distinctive character of economic valuation, as opposed to other modes of valuation. First, market relations are impersonal. The producers and consumers of economic goods are typically strangers. The parties have no precontractual obligations to provide one another with the goods they exchange. They deal with one another on an explicit basis of exchange, in which each good that changes hands has its equivalent in return. This serves to guarantee mobility: the parties are free to change their trading partners at any time. The impersonality of market relations thus defines a sphere of freedom from personal ties and obligations. There is another side to this impersonal freedom: one need not exhibit any specific personal characteristics to gain access to the goods traded in the market. The market is open to all indifferently, as long as they have the money to pay for the goods. Money income - not one's personal status, or relationships - is what determines one's access to the realm of the market[2].

Second, the market is understood to be a sphere in which one is free, within the limits of the law, to pursue one's personal advantage unrestrained by any consideration for the advantage of others. Each party to a market transaction is expected to maximize his own objective function and not to depend on the other to look after his own interests. The sphere of the market is the sphere of self-interest. Indeed, the market guarantees economic efficiency insofar as every agent pursues his own interests.

Third, the goods traded on the market are exclusive and rivals in consumption. This implies that the goods are private, i.e. non-public goods. Indeed, the market mechanism is in greattroubles when it has to do with the production and distribution of public goods.

Fourth, the market is a purely want-regarding institution and not a need-regarding institution. What it responds to is "effective demand", i.e. desires backed up by money or the willinguess to pay for things. Commodities are exchanged without regard for the reasons people have in wanting them. This fact has two implications. On the one hand, it means that the market does not respond to needs as such; on the other hand, the market does not draw any distinction between reflective desires, which can be backed up by reasons or principles, and mere matters of taste. Since it provides no means for discriminating among the reasons people have for wanting or providing things, it cannot function as a forum for the expression of principles about the things traded on it. The market conception of personal autonomy reflects this fact. The market provides individual freedom from the value judgements of others. But it provides this freedom at the cost of reducing preferences, from the market's point of view, to mere matters of taste (de gustibus non disputandum est).

Finally, dissatisfaction with a commodity or market relation is expressed primarily by "exit", not "voice". That is, one simply drops out of the market relationship rather than sticking with it and trying to reform it from within (Hirschman, 1970). The counterpart to the customer's freedom to stop purchasing a particular product is the producer's freedom to say "take it or leave it". The customer has no voice, that is no right to directly participate in the design of the product or to determine how it is marketed.

In the light of this account, we can say that the market is the social institution governed by these five norms. These criteria allow us to understand why certain goods should not be treated as commodities. There may be certain values that are realized only if the exchange of particular goods is responsive to personal characteristics or takes place on a nonexplicit basis of exchange. Or our ability to realise other goods may be impaired if we view them as exclusive and rival, rather than as common. Again, some ideals may be realized only if the provision of certain goods is responsive to the needs of others or reflects shared principles and not just individual matters of taste. And the realization of a good as common, or as reflecting principles, may require that its distribution be regulated through institutions of voice rather than exit.

To give an example, the sphere of personal relationships is in many ways the polar opposite to that of market relationships. For the ideals of personal relationships are embodied in norms of exchange that directly conflict with market norms. Indeed a fundamental contrast between the sphere of personal relations and that of the market is that the former is properly governed by the spirit of the gift rather than the spirit of commercial exchange. Once this is understood, it becomes clear how values are undermined when the norms of the market come to govern the exchange of goods proper to personal relations (Hirsch, 1976).

To give another example, the sphere of political relationships is at odds with the sphere of market relationships. In fact, the former includes ideals such as fraternity (or solidarity) and democratic freedom. Citizens have fraternal relations with one another when they agree to refrain from making claims to certain goods that come at the expense of those less well off than themselves and when they view the achievement of such relations with their fellow citizens as a part of their own good (Cfr. Rawls, 1971). People express relations of fraternity with one another in part through providing certain goods in common. Moreover, fraternal relations are need-regarding, not only want-regarding. On the other hand, the ideal of democratic freedom implies that citizens are equals engaged in a common cooperative project. The political freedom of a citizen is deciding the laws and policies that will govern them all. This freedom is meaningless unless citizens have the goods they need (e.g. education) to participate effectively in the project of self-government. Citizens express their fraternity by ensuring that these needs are met through community guarantees. Democratic freedom and fraternity are thus complementary goods. Now, it is a fact that many goods can be secured only through a form of democratic provision that is nonexclusive, need-regarding and regulated primarily through voice. To attempt to provide these goods through market mechanism is to change the kind of good they are for the worse.

In the light of the argument above, we can sketch some answers to the three initial questions. We have seen that the realization of some values demands that they be open to the public (non exclusive) or confined to people who have personal ties to one another, or done for reasons other than merely personal advantage, or held to be valuable as a matter of ideals rather than as a mere matter of taste, and so forth. This is to say that the realization of same values demands that certain goods be produced, exchanged and enjoyed outside of market relations.

In particular, there are two classes of goods whose realization must take place within non market norms of exchange: gift values and shared values. Gift values differ from commodity values in that their worth is at least partially constituted by the non market motives for which they are given. They are valued as tokens for love, admiration, respect and so forth and consequently lose their value when are provided for merely self-interested reasons.

Shared values (such as trust, loyalty, solidarity) differ from commodity values in that their being good for a group of people cannot be fully analyzed in terms of their being independently good for each member of the group considered in isolation. Part of their being good consists in the fact that they are understood to be held in common - that everyone in the group both acknowledge the thing to be good and participate in its benefits. The realization of shared values needs to take place within social relations that clearly differ from market relations.

Gift values and shared values are not the only kinds of goods that are not properly treated as commodities, but our observation of the problems that arise in attempting to regard them as commodities suggests the general form of arguments that certain goods should not be treated as economic value.

3. Efficiency and freedom as traditional defence of the market

The market has traditionally been defended on two grounds: for its efficiency and for its embodiment of a particular conception of freedom. The above argument exposes a serious limitation on the market's claim to efficiency. The market cannot make claims to superior efficiency when it changes the qualities of the goods it provides, since claims to efficiency (in the Pareto sense) are valid only when ends are unchanged by alternate means of provision. However, even forgetting about this crucial argument, it is a fact that there are important limits to what markets can achieve on their own on the front of efficiency. These limits are nowadays so well pinpointed by the most recent economic theory that I can skeeps any discussion of them(3).

On the other hand, I would like to focus my attention on some questions about the adequacy of the economic ideal of freedom. The market promises us freedom from the value judgment of others. How much I choose to value a commodity is independent of how much others choose to value it. However, giving a good a place on one's preference ranking is not all there is to valuing a good, unless that good is the object merely of a direct primitive liking. The freedom to value a good as much as one wishes is not the freedom to value it in any way one wishes. For the ability of an individual to value a good in some ways requires his participation in a social practice in which others understand its value in the some way. Outside of shared understandings, one can value things only as objects of primitive appeal. And some ways of valuing goods require a shared understanding that the goods are not commodities.

I would like to call attention to a feature of market economies not yet sufficiently articulated despite its relevance to democracy in the market. According to the principle of consumers sovereignty, consumers can constrain and generally direct their rulers by buying or refusing to buy. In so far as that is true, they "vote" with money rather than ballots and vote perhaps even more effectively than with ballots. But the vote is curiously limited.

It is true that you and I can in that way vote for or against each of the enourmous variety of products and services offered us. But you and I cannot vote in that way for our preferred technology, location of industry, organization of the workforce, or preferred method of executive recruitment. Even more specifically, we cannot vote on the pollution of air and water. These decisions are "delegated" to business managers, largely without constraint or direction to business managers through our purchases. Notice that the problem is not quite the same as the old problem of externalities or third-party injuries. The problem is an injury to me, a party to the exchange, and I cannot protect myself by "voting" with my dollars. In the mechanism of the market, there is no procedure for democratic or consumer control over these delegated decisions. The classical argument that consumers can control holders or propertied authority breaks down[4].

In conventional economic theory, it appears to have been assumed that consumers had no interest in the delegated decisions other than that they be made economically and it was further assumed that competition among firms would force economical decisions on each businessman. Thus each manager would choose the lowest-cost technology for any given product and the lowest-cost location. Given the technological complexity of contemporary industry, there is no clear lowest-cost solution to production problems, and managers must exercise a broad discretion, over which consumers have almost no constraining control except for cost reduction. And, again given modern technology, consumers do now care about location, chemicals used in industry and about other delegated decisions that greatly affect their welfare. The older assumption that delegated decisions did not matter to consumers is therefore no longer valid. They care; and within the rules of market authority, they can do nothing about it.

This defect of democratic rule in the market system can be and is corrected by democratic politics. Governmental regulation of business - for example, governmental regulation of industry or of industrial relations - can remedy through government those defects in market rule that consumers cannot remedy through voting with dollars. With this possibility, many of us try to assure ourselves that authority based on property poses no obstacle to democracy.

As far as the other ground is concerned - namely the conception of freedom embodied by the market - we may note that the market ideal of freedom is just one among others. Sometimes the realization of one ideal of freedom conflicts with the realization of another. The market ideal interprets freedom as freedom from ties of obligation to others. The sphere of personal relations offers us a different ideal of freedom. Also, the sphere of democratic politics offers a different challenge to the market ideal of freedom. The market ideal identifies freedom with the power to exclude other from participation in decisions affecting one's property. Democratic freedom, on the other hand, is freedom to participate in collective decisions. It is a freedom to be included, rather than to exclude others. Let me elaborate a bit further the point.

There are two different ways of viewing freedom each of which has been fairly extensively explored over a long run. One approach sees freedom in "positive" terms, concentrating on what a person can choose to do or achieve, rather than on the absence of any particular type of restraint that prevents him from doing one thing or another. In contrast, the "negative" view of freedom focuses precisely on the absence of a class of restranits that one person may exercise over another, or indeed the state may exercise over another, or indeed the state may exercise over individuals. This contrast, which has been discussed particularly by Isaiah Berlin[5] is quite important since the two ways of characterizing freedom may yield very different assessments. For example, if a person happens to be poor and hungry because of law real wages or unemployment, <u>without</u> his having been prevented from seeking a higher wage or finding employment, then the person's negative freedom may not have been, in any way, violated, even though his positive freedom from hunger is clearly compromised by circumstances.

It is a fact that in traditional economic theory, it is the negative perspective of freedom that has tended to be the dominant one. It is a somewhat odd stance, since the positive characterization of freedom corresponds closely to a person being actually free to choose. The crucial issue in identifying the nature of "freedom of choice" relates to the question: choice of what? The traditional approaches seem to concentrate on choices over commodity bundles. The Rawlsian approach provides another view of freedom of choice, relating to holdings of "primary goods". But primary goods as well as commodities and incomes are means to ends. If the positive conception of freedom is to reflect our ability to achieve valuable functionings and well-being, then there is clearly a case for viewing this freedom in terms of alternative bundles of functionings that a person may be able to achieve(6).

4. Markets as political and cultural institutions

To argue that the market has limits is to acknowledge that it also has its proper place in human life. There is a wide range of goods that are properly regarded as commodities. The modern market produces and distributes these goods with unsurpassed efficiency and in unsurpassed abundance. It is a good not only to have these goods, but to be able to procure them freely through the anonymous, unencumbered channels the market provides. For harm is done both to personal autonomy and to the integrity of friendship when one's access to consumer goods is dependent on personal connections with political cadres, foreigners or other well-placed individuals, as was often the case in socialist countries.

The difficult task for modern societies is to reap the advantages of the market while keeping its activities confined to the goods proper to it. To this end, it is important to realize that the evaluation of markets must be expanded to include their effects on both the structure of power and the process of human development. In other words, markets not only allocate resources and distribute income, they also shape our culture, foster or thwart desirable forms of human development and support a well defined structure of power. Markets are as much political and cultural institutions as they are economic. For this reason, the standard efficiency analysis is insufficient to tell us when and where markets should allocate goods and where other institutions should be used.

Even if market allocations did yield Pareto-optimal results and even if the resulting income distribution was thought to be fair - two very big ifs - the market would still fail if it supported an undermocratic structure of power or if it rewarded, and hence fostered, greed, opportunism, political passivity and hostility toward others. The control idea here is that our evaluation of markets must be expanded to include the effects of markets, not only on efficiency, but also on both the structure of power and the process of human development.

The essential economic question facing both Eastern Europe and Western Countries is: how can markets be combined with other institutions to pursue the objectives of economic efficiency, fairness, democracy and human dignity?

Two limitations of the conventional approach to markets seem particularly important.

First, markets are cultural institutions. As anthropologists have long stressed, how we regulate our exchanges and coordinate our disparate economic activities influences what kind of people we become. Markets are social settings that foster specific types of personal developments and penalize others.

In The limits of liberty (1985), James Buchanan describes his exchange at "a roadside stand outside Blacksburg": "I do not know the fruit salesman personally, and I have no particular interest in his well-being. He reciprocates this attitude. I do not know, and have no need to know, whether he is in direct poverty, extremely wealth... Yet the two of us are able to transact exchanges efficiently because both parties agree on the property rights relevant to them".

The degree of communication between Buchanan and the salesman is minimal; in fact they need not speak at all. Market messages are sent by prices, not uttered by people. The money does the talking. The beauty of the market is precisely this: it works well even if people are indifferent toward one another. And it does not require complex communication among its participants. But that is also the problem. The market is a sort of gigantic school. Its reward encourage the development of particular skills and attitudes while other potentials lay fallow or atrophy. We learn to function in these environments and in so doing become someone we might not have become in a different setting.

As Marshall Sahlings tells us: "If friends make gifts, gifts make friends... the connection between material flow and social relations is reciprocal" (Stone age economics, p. 186). And if, as Buchanan says, strangers make market exchanges, it is also true that market exchanges make strangers. What the text-book market does is limited to allocation or distribution because the parties to the exchange - their culture, preferences, values - are exogeneously determined and not influenced by the exchange process itself. Which is not the case.

The second fact about markets ignored in the standard treatment is that they are political institutions. They are so because contracts are incomplete. And where contracts are incomplete, what actually gets transacted cannot be enforced by a court of law; rather, the de facto terms of the exchange are fought out between the exchanging parties. This is the reason why markets are political. On the other hand, a complete contract can be enforced by a court of law. Indeed, Buchanan notes that exchanges take place efficiently because "both parties agree on the property rights".

Incomplete contracts are not an exception; they are the rule. A classical example is the labor contract, which is so incomplete that workplaces can be brought to a standstill when workers "work to the book". In many exchanges, what is exchanged cannot be specified in an enforceable contract. In such exchanges, the exchanging parties themselves must attempt to enforce their claims. In many such exchanges either excess demand or excess supply will persist even in competitive equilibrium; i.e. these markets do not clear and there is no pressure for supply to equal demand, no matter how competitive the market is.

The reason is simple: if a party to an exchange-say, an employer - is interested in having power over another party - a worker, say - it is best to offer the worker more than the worker's next best alternative, so the worker will have something to lose. But if employers offer wages above the worker's next best alternative, there must be others happy to take the worker's job at this wage - in fact that is just the point of the wage offer. And the worker's waiting in line for the job are simply excess supply on the labor market.

Similar arguments apply to the credit market: bankers have power over prospective borrowers in part because the credit market does not clear. In this case there is an excess demand: not all prospective borrowers have their applications approved; those who do have a strong interest in complying with the bank's terms if they want a loan the next time around.

These nonclearing markets exhibit a little-noticed political structure that differentiates them from clearing markets of traditional neoclassical theory. When markets do not clear, those on the short side of the market - for ex., employers facing workers, some of whom are unemployed - have power in a well defined sense. What is the key to the power of the shortsiders? Shortsiders (e.g. employers) can impose, or credibly threaten to impose, substantial sanctions (such as the loss of one's job) on their exchange partners in order to induce the longside agents (workers in this example) to act in ways favourable to them. Thus a power relationship - shortsiders over longsiders - arises even if the exchange process is fully informed, uncoerced and perfectly competitive in the familiar sense. Shortside power can operate in consumer goods markets; indeed shortside power is the basis of consumer sovereignty.

The implication of what has been just said is clear. If the competitive market supports relationships of dominance and subordination, there is a case on democratic grounds for the regulation of this power relationship. Of course, this does not mean that markets should be superseded. It is hard to imagine a good society without markets. But markets can be either servants or masters. Which it will be - here, in Eastern Europe and around the world - will hinge in part on our willingness to discard the one-dimensional traditional model of markets and to address markets as cultural and political institutions.

5. The two invisible hands and the protection against the freedom paradox.

An important implication can be drawn from the argument developed in the sections above. In a market, at least two parties compete for the favor of a third (a buyer or a supplier). The two actors try to attract the favour of the third knowing that only one can succeed. This is the essence of competition. The award will be given to the more able, the more handy, the quicker one. The unfit, the more costly, the slower one will have to quit. This is the working of the celebrated invisible hand. Therefore, a functioning market is the most social distributor for the scarce goods. Let me emphasize this point: a functioning market.

However, if in a functioning market only the fittest survives, according to the laws of the market, the latter ceases to exist. Only the manopolist is left: the market has abolished itself. We are confronted with the freedom paradox. A political expression of the freedom paradox is the liberty to elect a dictator. In practice, many countries have solved this paradox by inserting in their Constitutions a norm which prevents to elect a dictator. How can this paradox be solved in the economic arena?

It is as if the invisible hand would work with a deadly ruse: on the one hand it generates utility by the pursuit of the egoism of the many; but the way in which it generates this general utility has a counterproductive tendency. Since the invisible hand in Smith's sense builds upon the competition of the egoists, it is bound to give the palm to the most able egoist who succeeds in defeating competition. Another way of saying this would be that politics and economy are guided by two invisible hands: one hand steers the many egoisms into the direction of the common good, the other hand operates by jeopardizing the first hand's success through an inherent countervailing power.

It follows that the free market needs to be safeguarded against the freedom paradox. This is an important point to be kept in mind. But how such a safeguard is to be achieved? It may sound somewhat strange: there is no solid or established answer to this fundamental question. With no pretence to provide here a satisfactory and viable answer, let me indicate the three categories of "social elements" which I deem necessary for a market economy to be protected against the freedom paradox: the social safety net; the property redistribution; the establishment and regulation of free and fair conditions of trading. These social elements form constitutive parts of an economic order that wants to put a market economy into effect. To be sure, these elements are not something that shall be added from outside to what is called free trade. The task is not to achieve a compromise between free trade and the requirements of solidarity. On the contrary, the social elements form framing constitutive requirements of a functioning market economy.

The necessity of a social safety net follows from the recognition that the market economy needs participants and these must not only be saved from starvation, but they are also entitled, qua participants, to live a life in human dignity, to receive sufficient help when they are in need thereof(7). On the other hand, the market does not only require participants able to survive, but also the ongoing re-arrangements of the chances for making a new start. These go beyond the simple goal of providing for the essentials; they try to give the people a new deal, by redistributing economic opportunities. Finally, trade regulation has to do with the necessary immanent barriers which law has to apply to the economy in order to keep it alive over time. Indeed, it is not enough to be preoccupied with the installation of the market as such; it is also necessary to pay attention to the development and redevelopment of the market on a long-term basis. A free market needs protection against distortions: this is the main task of classical antitrust law.

To conclude, the absence of the above mentioned social elements in the end becomes a threat to liberty. Liberty is neither an original state of man to which we should return by removing all contraints nor a post-modernist void in which anything goes. Liberty is a civilized and civilizing force. It therefore flourishes only if we manage to create and maintain institutions which give stability and duration. Institutions provide the famework for the provisions from which we choose, including economic prosperity. Institutions guarantee our entitlements, thus social justice. If we want more life chances for more people, we have to work through institutions and must never cease to refine and improve them.

6. On the role of civil society in transformations processes.

It is easy to talk about this task but hard to accomplish it even under the relatively favourable conditions of western countries. How much harder is it to build institutions when the entire edifice of social order falls apart! This has happened in the formerly communist countries by the revolution of 1989. Everywhere the social contract itself is at stake, and thus the fundamentals of liberty. At first sight, these are two, political and economic. Democracy and the market economy are the favoured catchwords. But even granted they can be established, democracy and the market economy are not enough. Liberty needs a third pillar to be safe; it was called vita activa civilis by the early Renaissance and civil society by Ferguson (1966).

The whole point of the open society is that our lives take place in associations outside the grasp of the state. Even the public sphere is not primarily political, to say nothing of the economic sphere of activity. The fundamental difference between monopolistic structures such as those of nomenklatura socialism and liberal structures is that a plurality of autonomous associations are on offer which are not all geared to one common purpose. Civil society at its best is a creative chaos of associations. It protects us against the inconveniences of the state of nature, but also against those arising from monopolistic claims by self-appointed minorities and indeed majorities. Civil society is the medium in which liberty thrives. In civil society the citizen is at home.

To emphasize the vital role of civil society must not be taken as a general denial of the importance of incentives, nor indeed of the particular role played by the specific incentives provided by the market mechanism. Incentives are, in fact, central to the logic of public action. But the incentives that must be considered are not only those that offer profits in the market, but also those that motivate governments to implement well-planned public policies, induce families to reject intrahousehold discrimination, encourage political parties and the news media to make reasoned demands and inspire the public at large to cooperate, criticize and coordinate. This complex set of social incentives can hardly be reduced to the narrow - though often important - role of markets and profits.

The climate of opinion is now ridden with pessimistic views of human nature and of public action, i.e. action carried on according to the modes of civil society. There seems to be an emerging consensus that the easiest and most risk-free way to run a program is to assume the worst - that people are selfish, lazy, hedonistic and unchangeable. The world is more and more regarded as a Hobbesian place, guided by no large sense of community and populated by citizens who are incapable of basic change. According to this emerging view, to assure an orderly and productive society one must rely on discipline; and discipline is best maintained by material inducements. In this pessimistic interpretation of human nature, people are inherently incapable of creating a community of interests and must be subject to a system of authority and the rigors of the marketplace. They must be held accountable for their actions and be compelled to assume personal responsability for their own fates. However, one should oppose this interpretation.

People of earlier times had a keen appreciation of the importance of character development. Moral lessons learned early in life are not easily forgotten, and churches and families spared little effort in seeing to it that children receive them.

Moral behavior almost always calls for self-sacrifice - for the interests of others to be put ahead of our own. Slowly but steadily, the willingness to heed this call has eroded under the forces of materialism. Contrary to Adam Smith's clear intention, his invisible hand planted the idea that moral behavior might not be necessary, that the best of all possible worlds might result if people were simply to pursue their own interests, Darwin's survival of the fittest went a step farther, creating the impression that failure to pursue self-interest might even be hazardous to our health. Smith's carrot and Darwin's stick have by now rendered character development an all but completely forgotten theme in many industrialized countries.

In materialist theories, to be moral is to be a chump. To the extent the "chump model" is believed, it has surely encouraged the adoption of opportunistic values. The late British economist Fred Hirsch argued that the capitalist system cannot function without widespread adherence to the values inherent in the Protestant work ethic. He noted that these values, which took centuries to foster, are deteriorating rapidly. The contradiction of capitalism, he concluded, is that its emphasis on individual self-interest tends to erode the very character traits without which it cannot function. This contradiction is cast in a new light by acknowledging that doing the right or just thing entails costs on each specific occasion; but it stresses that being thus predisposed need not be a losing strategy. The self-denying traits of character required for efficient markets no longer appear in tension with the materialist premises of the marketplace.

The practical importance of this realization is that it might make a difference to someone faced with the choice of what kind of person to become. Attitudes and values are not etched with great specificity at birth. On the contrary, their development is, as noted, largely the task of culture. Most people have the capacity to develop emotional commitments to behave unopportunistically.

The most serious problem for our societies remains of interlinking the market sphere and the other spheres of social relations, in such a way that we can reap the advantages of the market while keeping its activities confined to the goods proper to it. It is a fundamental task and duty of civil society to maintain over time a balance between the two kinds of spheres; to continously watching that no sphere phagocytes the other ones.