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Communitarianism and the market: a paradox

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Abstract

Communitarian philosophers understand morality as emerging in communities through the interaction between agents in practices. At first sight, communitarianism therefore seems to provide a suitable perspective for conceptualising morality in economics, since the economy might be regarded as a sequence of such practices in communities of business, households, and trading. But several well-known communitarians, such as MacIntyre, Anderson and Etzioni, are rather sceptical about the economy, and in particular markets, as a location of moral behaviour, which leaves us with a paradox: How can economists re-conceptualize the dominant theory of markets towards a more morally embedded theory of economic life, using ideas from communitarianism, when at the same time communitarians deny the market as a location of morality? This article will argue, firstly, that such a sceptical view relies on a false dichotomy between market and morality. The dichotomy is explained by the acceptance by three major communitarian philosophers of a narrow theory of economic behaviour: rational choice theory. Secondly, the paper shows how three key communitarian ideas may be usefully applied to the understanding of economic behaviour. Thirdly, the work by another communitarian, Walzer, is referred to, in order to show how communitarian thought may be related to progressive economic thought in order to conceptualize the market as a morally embedded institution.

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Introduction

In discussing the relationship between economics and morality, it is important to recognize the two ways in which they tend to be related (van Staveren, 2007). First, there is the level of reality, the economy, in which economic agents act. Agents behave according to their values and beliefs, which may include solidarity and altruism, as well as self-interest and power-seeking. Second, there is the level of the economist in the role of interpreter of the economy. The interpretation of economic reality, for the sake of understanding and explanation, cannot escape a frame of social, cultural and moral context (Dow, 1997; Mäki, 1997). Such frames through which reality is interpreted, lead to what Amartya Sen (1993a) has called positional objectivity, which recognizes the fallibility of objectivity as an epistemic value. Moreover, as Hillary Putnam (2003) has argued recently, the interpretation of economic reality becomes meaningless when economists try to completely separate values from facts, because the two are often intertwined, as for example notions of wellbeing, economic growth, and free markets imply.

Communitarianism has an explicit and strong emphasis on morality and diverse expressions of morality. This concern with morality is arguably stronger than is the case in other traditions of political philosophy, such as liberalism or social contract theory, which is often limited to a concern with distributive justice. Communitarianism may, therefore, serve as a useful ethical perspective for the analysis of the relationship between markets and morality. The objective of this paper is to review the ideas of some leading communitarians about the relationship between moral and economic behaviour, in order to explore to what extent communitarian thought may be helpful for developing more explicit attention to morality in the economic discipline. Hence, this paper will be limited to the communitarian perspective, ignoring other moral perspectives on economics. Such a renewed interest in morality, building on the work of classical economists such as Smith and Mill, has been promoted by Amartya Sen, (1987), Daniel Hausman and Michael McPherson (1996), Charles Wilber (1998), Marc Lutz (1999), Vivian Walsh (2003), Mark White (2006) and others¹.

Communitarians understand the development of moral values as occurring in human interaction within communities, that is, in day-to-day practices, rather than as

¹ See also a special issue on ethics of the *Review of Political Economy*, April, 2008.

stemming from a set of given moral norms that are supposed to constrain human behaviour. This idea of morality as developing in practices seems very attractive for the analysis of morality in the economy. In such a view, the economy might be understood as a sequence of day-to-day practices in which humans work, produce, exchange, share, consume, invest and (re)distribute. Such economic practices could also be regarded as entailing moral dimensions which are expressed, for example, through freedom of choice, the exertion of power, ideas of wellbeing, and norms of fairness. It seems, therefore, that the idea of practices would be an ideal candidate to recognize moral dimensions of economic behaviour, and to revalue the moral embeddedness of markets, in the tradition of the classical economists.

But in communitarianism, the economy is generally not regarded as a practice, while often, the economy is even perceived as immoral. This leads to the paradox that I will address in this paper: how can economists integrate morality in economics, making use of communitarianism. While at the same time communitarians deny the market as a location of morality? This paper will explore how communitarian ethics may provide a grasp to help economists to bring morality back into the discipline. It will show that some communitarian concepts can be used fruitfully to analyse markets, despite communitarians' scepticism.

The communitarian thinkers to be discussed here have each written quite explicitly on the economy and markets, although to different degrees: Alisdair MacIntyre, Elizabeth Anderson, and Amitai Etzioni. Their views on the economy and markets is the subject of the next section. The following section will try to explain why these particular views of the relationship between the economy and morality are so dominant in the work of these communitarians, while the final section will address the paradox by suggesting how three key communitarian ideas may be linked to economic theory, with help of the idea of separate spheres by another communitarian philosopher who has analyzed morality and markets, Michael Walzer.

Morality versus the Market

Alasdair MacIntyre

MacIntyre has not expressed a particular interest in analysing economic behaviour. But this does in no way imply that he has not paid attention to the economy and markets at all. To the contrary, throughout his writings, we find examples of economic life, references to economic theory, and judgements of particular instances

of economic behaviour in markets. In his explanation of practices, references to economic behaviour often serve to show what a practice is *not*. MacIntyre beautifully argues what practices are, how they develop and how intrinsically moral they are, confirming the moral values that are shared in a community. For him, a practice is moral because it involves cooperative behaviour and aims at internal standards of excellence rather than external standards such as prices or prestige. MacIntyre defines a practice as “any coherent and complex form of socially established cooperative human activity through which goods internal to that form of activity are realized 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, 1987: 187). The economy, in this view, does not fit the picture of a practice. Even though an activity may have been a practice in the past, today it is no more, MacIntyre claims. Instead, he states, the economy has become a domain of instrumental behaviour over the past few centuries, when production gradually moved away from households. Moreover he does not limit his judgment to ‘markets’, but explicitly talks about ‘the economy’. In his influential book, *After Virtue*, MacIntyre explains: “One of the key moments in the creation of modernity occurs when production moves outside the household. So long as productive work occurs within the structure of households, it is easy and right to understand that work as part of the sustaining of the community or the household and of those wider forms of community which the household in turn sustains.” (MacIntyre 1987: 227) The modern economy with stock markets, an excessive division of labour and widespread international trade is no longer a practice, he finds. As a consequence, a manager is not a moral agent acting in a practice, as he argues on pages 74 and 86 of *After Virtue*, because a manager acts purely instrumentally in his pursuit of an efficient allocation of resources. In an interview, he has clarified his view with an example of a financial manager for whom, according to MacIntyre, money is an end rather than a means (Pearson 1994: 39-41). In *After Virtue*, he also acknowledges that institutions are necessary to sustain practices (p. 194), but states that he does not regard them as being part of practices. Chess and medicine are practices in his view, but chess clubs and hospitals are institutions, and the two should not be confused, he warns. As he has explained in his definition, practices have internal goods and evaluations, whereas institutions are concerned with external goods, such as money,

status, and power (p. 181). On skills, he holds that these have nothing to do with moral behaviour and therefore are not connected to practices (p. 205). To him, skills are functionalistic and related to external goods only.

I find MacIntyre's conceptualization of practices as morally-laden activities around internal goods useful for thinking about the moral dimensions of human behaviour. But I am not convinced by his portrayal of economic behaviour as excluded from practices. MacIntyre's argument to hold on to the opposition between economy and morality is that, in his view, the modern economy has moved far away from the needs of families and communities to be able to function as a practice for these families and communities. This argument is not well-founded, however, for three reasons. First, it regards the modern economy as completely detached from values and communities of people. But is there such radical break with the past? Does nobody care anymore about the content of one's job, the quality of his products, or the meaning of the services she provides? Are we only concerned with money and consumption, that is, materialism? Is the only problem of unemployment, for example, lack of income and not also lack of meaning? This implication of MacIntyre's position seems even too farfetched for MacIntyre himself. He therefore mentions a few exceptions, sectors that would still function as practices, such as agriculture, fishing, and architecture. This seems reasonable – but why merely these sectors and not, for example, health care, tourism, or the taxi market? And, on the basis of which criteria would he judge intensive agriculture at cost of animal wellbeing and greenhouse vegetables grown on foam with the use of underpaid illegal immigrant labour, a practice, or large scale fishing scraping the bottom of the sea and thereby destroying coastal biodiversity, or, for that matter, ugly office buildings designed by fancy architects? At the same time we can imagine managers in other economic sectors to be driven by the charms of the trade, the tradition of a brand name, or the team spirit in the effort to develop a better product than that of competitors. Moreover, it seems that he assumes that a farmer is not making cost-benefit analyses when deciding on the investment in a new machine or in taking over small farms in the pursuit of economies of scale – that is, using instrumental reasoning. In other words, MacIntyre's argument becomes rather thin as soon as we consider real economic sectors and activities. There is simply no clear dividing line between external goods and internal goods and between instrumental and intrinsic values in real world economic activity.

Second, MacIntyre seems to deny that even today much production is located in households and communities. This view, however, denies the fact that there is still market production going on in households, in self-employment and family businesses, including home-based outsourcing of labour-intensive production for global value chains. Moreover, most of unpaid production takes place in households, contributing to wellbeing thanks to the use of unpaid work – largely provided by women for their families. Such unpaid services contribute to the human capital for the next generation of labour supply. Also, communities provide and rely on unpaid work for their wellbeing, in particular through providing goods and services that neither the market nor the state provide, or only at prohibitive cost. The opportunity cost of this unpaid work has been calculated as amounting to 70% of World GNP (UNDP 1995). So, by reducing the modern economy to large scale market production outside households, MacIntyre ignores that still a substantial part of wellbeing is generated, paid and unpaid, within households and outside markets². Another consequence of this bias is that MacIntyre often tends to equate ‘the economy’ with ‘the market’, a rhetorical move that also many neoliberals make, including many neoclassical economists, ignoring the economic role of the state but also the role of the unpaid care economy and its interpersonal relationships.

Thirdly, and finally, MacIntyre appears to picture a rather romantic image of the traditional household economy that is dedicated to satisfy the needs of all members of families and communities. This belief of benevolent household economies denies conflicting interests, power as expressed in large inequalities, and processes of exclusion in pre-modern communities (see, for a forceful argument against the idea of the benevolent head of household, Naila Kabeer, 1994, who rather labels him ‘a benevolent dictator’). MacIntyre presents the pre-modern economy as if all economic activity was a collective effort to realise and equally share in internal goods ignoring the often harsh reality of the pre-modern economic world. In his reaction to the critiques in the volume *After MacIntyre*, he refers to “dignity” (MacIntyre 1994: 284) as a characteristic of craftwork and to “devotion”, “courage”, and “genuine concern” (p. 285) as features of teamwork. This entails a highly

² MacIntyre apparently has a blind spot for gender relations in the economy, as the household and community based production that he ignores in what he sees as the modern economy is predominantly carried out by women – paid and unpaid. See Susan Moller Okin (1989) for a more thorough critique of what she labels as his “false gender neutrality”.

romanticised view of production in communities, as also Philip Pettit has pointed out (Pettit 1994: 184-185). It is not difficult to come up with examples of the opposite, such as exploitation of sharecroppers by land owners, abuse of maids, or the use of child labour in agriculture until well into the industrial era. The pre-modern economy was just as much infused with power, competition, and profit-seeking as today's economy, and perhaps even more so in the absence of labour laws, well-functioning tax-systems, and anti-trust regulation.

In his latest book, *Dependent Rational Animals* (MacIntyre, 1999), he is less judgemental about today's economies, recognising that they are not entirely separate from and posed against communities and the shared values therein, but he does not go as far as to recognise a relationship between the two. In conclusion, MacIntyre appears to set up a false dichotomy between the economy and morality, reducing the economy to markets, with on the one hand moral behaviour expressed in practices with internal goods and virtuous behaviour, and on the other hand economic behaviour as a purely instrumental use of skills to obtain external goods (money) in markets for one's own individual utility.

Elizabeth Anderson

Contrary to MacIntyre, Elizabeth Anderson has written extensively about morality and the market, focusing on market boundaries, that is, the dividing line between markets and non-markets. In particular in her book *Value in Ethics and Economics* (1993), she is a strong critic of how today markets have penetrated most areas of life, and thereby tend to undermine moral values. Markets, many economists would agree, indeed tend to reduce value to market prices and provide strong incentives, through competition, for instrumental behaviour. Because of this tendency of markets, she particularly criticises markets for marriage, sex, children, and pregnancy. In each case most economists would not be in principle against a role of markets, but would support forms of regulation to ensure the extent and quality of choice that consumers would have. Finally, Anderson shows very well how misleading the use of shared values such as honesty may be when abused by market parties to their own interest, as her insightful example of a car salesman shows, intimidating potential customers with 'moral talk' (Anderson, 1990: 232).

In her critique of markets, Anderson focuses on the distinction between motives underlying the behaviour of agents in society. In this critique she shifts to the

more general language of the economy, instead of markets, and characterizes economic motives as desires, while moral motivations would be pluralist: “love, admiration, honor, respect, affection, and awe as well.” (Anderson 1993: xiii). Next to this opposition between monist economic motives and pluralist moral motives, she puts economic goods, or commodities, or market goods, as she also refers to them, against moral goods. Here, she reduces the economy to markets, just like MacIntyre did. But Anderson is more specific in her differentiation of economic goods and moral goods than MacIntyre and provides five criteria for the value of economic goods, which all reflect use-value: impersonal relations, freedom to pursue personal advantage, exclusive and rival in consumption, purely want-regarding, and dissatisfaction as expressed through ‘exit’ (Anderson, 1990: 225). Although she recognizes that this characterization is along the lines of an ideal type (p. 227), real-world examples of economic behaviour are called upon to put flesh to the bones of the created dichotomy. The examples appear to reinforce the ideal-type and not to bring in much real-life nuance. Let us examine briefly the example of gift exchange of goods, such as chocolates, between friends. On this gift, she claims that the goods “are valued less through use than through appreciation and cherishing, for they are tokens of shared understandings, affections, and commitments” (p. 229). More precisely, she states that the gift “is a vehicle for the expression of the friends’ mutual understanding of how their relationship stands (...) and not merely a good of impersonal use value to the receiver” (p. 230). She finds this evident “not only in cases of such material gifts as engagement rings and Valentine’s Day chocolates, but also in the exchange of compliments, affections, and jokes” (p. 230). In short, in Anderson’s view, gift values and shared values cannot and should not be realized through market exchange, which is too impersonal and void of meaning, she finds.

The question then remains, which goods are to be left to markets with such a wide definition of moral goods: there are many goods that are sometimes gifts and sometimes not, sometimes exchanged for their use value, sometimes carrying symbolic value, and often there is a mix of such values. If the market should not be allowed to allocate a wide variety of goods, as Andersons argues, then what is the alternative? There are basically two other transaction mechanisms, as Polanyi (1957) has shown in his extensive cross-cultural research: state provisioning through the supply of public goods and unpaid production in households and communities. But these domains – however important they are for provisioning a wide range of goods –

have their limitations too, in terms of available resources, specialisation, production cost, and quality (van Staveren, 2001). State monopolies may function well in the ownership, funding, and regulation of hospitals, but not necessarily in assigning doctors and nurses to positions where their services are used best, compared to a labour market for medical personnel. On the other hand, voluntary health care in households and communities will often be unable to provide sufficient quality of care and will lack the necessary resources (medicine, laboratories, technology) to meet today's standards of health care. These problems do not receive much attention in Anderson's work. Anderson acknowledges that for other goods – commodities – the market does have a legitimate role. She claims that there is still “a wide range of goods that are properly regarded as commodities. Among these are conveniences, luxuries, delights, gadgets, and services found in ordinary stores” (Anderson, 1990: 244). The distinguishing characteristic for such goods is, as we recall from her characterisation of commodities above, that they have only individual use value, being exclusive and rival in consumption, purely-want-regarding, and that they will easily be changed for other goods through the exit option of consumers.

The question is, as it is with the moral goods she assigns to non-market allocation mechanisms, what the range of such goods is. I think that the opposition between moral motives and economic motives and moral goods and economic goods is stretched too far, making the two unnecessarily mutually exclusive. Let me illustrate this point with Anderson's example on chocolates as a Valentine Day gift. First, even when given to a friend, the chocolates may need to be bought in the market and need not necessarily be home-made: most friends will understand that people, even their best friends, do not have the time, skills, or resources to make good quality chocolates by themselves – we're simply not all Jamie Olivers. So, even for being able to give chocolates to a friend, there needs to be a shop to buy these in the first place: same good, two transaction mechanisms: gift and exchange. Second, and more importantly, the example only focuses on the value of the friendship that is being re-affirmed with the gift, the shared value, while implying that the use-value of the chocolates has become irrelevant as soon as the good is not consumed by the buyer herself. But friendship is a two-way relationship – recognised by Anderson's notion of shared value. This implies that the other part of the giving, which is receiving, needs to be taken into account too. Without appropriate receiving of the chocolate gift, for example throwing them away because it is not one's favourite, or carelessly

leaving them on a table melting in the sun, or not unwrapping the box with the intention to pass it on to another friend, the gift is not likely to generate the shared value that the giver intends to re-affirm. Indeed, *using* the chocolates by eating them – and hopefully enjoying them – makes an important part of the shared value of the gift. The gift will only become more valuable when the giver shows she has put effort in finding out about the friend’s favourite flavours, brand names, or other qualities, expecting the friend to consume the chocolates. But even as a gift to ourselves, chocolates will have meaning, for example to comfort ourselves when feeling down or as a reward for a hard day’s work. In other words, shared value and use value are not mutually exclusive categories of value but often go together, the one being realized in combination with the other, and partly even dependent on the other as shown in my discussion of the giving and receiving of chocolates. Buying the chocolates for a friend but not being able to resist the temptation of eating a few of them underway will not likely contribute to enhance a shared value, while receiving a nice box of carefully, especially for you selected chocolates without consuming them as intended by the giver, will not help to support shared value either. In conclusion, Anderson’s dichotomous categories of commodities versus moral goods and economic value versus shared value do not help much in furthering our understanding of how moral and economic behaviour are related – instead it conveniently ignores and hides the ways in which they clearly are interdependent.

Amitai Etzioni

Amitai Etzioni has engaged the most with economics, compared to the other two philosophers discussed above: he is the founder of the new socio-economics approach (not to be confused with the progressive social economics that exists already since the nineteen forties – see for a discussion of the two Mark Lutz, 2000). Etzioni (1988) in his book *The Moral Dimension*, attempts to bring social philosophy and liberalism together in his analysis of the economy. He does so by ascribing two opposite motivations to each view: morality as motivation for social behaviour and pleasure as motivation for economic behaviour. Etzioni initially regards morality as a set of normative values, such as principles of justice or solidarity (Etzioni 1988: 41-42). In his later writings he moves somewhat away from such an exclusive Kantian perspective of morality, towards a communitarian view, emphasizing the importance of families and other small scale communities for the development and continuation

of moral behaviour. Human beings tend to act, he argues, on the basis of these two motives: moral principles and pleasure. Like Anderson, he refers to shared values for the moral motivation of individuals, and opposes this against individual values for economic motivation, or pleasure. He explicitly connects his examples to economic theories and concepts, for example, when he refers to market failures, such as free riding, or the sub-optimal solution to the Prisoner's Dilemma. "Many people forego 'free rides' out of a sense of public duty and commitment to fairness; refuse welfare because it violates their dignity; choose to cooperate as their solution to the Prisoner's Dilemma, and so on", he explains (Etzioni, 1988: 22). In the book *The Moral Dimension*, he tries to connect both motives and behaviours, or what he labels, the "I" and the "We" paradigms. But does he, contrary to MacIntyre and Anderson, succeed in really connecting them, and developing steps "toward a new economics", as the subtitle of the book reads?

Although Etzioni recognizes that the economy and morality are not independent from each other, his opposition between "I" and "We", and between morality and pleasure as the two basic motivational forces behind human behaviour, does not appear very helpful for connecting the two worlds into a new economics. That is because, in his own words, "the I & We paradigm assumes a divided self, which does have the hedonistic urges assumed by the neoclassical paradigm" (Etzioni, 1992: 49). So, individuals are not regarded as coherent, but rather as being in continuous internal conflict between the temptations of pleasure and the calls of duty. In the first issue of the *Journal of Socio-Economics*, Etzioni (2003: 113) re-affirms this view, when he states that "there is a continual conflict and tension between self-interest and the pleasure principle on one hand, and powerful moral commitments on the other." This position has become, in fact, the starting point of the new socio-economics that he has initiated: "It follows that socio-economists would benefit if they took as their starting hypothesis that people are conflicted, and then tried to understand their inconsistencies and tendencies to zig-zag as resulting from their being subject to these two competing super-utilities" (*ibid.*). In his latest book on the topic, *Essays in Socio-Economics*, Etzioni (1999) justifies his choice for the I & We paradigm by referring to the irreversibility of moral choices as compared to economic choices. "Unlike many economic decisions, many moral decisions are difficult to reverse (i.e. are asymmetrical), are very 'lumpy' (or highly discontinuous), and reveal

a high ‘notch effect’ (a fear of passing a threshold that makes behaviour passage but reluctance much diminished or lost once passage is completed)” (Etzioni, 1999: 84).

I find these justifications for dichotomizing economic and moral choices are hardly convincing. Many economic decisions are difficult to reverse too. Think about, for example, trade specialisation of developing countries into a few export products in the colonial era, which is still reflected in the low value added export package of many African economies today. Other economic decisions have a lumpy character, such as investments in new factories as well as many other investment decisions, including in human capital. Finally, the ‘notch effect’ may be found in economic decisions too, in particular in levels of risk taken in portfolio investments, or changing between suppliers of one’s factory. At the same time, there are moral decisions that are less difficult to reverse, such as being respectful towards people, or that are not lumpy or having a ‘notch effect’, for example in the case of the amount of money to give to charity, or the amount of effort put into being a good friend. Hence, parallel to Anderson’s opposition between economic goods and moral goods, Etzioni’s separation of economic from moral decisions seems too far fetched.

But where he does diverge from Anderson, and also MacIntyre, is in the evaluation of markets. He agrees with the other two that markets should not extend to certain areas of social life, and that certain public goods should not be privatized (Etzioni, 2000). But he is less negative about the role that markets can play and, to him, also should play in society: he regards markets as embedded in society and hence in society’s moral norms and values. Whereas Anderson does not pay attention to the moral dimensions of firms and MacIntyre regards business per definition as entirely instrumental for profit, Etzioni (1999) suggests that corporations may be regarded as communities, with stakeholders who engage in relationships that have moral dimensions. As a consequence, he pleads for self-regulation between corporations instead of state regulation, in cases where markets have moral implications (Etzioni, 2000). This position is clearly less dichotomous than his view on human motivation, and provides a small opening towards the application of a communitarian perspective to industrial organisation.

Morality Versus Economics – But Which Economics?

The above section has made clear that the three communitarian philosophers discussed so far, all position economic motivation (pleasure) against moral motivation

(duty, or a plurality of moral motives), economic goods (commodities) against moral goods (shared values), and the individual (I) against the community (we). The picture that arises is that of a dichotomy between economy and morality, with economy often used as synonymous for market. As a result, none of them really succeeds in providing a basis from which to address morality in economics, that is, to re-insert issues of value in economics since the connection was lost with the transition from classical to neoclassical economics in the early twentieth century.

The origin of the dichotomous thinking about economy and morality in communitarianism is not unrelated to the dominance of one particular economic theory, neoclassical economics. Or, to put it stronger, an important explanation of the dichotomous view seems to lie precisely in a belief that the economy, and hence, economic behaviour, is best explained by the neoclassical theory of economics (see also Russell Keat, 2000, and Julie Nelson, 2006 on this point). In their writings, the three philosophers refer to a reductionist version of neoclassical theory, namely, rational choice theory, with its threefold assumption of individual utility maximisation, self-interest, and prices perfectly signalling relative scarcity in fully competitive markets. The three communitarian philosophers appear to accept, without much critique, that neoclassical economic theory, and in particular in its limited version as rational choice theory, provides a true description of economic behaviour. It is very likely that they feel that markets are too dominant in today's economy. But by ignoring heterodox economic theories, it seems at the same time that they agree that neoclassical economic theory provides an adequate description of the economy, and hence, that the real world economy has become a copy of a reductionist theory of it, as in a self-fulfilling prophesy. This view, however, goes too far. First, it ignores heterodox criticism of neoclassical economics, and second it ignores that even in the real world economy in which markets indeed have become dominant, people often do not behave according to the assumptions of rational economic man. In other words, the communitarian philosophers criticising markets accept too easily the dominant economic theory about markets.

Let me illustrate this point with examples in the work from each. To start again with MacIntyre, we see only sparse references to economic theory, but where they appear it is to neoclassical economics and rational choice theory (f.e. in MacIntyre, 1999: 115). In the volume *After MacIntyre*, a critical discussion of *After Virtue*, Paul Kelly (1994) has therefore argued that MacIntyre confuses the economy

as a domain of human behaviour with neoclassical theory. Kelly makes clear that what MacIntyre tries to do, is to try and defend moral philosophy against utilitarianism (see also MacIntyre 1960). The critique by Philip Pettit (1994) is somewhat different but follows a similar line of thought, as he analyses the dichotomy as an opposition created by MacIntyre between liberalism and communitarianism. Pettit considers MacIntyre's view of liberalism to be purely instrumental, denying intrinsic value of liberty, as well as ignoring the possibility of internal goods generated through liberal action. This is a one-sided view, Pettit claims, which equates liberalism with utilitarianism, while ignoring liberal theories that acknowledge freedom as a community value³. Indeed, where MacIntyre refers to economic behaviour, in *After Virtue*, as well as in other texts, this is consistently characterized as self-interested, profit-driven, and purely instrumental.

Anderson exclusively refers to rational choice theory when she relates to economic theory. She accurately characterizes rational choice theory as a consequentialist theory based on preferences, making plural values commensurable in utilitarian terms, and evaluating outcomes on the basis of cost-benefit calculations. She aptly refers to it as “rational desire theory” (Anderson, 1993: 117). By reducing economics to rational choice theory, however, she ignores less reductionist versions of mainstream theory, including those that actually challenge the core assumptions of rational choice theory. These broader economic theories include behavioural economics, with insights from economic psychology, experimental game theory, with results indicating that agents have intrinsic values which affect their economic decisions, and happiness studies, which shows how unrelated income and wellbeing often are. More importantly, however, heterodox theories of economics are entirely absent in Anderson's work on value in economics. This is surprising – and disappointing – because some of these theories do not only challenge rational choice theory, but provide alternative, pluralist explanations of economic behaviour, recognising a strong entanglement with social behaviour, including power and gender, which are two moral concerns that feature importantly in Anderson's work. Heterodox traditions have close parallels with Anderson's expressive rational theory

³ “The republican concept of liberty identifies a very different sort of condition from that to which the liberal and Hobbesian notion points us. It stresses, not the quantity of non-interference involved, but the quality: in particular, the protected or resilient quality of the non-interference.... it is freedom in the old sense of franchise: freedom in the sense in which it involves incorporation within a polity and protection before the law.” (Pettit 1994: 196).

of shared values, for example institutional economics deriving from Veblen and Commons, socio-economics that explicitly takes morality into account, and feminist economics with its concern with gender inequality, caring, and unpaid work.

Etzioni takes the most explicit position towards economics. He not only uncritically identifies economics with rational choice and neoclassical theory, but he explicitly acknowledges that this theory adequately describes and explains economic behaviour: “Clearly, self-interest, or pleasure, accounts for a good deal of human behaviour, and to this extent the concept of utility is logical, proper, and productive” (Etzioni, 1991: 66). Moreover, he extends this use of utility beyond neoclassical theory, by not only recognising ‘pleasure utility’ but also ‘moral utility’, suggesting that morality has an exclusive utilitarian character and that different moral values can be traded off with each other along a utility function (Etzioni, 1999). He then links this with the communitarian approach, in his version of socio-economics as one of embeddedness: “The essential message of the book is that the old neoclassical paradigm is not so much being replaced as encompassed by a new paradigm” (Etzioni, 1992: 48-49). Later, he parallels this relationship with that of the market as a sub-system of society. Hence, Etzioni pictures economic behaviour as embedded in social behaviour in communities with shared values, which, in turn, requires a socio-economic theory that complements neoclassical theory (Etzioni, 2003: box 1). But what this socio-economic theory is and how it differs from mainstream extensions of neoclassicism (such as bounded rationality and new institutional economics) is to be seen. Critics of his project point out that he thereby does no justice to communitarianism (Coughlin, 1999), or falls into the trap of the purely individualist reasoning of the economic theory he has embraced (Taylor-Gooby, 1998). Lutz (2000: 345) therefore emphasizes the need for Etzioni’s socio-economics to acknowledge universal values, to take an ontological position towards rationality, and to seek universal social progress measured by common values, such as emancipation and self-realization.

In summary, the three communitarian philosophers appear to have quite a limited view of the economy – markets only – and economics – rational choice theory and neoclassical economics. They thereby ignore the wide variety of theories beyond neoclassicism – from Veblen’s institutional theory of the unproductive and highly gendered upper class versus industrious male and female workers, through Joan Robinson’s attention to market power, inequality, and the manipulation of scarcity, in

Post Keynesian economics, to the analysis of how normative issues affect economic behaviour and outcomes in socio economics. At the same time, the communitarian philosophers discussed above take no notice of developments in the mainstream over the past two decades which seriously criticise the core assumptions of neoclassical economics, and of rational choice theory in particular. It seems plausible that it is precisely this holding on to an outdated and narrow version of economic theory that leads them to regard morality and economy as dichotomous, or at best, complementary.

The dichotomous positioning of morality and markets, and subsequently of ethics and economics, is not very helpful for economists who sympathise with some communitarian views on ethics, sharing the concern about the dominance of markets in theory and reality. This paper does not allow for a discussion of how economists have attempted to bring values back into economics – it focuses, as explained in the introduction, on how communitarian ideas may help furthering this endeavour. For this purpose, the next section will take up some core elements of communitarianism as they have been developed by the three philosophers discussed above, in order to show how communitarianism may contribute to the project of re-inserting values into economics. It will also draw on the work of a fourth communitarian philosopher, who has transcended the dichotomous approach and whose ideas appear helpful in conceptualizing ethics in economics.

Unravelling the Paradox

Without going into the various parallels and differences between the writings of Etzioni, Anderson, and MacIntyre, this section will simply build on what I see as the key ideas in their work. I have selected one key idea from each that may help to connect morality and economics:

- Embeddedness (Etzioni's use of it, although originally from Granovetter)
- Shared value and meaning (Anderson)
- Practices, consisting of capacities, internal goods, and internal standards of excellence (MacIntyre)

Below, the key idea contributed by Anderson (shared value and meaning) will not be discussed separately but in relation to MacIntyre's practices.

It is relevant to start with the idea of embeddedness, which features in Etzioni's work, and is often traced to Mark Granovetter (1985). Embeddedness refers

to the relationship between economy and society, in which the first is understood as being embedded in the second. This may sound simple and commonsense, but it is not. MacIntyre and Anderson clearly regard the economy (or more narrowly, markets) as separate from society if not opposed to or even corrupting the social relations and values of society. Etzioni rejects the idea of separate domains, each with its own type of agent, but instead argues for an understanding of the economy as functioning within society and influenced by social relation and values. But also in economics, this is not a widely accepted position. In the mainstream, including the new institutional economics of Douglass North and Oliver Williamson, social relationships and social values tend to be regarded as *constraints* on economic behaviour, limiting economic agents' choices. This implies a different picture than one of embeddedness. The society-as-constraint view rather is the mirror image of the picture provided by MacIntyre and Anderson: it regards the relationship between the economy and society as one in which the economy is the basic realm for agency, rather than society, while society locks this agency in into the constraints of social institutions. The perspective in which the economy is understood as being embedded in society, however, recognizes that economic behaviour is part of social behaviour. Such perspective allows for a recognition of a wide range of motivations, reasons, and goals that agents may have in their economic decision making, including moral beliefs, moral reasons and moral goals. This is precisely the direction taken in progressive strands of behavioural and experimental economics (see, for example, Gintis et al., 2005). This literature may benefit from theoretical foundations, such as the concept of embeddedness, for the empirical results that challenge the concept of rational economic man.

In his notion of practices, MacIntyre distinguishes capacities from skills. He regards skills as technical features of human behaviour, and therefore as not being part of practices. But this is a narrow conception of skills, such as being able to type rapidly, or to speak a foreign language. In *After Virtue*, he has introduced a broader type of skills, which he sees as being part of practices, and which he has labelled as "capacities" (MacIntyre 1987: 125). This notion of capacities appears very similar to what Amartya Sen (1987 and 1993b) has labelled as "capabilities" in his alternative to welfare theory, while Martha Nussbaum (2000) has added that these would also include certain social skills, such as the capacities of communication and

interpretation reflected in human interaction⁴. So, skills should not be regarded as being limited to practical competences but extend, as Nussbaum has argued, to morally laden social and psychological competences, valuable in their own right. This, in turn, requires a value concept that is quite different from the one pictured in neoclassical economics. Capabilities have intrinsic value, with shared meaning, but also are instrumental for the creation of economic value for the provisioning in households and communities. It is here that Anderson's shared value comes in, as it requires capabilities of emotion, deliberation, and relatedness – skills that are alien to the neoclassical rational economic man.

On internal goods, Ballard (2000: 12 and 13) has proposed that these are available to the participants of a practice who can recognise and value the internal goods of that practice. They are immaterial, and have not only moral value but can also have economic value. Let me illustrate this with some examples. The internal good of teamwork would be solidarity, irrespective of the material good that is produced in the team. The internal good of the supply of venture capital would be courage in the face of high risk, while the internal good of professional home care services would be caring attitudes, even when not explicitly part of the workers' task descriptions. In other words, internal goods can be generated in the economy, as the underlying values of the practices, which are expressive for the participants in these practices, providing their activities with meaning, even though for an outsider, only external goods are produced, such as a car, a loan, or two hours of home care services. The link between the moral and economic value for these and other internal goods can be expressed with the notion of intrinsic motivation, which has been elaborated in economics by Bruno Frey (1997) in his book *Not Just for the Money*. He has found that extrinsic motivation (such as income or status) and intrinsic motivation (by commitments to values) often go parallel, but will go apart if the gap in valuation of each type of motivation in the economic process becomes too big.

4 Of course, economic actors do not always behave virtuously, and Sen as well as others have never argued they would. But the same counts for behaviour in practices as MacIntyre understands these. To take MacIntyre's favourite example of the practice of chess playing: there will always be chess players who will skillfully try to disobey the rules or who will regard winning as a means to increase one's status rather than as an internal good, an end in itself. No practice is perfect (Bruce Ballard 2000: 14 and 16). So, like any practice, economic practices may fail to realise internal goods, or internal standards of excellence may be overruled by extrinsic rewards, or capacities may be limited to technical rather than social skills.

This understanding of a relationship between extrinsic and intrinsic motivation comes close to Anderson's idea of shared value and meaning, which recognizes that behaviour "is guided by norms described in terms of ideals and evaluative concepts such as 'respect', 'friendship', and 'charity'" (Anderson, 1993: 44). An example of how such meaning may function in an economic practice is about excessive rewards of top managers of corporations. Regularly, workers, shareholders, or consumers protest against high increases in top managers' earnings, while at the same time profits go down, employees' salaries are not raised with a demand by management on worker's concern for the corporation's competitiveness, and people are fired in a continuous process of cost reduction. This may be perceived by many employees as unfair, which in turn can crowd out their intrinsic motivation. This, in turn, is likely to affect internal goods such as the level of labour productivity, through absenteeism, reluctance to do overtime, and a slower work-pace.

The third characteristic of practices, internal standards of excellence, implies that we need to recognise the moral values that underlie economic behaviour. Adam Smith (1984) has provided the basis for this recognition, when he claimed that the economy expresses three types of values: "liberty", "justice", and "benevolence". Each of these values has its own domain in the economy, with its own transaction mechanism: exchange for liberty values, redistribution for justice values, and the gift of unpaid labour for the values of benevolence (van Staveren 2001). Here, the work by yet another communitarian philosopher appears useful: Michael Walzer's (1983) *Spheres of Justice*. He distinguishes such spheres from the sphere of the market through blocked exchanges. Examples of blocked exchanges that Walzer gives are trade in humans, political freedoms, prizes, God's mercy, and love. But he does not simply dichotomize market and morality, and instead goes back to Adam Smith who already recognized how honour makes part of the reward of many jobs, and other intrinsic rewards. Walzer, therefore, states that: "To do a job well, and to be known to do it well: surely this is what men and women most want from their work"(Walzer, 1983: 159). In an elaboration of Walzer's emphasis of recognition, as a motivational link between morality and markets, Russell Keat (1997) shows how important recognition by others is, for example as "decent and competent teachers" (Keat, 1997: 102). And, he notes, doing a job well in the eyes of others requires effort, for which one likes to be recognized, not, however, in money terms, which may turn the effort entirely instrumental, but in a way that is supporting the very practice in which one

operates, hence, publicly. Keat does not give any examples, but one may think of an economic practice that requires temporary overtime in order to be recognized as doing one's job well. Paying overtime by the hour may, however, just turn this into extra earnings, whereas providing one's department with additional resources to hire an extra colleague or extra money for a specialized training may be far more effective – both in providing recognition to the workers and in terms of labour productivity and reduced turn-over rates of personnel. Of course, this in no way implies that the one sphere should be made instrumental to another. To the contrary: the recognition of distinct, but not unrelated spheres in social life, including economic life, helps to see how morality is related to agents' motivations, behaviour, and economic results.

Let me illustrate now for the sphere of liberty how internal standards of excellence can emerge even in markets, without becoming instrumental to market dynamics. In the market domain the internal good is freedom of choice while the internal standard of excellence is the extent to which economic actors succeed in making fair choices that survive competition and satisfy demand. An example is the allocation of labour through open competition in the labour market. Generally, we appreciate it when the best candidate for a job is selected on the basis of her qualifications in a fair competitive process with other job candidates, and we tend to judge against selection procedures in which a candidate is given the job because she has family connections with the CEO, or in case she is selected merely because affirmative action regulations require the personnel department to hire a woman. The standard of excellence in the economic domain of liberty, hence, is competitive capability, or capacity, relying on honesty, perseverance, fairness and other virtues, including prudence. The risk here is the vice of arrogance, pride, or any other expression of superiority, which may reign when the winners in a competition join forces to protect their advantage, which in turn will ruin the competitive process through forms of collective action. In that case, external standards would take over internal standards of excellence, undermining the practice. So, when such power seeking is checked by the state, the person with the highest competitive capabilities will not only get the extrinsic good (the salaried job and career), but will also realise the internal good and earn moral praise because of the virtues expressed through her competitive capabilities, as we can see from phrases like “she deserves the position”.

Above, I hope to have indicated that we may understand economic behaviour as a socially embedded practice, which, through shared value and meaning of the

agents participating in a practice, will develop, sustain, challenge, and institutionalize morality through the value of internal goods and the standards for excellence that these internal goods set in a practice. In other words, it seems very well possible that economic activities can be regarded as practices in the moral sense of the word as defined by MacIntyre, and as embedded in society at large rather than as opposed to it (Etzioni), in which the economic agents participate partly through their shared values and meaning (Anderson). External goods, the typical economic goods produced by economic activity which are functional for the provisioning of households and the continuation of firms and employment for household members, can now be understood as partly depending on the embeddedness of practices, the shared value, and the increased value of internal goods. In other words, economic practices tend to involve moral dimensions, whereas the external and internal value of these practices may, to some extent, be regarded as inter-related. But, and this is important to note, the relationship is not an instrumental one: as soon as internal goods are used instrumentally for external gains, they will be undermined and destroy the practice. Instrumental use of internal goods may also have a negative effect on external goods of a practice as the example above of high pay rises for top-managers at cost of workers' wages and jobs has suggested: labour productivity may go down, and turnover rates may go up.

In conclusion, the paradox of communitarian thinking about economics – recognizing the presence of morality in practices but denying the possibility of practices in the economy – has been unravelled. First, by arguing that communitarians tend to misrepresent economic behaviour by reducing its conceptualisation to neoclassical (rational choice) economics. This reductionist view of economic theory has resulted in an unnecessary dichotomization of markets and morality. Second, by pointing out that communitarians tend to reduce the economy to markets, ignoring that the economy also encompasses the state and unpaid production in households and communities. Third, by indicating, with the help of Walzer's notions of spheres of justice and the role of recognition, how three key communitarian ideas – embeddedness, shared value and meaning, and practices – help to understand *how* morality may be connected to economic behaviour, including market behaviour. I have argued that this connection seems to occur through moral dimensions, like capabilities and shared values, expressed in economic practices, contributing to their internal goods, as well as

through a delicate relationship of these internal goods with the external goods generated by practices, such as money and status.

The above discussion of the paradox suggests that if communitarian philosophers would no longer misinterpret economic behaviour in terms of neoclassical economics and no longer reduce the economy to markets alone, economists who are open to valuable communitarian ideas would be able to better re-establish the connections between morality and economics, recognizing morality and markets as distinct but mutually related spheres in society.

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