

H. B. ACTON'S DEFENSE OF THE MARKET

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H. B. ACTON describes the purpose of *The Morals of Markets*¹ to be,

... to examine, from the point of view of morality, the merits, for merits there assuredly are, and the defects, for there are defects in all human institutions, of the system under which goods are produced in free markets.(1)

Acton does not further explain the character and scope of his examination. What does the insertion of "from the point of view of morality" indicate? No particular moral perspective is announced or systematically employed. *The Morals of Markets* is not an essay in economics, yet Acton's comments range over economics, psychology and sociology. What Acton seems to have in mind by an evaluation of "the morality of the free market" is a discussion of those features of markets which have struck some observers—observers of the sort commonly deemed "morality sensitive"²—as morally offensive. Acton's goal is to challenge the intuitions of these moral critics of the market. An implicit methodological principle of Acton's challenge seems to be the view that moral intuitions do not exist, or in any case do not flourish, in isolation. They exist or flourish only within specific conceptual frameworks which, in turn, depend upon general empirical claims. Thus, to mention a case that is central to Acton's topic, to have a moral intuition of the wrongness of taking advantage of others' needs by requiring payment for services rendered is to have a moral sense which is molded by a particular conception of market transactions. If this conception is mistaken, the moral intuition is undercut. Further, to assert the wrongness of a certain type of activity is to presume the viability of an alternative type of activity. If this presumption is rendered dubious, so is the

assertion which relies upon it. Acton's remarks range over the ethical, economic, sociological, *et. al.* in pursuit of defects in, or undetected commitments of, the perspectives of those whose intuitions he wishes to challenge. His goal, then, is the negative one of muddying the intuitive waters of anti-market moralists.

In a short review a summary of the whole point and counter-point flow which constitutes the argument of *The Morals of Markets* cannot be given. One cannot even specify each of the anti-market criticisms which Acton dissects. Rather than attempt these impossible tasks, I will give an account of some of the strands of Acton's essay—specifically, those strands that are most clearly directed against the charge that "the market economy, depending as it does on the "profit motive", encourages selfishness and avarice and, indeed, exalts these vices to the rank of virtues". (9) These strands run strongly through chapter II, "The Profit Motive", and into chapter IV, "The Egalitarian Collectivist Alternative". Section A of this review is devoted to the appearance of these strands within "The Profit Motive" and section B is concerned with their appearance within "The Egalitarian Collectivist Alternative". We cannot follow all the connections of these strands and, in particular, we must pass by and ignore Acton's interesting discussions of such topics as profit versus remuneration (20-25, 29-32), competition (33-42), and State planning (86-96). Since my main purpose is to indicate the character of Acton's argument, I will do just that and, for the most part, I will leave the evaluation of Acton's contentions to the reader.

A

Acton's main concern in "The Profit Motive" is indicated by a passage from Carlyle's *Past and Present* which, in part, reads:

We call it a Society; and go about professing the total separation, isolation. Our life is not a mutual helpfulness; but rather, cloaked under due laws-of-war, named "fair competition" and so forth, it is a mutual hostility. We have profoundly forgotten everywhere that *Cash-payment* is not the sole relation of human beings; we think nothing doubting, that *it* absolves and liquidates all engagements of man. (11)

In short, insofar as men are engaged in market activity their motives and actions are corruptions of what men's motives and actions should be. This moral corruption becomes the model for all human interaction and comes to pervade society. The seed of corruption is the self-interstedness of market activity and of contractual society.

As Acton points out (12), this view requires the condemnation of all actions in which persons seek to maximize their interests. It is not only the manufacturer and the merchant who aim at maximizing benefits over costs. All sellers (e.g., wage-earners) and all buyers (e.g., consumers) are "in the same moral boat as the profit-seeker". All are equally victims and perpetuators of the acquisitive impulse. The general moral condemnation of the market requires, then, abstention from championing the causes of higher wages or consumerism. This, of course, is recognized by the anti-market moralist whose ideal is a non-market, non-contractual, society in which relations of production and distribution are not formed on the basis of perceived self-interest. Acton is primarily concerned with the consistent anti-market moralist.

According to Acton,

... if it is never right to look after one's own interest in competition with others, then the market economy must be fundamentally bad, since, as we have already indicated, all those participating in it are trying to do as well for themselves as they can. (12)

Thus, Acton wants to defend the view that it is *sometimes* right or at least morally permissible "to look after one's own interest in competition with others". Specifically, normal market participation is always morally permissible.³ Normal market participation is defended against the charge that "it must permeate, and hence presumably corrupt, everything else in the society that harbours it", (12) and against the charge that it is wicked, i.e., that "within the market itself men are necessarily dominated by avarice, lack of concern for others, and the wish to harm them". (12) Acton takes this second charge as equivalent to the charge that in market activity men seek to take advantage of, and do take advantage of, other men.

Against the first charge Acton claims that the competitive

market is only a part of any society in which it exists. This is not merely a quantitative point. The significant thing is that for most persons engaged in market activities these activities are means to independent ends—material, psychological, and social ends of great variety. I take Acton to be saying that the motives of persons in their market enterprises largely reflect and derive from goals that are not in turn created by the potential for market activity. Aims, motives, and ideals cannot be determined by the existence or allure of the market since, in general, market activity expresses whatever aims, motives and ideals those who enter the market have. It is not at all clear that in this argument Acton comes to grips with the Galbraithian analysis of what motivates persons in market society or with the claim, implicit in the passage from Carlyle, that the existence of money itself, and of value expressed in monetary units, has an unhealthy or alienating effect on persons' aims, motives, and ideals.⁴

Acton is on firmer ground in his challenge to the second charge, i.e., that whatever its scope, the self-interestedness of market activity is morally offensive. Acton's strategy is to dispel the misconceptions which underlie the claim that, in the market, persons take advantage of one another's needs. In the market persons do "take advantage" of others' needs by providing goods and services which satisfy those needs in return, of course, for payment. Acton contrasts this mode of reaching decisions about the allocation of resources and the distribution of goods and services with non-self-interested gift-giving. The market is the means by which potential customers communicate their demands to those who have resources at hand. The consumer can be the source of a *demand* for goods rather than remaining a suppliant.

The buyer, unlike the recipient of gifts, can require the producer to make what is wanted. The producer or seller, unlike the bestower of gifts, is led to supply the types and quantities needed at times when they are of use. . . . Benelolence is good, but it is business that is needed, and business means mutual agreements, times of delivery, specifications and quantities, contracts, exchange and sale. These agreements and deals take place in order that people's needs shall be satisfied. But the satisfactions are reciprocal. (15)

Persons seek to improve their positions, but they do so by

benefiting others. Self-interest does not magically result in public good. Rather, "each party can only benefit himself by benefiting others". (16)

It may still be claimed that the market activity does not and cannot generate or display in persons the unequivocal intent to benefit others, and that, for this reason, the market is necessarily wicked. This seems to have been the position of J. A. Hobson in a passage which Acton reproduces from *Wealth and Life*.

By their very nature the bargaining processes inhibit the consideration of the good of others, and concentrate the mind and will of each party upon the bargaining for his own immediate and material gains. . . . this constant drive of selfish interest involves a hardening of the moral arteries. (26)

In chapter II, Acton does challenge the view that no virtues can be ascribed to men acting in the marketplace. He cites justice, honesty, and reliability. Acton also contests the relevancy of the charge that humility, charity, and self-sacrifice are absent from the market. "The very idea of a firm showing humility or sacrificing itself is absurd, and the idea of these virtues being exercised by individual participants in the market is hardly less so". (19-20) This, however, is hardly a moral defense of such firms and individuals against Hobson's charge.

Hobson and Acton are in agreement in characterizing market participants as "trying to do as well for themselves as they can". And Hobson's rejection of the market is based on a condemnation of this very feature of market activity. On what basis, then, can Acton challenge Hobson's charge? Acton cannot defeat "pure" moral claims, e.g., proclamations of the right-making or wrong-making character of some evident feature of this or that type of action. To the ultimate claim that self-interested intent renders an action morally odious, Acton can make no reply. However, it seems that Acton either thinks that no one truly makes such radically "pure" moral claims or thinks that there could be no point to such claims. For Acton never entertains Hobson's anti-bargaining, anti-market, claim as a "pure" moral claim and he seems to find it remarkable that persons be prepared to make such "pure" claims. Even in the light of the passage from Hobson, it is with puzzlement that Acton says,

One cannot help *suspecting* that egalitarians (i.e., anti-market moralists) think there is something morally evil in the desire to foster the development of one's own children, to look after one's own health and to own one's own house, even in a society where minimum standards are at a level undreamed of by the pioneers of the welfare state. (73, emphasis added)

Acton takes the very possibility that the egalitarian holds to this "pure", non-contextual, moral view as an argument against the egalitarian. It is Acton's apparent rejection of what I have been calling "pure" moral claims which lead me to claim that among Acton's implicit methodological principles is the view that to assert the wrongness of a certain form of activity is to presume the viability of some alternative form of activity. The presumption of the anti-market moralist is that there is a morally viable alternative mechanism for the distribution of resources, goods and services. This presumption is challenged in Acton's chapter IV, "The Egalitarian Collectivist Alternative".

B

Chapter IV is described as a critique of distributive justice. Acton characterizes the view which he will oppose as follows:

Wealth . . . gives its possessors advantages which it is unjust they should have. Basic needs . . . should be satisfied in accordance with their urgency, not in accordance with the financial resources of those who have them. (59)

This view would seem to call for redistribution of financial resources. Yet Acton does not discuss income or wealth redistribution. In fact, he has claimed in chapter II, "The market, as a method of recording consumer preferences and allocating resources can respond to any distribution or redistribution of income". (14) So it is fitting that a defense of the morals of markets does not argue for or against any particular distribution or redistribution of income or wealth. Acton is primarily concerned with an evaluation of community or State provision of basic goods and services. How, then are we to understand Acton's description of chapter IV as a critique of distributive

justice? And how does chapter IV constitute a continuation of the argument of chapter II? I understand the implicit structure of Acton's argument to be this. Distributive justice realized through income and wealth redistribution must be rejected by the anti-market moralist. For a monetary redistribution leaves persons free, and presumes persons to remain free, to enter the market as self-interested buyers and sellers. A monetary redistribution would merely be a realignment of buying power. In rejecting the market as a means for allocating resources, goods, and services, the anti-market moralist is committed to a particular form of distributive justice—a form which bypasses market transactions. Resources, goods and services must be allocated to persons according to their "basic needs" and persons are not to be permitted to acquire resources, goods, or services on any other, e.g., market, basis.⁵ A phrase should be added to Acton's characterization of distributive justice to more clearly specify Acton's target,

Wealth . . . gives its possessors advantages which it is unjust they should have. Basic needs . . . should be satisfied in accordance with their urgency, not in accordance with the financial resources of those who have them, *no matter what the pattern of financial resources is.*

Rather than being concerned with the view that wealth or goods and services should exist in this or that specific, quantitatively definable, pattern, Acton is primarily concerned with the demand that, whatever distribution is produced, the distribution must be made in a moral, i.e., in a non-market way. According to the Hobsonian it is the manner and not the result of a distributing process which is morally significant. This demand for a non-market means of distribution proceeds, according to Acton, from the view that in all social and economic interactions it is wrong for agents to (seek to) benefit themselves. According to Acton, this type of demand for distributive justice yields the modern, paternalistic, welfare State. This State is the fundamental alternative to the contractual, market society and its (moderately) limited government.

To a large extent, Acton's critique of what he sees as the only alternative to the market rests on his distinction between distributive and commutative justice.

... it should be noticed that authorities play a different part in distributive justice from the part they play in exchange transactions. The distribution is *made* by an authority. If there were no authority to make it, there could be no distribution, just or unjust. On the other hand, individuals exchange goods between one another; it is they who determine who gets what, not some authority over them. Government is needed, of course, to prevent violence and fraud, but the government is not a party to the exchanges. . . . It is natural, therefore, to use the term commutative justice to mean just dealing between individuals, and just dealing between individuals is dealing in which agreements are freely made and honestly kept. Distributive justice is exercised by an authority, commutative justice by and between individuals. (6r)

Distributive and commutative justice are incompatible. For a community or State system of distributive justice eliminates the very condition of commutative justice—free exchange of goods and services. Further, the operation of a public system of distributive justice, which must involve “public” decisions about who gets which goods or services, violates the key value enshrined in the notion of commutative justice, *viz.*, freedom from coercion. As the system of distributive justice develops, “the scope of coercion is widened and the possibilities for free agreements are diminished”. (79) The very notion of distributive justice, involving as it does the imposition of some specific pattern of needs satisfaction, incorporates the demand for a pervasive social and political authority. The basic moral objection to distributive justice is, then, that “when distributive justice is placed above commutative justice, force is being advocated at the expense of voluntary agreement”. (80).⁷

It should be noted that Acton thinks that there is a significant difference between the State's coercively depriving persons of some of their earnings for the sake of some ideal of distributive justice and the State's coercively depriving persons of some of their earnings for the sake of some humanitarian ideal. Taking a stand which would seem to undercut his own appeal to the value of non-coercion, Acton holds that coercion for distributive ideals is not justified while coercion for humanitarian ideals is justified. (43-44, 58-59)

If someone is unwilling to contribute towards the cost of crime prevention, we feel he ought to be made to do so. If someone is unwilling

to contribute towards the cost of helping those who are in dire want, we do not think it wrong for taxation to be put upon him. But to be forced to make payments in order to secure a just distribution of wealth is a different matter, since there is no universal view on what such a distribution should be, and the individual is being forced to pay for something he may consider wrong. (79)

But surely, (a) the universality of a view is not a necessary condition of its truth; (b) as Acton himself wants to emphasize in his discussions of "basic needs", there is no "universal view" of what constitutes "dire want", hence, the distributionist and the humanitarian are in the same epistemic boat; and (c) that a person considers doing *s* wrong does not entail that it is wrong to force him to do *s*. Why, then, does Acton appeal to the lack of universality among persons' views about what constitutes a just distribution?

Acton wants to emphasize that there will be no spontaneous agreement about what constitutes "basic needs" and, *a fortiori*, there will be no spontaneous agreement about what scheme of distribution should be established. The absence of a "universal view" rules out the possibility of non-authoritarian, "grass-roots" distribution according to needs or justice. A determination must be made about what are the "basic needs" and about which scheme of distribution is just, i.e., does not involve one person benefiting at another's expense. The absence of a universal view about what constitutes "basic needs" and distribution justice results in conflicting, rival, claims about what this authoritative determination should be. And, "In practice, in democratic societies the answer to the question what constitutes a 'just' distribution of wealth varies as different groups and interests gain the ear of politicians". (80) The elimination of the "cash nexus" does not eliminate competition. It merely alters its form. When competing demands are no longer expressed in monetary offers and directed towards profit-seeking firms, they are expressed as claims to the fulfillment of basic needs or distributive justice and directed towards the State, and, in turn, to the taxpaying public. Claims to the satisfaction of basic needs or distributive justice constitute the currency of the non-market, welfare State. Each particular conception of basic needs or distributive justice lays claim to be the legal tender of

the State. The competition of the market is reproduced, but in a coercive and less efficient version, in ideological and group-interest politics. "The egalitarian, therefore, in removing the competition that arises from cash demand, substitutes competition by means of entreaty or bullying". (71)

To the extent that this competition is resolved—and for the anti-market moralist it must be resolved for it clearly embodies the sort of rivalry for which he condemns the market—social and moral conformity emerges. Public institutions and policies assume the mantle of the Just State. The large-scale non-market distribution of goods and services requires a day-to-day bureaucracy which develops a life and a will of its own. "Universal distributive justice" yields "universal authority". (83) Pervasive authority is established and commutative justice withers away. The State replaces civil society. In short, according to Acton, the manner of the distribution of goods to which the anti-market moralist is committed involves a loss in "negative" freedom and commutative justice *and* a loss in "positive" freedom, i.e., in the power of persons to determine their own circumstances and ways of life.

¹ H. B. Acton, *The Morals of Markets* (London: Longman, 1971). All page references in the text are references to *The Morals of Markets*.

² Among those cited are Carlyle and Ruskin, J. A. Hobson and R. H. Tawney. An interesting discussion of anti-market moralism can be found in W.D. Grampp's "Classical Economics and Its Moral Critics", *History of Political Economy*, 1973, pp. 359-374.

³ Acton claims that acts such as the sale of food during a famine, "go against the market system, and cannot be taken as typical". (14)

⁴ For an interesting preliminary discussion of the alienation charge against the market see E. G. Dolan's "Alienation, Freedom, and Economic Organization", *Journal of Political Economy*, 1971, pp. 1084-1094.

⁵ It is unclear why Acton believes that non-market d. j. must be fundamentally egalitarian. He may be assuming that all theories of d. j. are fundamentally egalitarian or he may hold that allocation only according to "basic needs" implies egalitarian distribution. Yet he also emphasizes the indeterminacy of "basic needs".

⁶ Thus, Acton's comments on distributive justice in general, or specific theories such as Rawls' justice as fairness, are superficial. For criticisms from a perspective similar to Acton's see, F. A. Hayek, *The Constitution of Liberty*

(Chicago: Henry Regnery Co., 1972) pp. 95-102, 231-233 and "The Misconception of Human Rights as Positive Claims", *Farmand* (Oslo, 11/12/1966) pp. 32-35; Robert Nozick, "Distributive Justice" *Philosophy and Public Affairs* (Fall, 1973) pp. 45-126.

⁷ Acton reminds us of Herbert Spencer's distinction between "militant" societies, i.e., those societies which display "unity, hierarchy, and use of force and in which some conception of justice and order is imposed by the government and "industrial societies", i.e., those societies which display "differentiation and freedom" and in which "cooperation is secured by voluntary means". It should be clear that the crucial feature of militant societies is not their distribution or redistribution of wealth but their substitution of public, political, authority for the "spontaneous" working of the market and of mutually beneficial individual action. See, also, A. J. Nock's *Our Enemy. The State* (New York: Free Life Editions, 1973) for a well-developed and complementary distinction between State power and social power.