

Anett Bósz<sup>1</sup>:

## **Does morality save the people of today?**

### **The economic theoretical traditions of liberalism, particularly from the perspective of an ethical foundation**

Ethics has always been playing a great role in the theoretical traditions of liberalism. The paper is trying to find the answer for the question if morality could save the people of today. Starting from the ancient philosophers and the authors of the era of Enlightenment, the classics of moral philosophy, following with the thinkers of the 19<sup>th</sup> and 20<sup>th</sup> century, liberalism has only been able to formulate meaningful proposals capable of bringing about social progress when it was centred around morality and virtue. Many scholars today claim that liberalism failed but this study argues for a historical turning point when liberalism can be renewed and returned to its classic values. The study analyses the ordo-liberal era with its Kantian tradition that helped ordo-liberal theorists in implementing liberal values in practice. According to the statement of this paper, an appropriate education system, good governance and fair public incentives are essential for opening a new page of liberal history. The study contains an educational case study and principles of social organisation that can help to reach the desired result for a well-working liberal state and governance. The author of this treatise has never gave up the hope that the constitution should be written for good citizens but she calls for strong ethical basements of the education and legal system that can help the society to return to the “old true”.

#### **Introduction**

The question may arise as to whether we need to be salvaged and if so, how to begin our search for solutions. As I see it, the answer to the first of those propositions is yes, while I also have a proposal for the second. We can experience throughout the world that practical proponents of the three historic systems of ideas, that is liberalism, conservatism and social democratism, are becoming distanced from their own core values. We are facing national and global challenges all over the world which require new answers, however, few are able to come up with new suggestions other than turning away from old practices. The world is in the process of path-finding. The spread of the third wave of populism, as well as the ailment of the grand systems of institutions and international organisations constructed since the Second World War render it clear that there is an urgent need to rethink the current world order. To this end I believe theoretical clarity is essential in the case of all systems of ideas. I have taken it on myself to demonstrate that within the framework of liberalism we may find a proposal for economic strategy and social organisation which has helped society progress and develop following far greater crises than those we face today.

Liberalism is not new and the three-century-old history of its values and its proposals for social organisation, formulated during the age of enlightenment, as well as its roots in Greek philosophy, for example the thoughts of Epicure, along with its system of ideas which continued to develop through the various crises of humanity have their impact on our lives to this day. This is not the first time liberalism has found itself in a crisis, and so long as the assumptions of this paper are correct, nor it is the last.

---

<sup>1</sup> doctoral student, International Relations Multidisciplinary Doctoral School  
DOI: 10.14267/RETP2021.02.14

It is my contention that the core values of liberalism when paired with a thoughtless state organisation and communities living in the state of moral crisis form a combination that cannot aid the progress of society. The subject of the debates surrounding the most recent historic era of liberalism relates to the fact that the reality of this era has been in stark opposition to its original objective, as neoliberalism has left social tensions and injustices in its wake.

Ever since the beginnings of human literacy, our history has been dominated by thoughts relating to morality and the organising of our societies. *'Greek philosophy emphasized that paidea, that is being raised in virtue, has a primary function in preventing tyranny and defending the freedom of citizens'* [Deneen, 2019:40]. In European history various cultures have arrived at the same conclusion, with medieval Christian philosophy, for example, stating that raising someone to be virtuous has an important role in curbing tyranny and fighting for freedom. In the 21<sup>st</sup> century we say it is the restraint and virtuous behaviour of citizens which enables them to make the most of their freedom.

### **The fall or a turning point in the history of thought?**

I argue that the liberal system of ideas has not arrived at the beginning of its end but rather at a turning point in the history of thought, and so long as it is capable of returning to considering morality the central element for formulating its values it will be able to overcome this current crisis.

Many, among them Patrik J. Deneen, state that contemporary social challenges reflect the failure of liberalism. It must be said, however, that the pursuit of self-interest and the loss of solidarity in traditional communities is not a product of liberalism. It is my view that today's polarized society is not a crisis of the ideal of freedom but rather a failure of capitalism. Failures of the markets are not new to economics and can be eliminated through appropriate regulation and well-timed state-intervention which is compatible with the market. The subject of this study is that while the market can produce social failures too, with an appropriate proposal for social organisation and economic strategy these can in fact be corrected.

The most common such failure in societies is when the individual or a segment of society falls into the vicious circle of poverty, known from international economics, and is unable to take part in market processes without external aid, meaning that they cannot enter the labour market or start a business even if they happen to possess the useful skill. In this case it is hardly possible to attain the two key values of the Western world – equal dignity and equal treatment – and masses are left out of the learning a process that would enable them to understand that the price of their freedom is taking responsibility. Markets with their characteristic toolkit can indeed serve the purposes of equal dignity and equal treatment, so long as the society is appropriately organised. In the understanding of the present paper, the market is not an end in itself, but rather a means on the way toward greater prosperity and greater equality of rights.

I rely upon two assumptions. The first is, that the era of neoliberalism has come to an end and we are on the brink of a new era in the history of thought within the framework of the liberal system of ideas. The other is that, within the framework of the liberal system of ideas, there exists a line of economic strategic planning which can provide relevant answers to contemporary challenges and which has been around since the middle of the 20<sup>th</sup> century. It is called ordo-liberalism.

In his great poem, "Let us breathe freely!" (*Levegőt!*), Hungarian poet Attila József writes, *'So come order! You bring me freedom!'*. Reversing that order, the starting point for ordo-liberals was that the individual freedoms of the members of society rest upon the order that constitutes their foundation. The formula often used, and well-liked, by liberals which stated that *'my freedom is limited only by the freedom of another person'* is given a concrete framework by the proponents of ordo-liberalism. It is easy to define where the

freedom of others begins because the market-compatible economic framework and the proposal for a social organisation aiming for individual freedoms clearly define the extent of our own freedom. To use a quite trivial example, tax evasion or cheating someone we are in a contract with will most certainly fall foul of this framework. According to this overall concept, the freedom of citizens is built upon all participants abiding by the rules, and this also helps to avoid failures of the market and the society over the long term.

### **Can morality hold the key?**

The works of ancient philosophers, of authors of the era of Enlightenment, the classics of moral philosophy and the seminal writers who laid the foundations of classic political economics, as well as the studies by 19<sup>th</sup> and 20<sup>th</sup> century proponents of liberalism all show clearly that liberalism has only been able to formulate meaningful proposals capable of bringing about social progress when it was centred around morality and virtue. Besides the basic virtues discussed in ancient philosophy, it was the ideas analysing and prioritising morality and virtue throughout the liberal history of thought which formed the basis for formulating concepts regarding market regulation and social organisation which led to greater wealth and increased quality of life for citizens.

Through analysis of the proposals of liberal philosophers, economists and lawyers it becomes clear that classic proponents of liberalism have always subordinated social progress to moral considerations, and this is also true of economic theory. From Aristotle and Plato through John Locke, Hugo Grotius, Immanuel Kant, Adam Smith, David Hume, Thomas R. Malthus, John Stuart Mill, David Ricardo, Thomas Jefferson, Edmund Burke, Ludwig Erhard, William Röpke and many other theorists who helped the liberal system of ideas progress, placed morality at the centre of their ideas. Societies of the modern era were also only successful whenever the social organisers realised that the organisation of the state *'is defined not only by legal norms but also by philosophical considerations'*. [Gervai-Trautmann, 2013]

The philosophers, scientists, lawyers and economists of the age of Enlightenment all looked to reconcile freedom and order. Founders of the theoretical framework of liberalism argued for constraints which were raised in order to help facilitate individual and collective freedoms. They considered the system of institutions of the state to be ideal if they guarantee constitutional self-restraint, the separation of powers, the rule of law and, with regard to the economy, fulfilled the role of the night-watchman state.

Moral philosophers did not consider the era of laissez-faire liberalism to be the era of a society lacking solidarity, but rather the opposite. Philosophers who stood up for the rights and freedoms of workers and small businesses believed that by fighting against the harmful effects, both social and economic, of monopolies they were creating a more just and liveable world, in the economic, legal and political sense of the word alike, that includes a free market which screens and eliminates unfair market conduct, and which is based on the core principles of liberalism.

The proponents of classical liberalism did not discard the concept of state intervention, but rather considered unacceptable those forms of state intervention which impaired individual freedom and therefore raised the possibility of creating a tyranny. One might say that Smith, Ricardo and Mill were not trying to protect the money of the individual from the state, but rather the freedom of the individual. *Tamás Szentes* [2006] believes that in the 21<sup>st</sup> century it is not the 'size' of the state which is the issue but rather that it should be *effective and democratic*.

Liberal philosophers of the 16<sup>th</sup> and 17<sup>th</sup> century believed that everybody had a right to a fair wage and, to use the modern phrase, the right to social mobility and the possibility for each individual to work, in order to put an end to their poverty and facilitate their own rise in the world. The collective of individuals

facilitating their own upward mobility would in turn bring about economic growth and greater wealth, therefore all in all the state is fulfilling its duty of enriching society and facilitating equality by the mere act of self-restriction. This is how government can help everyone find their place in the market, either as an entrepreneur or an employee, without other market participants restricting them in this fair competition.

The golden era of liberalism existed during the second half of the 19<sup>th</sup> century, however, by the time of the early 20<sup>th</sup> century this had come to an end and liberalism found itself in a deep crisis following the First World War. In order to end this crisis, a conference was organised on the 26<sup>th</sup> of August 1938. This was called the *Lippmann Conference*. The event, held in Paris, can be considered the birth of neoliberalism much more than the forming of the Mont Pèlerin Society in 1947. It is my belief that the theoretical foundations of neoliberalism were laid during this conference, even though it had to wait until the 1970s before it could become a dominant political trend. The conference made it possible for liberals to come up with constructive and functional plans for social and economic policy, following the mistakes made by classical liberalism.

The use of terminology was not clear during the conference in that no clear line was drawn between *'neoliberalism'* and *'new liberalism'*. A few French participants explicitly considered the latter line of thought their own. While Lúí Marlio was talking about *'social liberalism'*, Bernard Lávern was discussing *'liberal socialism'*. This distinction is not without interest to us as its subject is the relation of freedom and community and it is only these days that we are finally nearing the conclusion to this debate. By stating this I also wish to argue that at the time of its birth neoliberalism was searching for harmony in its value system, and only later did it break away from this emphasis on morality. This is particularly important from the perspective of economic research.

The Lippmann Conference is a good example of how a system of ideas considered unable to provide answers in a given historic era can, through constructive debate, be renewed and rendered able to provide answers to the challenges of its age. It is worth analysing the socioeconomic effects of neoliberalism. *'The creation of equal rights to all and the pursuit of human dignity are central values of civilisation'* [Harvey, 2007:5] were laudable objectives but from time to time it is necessary to review the contemporary proposal for social organisation. As Matthew Arnold put it, *'freedom is a very good horse to ride, but to ride somewhere'* [Harvey, 2000:6]. This thought helps us grasp the greatest deficiency of neoliberalism, which is that it considered the free market an end than a means to an end, and it did not arrive at the realisation that this in itself was not a proposal by economic strategic planners which could bring about prosperity for the greatest number of people.

Its greatest failings were that it widened social gaps and was not effective in revitalising the world market. By contrast, ordo-liberalism in West Germany placed human dignity in the centre. The new constitution of 1949 started by stating in its first sentence, that *'human dignity is above all and is inalienable.'* These are more than just empty words. Ordo-liberals were perhaps unmatched in bringing a practical realisation of liberal principles so close to the citizens themselves. Beyond this, in opposition to the social market economy and the welfare state, it is an important part of ordo-liberalism to consider the *'wealth of all'* to be achievable only through the means of a free-market economy and in fact considers any kind of state aid *'the demoralising of market participants.'* [Dardot-Laval, 2013:208] They say that *'prosperity born out of free competition'* and *'general welfare'* are one and the same thing. *'The moral value lies in the competition of market rivals and not in protection of the caring state'* [Dardot-Laval, 2013:209]. Part of the foundation of ordo-liberalism is that any regulation must make honest market behaviour the norm among market participants. Regulation facilitating competition has a progressive effect. Regulation pushing for state redistribution or hindering market processes is rejected, as it is stated that they cause moral damage to

society because in these systems *'everybody is rummaging around in the pocket of their neighbour'*. [Erhardt, 1957 (1993):164]

According to Michael Foucault we must be discussing the *'governing of society'* rather than *'economic governance'* as physiocrats did. It is important to discuss the politics of society (Gesellschaftspolitik) rather than social policy and also that *'the subject and objective of governance is society in its entirety and most certainly not transfers flowing from those with higher incomes towards those with lower incomes as is the case in social policy.'* [Dardot-Laval, 2013:210]

Ordo-liberals sought to reconcile order and freedom. Walter Eucken makes the claim that *'economic order'* (*Wirtschaftsordnung*) and *'the order of the economy'* (*Ordnung der Wirtschaft*) are different concepts. While the prior refers to the framework of the economy, in other words the framework which the economic strategic planner has drawn up for economic operators, the latter signifies the order based on competition, an equivalent of *Wettbewerbsordnung*, meaning how economic operators, such as consumers, producers, business partners and private contractors, make the most of the framework drawn up by the organiser of society. They abide by and enforce these rules [Dardot-Laval, 2013].

The philosophical foundation of ordo-liberalism is the Kantian tradition. For the first time in a long while in the history of liberalism, the analysis of moral questions reappeared. The objective was to organise society and the economy along the lines of virtue and, within that, along the lines the respect for freedom. *'To adjust economic policy to suit the individual rather than the other way round is a direct dictate of morality and humanity.'* – writes Wilhelm Röpke [Röpke in J. Horváth, 2000:18]. Röpke used the words of Goethe when stating the necessity of returning to the *'justice of old'*. Turning against the horrors of the Second World War, ordo-liberals fought to organise a society in which justice is at the core of the system of institutions.

In many ways, post-war West Germany was facing similar challenges as the people of today. They had to overcome the challenge of a large number of neglected groups of society, the weakness of social safety nets, as well as the moral crisis of the discriminatory mindset and damaged market economy resulting from the war. The rule of law and the democratic system of institutions had to be restored following a dictatorship far more destructive than anything before. We can safely say they were facing far greater tasks than those today and were successful in rising to the challenge. The socio-economic system set up by ordo-liberalism put West Germany on a four-decade-long path of growth and progress and diverted society from radical political-social ideology towards mutual respect and tolerance.

### **Meanwhile on the two shores of the Atlantic Ocean...**

The four-decade-long history of neoliberalism and its socio-economic achievements serve as a counter-test. It is an era in the history of thought in which, instead of complementing political liberalism, economic liberalism overrides it, as well as the rule of virtues, therefore turning against the original objectives of classic liberalism.

Another debate as old as written history discusses whether laws must be formulated on the preconception of virtuous citizens or, to use the words of Immanuel Kant, must they be able to withstand the test of a *'populace of devils'* in practice?

Modern state organisation has provided two answers to this. One such answer may be found in education. Proponents of classic liberalism such as Locke or Kant believed that humans can be taught and trained. They believed individuals can be made better, more law-abiding and better prepared to make the most of their freedom. The other answer lies in the creation of grand institutional and legal systems. It was in the

latter that the greatest difference can be discovered between the institutional systems of ordo-liberalism and neoliberalism.

According to *Frank Nullmeier* the best feature of liberalism is that it places freedom in the centre and considers equality as evident. Neoliberalism forces members of society to behave in a manner '*compatible with the market*' and also creates a world in which groups of society with differing wealth have differing opportunities to make the most of their freedom. The market therefore is not sufficient to ensure equal freedom. To support his argument criticising neoliberalism Nullmeier states that social justice and freedom do not stand in opposition to each other but in fact, it is his understanding that social justice is a definitive step towards a society in which all individuals may be free and autonomous citizens [Nullmeier, 2010].

Social justice and the intention to ensure all citizens have an equal opportunity to make the most of their rights depends on the system of institutions and therefore a clearly defined system of regulations can be drawn up on whether the 'benignity' of these institutions is capable of activated in a society in which the principles of equal treatment and equal dignity operate in practice. These, however, can only work if members of society have gone through processes of socialization and education which can bring about the culture of mutual respect.

### **Question: can morality be taught and if so, how**

This paper cannot go into a detailed analysis of educational methods for, among other reasons, a lack of scope; however, I will analyse one instance where a group of contemporary children came closer to virtuous behaviour, based on empiric research.

A new political generation has grown up in the past three decades the majority of whom, starting with teenagers, has read Harry Potter. This generation, in their childhood, has come into contact with the basic virtues of ancient Greek philosophy at the end of a century in which two World Wars had demonstrated what the lack of these values in society could cause. They got to know these millennia-old virtues as lovable children. Harry Potter as the face of courage, Hermione Granger as wisdom, Ron Weasley as moderation and at the same time the reader found that above these three stood Justice in the form of Albus Dumbledore. Without the alliance of values, they cannot reach their goals, the four of them together form a unity.

The study which explores how virtue can be learned from the works of J. K. Rowling states its conclusion in its title: *The greatest magic of Harry Potter: reducing prejudice* [Vezzali et al, 2015], and uses a questionnaire to analyse three age groups. The presumption that Harry Potter reduces prejudice has been proven true. The first subjects of the study were students at primary schools, then high schools and finally universities. They were asked how they felt after reading chapters that touched upon prejudice. They were asked again after reading neutral chapters. Both high school and university students were asked what feelings they had regarding the various characters. In view of the answers provided, the study puts forth that those who read Harry Potter became 'better people'. By this the authors, who are university scholars of applied psychology, mean that people who had read the books as children grew up to be more tolerant towards minorities and were empathetic towards people stigmatized by society.

The book raises the topic of rejecting discrimination based on the background of someone as in the case of Hermione. Malfoy makes fun of her for coming from a non-wizarding family, however, the others come to her defence. Ron Weasley comes from a very poor background, Neville Longbottom is very clumsy, Hagrid is a misfit not only because of his giant size but also because, despite teaching at Hogwarts, he cannot use magic. Harry Potter finds himself in a quasi-minority position through losing his parents and being raised by very discriminative foster parents who, despite being relatives of his, do not treat him appropriately, and

therefore he is in a highly disadvantaged position compared to his foster brother. What makes Harry disadvantaged in the family is that despite having more ability than the others he does not have equal rights. The books inspire the reader to accept each member of the company - the characters not only accept each other but they are ready to help out one another. This shows that there does exist a method for teaching citizens moral behaviour.

The other fundamental building block of organising the state and society along these principles is the functionality of the institutions and laws from the perspective of encouraging citizens to act in a virtuous and appropriate manner. The Moral Economy by Samuel Bowles points out the need to change the image of *homo oeconomicus* which has been such a decisive concept during the past decade that it had muted all other decision-making mechanisms. He argues for creating a reasonable system of incentives based on ethics and he presents us with many examples when certain societies attempted to do so but were unsuccessful. This is important as it demonstrates that this subject is far more complex than we would think at first. Good incentives do not replace good citizens, and some mechanisms of incentives and sanctions can, in fact, even divert the behaviour of good citizens from the morally correct path.

The author mentions examples that make clear that people do not want to do good just because of positive incentives, and in fact one experiment proved that children who previously were happy to help their parents stopped doing so once a reward was offered to them in return, nor do state organised sanctions eliminate the transgressions of citizens. Punishing parents for being late for kindergarten, for example, in a slightly surprising turn, made those affected by this feel that following the introduction of this rule they were 'purchasing' the overwork of the kindergarten staff therefore were less motivated to arrive on time and the total overtime increased dramatically.

### **But then how to write a constitution?**

State regulation is a complex and intricate subject. By placing morality among the basic principles of social organisation and creating a proposal for education by the educational system which enables us to go beyond formulating a constitution for 'bad guys' (Bowles, 2018), however, all past experience demonstrates that humanity has always been at its most successful when the social organisers placed morality in the centre. This stands true with regard to liberalism as well. In my paper, I argue that the liberal system of ideas has not come to the point of extinction but rather to a turning point as there is a scenario in which it will not only overcome its own crisis but also be able to add to the progression of society once again.

One very strong case study for this can be found in post-war West Germany where, by use of the Marshall Plan, not only did they achieve an almost impeccable period of economic growth lasting four decades but also organised a society in which mutual respect is evident, and which rejects discriminative behaviour. It is my belief that something similar can be achieved today and that this necessitates not only the rejuvenation of liberalism but also that of conservatism and social democracy.

The latter two fall beyond the scope of my research.

**References:**

- Bowles, S. (2018): *Az etikus gazdaság - Miért nem helyettesíthetik a jó ösztönzők a jó állampolgárokat?* Pallas Athéné Könyvkiadó Kft. ISBN: 9786155884153
- Dardot, P. - Laval, C (2013): *A globálrezon, a neoliberalizmus múltja és jelene*, EgyKettő Kiadó, Budapest
- Deneen, P. J. (2018): *A liberalizmus kudarca*, Institute for Advanced Studies in Culture, University of Virginia, ISBN: 978-963-433-558-0
- Erhard, L. (1957, 1993): *Jólétet mindenkinek*. Konrad Adenauer Alapítvány Budapesti Képviselője, Budapest ISBN: 9630438283
- Eucken, W. (1948): *Das ordnungspolitische Problem*, in: ORDO 1, S. 56–90.
- Fekete, L. (1997): *Adam Smith Nemzetek gazdagsága és a felvilágosodás filozófiája*. Department of Microeconomics, Budapest University of Economic Sciences
- Gervai, P. – Trautmann, L. (2013): *A neoliberális „kapitalizmus” fogalom megszűnése*, Köz-Gazdaság, 8 (1). pp. 35-52.
- Grundgesetz für die Bundesrepublik Deutschland vom 23. Mai 1949.  
<http://www.documentarchiv.de/brd/1949/grundgesetz.html> Lekérdezve: 2020.04.21.
- Harvey, D. (2007): *A Brief History of Neoliberalism*, Oxford University Press, Oxford, ISBN: 0199283273
- Kant, I. (1991): *Az erkölcsök metafizikájának alapvetése - A gyakorlati ész kritikája - Az erkölcsök metafizikája*. Gondolat Kiadó, Budapest ISBN: 963-282-477-6
- Kant, I. (2015): *Az örök béke*. Digi-Book Magyarország Kiadó ISBN 978-963-398-191-7 EPUB  
<https://play.google.com/books/reader?id=IKVUCwAAQBAJ&hl=hu&pg=GBS.PT2>
- Nullmeier, F. (2010): *Kritik neoliberaler Menschen und Gesellschaftsbilder und Konsequenzen für ein neues Verständnis von „sozialer Gerechtigkeit”*. Friedrich Ebert Stiftung, Bonn
- Röpke, W. (2000): *Emberséges társadalom - Emberséges gazdaság*. Aula Kiadó, Budapest – szerkesztette: J. Horváth
- Smith, A. (1776, 1977): *Wealth of Nations* vol. 1., vol. 2., The University of Chicago, ISBN: 0226763749
- Smith, A. (1776, 2011): *Vizsgálódás a nemzetek jólétének természetéről és okairól*, Napvilág Kiadó, Budapest, ISBN: 9789633380505
- Szentes, T. (2006): *Az állam szerepe a felgyorsult globalizáció korában* Köz-Gazdaság, 1 (1). pp. 15-45.
- Vezzali et. al. (2014): *The greatest magic of Harry Potter: Reducing prejudice*, Journal of Applied Social Psychology, vol. 45. (2) pp. 105-121.