

## On the Double Meaning of Market Obedience

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“What is Market Obedience?” was the title of Oswald von Nell-Brunning’s short essay 45 years ago in “*Stimmen der Zeit*” which was forgotten in the storm of globalization just as it gained in relevance to the present (quoted from the anthology “*Wirtschaft und Gesellschaft heute*, vol.1, Freiburg 1956). “Market obedience” was a word thrown into the debate by representatives of the “Freiburg school of neoliberalism” that had the advantage of clear language. This impelled the great catholic economic ethicist to protest. Contemporary economic ethicists have other problems. Present economists are more concerned about “sins against the market economy” (Homann, Blome-Drees) than sins of the market and perform that diligent obedience underscored in Nell-Breuning’s protest. The following remarks recall past discoveries on the background of current events.

The favorite metaphor of neoliberal theoreticians stylizes the market as an ethical-democratic institution. Since everyone as a customer votes through the “commodities” and businesses must bow to the power of consumers calculated with a sharp pencil, therefore according to the popular saga the market is the true place of economic democracy. If, as this idea spins out, undesirable market events occur, this is not a failure of the market but can be explained as political intervention... Present markets function as negotiating processes between great pools of capital investors focused on increasing the firm’s value. “Against this real market process, holding high the ideal of “more competition”, “such economic policy out of a utopia is tremendously dangerous”, Nell-Breuning explained. Converted in political action, this ideal only leads to reducing the few remaining political controls of the real market and its spectacular play with property rights in over-zealous market obedience.

That consumers control corporations like Microsoft through their demand is an idea only held in the neo-classical textbooks of economists. Buying is not an expression of well-considered choices when one hardly has any alternatives. Reducing alternatives and fettering the creative diversity is the main result of the worldwide wave of mergers, a transnational process not guided or controlled by any political authority.

In his essay, Nell-Breuning uncovered an even more important and central weak spot in the argument of neoliberal admirers of the market. The demand of consumers is always a “purchasing power demand”. However, as Nell-Breuning said, “this supposedly perfect democracy of the market is in truth a plutocracy. The perpetual harmony occurs through purchasing power, not heads and is far more plutocratic than the Prussian three class voting right. While only the underage and those who excluded themselves from the political community by grave misconduct are disqualified from the political right to vote, the active citizenry participating in the vote of the market face the great number of unfortunate, pitiful or regrettable Emarket passivists who have no achievement to offer and without supports would have no purchasing power demand”.

Such clear sentences can hardly be found in any text on economic ethics which through their many words often hide that they actually have nothing more to say. Analyzing and explaining Nell-Breuning’s ideas is worthwhile. Solvent demand is revealed on the market, not real need. Only those needs that can pass through the eye of the needle of purchasing power appear in the world of the markets. The market draws a boundary separating the pariahs blessed with only a trifling amount of money from the caste of real money owners. This boundary divides rich societies and does not only run geographically. Every fifth American child grew up in poverty in the 90s. In the “richest country of the world”, millions of employee families are poorer today than in the 70s. People are displaced very literally from the market process. Five million US citizens are presently in jail. The US has replaced the meager social net with bars, not to mention the walls separating the countries of the South from Europe or North America.

The market erects these boundaries driving people to acts which then physically put them behind bars. These boundaries of the market are usually invisible in a cyber-reality that only knows “inner events” of the market world. With CNN, the comfortable seat before the box focuses the curiosity of market participants on what happens “outside”. That worldwide hunger, war and the ecological catastrophes are usually only the reverse side of the global market process is an insight that follows from the fact that every boundary or limit including the limit erected by the market necessarily has two sides. When the market establishes a boundary that limits action, this also implicitly has the character of an implicit ethical norm. To say “the market is moral-free” in order to simultaneously speak of “sins against the market economy” is absurd. One can only sin against commands of the market.

Returning to Nell-Breuning’s analytical clarity, his second theme was distribution, the *justiva distributiva*. A principle of the neo-classical economy or more exactly the “welfare economy” declares that the market functions “neutrally” regarding (assets-) distribution. This distribution is planted in the “data” of the market. In contrast, income distribution is a pure performance payment and thus “just”. To followers of neoliberalism, demanding social justice is regarded as a simple mistake in reasoning or logical flaw. However ideas are only false within a framework, a conceptual model, and this conceptual model can be wrong. The arguments of market efficiency are based on the “conceptual model of complete competition” as Nell-Breuning says correctly. The real economy “only has a very remote resemblance with this conceptual model” as a 60 million German mark settlement has only a very remote similarity with a performance payment.

In the past, neoliberalism only discovered disturbances of competition on the labor markets and therefore demanded “flexibility”. This flexibility occurred. In England and the US, the unions have become largely powerless. In Europe, they are trained in market obedience. As to other markets, corporations and their mergers, neoliberals like Friedrich August Hayek are only “seriously worried about the arbitrariness of all policy that sets limits to the size of individual enterprises” (Hayek, *Constitution of Freedom*). There is a method here. The market is regarded as sacrosanct when it involves the freedom of the owner to deal worldwide with property rights by only furthering short-term private interests.

Property is socially obligated, declares the German constitution. Therefore an obligation toward the whole society that is quickly urged with allegedly absent “wage flexibility” or “education investments” is hidden in every redistribution of property rights. To believe that ethical norms or standards are alien to the market process is a complete distortion of the facts. Every market operation changes prices and as a result incomes and the distribution of property rights. Compensations with unsuccessful mergers are also results of the market process like collapses of whole currency systems caused by speculators. No one will deny that market processes are guided by selfish pursuit of profit. The market is the place where egoists meet. Adam Smith rejected egoism as an ethical maxim but hoped that competition would function on the market as a moral teacher. The competition of egoists should replace the outward ethical norm that limits actions. One would then be the other’s moral authority according to this hope, not with a strong moralizing undertone but with a better offer.

For many reasons, this mechanistic market model is inconsistent and unrealistic. Competing egoists are creative enough to evade the mechanism of competition. The attempt to annul competition through different forms of market influence and market adaptation arises continuously out of competition. The fathers of the social market economy saw this danger and therefore hoped for effective cartel authorities. However these hopes have long dispersed. There is no world cartel office. The sole political power, the US, which could make possible effective institutions here has no interest in limiting global competitive policy, above all the power of American corporations. For that reason, market obedience<sup>4</sup> means more and more renunciation on a political control of economic power. Competition is formed worldwide by fewer and fewer corporations in the interest of investors who as far as they are concerned meet a demand for responsibility for their property by selling blocks of shares amid falling prices within a minute.

If a clear and honest language in urging “market obedience” was spoken 45 years ago when Nell-Breuning wrote his objections against the neoliberalism of the Freiburg school, such an inclination to clear identification has completely vanished in the meantime. What Werner Sombart called “market bondage” or

“total dependence on the market” is poured out today in a torrent of words. “Globalization” is the clearest word in a forest of terms in which power means “controlling”, freedom “release through restructuring” and adjustment to a blind market mechanism guided by egoism “necessity”. Market obedience has long intruded in language and dominates privacy, the media and politics. Whoever evades that obedience is regarded as a “dreamer” or in complete reversal of ethical standards “irresponsible”. People bear that responsibility which the market requires, Herbert Giersch said in Handelsblatt (August 31, 1998). “Mobile capital educates economic policy for responsibility”. The capital market becomes the moral subject and the politician the object of ethical norms. That markets come about through human actions and that market obedience is an implicit ethic “turning upside down the relation of subject and object” is Nell-Breuning’s insight which presently faces a wall of intentional ignorance.

If Nell-Breuning ended his essay arguing that “market obedience in the sense that one silently and modestly accepts market events as ‘data’ with voluntary or commanded renunciation on growth in power and hands himself over to the automatism of the market is neither possible nor desirable”, this market obedience unfortunately has not only become “possible” and practiced globally but is represented as desirable even by economic ethicists, not only economists. When the people begin to speak intensely of morality or moral standards, then this delusion disappears from the world as it says in the tao te king. For the one who has not forgotten, that the economy is made by people and can really exist for people is ethical. Hardly anything in Nell-Breuning’s text “market obedience” should be cancelled.