The philosophical reflection on the essence of what we call the market has largely disappeared from the textbooks of the economic discipline. This paper intends to contribute to a renewal of this discourse by explicitly looking on basic concepts of mainstream market theory from an ethical point of view. There are not so much new information given; rather, a different, ethically conscious light is shed on the information we already have on the market. With its philosophical emphasis on the frame of reference, which is always normative in nature, the paper contributes to the new emerging approach of “integrative economic ethics” (integrative Wirtschaftsethik), introduced by Peter Ulrich. After touching the interrelationship of (descriptive) theory and (normative) ethics, the outlines of a brief and, as I claim, complete theory of the basic structure of the market are sketched. Central to this theory is the view of the market as a system. This systemic view allows to explain phenomena like economic growth or unemployment as well as to discover ethical problems and to raise normative questions that are often overlooked and passed over.

Introduction

What is a market? As any question of definition, this question is normative in nature. If the notion should have meaning and should lead to meaningful descriptions of empirical phenomena, it cannot be “value-free”. Otherwise, the notion would be pointless; at least, it would demand further examination. Descriptions are always normative in nature. Authors who use notions want to show something; they have something meaningful to say. Meaning has its roots in public discourse, and public discourse deals with normative questions, with judgements.

The normative or ethical character of science, especially of social sciences, is often overlooked. This normativity can be seen in the potential diversity of describing social phenomena. There is always the question how to label things. About what is called “the market”, one could ask: Is the market the “obvious and simple system of natural liberty” [Smith 1976b, 208], or is it a “masterless slavery” [Weber 1978, 1186]?3 Obviously, there are good and bad descriptions, and the appropriateness of a qualification does not only relate to some pure truth of an empirical identification. Then the only question would be whether a specific subject is a market or something different. But what is a market, and how can we discern it or its opposite? For example, from the viewpoint of a certain, and by no means uncommon theory of the market one

2 Of course, so called “value-free” descriptions are not without meaning. Instead, they offer an apologia of the phenomenon in question.
3 Regarding the notion of “scarcity”, for example, one could ask: Are goods “scarce”, or are they distributed unjustly?
could argue: People are observed to act without being forced to do so; they are not coerced by anybody. Thus, this is a market. The appropriateness of a qualification always involves the adequacy of the normative judgement, implicitly or explicitly given with any meaningful description. Ultimately, there is not the distinction between value-laden and value-free theories but only the one between more and less self-reflective theories. Normativism, or ethics, is unavoidable.

The theory of the market I am going to present in the following claims to offer an ethically conscious description of market interactions and interrelations which is more adequate than those offered by mainstream theory. It also tries to give an explanation of the driving forces behind the development of the market. It is a theory about the constitution of the market, and it claims to explain why there is economic growth. As far as I can see, economic theory offers two kinds of such constitutional theories. The market is regarded either as an instrument, used by political agents for the good or the bad, but implicitly regarded as being in itself ethically neutral, or as a “spontaneous order” [Hayek]. In the following, the instrumental or institutional viewpoint is rejected in favour of a systemic view of the market. But from this it does not follow that market interaction has to be described in terms of a “spontaneous” expression of the participants free will, as suggested in particular by Austrian economics. Instead, it is argued that the market’s development is driven by compulsion and force.

The theory of the market I want to present in the following is brief and, as I claim, complete, so that no further components are needed to capture market phenomena. This theory is designed to address what is put at stake by the market, ethically. There are two kinds of relationships which constitute the market nexus: exchange and competition. But there is only a single type of action: exchange.

1. Market as Exchange

All actions we connect to the notion of “the market” can be traced back to one single type of action: exchange, (i.e., buying and selling goods and services). Exchange is voluntary and mutually beneficial - “or else it would not take place” [Buchanan and Tullock 1965, 270]. Therefore, it is hard to say, “what (if anything) is wrong with capitalism” [Parijs 1995, VII], at least this is hard to say from a non-systemic viewpoint of the market, regarding just exchange and intentions.

These difficulties can be found in Marx’ attempt to refute the claim that the market has to be attributed as “free”. On the one hand, his attempt amounts to making the notion of the “free” worker ironic, without making clear whether this is a refutation or a confirmation of the notion of the inherently “free” market. On the other hand, he refuted it by referring to the forceful and manorial, and thus intentional, conditions of the “so-called primary accumulation” [Marx 1930, 790-847]. But these conditions do not describe to the market itself but its preconditions. Although there is the notion of the “silent force of economic circumstances” [Marx 1930, 791].

4 Cf. also Knight [1922, 193]: “Economists who pretend to eschew ethical problems ... have in general merely worked in terms of unformulated, unconscious ethical standards ...”

5 According to Marx, the “free worker”, is “free in a double sense. The worker must be able to dispose of his labour power as his own commodity; and, on the other hand, he must have no other commodities for sale, must be ‘free’ from everything that is essential for the realisation of his labour power” [Marx 1930, 156, cf. also 164, 791].

6 “The gentle science of political economy has always clung to idyllic notions.” Whereas “in the history of the real world, as every one knows, conquest, subjugation, robbery, murder - in a word, force - play leading roles” [Marx 1930, 791].
1962, 765]. Marx remained an institutionalist. As he lacked of systemic categories, he had to attribute this force, although being somehow "silent" [Marx], or "invisible" [Smith], to individual intentions. Accordingly, this peculiar "silent force of economic circumstances" just "completes the subjugation of the worker to the capitalist" [Marx 1930, 817].

But even in a non-systemic framework, an objection could be placed straightforward. It is true, exchange, at least pure exchange, in itself is free from all positive power, i.e., violence. To receive goods or services, and to earn money at gunpoint, so to speak, is not called exchange but robbery, theft, or extortion. Yes, the market nexus is free from violence in this narrow sense, but it is, at least by tendency, also free from all considerations of solidarity. Market participants "are neither enemies nor friends" [Gauthier 1986, 318]. Systematically, they regard each other just with regard to their abilities and skills, in his or her capacity to deliver something regarded as useful; they regard each other just as a "link in the chain" [Wicksteed 1933, 174]. Therefore, pure exchange is tantamount to mutual reification.

Some economists and "liberal" philosophers have tried to palliate this radical deviation from everyday's life conventions given with pure exchange. Wicksteed [1933, ch. V] claimed that exchange appropriately should neither be described in terms of egoism or altruism but in terms of "non-tuism", that is its "value-freedom" or "neutrality". But there is no "beyond of good and evil" [Nietzsche]. There is nothing like "non-tuism" as opposed to egoism. If we can imagine the former at all, it is tantamount to egoism in a radical sense. Thus, "non-tuism", or, as Rawls [1971, 13 and 144] puts it, the attitude of being "mutually disinterested", is nothing "neutral" and thus legitimate, instead, it is the formal epitome of missed or even violated morality. Hegel disapproved of one-sided or mutual indifference in equating it with "trampling underfoot the roots of humanity" [Hegel 1977, 43]. On the grounds of the perhaps more precise Kantian ethics one could argue that market exchange, as such, violates the Categorical Imperative:

"Act in such a way that you always treat humanity, whether in your own person or in the person of any other, never simply as a means, but always at the same time as an end" [Kant 1967, 91].

In market exchange, as far as it is motivated solely by considerations of efficiency and advantage, participants treat each other as means. The other is able, i.e., has the power to contribute efficiently, or else he or she will be excluded. Therefore, market exchange, as such, is not constituted by intersubjectively sharable meanings or reasons. It is not to be described as a kind of communicative action, instead it is an expression of strategic action, arguably the most pure expression. Thus, exchange is constituted by power. Of course, the power that is decisive here is negative, not positive. It is the power of being able to choose the entry option, that is to offer something others regard as utility enhancing (goods, services, or money), or of being able to refrain from a particular exchange, that is to choose the exit option. Therefore, it is not appropriate to say without further ado that the market does serve "the most urgent needs of the

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7 Own translation. The English translation of the German original is inappropriate. The "stumme Zwang der ökonomischen Verhältnisse" is translated into "the daily compulsion of economic relations" [Marx 1930, 817].
8 Marx' ironic way of talking about the "free worker" might be interpreted along these lines.
9 The German original says: "Handle so, dass du die Menschheit, sowohl in deiner Person, als in der Person eines jeden andern, jederzeit zugleich als Zweck, niemals blass als Mittel brauchest" [Kant 1974, 6]. Cf. also the appendix for further clarification.
10 The differentiation between communicative and strategic action is elaborated by Habermas [1985] and Apel [1984].
11 Power is not to be confused with domination ("Herrschaft"), which is, it is true, normally amalgamated with power, positive or negative, but is in itself a relationship intersubjective or "tuistic" in character.
12 Economists usually refer to positive power in terms of "external effects". To question the negative power of other people often is described as "envy".
consumers” [Mises 1966, 299]. Instead, only the needs of those individuals are served which are equipped with purchasing power, and they are satisfied in exact proportion to this purchasing power, not to their needs. The same applies to the opposite side of exchange. Only those suppliers will stay in business - and thus have purchasing power as consumers - who are “efficient” or competitive, able to offer a “good” or even “better deal”.

What is put at stake by exchange, ethically? At first, questions of distributive justice might come to our minds. Who gets how much of the “pie” which can only be cooked together? Under the auspices of pure exchange the answer is clear: The parties get as much or as little, respectively, as they can. Might is right. In the market, as such, it is the right of the powerful that holds. Of course, it is just negative power that is decisive here (competition disregarded). But this is not a principle that deserves our ethical support.

I would like to generalize this point. As far as exchange, as in its pure meaning, is ruled by nothing but the participants’ pursuit of profit -, i.e., profit maximization, or, more generally, utility maximization - it straightforwardly has to be regarded as illegitimate. The reason for this is a formal one. Any kind of “maximization” implies that all values or aspects other than the one to be maximized are ignored or merely regarded according to the maximand. That is the meaning of maximization. But then, by definition, there is no room for ethical considerations. Even ethical regards would have to be assumed as being profitable, or at least as being an investment. However, this would only be the case by accident.\(^{13}\)

Until now, I have introduced exchange in its pure, “theoretical” meaning, as most economists use this concept and related notions like cost, homo economicus, or maximization. But pure exchange is not just a scientific delusion. Max Weber, for example, defined the “capitalist enterprise” by its orientation to “long-run profitability” and its endeavor to eliminate all “outside interests” [1978, 139 and 90 ff.].\(^{14}\) Similarly, Wicksteed observed that “trustees ... will often drive harder bargains - that is to say, will more rigidly exclude all thought of consideration of the advantage of the person with whom they are dealing” [1950, 175]. There seems to be a general trend given with the market. Market-alien considerations and values are increasingly excluded.\(^{15}\) Why is this the case? My thesis is that this trend cannot be traced back to the market participants' intentions, at least not fully. The growing purity of exchange is not just an expression of a growing “egoism”, rather, there are forces at work that have to be characterized as somehow superindividual.

\(^{13}\) “The conformity (of action and morality, U.T.) is only too contingent and precarious” where action is undertaken just “in accordance with duty” (or, to be more precise, allegedly in accordance with duty), but not "from duty” [Kant 1967, 14].

\(^{14}\) The German original term is “betriebsfremde Interessen” [Weber 1972, 79].

\(^{15}\) We can differentiate considerations and orientations from values - market-alien or market-internal. Market-internal orientations stand for the maximizing or egoistic behaviour of economic man. Under his regime, interpersonal relationships take place “without regard for the reasons people have” [Anderson 1990, 183]. What matters instead is just what others are able to offer. As opposed to homo economicus, who “can be seen to maximize almost anything at all” [Buchanan 1987, 59], economic man maximizes market-internal values, that is his income, or money and what can be bought with money. Market-internal values largely correspond to “economic goods,” as defined by Elizabeth Anderson [1990], whereas market-alien values are simply defined as all other conceivable values. To realize market-internal values, we do not have to pursue in a maximizing way. Instead, market-internal values can be, and normally are, a part of some broader considerations. We do not have to be economic man to gain an income, although our income will increase in correspondence to the degree we follow the precepts of economic man. Economists probably would argue that market-alien values also could or should be conceptualized within the paradigm of (utility-)maximization. In other words, they would refer to the broader and formal concept of homo economicus and reject the narrow model of economic man. In the following, however, I will not argue along this line of “economic imperialism”. Instead, the use of the notion of market-alien values always implies a deviation from the concept of maximization.
2. The Market as Exchange and Competition

That is where *competition* enters the picture, systematically. Competition, as I want to introduce it here, is not a purposeful act. The "essential element in competition" is not, as for example Mark Addleson argues, "that competitors ... recognize one another as opponents or rivals" [1994, 96]. Of course, there is much rivalry in the market - between firms offering rather homogeneous products or services, or between employees to reach higher positions within a firm. But this is, strictly speaking, not the kind of competition that drives the economy and that is responsible for the ever changing quality of the market. Rivalry is not the kind of competition that defines what people are able to attain by exchange, and by which we can explain why market-alien considerations are increasingly excluded from the relationship of exchanging individuals. Instead of being constituted by intentions, this competition emerges from exchange, which is, taken alone, a completely purposeful action, of course.

Competition takes place when new, somehow "better" relationships of exchange are entered. It inevitably follows that existing exchange relationships are abandoned, may they be of durable, regular, or customary nature. That is what competition does mean. Competition is a necessary consequence of changing exchange patterns, for example higher or lower prices, or the supply of new or "improved" products. Buying something new is only possible by withdrawing money from previous use (i.e., choosing the exit-option). There is simply no other possibility to bring this about; that is, to finance the new deal. "Each new article entirely or for the most part creates its sale by the withdrawal of the public from the use of other articles" [Mises 1961, 133, own translation]. The amount given to new suppliers equals exactly the amount previously paid to others.

This withdrawal of purchasing power from one employment to another does not only take place within a single industry (defined by high price elasticities between suppliers). Otherwise it would be hard to explain why there is this shift from the primary (agricultural) to the secondary (industrial) and finally to the tertiary (service) sector, or from rent to profit to labor, or "knowledge", characteristic for market's development. To quote Mises again:

"Competition does not only take place between those who offer the same article for sale, but also between those, who want to sell different articles. The amounts a consumer spends for buying any kind of commodity necessarily diminish the amounts he can spend for buying other commodities" [1961, 133, own translation].

This is why Schumpeter described "capitalism" as a process of "creative destruction" [1962, ch. 7]. The new exchange is the "creative" component, the withdrawal from relationships which now are not regarded as *mutually* beneficial anymore, or, more in general, the intensification of performance standards and the growing difficulty to pursue market-alien values, is the "destructive" component of the market process, consisting of exchange *and* competition.

Market-like interaction is not only, and arguably not so much, ethically problematic with regard to its exchange characteristic, briefly addressed above. Rather, its problematic feature lies in its competitiveness. At least, the ethical problems with regard to exchange, that is with regard to the direct, "visible" interaction between individuals, cannot be adequately addressed without taking into account the competitive component of market process. As we will see, this component is often overlooked, or misinterpreted. For example, economists and practitioners alike recognize the "opportunities" which an extension of exchange ipso facto offers, but overlook the accompanying "invisible" [Smith] "destruction" [Schumpeter] through competi-

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16 For the opposite view to the rivalry approach cf. also Friedman [1962, 119 f.].
tion, occurring perhaps at distant places. These are not “external effects” but internal effects, internal to, and unavoidably tied up with, the working properties of the market.

The reason for this ignorance may lie in a lack of categories for grasping the systemic character of the market as a process. The market, especially the direct interrelationships of more or less pure exchange, for example between buyer and seller, employer and employee, might adequately be regarded as part of the “lifeworld”, that is the social world in which we live and that we understand as a matter of course, although normally in a pre-reflective way.\(^{17}\) In the lifeworld, all social effects can be traced back to intersubjectively sharable meanings, i.e., reasons. But we cannot grasp the dynamics of market process if we regard it as a part of our lifeworld. Instead, we have to apply a systems view, and the systemic insights we might gain are counterintuitive. There is something we can learn genuinely from systemic market theory.

3. Preliminary Remarks on a Systemic Theory of Market Process

In the following I want to outline how a systemic view of market process could lead to a more problem-conscious comprehension of the market and its characteristics, namely unemployment, economic growth, the conflict between “capital” and “labor”. Also, the shortcomings of an economic or business ethics “under the conditions of the modern economy” will be recognizable.\(^{18}\) Understanding here does not mean the comprehension of some inner motives or intentions which “the market” or market participants might have. This would be, as the market is systemic in nature, metaphysical,\(^ {19}\) or, as intentions do not constitute the market, misleading. Instead, it is not an argumentation with the subject matter, which would be the normal case for social sciences (i.e., hermeneutics), but only with current theories of the market, whether their origins are academic or non-academic. In systemic theory the double hermeneutic, characteristic for social science in principle [Habermas 1984, 110], is suspended. Of course, the situation within theory or between author and addressee remains hermeneutic in character. But the subject matter itself, i.e., market process, cannot be captured hermeneutically. Instead, we have to impose the appropriate categories on the subject matter. Insofar, systems theory has the same methodological structure as the natural sciences.

Though mainly implicitly, a systemic view of the market is not completely new. From the outset (that is, with Adam Smith) economic theory perceived the market in systemic categories. Today, especially Austrian economics holds a systemic theory of the market. Hayek’s perception of the market as a “spontaneous order” is nothing but a different expression of the regularities produced by the famous “invisible hand”.\(^ {20}\) However, systemic market theory has always interpreted the market process metaphysically as an expression of some higher, “rational” will, and consequentially has always written an apologia of the market. As early as Smith launched the notion of the “invisible hand”, he perceived its working properties as having ethically de-

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17 The distinction between “lifeworld” and “system” plays a major role in Habermas' concept of sociology [1987, 148-152; 1991, 250-264]. To give an example, the text, I am writing here, and in addressing it to an audience, takes place within the lifeworld. It might be hard to imagine what could stand outside the lifeworld. In the following, an attempt is made to outline how the beyond of the lifeworld, i.e., the system, could be conceived.

18 Inspired by Constitutional Economics, the German business ethicist Karl Homann defines business or economic ethics as follows: “Economic ethics or business ethics, respectively, deals with the question which moral norms and ideals are applicable and can be supported as valid under the conditions of the modern economy and society” [Homann and Blome-Drees 1992, p.14; own translation].

19 For such a metaphysics of the market cf. for example Mises [1966, 257]: “The market alone puts the whole social system in order and provides it with sense and meaning.”

20 Hayek explicitly refers to Smith's notion of the "invisible hand" [1973, 37; 1976, 145 and 185 f.].
sirable effects. The individual, intending “only his own gain”, at the same time and “in this” is “led by an invisible hand to promote an end which was no part of his intention” [1976a, 477]. And this end is nothing bad or questionable; instead, it is the “interest ... of the society”, the “public interest”. Moreover, the outcomes produced by the invisible hand, that is market process or the “silent and insensible operation of ... commerce” [1976a, 437], seem to be ethically favorable, just because they are set forward by an anonymous, superpersonal process, which acts as a quasi-subject, not by individuals.

This peculiar ethical view forms the background of Hayek’s rejection of the concept of “social justice”, that is man-made justice. Instead, he replaces it by the superhuman “justice” of the “rules” of natural and social selection, that is “competition” as a “general principle” [Hayek 1979, 65]. For us, as earthly human beings, there remains just the task of “discovering” what is handed down by the impersonal and thus infallible and impartial process of general selection or competition. To question the outcomes and working properties of market process is thus superfluous, or, quite paradoxically, dangerous. With regard to the market,

“the concept of ‘social justice’ is necessarily empty and meaningless, because in it (the market, U.T.) nobody’s will can determine the relative incomes of the different people ... There is no answer to the question of who has been unjust” [Hayek 1976, 69].

And therefore, there can be no injustice, as long and insofar the invisible hand can be seen to be at work.

Instead of going further into detail of a position one could call “systems ethics”, “invisible-hand-ethics”, or economism [cf. Thielemann 1996, ch. III 7], I want to shed a different, less harmonious light on the working properties of the market process in elucidating the impact the market, as a system, has on the lifeworld. Also I want to show why the market is to be regarded as a system at all, without trapping into metaphysics. The question why there is economic growth should be a good starting point.

4. Economic Growth and the Elimination of Market-Alien Values

The “public interest” Smith is talking about is more or less identical with what is called the gross national income today, it is the “general welfare of society”, the “real wealth and revenue of the country”, the increase in the “sum total” [Smith 1976a, 3, 473, 479]. After all, the major work of Adam Smith is called “The Wealth of Nations”. I want to put aside for a moment the question what ethical meaning could be given to “wealth” and “growth”, measurable in a nation’s or the world’s total sum of income. Instead, I want to ask why there is growth. The answer is: there is growth because there is competition and because competition is systemic in nature.

I want to come back to the simple model of market relationships consisting of exchange and

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21 Without mentioning the “invisible hand”, the same thought is expressed as follows: "Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of the society which he has in view. But the study of his own advantage naturally, or rather necessarily leads him to prefer that employment which is the most advantageous to the society" [Smith 1976a, 475].

22 With this I refer to Hayek’s notion of “Competition as a Discovery Procedure” [1979, 65 ff.].

23 The program of Constitutional Economics, above all represented by the work of James M. Buchanan, can be regarded as an attempt to avoid this paradox - of course, within the same frame of reference [cf. Thielemann 1996, ch. III 5.3].
competition. Normally and systematically, exchange is not pure. Between exchanging individuals, there are always considerations or values involved, i.e., market-alien values, which are not necessary to accomplish the exchange in the “best” possible way, whatever these values might be and however weak those considerations might be. Mutual reification or “two-sided instrumentality” [Gauthier 1986, 318] is never complete. There are two reasons for this. First, one could ask, if exchange partners really should act along the lines of profit- or utility-maximization with regard to each other, as mainstream economic theory suggests, why are profits not at their maximum (social or natural constraints, lying outside the individual, taken as given, of course)? At least, they could always be larger than they are right now. People “might be able to do much, much better” [Buchanan 1986, 77], but here and now they do not. There is always the possibility to work more and with greater intensity or effectiveness in order to discover and exploit existing “opportunities”. Second, if all market-alien values, or “outside interests” [Weber], had been eliminated, competition would be impossible. There would be nothing left against which to compete. There would be nothing left to “discover” [Hayek] or “destroy” [Schumpeter].

To disregard those values, i.e., all values and considerations different from intra-market values, has always been the mistake of the model of “perfect competition”, neoclassical economists’ arguments are directed to. The hypothetic stage, which will never be reached, and toward which the economic process is constantly moving, is taken as the logic of the process itself. Competition is never and can never be “perfect”; instead, competition is the very process of “perfection”, that is, the constant intensification of competitive standards, emerging from exchange and re-affecting exchange. “Perfect” competition would be pointless; there would be no single move anymore, because nobody could be forced to give up market-alien values. This is the essence of competition: the process of eliminating market-alien values. Without these values, it would be endlessly easy to compete, and thus, there would no competition.

Schumpeter, although mainly interested in “growth”, or the “expansion of total output” [1962, 106], saw this quite clearly. In the chapter following “Creative Destruction” in “Capitalism, Socialism, and Democracy”, he takes up the cudgels for “Monopolistic Practices”. Yet, this protectionism, this deviation from the “conditions of a theoretically perfect competition” [Schumpeter 1962, 90] is precisely a necessary condition of real-life competition. “Perfectly free entry into a new field may make it impossible to enter in it at all. The introduction of new methods of production and new commodities is hardly conceivable with perfect - and perfectly prompt - competition from the start” [Schumpeter 1962, 104 f.]. Otherwise, that is without some “restrictive practices” [Schumpeter 1962, 87], market participants would be systemically overburdened. “Perfect and instantaneous flexibility may ... produce functionless catastrophes” [Schumpeter 1962, 104], whereas “restrictions of trade” ... may in the end produce not only steadier but also greater expansion of total output than could be secured by an entirely uncontrolled onward rush that cannot fail to be studded with catastrophes” [Schumpeter 1962, 91]. In other words, without some form of moderated competition, there would be “destruction” but no “creation”, as people, here and now, would not be able to regain competitiveness.

For Schumpeter, it is a matter of fact that competition, though never “perfect” competition, leads to growth. But why is this the case? To come straight to the answer, it is the competitive compulsion to replace market-alien with intra-market values that generates growth. In the following, I want to elucidate this answer step by step.

24 With regard to the assumptions of mainstream economics about increasing “efficiency” under the auspices of the market one could ask: Provided there will be ever more “efficiency” tomorrow, why does this outcome not already occur today? The answer must lie in the market participant’s reluctance to replace extra-market with intra-market orientations.
Thus, let us assume that market-alien values are, consciously or unconsciously, a normal and necessary part of exchange. Exchange partners do not make their relationship totally conditional upon the marginal willingness to pay and the productivity or competitiveness of those they are dealing with. Insofar, any market economy is “embedded” in the sense Polanyi [1957, 68 ff.] introduced the term. There are always values and considerations involved in actual market interactions of a broad variety which are culturally and historically determined and cannot be regarded as an expression of any imagined pure logic of economic choice; and, as already mentioned above, even some subjectively intended “maximization” logically presupposes conflicting values as its subject matter. But, given the competitive characteristic of the market, the general tendency is that the economy constantly moves toward “disembeddedness”, that is the replacement of “unproductive” market-alien values with “productive” market values and attitudes. This trend, I will argue, is not only due to a growing willingness to pursue in a maximizing way.

Although I do not want to suggest that all market-alien values, viz., all considerations different from profit- or utility-maximization, are ethically legitimate, I want to choose considerations of legitimation as an example to show how market=s systems logic leads to the elimination of market-alien values (and then, how this leads to “growth”). The question then is: How are ethical considerations, and thus deviations from the principle of mutual reification, treated in market interaction? The current discussions in business ethics are quite illuminating here. Business ethicists often argue that, “under the conditions of the modern economy” [Homann and Blome-Drees 1992, 14], the compliance with ethical norms (i.e., a special set of market-alien values) is sometimes or in general “impossible”. Strictly speaking however, it does not make sense to argue that acting in the line of duty is “impossible”. Actually, this is “possible”. If this should be regarded as “impossible”, pragmatism, i.e., the primacy of practical over theoretical reason, tells us that it could or even should be made possible. But, “under given conditions”, this might be regarded as unreasonable. Thus, in order to avoid economic determinism, the notion of the “impossibility” to comply with ethical precepts “under the conditions” of market process has to be reinterpreted in terms of conflicting norms or duties. What are the origins of this ethical conflict?

The constraints with which individuals are confronted within the market, and which makes it difficult for them to comply with what could otherwise be regarded as their duty, stem from competition. Let us hear Milton Friedman:

“A businessman or an entrepreneur who expresses preferences in his business activities that are not related to productive efficiency is at a disadvantage compared to other individuals who do not” [1962, 109].

Imagine a “businessman” considering the dismissal of some of his employees in order to raise

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25 For example, in an article from The Economist [Anonymous 1993] we can read that business ethics is about to “run a business as ethically as possible”. William J. Baumol [1991, 5] argues even stronger in an economically deterministic way, stating that under the conditions of competition there is the systematic tendency that “the ethical firm is driven out of the market altogether.” Of course, the most common stance in business ethics today is that pursuing economic and ethical values is, in fact, “possible”, or even “necessary”, as “sound ethics is good business in the long run”. Both viewpoints, economic determinism and ethical functionalism, have to be rejected on the grounds of a critique of economism or market metaphysics. Cf. Ulrich [1998, ch. II]. A critical survey of economistic thinking patterns can be found in Ulrich and Thielemann [1993].

26 “In an objective sense, morals is a practical science, as the sum of laws exacting unconditional obedience, in accordance with which we ought to act. Now, once we have admitted the authority of this idea of duty, it is evidently inconsistent that we should think of saying that we cannot act thus” [Kant 1972, 161].
profits by saving costs which have been "discovered" as unnecessary, thus being able to expand sales by lowering prices. This surely is an issue that is not somehow "neutral" but has to be considered ethically. The employees could object that their and perhaps also their families' living depends on the income they earn with the firm. Although it would be categorically mistaken should the employer argue that it is "impossible" to hold on to his employees, he or she could refer to the unwillingness of other parties in the economic chain to refrain from exhausting an advantageous opportunity. Those other parties can be existing or potential consumers, shareholders, or the more "productive" and thus remaining employees. They all gain from so called "downsizing" or "outsourcing". From the viewpoint of discourse ethics [Habermas 1990; Apel 1972], there should be, implicitly or explicitly, a practical discourse about the reasonableness of the actions the involved parties are going to undertake or to abstain from, with (social) actions perceived as validity claims (and not as constraints).

Such a discourse between immediately or visibly, and intersubjectively, interacting market participants still might seem rather plausible or even to be the normal case. But the relationship between the wider range of more or less indirectly exchanging individuals - say between a worker in the production line of a computer manufacturer and the company's shareholders or "the capital market", or between him and a potential buyer, or a supplier - usually is not determined by intersubjectivity, communicative action, reciprocity of validity claims, or discourse. It is not just due to the complexity and the extent of those relationships of exchange that Max Weber characterized "the market community as such" as "the most impersonal of practical life into which humans can enter with one another" [1978, 636]. Weber [1978, 585] argues that

"every purely personal relationship of man to man, of whatever sort and even including complete enslavement, may be subjected to ethical requirements and ethically regulated. This is true because the structures of these relations depend upon the individual wills of the participants ..."

Obviously, according to Weber, market process does not depend on the individuals' wills. Therefore, "there is no possibility, in practice or even in principle, of any caritative regulation of relationships" arising between market participants. Instead,

"the growing impersonality of the economy on the basis of association in the market place follows its own rules, disobedience to which entails economic failure and, in the long run, economic ruin" [1978, 585].

Of course, against Weber it is to argue that such a discourse, or to comply with those "ethical requirements", is never "impossible". The ethical problem given with the market has to be addressed differently, and it has to be examined more deeply. When we imagine such considerations of reasonableness to take place between the wider range of exchange partners, all of which indirectly supply the individual with an income, those participants of the economic chain could and probably will also refer to their situation (which in principle is the same as the

27 This is just an example how immediate exchange relationships, which are, as I claim, never pure, are rendered toward the idealttype sketched above. Of course, it is a prominent example, but we could also think of the relationship between a one-person-firm and his or her resource suppliers. It is often overlooked that reducing costs, and thus enhancing so called "efficiency", always amounts to reducing the income of others.

28 Reformulated in terms of discourse ethics, the thesis of the presence of market-aliens values in relationships of market exchange, formulated above, means that such a discourse between employer and employee, or between exchange partners in general, does take place, mainly implicitly, that is in the sense of "communicative action", seldom explicitly, that is in the sense of argumentation or discourse. The distinction between "communicative action" and "discourse" is elaborated in Habermas [1984, 17 ff.].
one of the individual we are examining here as an example, i.e., the worker in the computer industry. They are as well facing the danger (or “risk”) that their exchange partners will choose the exit-option, should they fall short of productive standards or true market prices. Again, the same holds for their exchange partners, and so forth. The answer to the question who is responsible (in the double meaning of causing effects and of being answerable for one's actions) for the rise in performance standards or the intensification of competition, and why it becomes ever more difficult, although never “impossible”, to hold on to normative claims, which otherwise may have to be regarded as legitimate - this answer disappears in the anonymous complexity of the world-market.

From the viewpoint of the single market participant nothing can be done but to change his or her lifestyle, to find a new job, to work harder, to invest in his or her human capital, in order to regain competitiveness, defined by market process. With his or her immediate, “visible” exchange partners he or she comes to the wrong (ethical) address, at least systematically, to raise the endemic issue of rising performance standards. Although there is always room for moderation and alleviation, in the famous long run, the one or the other or both have to adjust their behavior to new standards of competitiveness. The market process, in and out of itself, is without any authority one could reasonably appeal to, be it democratic or manorial in character. Ultimately, there is nobody reasonably to blame for the loss in income, already occurred or imminent.29 And only because the market is without authority, because we are not the sovereigns of its movements and everybody is, in relation to these movements, on his or her own, there is no other “rational” alternative for us than to work harder, to be more “efficient” than before. Then, and only then, is there “growth”.

Now we have an explanation of the systemic character of the market that is compatible with the insights of pragmatism and an autonomous ethics in the line of Kant. It neither violates the primacy of practical reason, as economic determinism does, nor does it confuse the “ought” with the “must”. Moreover, the “must”, the market constraints, are not taken as given, instead, they are questioned and brought into the discursive universe, avoiding all “stops in reflecting” [Sloterdijk 1987, 21]. Business or economic ethics does no longer just take place “under the conditions of the modern market economy” [Homann], explicitly or implicitly. Instead, those conditions are reestablished as the very subject of an ethics-conscious and self-reflective theory of economics.

5. Economic Ethics at Work - Examining the Conflict Between Market-internal and Market-external Values Given With Market Process

On the basis of the insights just gained, I now want to outline how such an ethically conscious economic theory of the market could proceed. With this I also want to draw the consequences from the pragmatic insight, common also at least to advanced economic theory [cf. Buchanan 1986, 95 f.], that the allegedly positive notion of some “impossibility” has to be reinterpreted as a value-judgement, establishing the primacy of practical over theoretical reason (5.1).30 The ethical reflection of market process also leads to a further clarification of the systems view of the market as such in reinterpreting it in terms of interpersonal conflict (5.2).

29 Cf. also Hayek [1976, 69]: “There is no individual and no cooperating group of people against which the sufferer would have a just complaint.” Of course, Hayek takes this for granted and not as the very problem.
30 Of course, in economic theory value-judgements refer to some (personal or metaphysical) “utility”, not to justice. From an economic point of view, to say something is “impossible” has to be read as: this is “too costly”, and not: this might be unreasonable.
5.1 The Compulsion into Entrepreneurship

Formulating the argument made at the end of the last section slightly differently, one could say that there is “growth” and “wealth”, measurable in the sum of incomes, precisely because there is unemployment, or at least the threat of unemployment, and because the originator of the “destructive” [Schumpeter] threat cannot be identified. The discourse on the legitimacy of this impact cannot take place. From an utilitarian standpoint, concerned with “efficiency”, “improvement” and growth as such, that is indifferently for whom, and without taking into account other than intra-market values that may have to be sacrificed in favor of “growth”, one might see herein the ‘meaning of unemployment’. However, if competition causes unemployment, even without those being threatened having changed their productive effort, why does the rate of unemployment, or of insolvency, not amount to 100 percent?

Some critics of free trade, for example of NAFTA, argue that, at least in certain areas, it will lead to “a model of development that includes relatively high unemployment as a necessary consequence” [Michalos 1995, 194]. First of course, an extension of exchange or “free trade” is tantamount to the opposite, viz., the “creation” of new jobs. Mutually beneficial exchange does take place. However, on the other hand, this criticism seems appropriate. New exchange relationships inevitably lead to a termination of existing contracts, be they durable or regular in nature, and thus, it might seem, to unemployment and loss of income.

Whenever there is an extension of exchange relations there is an intensification of competition. The “creation” of new jobs inevitably leads to the “destruction” of jobs somewhere else, at least, it threatens those occupations. But economic theory tells us the story of the “miracle of the market” [Buchanan 1986, 78 f.; Buchanan 1987, 58, 61 f.; Hayek 1976, 191]. Mostly, there is “growth” and “wealth”, not economic crisis. And when there is recession in one period, there usually is, although there is no guarantee, prosperity in the following. This “miracle of the market” is accomplished by entrepreneurship.

We now can see more clearly how the market as a coercive mechanism works and what its operation puts at stake. The market does not have specific events, for example unemployment, “impoverishment”, a certain distribution of income, environmental pollution, or any other event we might regard as ethically questionable or desirable, as a “necessary consequence” [Michalos]. Instead, it forces everybody to do something, to behave in a specific way, in order to avoid economic elimination. In “The Protestant Ethic and the Spirit of Capitalism”, Max Weber gives a description of this kind of behavior and mentality, i.e., entrepreneurship. Weber formulates:

“Whoever does not adapt his manner of life to the conditions of capitalistic success must go under, or at least cannot arise” [1958, 54 f., emphasis added].

Not only is the operation of the market process “invisible”, also the consequences are not easy

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31 This view is implicit in Hayek’s “Meaning of Competition” [1948, 100], which he describes in terms of general and unspecified “improvement”, or in the increase of the “likelihood that the different things would be produced by those who knew best how to do it and therefore could do it at lowest cost.” Richard McKenzie drew the consequences for the labor-market: “Economic progress has two legs. One is eliminating jobs with new technologies, the other finding new tasks for workers.” For McKenzie [1988, 9], it follows that it is “better (to) measure economic success by the elimination of jobs than by their creation.”

32 Economists who favor a systemic theory of value and rationality - that is, rationality defined by the process of competition - describe this as follows: “In the ideal case, . . . competition is an educational process which drives the human being to become similar to the rational human being, and thus to ‘homo economicus’.” Arndt [1975, 257, own translation].
to discern. Due to the ‘authoritylessness’ and the impersonal nature of market process, compulsion shifts to the inner being. Everything is possible, how ever strong the competitive forces might be, if the individuals make it possible, if they learn how to discipline and assert themselves, live a life in “worldly asceticism” [Weber 1958, 155 ff.].

Entrepreneurship, as I use the term here, is not restricted to ownership of finance capital and thus the ability of purchasing productive inputs (natural resources, machinery, labor). The entrepreneur, functionally given with the market, “remains propertyless” [Mises 1966, 253]. Instead of being an external assignment, entrepreneurship denotes the set of characteristics or values necessary to survive under ever changing market conditions. Actions can be defined as entrepreneurial when they are directed toward the maintenance or enhancement of a person’s competitiveness. The general trend toward entrepreneurship is not only evident in new management methods associated with the notion of “intrapreneurship” [Pinchot 1985] and “constant learning on the job”, but also with lifelong further education and training, of course under the auspices of market survival. The world is moving toward a society of entrepreneurs.

From the viewpoint of the theory of the market, sketched here, economic crisis and mass unemployment are the result of a considerable number of individuals being overburdened by the demands set up by the market. Prosperity on the other hand is the result of people being able to keep up with the market's pace, though we do not know whether they feel the efforts to maintain their competitiveness as compulsive or as an expression of their aspirations. Prosperity and “growth” requires also that there are no steep differences in competitiveness (not to confuse with the equality of income distribution) among the population which makes up the market. But who is it who sets the market's pace? Or must we formulate: What is it what sets the market's pace?

5.2 Reexamining Competition in Terms of Conflict

Although a systemic view of the market allows us to speak of the market as a quasi-subject, it is not a natural phenomenon, of course. The market belongs to the social world; it is made up of human actions, although its movements are not an expression of their intentions but is the result of their actions interplay. Therefore, the compulsive characteristic of the market in principle can be traced back to human actions, although not individually. Ultimately, some individuals force others to behave ever more in an entrepreneurial way. “Competition is, after all, always a process in which a smaller number makes it necessary for larger numbers to do what they do not like, be it to work harder, to change habits, or to devote a degree of attention, continuous application, or regularity to their work which without competition would not be needed” [Hayek 1979, 77]. It is just that “impersonal instances step in between market participants” [Weber 1978, 1186].

Keeping in mind this systemic character of the market's compulsion one can, at least to some extent, well identify the “masterless slavery” [Weber 1978, 1186] of the market with a specific kind of interpersonal conflict, made “invisible” [Smith] by the market’s impersonal competitive forces. This conflict, which can only be revealed by systems theory, takes place between those who follow entrepreneurial values more, or less strongly; between full-time and part-time entrepreneurs, so to speak; between “pioneers”, who voluntarily have committed themselves to the “discovery” of profitable opportunities and thus to “worldly asceticism” [Weber], and those,

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33 The German term is “innerweltliche Askese”. Cf. translator’s (Talcott Parsons’) note on p. 193 f. Cf. also [Weber 1972, 542].
who find themselves in a situation where other than entrepreneurial attitudes, or market-alien values, they would like to live up to, have “little survival value” [Coase 1988, 162]. This conflict can be illustrated by examining the relationship between consumers and producers as well as between employers and employees, as these distinctions are usually made in economic theory and practical discourse.

**Producers and Consumers**

It is a widespread view that antitrust measures, provided they indeed will lead to more competition, although they will be harmful to certain producers, will serve the interests of consumers, and thus ‘the general public’ or “the wealth of the nation”. On the surface reality of exchange, this might seem highly plausible, although even here it is quite unclear how to principally justify the loss in income accruing to those who are less “efficient”. But as consumers can only take advantage of what the market has to offer to the extent they succeed as producers or that they meet current competitive standards, the consumer-argument in favor of competition represents a rather simple miscalculation.

Competitiveness, or productive power, defined by the market, is more basic than purchasing power. Of course, if we regard a single industry, characterized by high price elasticities, an intensification of competition, or the exclusion of market-alien values, clearly works to the advantage of the consumers, actual and potential, of those products or services. However, the consumer-argument in favor of competition does not refer to a specific market. Instead, it has a general meaning, and then it does not make sense.

“The (antitrust) law’s mission is to preserve, improve, and reinforce the powerful economic mechanisms that compel businesses to respond to consumers” [Bork 1978, 91].

But then “consumers” are compelled as well, as it is a prerequisite of disposing of purchasing power to succeed in the world of “business”. When given a consistent interpretation, the argument, prominently advocated by the so-called Chicago-School of Antitrust, means that the intensification of competition favors those who are more competitive than others, thus still having purchasing power. To simplify, without oversimplifying it, the argument favors the rich over the poor, full-time over less-than-full-time entrepreneurs.

It does not make sense to separate consumers and producers on a general level. These are the same individuals just regarded in different economic functions. Yet it does make sense, in order to better understand societal conflicts, to distinguish nearly full-time entrepreneurs from part-time entrepreneurs.

**Employers and Employees**

This conflict can also be analyzed with regard to factor markets. Although not identical, this conflict widely corresponds to the “classical” conflict between “capital” and “labor”. But this conflict arises on other grounds than usually assumed. It does not so much take place between employer and employee, that is, between exchange partners. Between them, there is conflict, mainly the conflict of distribution, but it is a conflict within a relation characterized by the mutuality of advantages. Rather, the conflict between “capital” and “labor” takes place between employers in one industry and employees in another area of the market, with positive price elasticities between them.  

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34 “Consumer welfare . . . is merely another term for the wealth of the nation” [Bork 1978, 90].
35 Ultimately, this conflict takes place between ‘working entrepreneurs’, those, willing to sacrifice market-alien values, and those, less inclined to do so. It follows that any kind of workplace democracy does not remove the
The current trend to regard those who supply their work and time not as employees but as contractors can illustrate this - possibly the clearest example for the general trend toward entrepreneurship, or for the elimination of market-alien values from economic relationships, respectively. One could argue that this way of grasping the relationship leaves both parties better off, compared with a traditional employer-employee relation, and taken true market constraints as given. The seller of work finds an occupation or keeps his occupation, and thus gains an income, instead of being jobless or occupied with lower compensation; the buyer of work not only saves the money of the unemployment insurance but also, and more importantly, deals with workers who work on their own, act in a self-responsible way, and display a high commitment for efficiency. They have learned that other ways of doing their job and other attempts to earn an income, less directed with all their energies toward the single goal, viz., efficiency, and more strongly based on mutual obligations and non-economic support, have not stood the test of time, and that there is such a test of time at all. They probably regard the current state of affairs as the “obvious and simple system of natural liberty”, which, according to Smith, “establishes itself of its own record” when “all systems either of preference or of restraint ... being ... completely taken away” [1976b, 208]. For them, there is not much room for any other view, and this is part of the ‘self-establishment’ or self-enforcement of the market. Confronted with the prospect of reestablishing the employee-employer kind of contract, now refuted by the Maryland board of appeals, an “employer”, or a buyer of work, objects that “it probably would have put me out of business.” [cf. Grimsley 1997].

Although this argument is likely to be abused, and keeping in mind that there is always the possibility of refraining from raising demands, there is a deep truth in this statement. There is a general trend or force toward entrepreneurship and toward the elimination of all values and considerations different from “efficiency” and profitability, not so much because there is a general trend toward growing “egoism” but because there are superindividual forces at work, because there is competition.

To reformulate this in terms of interpersonal conflict, some full-time, or nearly full-time entrepreneurs, equipped with finance capital or not, force the less than full-time entrepreneurs to follow suit. But we do not know whether they looked out or “discovered” new sources of income or profit because they wanted to or whether they had to. The “invisible” or systemic character of market process does not permit us to answer this question - unless we render the market from a “condition” [Homann] or a constraint, silently and unreflectively acknowledged as legitimate and as generally beneficial, to a subject of public discourse.

6. The Future of the Market as an Open Question of Public Discourse

On the famous last pages of “The Protestant Ethic”, written at the beginning of this century, Weber’s diagnosis is quite pessimistic. “The Puritan wanted to work in a calling; we are forced to do so” [Weber 1958, 181; emphasis added]. In other words, we have to live a life as entrepreneurs of our own human capital, but we do not want to. We did not “decree” that the economy became an “iron cage” but “fate” did. The “tremendous cosmos of the modern economic order ... to-day determines the lives of all the individuals who are born into this mechanism, not only those directly concerned with economic acquisition, with irresistible force. Perhaps it will so

problems given with “creative destruction.” Competition ever since has taken place between ‘working entrepreneurs’, as without ‘work’ in a broad sense, no “opportunity” is “discovered”, nothing is brought about, and thus, via competition, nothing is “destroyed.”

36 The Maryland board of appeals presently supports this trend [cf. Grimsley 1997].
determine until the last ton of fossilized coal is burnt” [Weber 1958, 181].

We should not pass judgement on the market too early. Weber is right, of course; there are superindividual forces at work which exert, as forces, pressure on the individual and affect his or her freedom, even in the narrow, i.e., negative sense of freedom. But these very forces, and only they, also generate the kind of prosperity we can enjoy today - if we “can”. Being more precise, they force everybody to be increasingly “productive”, to exert one's “faculties and abilities to the utmost” [Mises 1966, 288]. Thus, as there is not just one kind of value, there should arise the question whether the compulsory characteristic of the market is offset by its wealth-creating qualities or not, whether the “want” does outweigh the “must” or not. But this question cannot be answered within the market, at least not effectively, because of its systemic nature, because the market is not part of the lifeworld, it is not a “communicative community”, neither a “real” nor an “ideal” one. Therefore, it remains an open question which can only be addressed on the higher level of (world-) politics, embracing all market participants and thus exchange and competition, “creation” and “destruction”, at least conceptually.

For a social science, like economics, answering this question on solo run, so to speak, is not appropriate. This would violate the democratic nature of the question. Rather, economists and other social scientists should elucidate and controversially discuss which values the market process puts at stake, and how they are put at stake. However, the normative questions have to be answered and the evaluations have to be made by those concerned. One could call the underlying point of view normative individualism. Normative or ethical questions should not be answered over the heads of those concerned. They should answer these questions themselves, discursively of course. However, “under the conditions” [Homann] of market process they are, so to speak, prisoners of its movements.

It is amazing how economic theory, at least in its academic mainstream, managed to circumvent the destructive feature of the market. This is especially regrettable, as only an abstraction from every day's occupation with the problems with which the market process confronts individuals and politicians alike (i.e., preserving or regaining competitiveness), potentially given with the institution of academic discourse, offers the distance necessary to look beyond the surface reality of exchange. Just occasionally market's destructiveness is addressed, namely

37 The distinction between the “ideal” and the “real communicative community”, which corresponds to the one between communicative action and discourse, is made by Apel [1972, 276 ff.], though he does not distinguish between “communicative community” as such and the system.

38 Weber [1978, 730 f.], on the other hand, clearly saw the ambiguousness of the market, only recognizable beyond exchange. “The increasing significance of freedom of contract and, particularly, of enabling laws which leave everything to ‘free’ agreement, implies a relative reduction of that kind of coercion which results from the threat of mandatory and prohibitory norms... Which system would possess more real coercion and which one more real personal freedom cannot be decided, however, by the mere analysis of the actually existing or conceivable formal legal system.”

39 Normative individualism, as I use the term here, has to be sharply distinguished from "methodological" or transcendental individualism. In the first, the individuals are conceived as mutually responsive to good arguments. Based on ethical insight, they can change their minds and pursue other ends; arguments can change the conception of the self. In the second, discussion just takes place on the proper interpretation which constraints are really the case. Practical discourse would be pointless here; there would be just exchange or some bargaining taking place between individuals; there would be just the theoretical discourse about the truth of existing forces or powers, negative or positive. For methodological individualism, “value is relative, truth is not” [Buchanan 1986, 52]. For discoursive ethics however, values and norms are subject to argumentation; "practical questions" are “wahrheitsfähig”, they "admit of truth" [Habermas 1990, 54]. A more thorough examination of this distinction is given in Thielemann [1996, ch. III].

40 This possible loss in freedom can only be recognized if we perceive the social world not in terms of constraints but in terms of intersubjectivity, as discourse ethics claims as rationally unavoidable. Otherwise, there are just “opportunities”, the “rational individual” surely will exploit - under given (social) constraints, of course.

41 I owe the insight into the significance of the distinction between surface reality and hidden reality to Jon D. Wisman [cf. 1990]. Of course, this distinction plays a major role in Marx' work [1930, 164 ff.]. However, in contrast to Marx
under the topic of “pecuniary effects”. But even the recognition that each action of exchange “also injures a third party, in fact a number of third parties”, and that “this is an externality” [Tullock 1970, 162], does not make economists give up the presumptuous judgement that “the market system is ... a positive-sum game ...” [McKenzie 1987, 169], though it should be clear that, when new contracts are made, there are always two winners and at least one loser.

The reason for this apologia in favor of the market might be found in the specific normative foundation of today’s (mainstream) economic theories, viz., utilitarianism and contractarianism. From a utilitarian point of view it is argued that, since it “can be demonstrated that the total loss arising from this agreement (to eliminate undercutting and thus to constrain the market, U.T.) is greater than the gain received by its beneficiaries”, it is not “desirable” to “internalize” those externalities that are “merely pecuniary” [Tullock 1970, 166 f., emphasis added]. From the viewpoint of contractarianism or Paretian economics, “bygones are forever bygones” [Stigler 1966, 104], and “pecuniary effects” thus are “irrelevant” [Buchanan 1991, 164, 210]. The significance of the ethical question of how extensive market relations should be, which cannot be answered by theory but only by practice, can only be recognized beyond these concepts.

This question is twofold, with both sides being just aspects of the same question. On deontological grounds, it is the question of whether the more competitive have the legitimate right to force the less competitive to come up to their standards. On teleological grounds, it is the question to what extent we want to live a life as entrepreneurs, and whether the consumptive rewards outweigh the productive strains. The answer to the first question might lead to some form of redistribution, which would exceed the limits of pure solidarity, since competitors (together with consumers who choose the exit-option to enter into a new contract with these competitors), or, in Hayek’s terms, “a few relatively more rational individuals ... make it necessary for the rest to emulate them in order to prevail” [1979, 75]. However, since everybody, even the most competitive, is subject to competitive forces, a more far-reaching remedy possibly has to be regarded as more appropriate, namely some form of politically binding market restraint.

Of course, market restraint is not to be confused with market abolishment or its replacement with another “system” of high, impersonal interdependence, conceived of by some social engineers. We must remember, only the market and thus competition “produces” prosperity, as we know it. However, the strains “produced” by the market can be too extensive; the disembedding could be too far-reaching; life could become too much of a struggle. As already mentioned above, it is an open question whether the path systemic market process has taken

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42 For a detailed discussion cf. Thielemann [1996, ch. III 3].
43 Probably through teaching dominantly utilitarian economics, this point of view has become rather widespread today. Accordingly, we can read in a commentary, published in the Washington Post [Anonymous 1997]: “The U.S. economy as a whole gains from globalization, but many individual workers lose out.” However, who is the “economy as a whole?”
44 The “force of competition” is exerted by certain individuals, namely “by a minority (of initiative entrepreneurs) on a majority (of conservative entrepreneurs) ... As a result ... even those who content themselves with what has been accomplished so far - this can also be the initial pioneer - are forced to follow those who have gained the leading position in the meantime” [Heuss 1980, 686, 684 f.] (own translation).
still is in everybody's interest to live a good life.

On a personal level, market restraint simply means to refrain from profit- or utility-maximization, that is to regard profit and utility as only one value or claim besides others. Yet, as we have seen, those attempts are also subject to competition. Therefore, there could be the need for binding measures which can only be carried out on a political level. The reason for market restraint is to limit competitive forces. But we cannot take hold of competition directly. Restraining competition is only possible through restraining exchange.

Market restraint would have a far-reaching impact. It would imply a “visible” loss in freedom. Not every deal we can imagine as being in our as well as in our exchange partner’s interest would be allowed. However, the idea is that this loss in “visible” freedom can be “exchanged” for the loss in freedom generated by the “invisible hand”, i.e., the systemic forces of competition. We must remember, the unfettered market also has a far-reaching impact on the lifeworld. We just cannot discern a subject responsible for its movements. Therefore, we subsequently have to create this subject. The project of gaining sovereignty, it seems to me, is a genuinely economic project.

Appendix. Possible Misinterpretations of the Categorial Imperative Especially With Regard to Market Interaction

There are several interpretations of the Categorial Imperative which would put a question mark behind the claim, made in section 1, that pure exchange violates this most basic moral principle. In the following I want to reject two of those attempts of restoring the correspondence between the Categorial Imperative and the market, starting with the strongest and ending with the weakest misinterpretation.

A characterization of the market which may seem to be in accordance with the Categorial Imperative can be found in Mises [1966, 257]:

“Everybody is both a means and an end in himself, an ultimate end for himself and a means to other people in their endeavors to attain their own ends.”

As everybody regards himself as an end - it would be foolish not to do so -, by consequence every human being (or, as Kant would say, every “rational being”) is in the state of being an end in itself - or so one might think. But apart from questioning the possibility of the autonomous human being without socialization, Mises' view represents a clear violation of the Categorial Imperative (though it may be a good description of the pure market). The individual might regard him- or herself as an end, but we do not. For Mises, it is not our duty that we acknowledge others, all others, as ends, i.e., as persons, which would be the proper meaning of the Categorical Imperative as a normative principle. Instead, others would be regarded principally, or “always at the same” [Kant], as a means.

To put this in slightly different terms, in Mises' concept of the relation between individuals everybody (which here is tantamount to everything in the literal sense) has a price, but nobody has dignity. In another passage, Kant clarifies the incompatibility between both attitudes toward others:

“In the kingdom of ends everything has either a price or a dignity. If it has a price, something else can be put in its place as an equivalent; if it is exalted above all price and so admits of no equivalent, then it has a dignity” [Kant 1967, 96].
For Mises, though, this distinction just has the quality of “scholastic trivialities” [1981, 391].

One might also think that a partial instrumentalization of other individuals is sanctioned by the Categorial Imperative. Then, treating other individuals “simply”, or, as Kant often puts it, “merely as a means” [1967, 90-95], is understood quantitatively. In this interpretation we would be allowed to regard other individuals to some extent, say 90 percent, as means, and this would be justified by our 10 percent of regarding them as ends. We would not “merely”, i.e., only, use them for our own ends, instead we would regard them additionally also as ends in themselves. Or, as Mises tries to justify exchange in “Socialism”, “every individual is simultaneously means and ends” - and “the contrast between I and thou, means and end, automatically is overcome” [1981, 390]. Also, this view could be especially useful for an ordo-political conception of the market, with the institutional or legal “framework” (“Rahmenbedingungen”) set in accordance with the Categorial Imperative, perceived quantitatively, for example with regard to a just distribution of property rights or the equality of “initial endowments”. Within this framework, a subsequent instrumentalization of other individuals in everyday's occupations, and pure exchange, would be allowed.

However, this also would be a misinterpretation of the Categorial Imperative. Instead, “merely” has to be understood qualitatively; it qualifies (or disqualifies) additionally what regarding others as means does mean. Merely here is synonymous with inferior. Formulated in terms of quantity, we have to regard others "always at the same time" ["jederzeit zugleich"], that is at every instant of time, as ends, and never ever merely as a means". Of course, it does not follow that other individuals may not be of any use for us. They may help us, or even be obliged to do so, at least sometimes, and we might be obliged to support them. But when they are useful for us, this must be justifiable (not to confuse with profitable) toward them; they must “possibly agree with the way of behaving” to them [Kant 1967, 92]; their usefulness to us must at least be conceivable as finding their rational consent in practical discourse. It must be logically possible that both parties, I and thou, can switch places, “share the end of the action” [Kant 1967, 92], which is, of course, different to having the same ends.

Insofar, Paton, the translator of “The Moral Law” ("Grundlegung zur Metaphysik der Sitten"), misses the point when he comments on the word “simply” in the Categorical Imperative as follows: “The word 'simply' is essential to Kant's meaning since we all have to use other men as means" [cf. Kant 1967, 132]. Insofar as we all “have to” do this, insofar this is justified, we should not speak in terms of “using” others, but in terms of duties or permissions.

The rational foundation and a clarification of the Categorial Imperative can be found in discourse ethics [Apel 1972, 276 ff.]. The argument is straightforward, simple and pragmatic. Raising validity claims or even simply asking a (philosophical) question presupposes the acknowledgement of all human beings as possible addressees and critics, and thus as persons or “ends”. Any attempt of refuting this rational basis and nature of morality is doomed to fail and self-contradictory, as it confirms, through the very action of refuting, this basis. Therefore, to acknowledge the Categorial Imperative is rationally unavoidable; it is the meaning of rationality.

References


