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MORAL ECONOMY¹

Andrew Sayer,

Lancaster University, Lancaster, LA1 4YL, U.K. a.sayer@lancaster.ac.uk

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Introduction

It is now a commonplace to note the influence of rules, habits, norms, conventions and values on economic practices and institutions and to note how these vary across different societies. Economic processes, even capitalist ones, are seen as socially embedded in various ways. Thus there is no 'normal capitalism', only different varieties, distinguished partly according to their cultural legacies and forms of embedding (Hollingsworth and Boyer, 1997; Crouch and Streeck, 1997, Hall and Soskice, 2001). The rise of 'cultural political economy' has complemented this focus on embeddedness. If culture is taken to refer to signifying practices, then economic practices can be seen in terms of what they signify as well as materially, and as culturally embedded (Ray and Sayer, 1999; du Gay and Pryke, 2002). Early research on this subject was animated by interest in discovering what difference cultural variation made to capitalism, which variants of capitalism were the most benign, or which forms of embedding were most successful in supporting capitalism (e.g. Dore, 1983). The common denominator of

¹ The research for this paper was conducted with the aid of an ESRC fellowship. My thanks, with the usual disclaimer, to Russell Keat and Steve Fleetwood for comments on an earlier draft.



this research is the belief that the economic cannot be understood in abstraction from the social and the cultural. However, the assumption that we should look at them together and in terms of their interrelations is not new but goes back not only to classical political economy, but to Aristotle (Sayer, 2001). This early literature also assumed that it was perfectly proper and natural to focus on the relationship between economic practices and moral order, and the social good.

In this paper I revive this focus by using a moral economic perspective to examine some of the ways in which markets and associated economic phenomena both depend on and influence moral/ethical sentiments, norms and behaviours and have ethical implications. As a kind of inquiry, 'moral economy' is the study of how economic activities of all kinds are influenced and structured by moral dispositions and norms, and how in turn those norms may be compromised, overridden or reinforced by economic pressures (Sayer, 2000). On this definition, *all* economies – not merely pre- or non-capitalist ones - are moral economies (Booth, 1994). We can also use the term 'moral economy' to refer to the object of this kind of inquiry. Of course, just what counts as moral, as opposed to immoral, behaviour is contestable; some forms of moral economy, for example, that of the patriarchal household, might be deemed immoral, or as domination disguised as benevolence and fairness. Moral economy could most easily be accommodated in social science as a positive form of study, but it can also be developed in a normative direction. Like any kind of social relation, all economic relations have ethical implications, so a normative moral economy could also be developed to evaluate them.²

I shall argue firstly that while research in this area has benefited from the inspiration of Polanyi, his approach to embeddedness and 'the double movement' has certain limitations, which can be remedied by theorising the normative framing of economic activities. In particular, the metaphor of embedding can easily allow one to overlook ways in which economic processes are internally as well as externally morally influenced and structured. In addition to institutionalised moral economic norms, ongoing economic relationships are influenced by actors' moral sentiments and decisions. Here Adam Smith's work is particularly interesting as his economic theory analyses are themselves embedded in a broader theory of moral sentiments and moral order. Finally, I argue that these contributions needed to be augmented by consideration of economic responsibilities and the moral division of labour, and conclude.

But first I need to clarify the two key concepts – economy and morality.

Economy and morality

Rather than use 'market' as a metonym for the economy, or a euphemism for capitalism, which always result in the marginalisation and misrepresentation of economic activities not involving market exchange, I shall use economy to refer to all forms of provisioning, including those outside the cash economy, and acknowledge that both formal and informal economic activities involve production, distribution and consumption as well as exchange. Following Geoffrey Hodgson, markets in the narrow, literal sense can be defined as a "a set of social institutions in which a large number of commodity exchanges of a specific type regularly take place, and to some extent are facilitated by those institutions." (Hodgson, 1988, p.174). Defined in this way, markets are a necessary part of capitalism but only a part, for they produce nothing and hence are reliant on other forms of economic activity and organisation (Hodgson, 1988). They are not, as neoclassical economics likes to portray them, the default form of economic organisation, but just one among several flawed modes of coordinating divisions of labour. Capitalism is absolutely dependent on non-market forms of coordination of divisions of labour as well as market ones (Sayer, 1995).

The argument of many students of capitalism has been that, in practice, so-called 'market forces' displace moral and traditional norms in structuring society. These derive not merely from the existence of market exchange but from capitalist competition, that is competition

² The capabilities approach pioneered by Amartya Sen could be interpreted as an example of this, as could much writing in feminist economics, especially on women and development (Sen, 1992; 1999; Nussbaum, 2000; Glover and Nussbaum, 1995; Feminist Economics, 2003).



driven by product and process innovation, involving ever-increasing labour productivity, and the accumulation of capital, gains a degree of autonomy from actors' intentions and actions, acquiring self-regulating properties³ (Polanyi), working behind actors' backs (Marx), becoming 'decoupled'⁴ from the lifeworld (Habermas), and elevating formal rationality as a force in its own right (Weber). In fact it is precisely this partial autonomy which these authors see as threatening. I would argue that these are tendencies which can only ever be partially realized, for on the one hand they both depend on actors' decisions and values and hence on the lifeworld, and on state support, and on the other hand they tend to produce, as Polanyi argued, countervailing forces as societies attempt to protect themselves against their destructive effects. Hence we can acknowledge the partial autonomy of market forces as real ('real abstractions'), while arguing that they can never completely escape their dependence on non-market and non-economic processes or aspects of social life, so that in making abstractions in order to analyse modern economies, we must remember this conditionality. On the one hand it would be naïve to imagine that market forces or the law of value were so embedded in other relationships that they were entirely subordinate to them – which would make a nonsense of the creative destruction of capitalism; on the other hand, we have to remember that (fortunately!) they can be countered through intentional action. Such a formulation allows us to acknowledge the power of market forces without implying that they are any less social than other processes, or that they are social in the same way.

I use the terms moral and morality very broadly to include the concerns of both what are sometimes separated out as ethics and morality, indeed I shall use the terms ethical and moral interchangeably. They concern norms (formal and informal), values and dispositions regarding behaviour that affects others, and they imply certain conceptions of the good. As social beings, we can scarcely engage in any social interaction or relations without making moral decisions, though much of the time these are made 'on automatic' through having ethical dispositions and an ethical 'feel for the game', which become part of our habitus.⁵ To be sure, in practice, behaviour also tends to be based on various mixtures of convention and habit (including ethical habits and conventions), discursive construction, and pursuit of interests and power, but the moral dimension is pervasive, indeed power often depends on actors having moral commitments, as in the case of the exploitation of nurses' commitment to their patients. Institutions are also founded upon norms which may have – or be claimed to have – a moral character.

Lay normativity, including lay morality, should be taken seriously precisely because it matters to people, and it does so because it is about things which seriously affect their well-being. Behaviour certainly involves habitual action and the pursuit of power, but it also has a range of normative rationales, which matter greatly to actors, as they are implicated in their commitments, identities and ways of life (Archer, 2000, 2003). They concern what is of value, how to live, what is worth striving for and what is not. The moral dimension is unavoidable. Hardly any social relationship

“is intelligible without a recognition of the ethical responsibilities and obligations which it carries with it, and . . . much of our moral life is made up of these kind of loyalties and commitments.” (Norman, 1998, p.216).

Economic relations are no exception, indeed they are structured by moral-economic norms about rights, entitlements, responsibilities and appropriate behaviour.

To treat morality simply as a set of norms and rules, backed up by sanctions, which tend to produce social order, or as 'what we do round here', is to produce an alienated conception of the moral dimension of social life, for it omits what matters to us and why morality should

³ In critical realist terms, these powers are *emergent* from those of the elements comprising markets.

⁴ The metaphor of decoupling is exaggerated and unsatisfactory: market forces do not become completely disengaged from the lifeworld, but rather gain significant emergent powers which, though ultimately dependent on the lifeworld, react back on it.

⁵ I am aware that despite popularising the concept of habitus, Bourdieu largely ignored its ethical dimension. In my view this omission seriously handicaps his sociological studies.



have any internal force. We do not treat others in a certain way simply because there are norms dictating that we should and because we fear sanctions if we do not. We also usually behave in a certain way regardless of whether there are any penalties for not doing so, because we feel that it is right or conducive to well-being, and because to do otherwise would cause some sort of harm to people.

Economic behaviour itself involves and depends on valuation, most obviously of use-values and exchange-values, but ethical or moral valuation is always also either present or latent, for all social relations, including economic ones, are susceptible to such evaluation (Anderson, 1993). In any society, it is always possible that economic and ethical valuations may come into tension: what is regarded as good (fair, just, honourable, etc) may be compromised or overridden (though sometimes reinforced) by pressures to economise or simply to provision. Thus, what is seen as good in terms of relations with others may not always square with what seems useful, economical, imperative or convenient. While these are transhistorical possibilities, the form they take varies in historically-specific ways, according to social organization, culture and material/environmental circumstances. Such tensions are particularly likely in capitalist societies, that is societies in which capitalist forms of organisation are ecologically dominant (Jessop, 2002). In these what is good or right may be overridden - or instrumentalised - by considerations of what is profitable. Money becomes not merely a means to the end of production and consumption but an end in itself, pursued through production (Booth, 1993). What might otherwise be considered matters of traditional authority or public deliberation become treated as matters of individual market choice according to individual preferences (O'Neill, 1998).

Moral economic and economic institutions: Polanyi, embeddedness and framing

Approaches to the embeddedness of economic processes have been dominated in recent years by Polanyi (Polanyi, 1944; Block, 2003; Jessop, 2000; Krippner, 2001; Smart, 2003). However, The Great Transformation is not merely a positive analysis of embedding and disembedding, for it has a clear normative agenda, presenting an extended critique of the threat to well-being posed by commodification, especially of labour power, and by self-regulating markets. Interestingly he considered the threat to culture to be greater than that to material living conditions. While Polanyi introduced the term 'embedding',⁶ he argued that with industrialisation the economy was no longer embedded in the social but rather the reverse, producing a 'market society'. Polanyi's account is far from unitary and not surprisingly is open to many interpretations (Block, 2003). Following Granovetter, many have wanted to argue that contemporary capitalist economic processes are still embedded, but one unfortunate implication of this metaphor is that economic processes are still often seen as only externally related to the social and the cultural (Granovetter, 1985; Krippner, 2001). On the one hand, the concept of disembedding seems a useful way of understanding the impact of the production of commodities for profit rather for need, but on the other, any economic process must be 'instituted' or embedded in some way, indeed this may be a condition of its being freed from dependence on others. I would suggest that there is no contradiction between arguing that capitalist economic processes can be disembedded from, for example, kinship relations or ethnic identities, and yet, as the regulation school has established, rely completely on a social mode of regulation embracing social processes that "stabilise modes of economic calculation and norms of economic conduct" (Jessop, 2000, p.216) or which run the society "as an adjunct to the market", as Polanyi put it (Polanyi, 1944, p.57).

Polanyi's concept of 'the double movement' is helpful for making sense of the tendencies of markets and responses to them, but it also has a number of limitations as regards understanding moral economy. The state is involved on both sides, that is both in supporting the establishment of self-regulating markets, and as one of the actors defending society against their negative effects. The Polanyian analysis can also easily be integrated with stories of how capitalism has produced individualisation and declining responsibilities for others, and how this has contingently been offset by the rise of welfare states which have

⁶ He also used the metaphor of 'enmeshing', which might suggest a more internalised engagement.



created new and unprecedented levels of economic responsibilities for others, albeit in bureaucratized rather than interpersonal form. However, when described in this way, there is again a danger that moral-political regulation is seen as primarily *externally* imposed upon markets and other capitalist institutions, rather than also suffusing them, and indeed being part of their preconditions.

Greta Krippner criticises the tendency to read Polanyi through Granovetter, in particular by reducing embeddedness to networks, and as something external to market (or other) economic relations (Krippner, 2001; Granovetter, 1985). She argues that for Polanyi the concept of embeddedness refers to 'the fluid mixing of objects in a way that defied disciplinary boundaries', in particular the mixing of what are often distinguished as social and economic processes (Krippner, 2001, p.778). She also points out that for Polanyi, in understanding economic life, "the inclusion of the non-economic is vital." (Polanyi, cited in Krippner, 2001, p. 779). I will not comment on whether this is a good reading of Polanyi or whether he was consistent in holding such a view, but I agree that this is a better way of thinking about these matters. However, in practice, it is hard to use the metaphor of embedding without implying that it refers to economic activities being externally enabled and constrained by phenomena such as traditions, norms and social relations. The problem is not that there are no such external influences, but that this overlooks the norms which are *internal* to economic practices themselves.

For any economic process to become regularised such that it can be controlled and conducted efficiently, be it of production, distribution, exchange or consumption, it must be institutionalised so that out of all the many possible ways of doing things, all the many possible distributions of resources, all the many possible claims about entitlements, rights and responsibilities, specific determinate ways of doing things are established. In particular, the establishment of rights of possession or, more strongly, property rights, the determination of responsibilities and the rules of the game are preconditions of regularised economic action, and the larger and the more complex scale, the more important it is that such matters are resolved. Economic activity presupposes the establishment of moral economic norms about these matters. Even where, as in the case of capitalist property rights and the capital-labour relation, they are products of unequal power, there are generally attempts to legitimise them as just and fair. We tend not to notice many of these norms – for example, the right of the capitalist not only to the ownership of means of production but to the ownership of the product – though they are historical products, indeed products of long struggles, as E.P. Thompson demonstrated (Thompson, 1963). Political economy played a role in legitimizing – and sometimes contesting – such relations, most notably in the 19th century arguments about the nature and legitimacy of profit (as a reward for waiting, a reward for a scarce factor of production, etc.). Now they are taken for granted and what once were matters of normative contestation have become normalized, as if they were basic, timeless facts of the world. As Habermas put it, questions of validity have become turned into questions of behaviour (Habermas, 1979). We tend to notice only the novel problems of moral economy that are currently being contested, for example, regarding the commodification of genetic data, and not those which are already well-established. However, sometimes these established relations are contested, as in the case of feminist contestation of gendered assumptions about men and women's economic roles, and some, like the delimitation of what labour organisations can and cannot contest with employers, are only ever temporarily settled.

Thus, in any kind of regularised economic activity, we find a *partitioning* between those normative matters concerning how things should be done, and what participants' rights and responsibilities are, which are taken as *settled*, and others which are left unresolved and where certain kinds of negotiation, bargaining and allowed. This is clearest in the case of employment relations.

There is also a more physical side to the institutionalisation of economic activity that simultaneously defends property relations and attempts to purify activity of non-economic elements, or, in a capitalist context, elements which are not conducive to profit maximization. Typically norms both support and are supported by material arrangements. The working day and the development of (paid) work as a separate activity from the rest of life are manifestations of this spatio-temporal organization. This has been theorized in different but



largely complementary ways by Marx, Weber, and Foucault⁷. It is created on the basis of duress (the dependence of the property-less worker), enforcement of formal, rationality, time-space separation of activities, surveillance, measurement and calculation, and subjectification.

Like Callon⁸, we can use Goffman's concept of 'framing' of action, whereby activities are enabled by excluding certain influences and possibilities, and, within the frame, by operating on the basis of shared understandings and norms (Callon, 1998). Framing, and the associated attempted exclusion of external influences, is particularly clear in market exchange, where the alienability of the goods has to be assumed, and a clear conclusion to each exchange achieved through clearing of responsibilities. The framing or enclosure is never complete, not least because of the openness of social systems and the role of contingency. In particular, novel and complex projects cannot be completely predicted and planned but require the ongoing exercise of discretion and responsibility.⁹ But the frame is porous not only because of external contingencies which cannot be anticipated and blocked. The activities being framed also presuppose the continuation of certain preconditions which have already been formed outside, including the competence and trustworthiness of actors, the law in supporting property rights, or households in reproducing labour power. While Callon emphasizes material flows across the boundaries I want to emphasize overflows of a less tangible kind - the interests, commitments, moral dispositions and character of the participants. To some extent these qualities may be influenced by the economic activity itself: competitive markets may encourage selfishness or have 'civilizing tendencies', and capitalism may encourage pleonaxia (excessive acquisitiveness) and the valuation of money as an end in itself rather than as a means to an end. Nevertheless actors also live and gain their moral education substantially outside economic institutions. These characteristics may support or interfere with the activities being framed.

The attempted purification of activities within the frame is never total, for they always take on other aspects and functions. Thus, workers may socialise, seek fulfillment, respect and esteem, get distracted or inspired, they may become ill, get pregnant, and generally allow life to intrude on work. Hence, the multi-dimensional nature of practice tends repeatedly to spill over attempts to confine them to particular purposes.

The hybrid character of action, and the typically mixed nature of motivations, and the multiplicity of needs and wants, tends to defy simple categorical differentiations. The difficulties we encounter when thinking about the economic and the cultural, markets and embedding, or the economic and the moral, stem partly from this complexity. Thus, it is tempting to treat the economic and the cultural as natural kinds rather than (abstractions of) dimensions of (possibly the same) practices. The difficulties are compounded by the fact that, as we have seen, modern societies are differentiated in ways which attempt to objectivise these abstractions and distinctions, sequestering them in special places and times. But even then, this is only a partially-successful social construction – one which, as we have seen, runs up against the limits or intractability of the materials – human, discursive and inanimate – which it uses.

In these ways, the development of specialized, institutionalized economic activities has both physical and normative preconditions, involving framing both in terms of what activities and things are allowed within the space and in terms of what contingent distributions of entitlements, rights and responsibilities are established, as distinct from those matters which can be negotiated or contested. I believe this more fluid approach to understanding concrete economic practices, is superior to that provided by the concepts of embedding and disembedding, and helps us understand what is involved in the institutionalization of

⁷ Foucault, M. (1979) *Discipline and Punish*, Harmondsworth: Penguin. See also, Marsden, R (1999) *The Nature of Capital*, London: Routledge

⁸ Callon, M. (1998) Unlike Callon, I do not adopt a (post) actor network theory approach. I also see no reason for associating the concept of framing with a voluntaristic account of the construction of markets and other economic institutions, or one which exaggerates the role of the discipline of economics in their construction.

⁹ I will return to the subject of responsibilities later.



economic arrangements discussed at a more general level terms by Polanyi. Yet we also need to go further if we are to understand the particular kinds of moral sentiments and norms that suffuse social life, including economic practices. In addition to the established moral economic norms that are fundamental to the framing or institutionalisation of economic practices, ongoing behaviour is influenced by the moral judgements and decisions of actors with regard to others. I shall now argue that we can say more about these matters by drawing upon the work of Adam Smith.

Moral sentiments and economic behaviour: Adam Smith

In addition to being widely seen as the founder of modern economics, Smith was also the author of The Theory of Moral Sentiments (TMS) (1759). As historians of economic thought have now conclusively demonstrated, Smith worked on both books partly at the same time. He did not abandon his theory of moral order for one based purely on self-interest with the publication of The Wealth of Nations (1776), but rather continued to develop what he saw as his main work – TMS – publishing the 6th revised edition 13 years later.¹⁰ There is only one Adam Smith, not two (Evensky, 1993; Griswold, 1999; Nieli, 1986; Tabb, 1999; Weinstein, 2001; Winch, 1978, 1996). Smith's approach was pre-disciplinary, and therefore, unlike contemporary social science, was not cursed by disciplinary imperialism/reductionism and the identification errors and misattributions of causal responsibility this tends to produce (Sayer, 2000c). His moral philosophy merged seamlessly into a rudimentary psychology, and covered what would now be considered sociological, economic and political matters too.

For Adam Smith, individuals develop moral sentiments such as benevolence, pity, gratitude, justice, resentment and envy¹¹, guilt and shame through everyday interactions with others. Humans have a crucial though fallible sense of fellow-feeling¹² with others, through which they sense and evaluate their behaviour and what is happening to them. They are not only economically dependent on others but *psychologically* dependent too, continually in need of their company and recognition. They monitor their own conduct by imagining its effects and the judgements that an imaginary spectator would make of it. Smith's analysis of morality or ethics is therefore a distinctively 'bottom up', empirical one, including an implicit moral psychology (Griswold, 1999). It deals systematically with a wide range of moral and immoral sentiments, including self-interest, but without reducing them to the egoism/altruism couple. In grounding morality in moral emotions or sentiments, Smith treats emotion not as opposed to reason but in a cognitivist manner. This is close to Nussbaum's treatment of emotions as highly discerning evaluative judgements regarding matters affecting or felt to be likely to affect actors' well being (Nussbaum, 2001). Actors are, or are capable of being remarkably sensitive to the emotions, needs, reasonings and experiences of others, indeed the implication of TMS is that this fellow-feeling is a fundamental constituent of social order, and that actors could not function without some capacity for it. The self-monitoring and regulation does not exist, as sociologists tend to assume, merely because it is functional for reproducing social order, but because actors also have a psychological need for the recognition of others, and are continually monitoring their own well-being and that of those with whom they interact. Moral sentiments are not reduced to mere social conventions or discursive constructs, but related to human psychology, to our social nature as needy beings.¹³ Even the more fleeting kinds of

¹⁰ Also, as Nieli points out, Smith was including the main arguments of The Wealth of Nations even in lectures given prior to the publication of The Theory of Moral Sentiments (Nieli, 1986).

¹¹ Smith discusses what we might term immoral sentiments alongside related moral sentiments.

¹² Smith uses the term 'sympathy' but makes it clear that it is fellow-feeling, in an epistemic rather than an ethical sense, not compassion or commiseration that he has in mind (Smith, 1759, I.i.1.5; Griswold, 1999, p. 78).

¹³ Such invocations of human nature are often regarded with suspicion today, but cultural variety, often cited as evidence of the lack of any human nature, in fact presupposes it, for not just any object can be affected at the level of its constitution by culture. There must be something about humans (and other species that are susceptible to cultural variety) that enables this. In other words cultural variety presupposes universalism, though not uniformity (Collier, 2003).



economic relations are influenced by moral norms – usually taken-for-granted ones – of how others should be treated. That they are frequently overridden by imperatives of competitive survival does not contradict this. This fits well with the view of embeddedness that Krippner recommends, involving a fluid mixing of elements rather than a simple constraining of economic processes within a social context.

Of course, in *The Wealth of Nations* Smith did also famously note and indeed celebrate the role of self-interest in influencing market exchanges in ways that were functional for consumers. However, crucial qualifications need to be made here. In the sections from which most of the famous quotations are drawn he does not say that we can rely purely on appealing to the self-interest of others at all times. We can only do so where we are in a position to make exchanges and even then this does not exclude a role for benevolence: he merely notes that we cannot rely on 'benevolence only'.¹⁴ Nor does he identify the pursuit of self-interest with the pursuit of money above all else (Lubasz, 1998). Some interpreters argue that in subsequent editions of *TMS*, Smith gave increased emphasis to the role of self-interest (e.g. Tronto, 1994), but as Evensky notes, the 6th and final edition, published a few months before his death, had new sections on the virtues of prudence, benevolence and self-command, and the vices of pride and vanity, arguably moderating his earlier views on the role of self-interest and implying the need for stronger moral regulation of social life (Evensky, 1993). Moreover, Smith's treatment of self-interest is far more nuanced than contemporary usages of the term, going beyond simple dualisms of egoism and altruism, and acknowledging the mutuality of fellow-feeling and recognition. He also warned of the dangers of the pursuit of self-interest of leading to monopoly and injustice.

Although, in *TMS*, Smith was mainly concerned with supposedly transhistorical features of moral conduct, he does note how social contexts affect moral sentiments. In particular he notes with concern that the rise of 'commercial society' is likely to promote increasing vanity, and the danger of the pursuit of praise and prestige being valued more than praiseworthy behaviour.¹⁵ In addition, inequalities in income are likely to induce a 'corruption of moral sentiment', so that the rich are judged more favourably than the poor, regardless of their behaviour.

A more recent study, of corporate managers, by Robert Jackall, provides a vivid illustration of how moral sentiments and behaviour are shaped by social structures and settings (Jackall, 1988). Managers' ethics are compromised and shaped by the demands placed upon them. Especially in capitalist business, where the ultimate imperative is profit rather than what is right or good¹⁶, and where the competitive struggle against peers is unrelenting and the environment constantly changing, managers are likely to become habituated to dissembling and opportunism, treating others purely as means to their ends, as they face continually changing and conflicting demands. The Hobbesian pressures facing managers render consistent moral behaviour a recipe for failure. Impression management, instrumentalism, accumulation of external rather than internal goods, avoidance of the weak, ingratiation with the strong, appropriation of credit due to others, evasion of own responsibilities, and willingness to abandon commitments – all of these figure in the lives of the managers studied by Jackall. Obligated to be dominant downwards, compliant upwards and competitive sideways, pragmatism and self-interest invariably overrule ethics, though at personal cost for some:

“. . . guilt, a regret at self-abnegation and deprivation . . . alternating anxiety, rage, and self-disgust for willingly submitting oneself to the knowing and not knowing, to the constant containment of anger, to the keeping quiet, to the knuckling under . . . “ (Jackall, 1988, p.204).

¹⁴ See in particular, Book 1 Chapter II, in which the famous butcher, brewer or baker quote appears.

¹⁵ This is similar to external goods being prioritised over internal goods, in Alasdair MacIntyre's terminology (MacIntyre, 1983).

¹⁶ Even where, contingently, the latter is a necessary condition for the former, it cannot be the dominant goal if capitalist businesses are to survive.



In these ways, analysis of how market and related pressures produce distortions of moral sentiments and forms of suffering opens them up to critique.

Taking his work as a whole, Smith appears to have believed that although the rise of 'commercial society' would produce certain distortions of moral sentiments, it would still be embedded in and indeed be internally shaped by a wider moral order, and that the rise of benign forms of pursuit of self-interest in markets would not (and should not) reduce the need for moral virtues. Smith's treatment of commercial society and morality is resolutely and rationally ambivalent and unsentimental, insisting upon "the moral and human problems inherent in the project he was advocating" (Griswold, 1999, p.260). Despite his focus on morality and virtue he was well-aware of the possibilities for virtuous conduct to produce negative unintended consequences, and for vices to produce benefits.¹⁷ He both celebrated the effects of commercial society in benefiting consumers and the growth of wealth, and criticised the tendency of markets to feed and feed off consumers' envy and vanity, and to produce inequalities which distort moral sentiments. While deploring these corruptions of moral sentiments he acknowledged the beneficial effects of the elevation of appearances over virtue in promoting the growth of wealth. He celebrated the growth of productivity produced by the division of labour while criticising the resulting deskilling and debasement of work¹⁸ and its effect on workers' minds. He both noted the beneficial effects of the pursuit of self-interest in markets and the dangers of it leading to injustice and exploitation, especially in the public sphere, which he viewed in distinctly unromantic terms, and hence the need for moral education.

We might note in passing that Smith's theory is utterly at odds with the neoclassical model of 'rational economic individuals', having pre-social preferences, one-sidedly pursuing their self-interest, and having a wholly instrumental approach to social interaction. As recent critics have pointed out, this is a model of an autistic individual, who in practice would be incapable of understanding and cooperating with others or of winning their trust, and who hence would be an ineffective economic actor (van Staveren, 2001; Post-Autistic Economics).¹⁹ Smith's theory is also far from the alienated²⁰ conceptions of morality common in sociology which reduce it to formal norms backed by sanctions that regulate a community's practice.

In order to appreciate the significance of Smith's approach for contemporary capitalism it is important to keep in mind something that was probably less evident in the eighteenth century, namely, that capitalist economic relations include not only the 'thin' relations of straightforward, 'one-off' transactions, in which existing, familiar goods are simply exchanged for money, but thicker transactions and relationships involving cooperation, enduring responsibilities or specialist expertise. These may include not only 'relational contracting' but specialist spot markets in which buying and selling is done by dealers using expertise. Moreover, they include not only exchange relations but organized systems of cooperation found in intra- (and sometimes inter-) organizational divisions of labour. Once again, it is disastrous to reduce capitalism to markets.

Those exchanges or other relationships that are fleeting and anonymous have, in practice, few ethical associations and expectations (though from a normative point of view, some might want to argue that they should). Liberal economic theory treats these as the norm, passing off a normative model of contractually-based economic relations as a positive description of contemporary economic and indeed social life. In fact it is a de-moralised account of economic relations. While some economic relations do indeed come close to this model, many are also interpersonal and enduring, and these are especially likely to take on

¹⁷ He was nevertheless a critic of Mandeville's theory.

¹⁸ Of course, division of labour does not necessarily lead only to deskilling, though given Smith's confusion of the manufacturing division of labour, represented by the pin factory, with the social division of labour, his inference is not surprising.

¹⁹ And for Smith, they would not only be socially inept, but also, in being unable to recognize others or achieve recognition and sociality, they would also be deeply unhappy.

²⁰ I call them alienated because they have no connection or resemblance to what we care about in our own lives as regards how people should treat one another.



meanings and expectations and sometimes commitments which go far beyond those assumed by liberal economic theory. The expectations are not necessarily fulfilled, though not only because contracts ignore them: it may simply be that actors do not bother to meet them.

The ethical aspects of 'thick' economic relations are most obvious in the case of employment relations, though sometimes more by virtue of their suppression than their acknowledgement. A worker is required not only to do some work but to behave appropriately - which normally means honestly, with due regard for others, and indeed in many jobs employees are expected to involve themselves actively in cooperative work which involves continual attention to others' well being. Where workers have indefinite or relatively lengthy contracts, relationships of recognition and respect, trust, friendship, are likely to develop. Cooperative work usually requires gift relations, in the form of workers helping one another out, and overlapping commitments, or simply shared experiences, which over time gradually constitute shared identities.²¹ To be sure, workplaces can also be sites of selfish and dishonest behaviour, but they are not simply amoral. Contracts may attempt to frame and contain these relationships but the more durable they are and the more complex the work, the more this framing does violence to their ethically-laden nature. As long as the employment contract lasts, the moral expectations and commitments are likely continually to spill beyond what is contractually defined. The worker whose contract is not renewed is likely to feel aggrieved not only because the source of income has ended but because the commitments and friendships she has made can no longer be continued and the gifts which she has given to others can no longer be reciprocated. Not surprisingly, the experience of loss of such jobs can be akin to that of bereavement. Thus, in comparison to the expectations of both neoclassical economics and those who have to respond to market pressures, thick economic relations are characterized by an 'ethical surplus'.

While this surplus is most obvious in the case of employment contracts, it can occur in any social relationship in which, for whatever reason, expectations of interaction and reciprocity are not met, usually because of instrumentalism or conflicting demands. It is possible to treat others instrumentally in many spheres of life, though under capitalism it becomes obligatory for firms to treat their workers and customers instrumentally. At one level market relations can always override these ethical considerations, but as long as contracts last, it is also frequently dysfunctional for employers not to take advantage of these ethical considerations at least selectively. In many cases an unethical worker or an unethically-treated worker would be a disruptive one. Trust is essential for economic activity, and it presupposes a level of trustworthiness, involving probity as well as competence.

Neoclassical economists might want to say these associations and expectations are only ('merely') of sociological interest, but this involves a reduction of economic relations to those of market exchange, so that economic relations which do not involve exchange or go beyond it are ignored. Production involves cooperation and transfers, not usually market exchange. The gift relations that form among workers, the identification of workers with clients' needs, and so on, are just as much part of economic relations as exchange relations. Like market exchange, they function as modes of coordination of divisions of labour. Thus moral economic questions extend beyond matters of exchange, pay and conditions to the qualitative nature of the relations of the workplace. Feminist research on paid (and unpaid) housework is perhaps the best example of the analysis of the ethical implications of economic relations (e.g. Tronto, 2002; Ehrenreich and Hochschild, 2003).

Though I would not wish to endorse many of the specifics of Smith's economic theory, which deals with petty commodity production rather than capitalism, the advantage of his approach is that it offers the possibility of understanding moral economy in a way which does not separate moral considerations from economic ones, but sees them conjointly. It enables us to see how moral sentiments and norms both influence, and are themselves influenced by, particular forms of economic organisation. Smith's approach also has its limitations. It takes more than lay moral sentiments to regulate social and economic life, and while Smith called

²¹ In many cases work involves practices in MacIntyre's sense, so that workers become committed to the internal goods of the practice, for example, nurses to the skills, standards and satisfactions of nursing, as well as the external goods of pay and prestige.



for more state intervention and market regulation in The Wealth of Nations than many realise, understandably, as Polanyi points out, he did not anticipate the destabilising potential of self-regulating markets and their impact on labour. In effect, he paid insufficient attention to the process of normalisation of contingent forms of organization, rights and responsibilities that we discussed in the previous section. Again, not surprisingly given the time of writing, nor did he adequately acknowledge the presence of material and symbolic domination (for example, of status and patriarchy) and the extent to which cultural values supported these. Further, like others of his time, he underestimated (and undervalued) cultural difference or the relative autonomy of cultural discourses and values.

Economic responsibilities

Economic responsibilities for others are a transhistorical necessity of any economy, given our nature as vulnerable, dependent, social beings. (In simple economic models, populated by adult, unencumbered, able-bodied individuals, entering into contractual relations with others as they see fit, it is easy to forget this. It is significant that many economists would not even recognise the concept of economic responsibilities for others.) Such responsibilities take different forms, according to historical particularities of cultural and moral norms and forms of domination – particularly patriarchy - which define their nature and specify who should bear the responsibilities, and who should receive support or care. Thus, norms regarding the nature and locus of economic responsibilities for care of the elderly (both in its funding and delivery) vary considerably among different cultures. They are typically gendered, both in their discharge and receipt. Economic responsibilities for others can be met in various ways - through unpaid labour, by paying others to provide services, either privately or through taxes, or by transfer payments to the needy. The norms are themselves subject to economic influences: thus increases in mobility produced by the rise of capitalism may undermine extended families and prompt the rise of state-run or marketised forms of eldercare (an example of the social protection side of Polanyi's double movement), but there is no single logic of capitalist development to such changes, for they are dependent on cultural norms and social structures that have a degree of autonomy from economic changes. Again, some norms regarding responsibilities have become institutionalised and taken for granted as accepted facts about economic life, while others are open to interpretation, negotiation and contestation, or in Smith's terms, the play of moral sentiments and actors' monitoring of their own and others' behaviour. The welfare state represents an extension and development of institutionalised economic responsibilities for others only surpassed by the state socialist countries. At the same time responsibilities regarding informal, non-institutionalised support for friends and families tend to be decided upon according to several ad hoc criteria, including ones which are conditional upon the behaviour of the recipient (Finch and Mason, 1993).

Many economic activities involve responsibilities in a different sense, not for the welfare of others per se, but more generally for achieving particular results under uncertain and changing conditions, using discretion, acting competently and morally, and dealing with problems whose precise form and timing cannot be predicted. Recent research by Garrath Williams provides a fresh perspective on such responsibilities (Williams, 2004). We are accustomed to thinking of capitalism as a form of economic organisation in which responsibilities to others are instantly discharged and cleared with the simple exchange of goods for money. In its very nature, capitalism contains strong tendencies which encourage individualistic, self-interested responses and penalise collectivism. While this is surely true, there are countervailing tendencies. Many organisations in contemporary society are not primarily involved in the sale of commodities, and of those that are, many are involved in long-term relationships of dependency with customers. In taking on long-term service work, for example, a firm takes on a set of responsibilities which it has to discharge over time.

As Williams notes, it is probably significant that the term 'responsibility' was only introduced in the late 18th century. Although it is of course possible that the concept and practice of responsibility pre-existed the term, Williams suggests that it may have been coined in response to the decline of traditional duties embedded in a stable hierarchical order, and the greater need for moral responses to the variable circumstances of an emerging capitalist order and to the plurality of normative demands presented by a more differentiated society. Modern societies have to be unprecedentedly institutional and reflexive. This has a unifying effect even though old schemes of value may have lost their force:



“... no stable and unitary scheme of value unites all or even most of the members of most modern societies. What does unite us is something much more practical – the stable if contested schemes of cooperation that are embodied in our modern institutional life.”
(Williams, 2004).

Williams argues that the rise of modernity has led to the emergence of a ‘moral division of labour’. This is most obvious in public sector work such as health and education, but also extends to those relationships between private firms and customers that are more durable and dependent, and where the meeting of responsibilities is backed up by the pursuit of profit and the threat of bankruptcy, and also to their intra-organizational divisions of labour. On the one hand the moral division of labour restricts – and intensifies – our responsibilities, but on the other it also provides us with opportunities to expand our responsibilities to distant others who are now linked through its systems of distribution and coordination, mostly obviously in the case of global charities. The shape of the division of labour as a whole is continually changing in response to competition, innovation and social change. Institutions also define particular relations of accountability. Within this, the moral division of labour presupposes some degree of stability but requires constant monitoring of the form and functioning of that division of labour and willingness to change it. The latter is a distinctive feature of responsibility. On this view then, moral regulation of some form or other is again internal as well as external to economic relations and behaviour, and the rise of capitalism spontaneously creates a moral division of labour in which new responsibilities develop, albeit largely as a means to the end of profit.

Conclusions

I have argued for a moral economic approach to the embeddedness of economic processes. While Polanyi’s seminal work on embeddedness and the double movement is still important, it lacks an account of the moral dimension of social life and hence has limited usefulness for understanding moral economy. Moral economic norms are essential for economic institutions, as is a partitioning between negotiable and non-negotiable matters. While to some extent the latter reflect and often legitimise relations of domination, they also relate to and represent judgements of well-being and fairness. Actors also have to make moral judgements in the course of their economic activities, as they do in all their activities. In any society, ethical valuation and economic valuation may sometimes be in tension, but they are particularly likely to be so in capitalism. This is one of the reasons why assessments of practices are likely to differ according to whether they are made in terms of their constituent virtues or vices or in terms of their unintended consequences as they work out through market processes. Like Smith, we have to consider both.

Given the complexity of economic relations in modern societies it is likely that evaluations of practices will be highly mixed, so that some aspects and relations seem moral and others anti-social. For example, the consumption of commodities covers diverse activities and any particular act of consumption implicates several different social/material relations: between the consumer and producer; between the consumer and the purchaser (e.g. child and parent)²²; with other consumers, whether they are joint consumers, third parties affected by externalities, others who might also have claims on the same resources (including distant others and future generations), or competitors for status and recognition in the struggles of the social field à la Smith, Veblen and Bourdieu; and finally there are the relations with ecological systems whose moral dimensions and implications are of increasing concern (Miller, 1998, 2001; Sayer, 2003). Hence, the same behaviour could be benevolent with regard to one relationship (e.g. purchaser-consumer) but highly damaging with respect to another (e.g. rich consumer-poor consumer, or ecologically). Like Adam Smith, we need to be prepared to be ambivalent.

A further important consideration in the study of moral economy is the nature and extent of economic responsibilities for others. One of the paradoxes of capitalism is that despite its individualising tendencies, the development of the division of labour coupled with the welfare

²² Both producer-consumer and purchaser-consumer relations of course may be relations-to-self.



response side of the double movement can produce not just unprecedented interdependence but unprecedented economic responsibilities for and towards others.

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