

**Probing the “moralization of capitalism” problem:
Democratic experimentalism and the co-evolution of norms**

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In what sense can we aim to moralize the very system upon which we rely to formulate our notions of morality? This is the most fundamental issue raised by any discussion around the “moralization of capitalism”. In an even more general manner, one could express the issue in terms of the *puzzle of second-order morality*: How exactly is it possible to pass a moral judgment on our categories of moral judgment? How can our norms of morality be said to be “immoral”, thus calling for “(re-)moralization”?

This puzzle rests, of course, on a particular version of historicism to which I will subscribe here: Capitalism as a system of practical interaction structures, and hence as a culture, has evolved out of moral imperatives and hence must be seen as a reflection and an enactment, rather than a violation, of these moral imperatives. Thus, as long as the moral norms and the interaction structures remain *congruent*, there is no straightforward way to call capitalism “immoral”. The only legitimate reason to issue a call for its “(re-)moralization” is if this congruence has come undone; but how can that be, if not because some set of processes *internal* to capitalism has actually altered either (a)☐the structures of interaction, or (a')☐the norms of morality, or (a'')☐both, in such a way that (b) they have become maladjusted and (c) this maladjustment is actually experienced as such by agents who are able to effect the required readjustments? But how can such internal processes be triggered? This is the puzzle of second-order morality when applied to capitalism.

This paper will not be about particular ethical measures to be imposed on current capitalism so as to make it “more moral”. As will hopefully become clear, I do not believe this is a sound way of proceeding. Rather, what I want to suggest is that the “moralization of capitalism” problem possesses a particular *structure*. It is a *logical* structure based on a *historical* legacy of two and a half centuries of experimental successes and failures of the capitalist cultural system. And this historical-logical structure necessarily shapes the way we ought to go about “(re-)moralizing capitalism”.

Section 1 will begin by challenging the moralization issue in what I take to be its most naive form, namely the “separate processes” thesis which views moral norms and practical interaction structures as generated by two separate spheres of normative activity. In section 2, I will show why the venerable tradition of the “invisible hand” is not a useful tool for the moralization problem, either, because it reeks of unacknowledged functionalism. This will then lead me, in section 3, to suggest a somewhat more promising framework of analysis based on the idea that norms and interaction structures in capitalism have *co-evolved*, and hence can be taken neither as autonomous with respect to one another nor as obeying a hidden functionality. This will imply that, paradoxically, the moralization problem cannot be solved in moral terms, but calls for a *political approach*. As I show in section 4, to make best use of such a political approach we need to reject the Hayekian view of capitalism as an economic subsystem within a broader system of liberties, and we need rather to come to terms with capitalism as a *fully-fledged cultural system*. Section 5 argues that the ideology inherent in that cultural system can only be attacked from within the system itself, through *decentralized processes of democratic decision-making* rather than by mere prophetic denunciation or moral invectives. These decentralized democratic processes have to rely on the realization that the particular version of the capitalist culture in which we live now is a radically contingent result of history, and that the values out of which this version evolved could have given rise to a different version. This realization is then used, in section 6, to argue in favor of a *framework of democratic experimentalism* which embeds multiple institutional experimentation within a system of experience-building and experience-formation analogous to the system of information-utilization and information-dissemination offered by the Hayekian market.

My basic claim is that only by thus *creating the real and concrete democratic presuppositions for alternative capitalist practices* can we begin to make sense of the puzzle inherent in the “moralization of capitalism” problem. The reader who feels this sounds rather general and fuzzy can, at this point, briefly consult the concluding section 7 in order to have a preview of my own normative position. I call it “*political sociology*”, and I spend the whole

paper setting up its foundations. For reasons that will become clear, this position cannot serve as a point of departure for my present discussion.

1. Going beyond separate processes

One straightforward way to escape from the puzzle of second-order morality is to endow the socio-cultural “fabrication” of our norms of morality with much more *autonomy* than is the case in the formulation of the puzzle. This requires an anti-sociological stance which I will endeavor to refute throughout these pages. If the norms of our morality evolve externally to, and in parallel with, the norms of our practical interaction structures (whatever the distinct sets of causal mechanisms which propel these two parallel changes), then it can happen quite mechanically that what we deem practically efficient or even practically feasible—given the practical normativity inherent in our structures of interaction—comes to clash with what we judge as being moral—according to the separate normativity inherent in our moral norms via moral intuitions or moral theories. The problem of “(re-)moralization” then becomes largely technical: How can we *mutually readjust* these two sets of separate norms so that they regain their congruence? Legislative and juridical norm-building can mistakenly be viewed as the activity by which this congruence is constantly being sought: On the one hand, moral codes and ethically motivated regulations are being edicted in order to constrain our structures of interaction by moral norms (one example is the tightening of rules and regulations in the US financial sector in the wake of the Enron scandal); on the other hand, certain pieces of jurisprudence and regulation are shifting the degree to which entrenched practices can be condemned as immoral, thus constraining our moral norms by norms of practical efficiency or feasibility (one example is the tendency in some countries to relax the penalties on the economically motivated sacking of employees).

This sort of view of how norms evolve is bound to pose complex technical questions of implementation and also, in some cases, fairly narrow questions as to what “exactly” are the norms which are being (re-)adjusted to one another. In other words, viewing capitalism and morality as two separate processes of norm production which have to be brought into coherence (a) may force us make more explicit the various norms at hand and (b) may generate some pretty daunting problems as to what shape the modified norms ought to take. Much of practical and applied social ethics today appears to revolve around these twin issues. I have strong doubts, however, as to whether this *separate-processes thesis* can be viewed as

any more than a simplifying assumption designed to reduce analytical complexity for “localized” problem-solving. It appears to be more a (sometimes unconscious) *suspension* of sociological reasoning than a *negation* of it; and the consequences of this suspension can be neglected only if we believe we lose little of significance by omitting an obvious but crucial fact: Structures of interaction in capitalism have historically been viewed as *genuine sources of moral normativity* on a par with being *practice-bound obstacles* to the full implementation of morality (see Hirschman, 1977, 1982 and Muller, 1994).

The separate-processes thesis ought to be replaced by a more interactive—if not fully dialectical—vision: Moral norms are *generated from within* the interactions permitted by the practical norms of the interaction structures, and once they permeate these interactions they are likely to, in turn, *transform* these practical norms *from within*. There are no moral intuitions or moral theories standing squarely across the street from practical norms of capitalist interaction; both are part of the same flow of traffic. Let me call this the *co-evolution thesis*. It poses a formidable conceptual challenge because we can no longer—as I did above—postulate that moral norms and interaction processes evolve alongside one another “whatever the distinct sets of causal mechanisms which propel these two parallel changes”. As I will argue in section 3, thus stripping morality of its socio-historical autonomy *vis-à-vis* the structures of interaction within which it evolves will put us at much more pains to even give an adequate formulation of the “moralization of capitalism” problem. There will turn out to be two major obstacles: First, the specificity of “moral” norms as opposed to other practical norms will tend to become blurred, if not to disappear; and second, the criteria for judging that some subset of norms *X* has become ill-adjusted to some other subset of norms *Y*—thus calling for a “(re-)Xing of *Y*” or a “(re-)Ying of *X*”—will become much less straightforward than under the separate-processes thesis.

Before discussing co-evolution, however, I need to address a venerable moral tradition often invoked to solve the puzzle of second-order morality in social science.

2. Adam Smith’s failure and the vested return of functionalism

It will not have escaped the astute reader’s attention that I have said nothing specific, up to now, about one paradigm which has traditionally been viewed as lying at the very heart of the “moralization of capitalism” problem—namely, the *invisible-hand paradigm* inaugurated by Adam Smith in his two masterpieces, *The Theory of Moral Sentiments* and *The Wealth of*

Nations. The reason I did not immediately reach for the Smithian framework is that, as I now want to show, I believe that despite its brilliance and its huge historical impact it was a flawed way of discussing the moralization issue.

The basic tension of the “moralization of capitalism” question has been very aptly formulated by Robert Nelson (2001: 1-2) as follows:

The maintenance of a market economy involves a basic paradox. For centuries writers such as Adam Smith have argued that the workings of the market should be based on the individual pursuit of self-interest. Yet, if the pursuit of self-interest goes too far in society, the very existence of the market may itself be endangered. If ‘opportunistic’ behavior encompasses too many forms of social action, (...) a market economy may function very poorly. There is a wide range of behavior—including dishonest and ‘corrupt’ transactions within the institutional framework of the market, ‘rent seeking’ in government policy and administration, and actions that destroy trust in the legal system—that have the potential for undermining the efficient workings of the market.

In Hirschman’s categories, the very process by which capitalism replaces the passions by the interests to produce a culture of *doux commerce* puts capitalism at risk of self-destructing. To put it yet a bit differently, market opportunism and its myriad manifestations may at any time backfire on the “civilizing design” which Adam Smith put at the very core of the market utopia.

This, however, poses a *moral* problem only to the extent that we do not view market opportunism—or what Montesquieu and Steuart viewed as the “gentle” passion of profit-seeking—as being itself a vector of morality. However, this is precisely the role that market opportunism was supposed to take up at the eve of the Modern age when, as numerous moralists themselves noted with alarm, religious commandments ceased to be effective as incentives to protect the social order (Hirschman, 1977: 15). From the point of view of the observer—and, in particular, of the budding “social scientist” of the time—the craving after material and symbolic status required for market competition to operate fully appeared largely as a continuation of “feudal” and “aristocratic” obsessions under a new guise: In a quasi-Freudian manner, the basic violence of the knight and the lord (themselves, perhaps, derived from an even deeper layer of “passions” of a more unequivocally sexual nature) began to be channelled into the more sublimated violence of the contest for executive salaries and executive power and prestige. Layer upon layer of nested sublimations thus supposedly led from the violent and autocratic social order of primitive societies to the commercial and democratic social order of modernity. How, then, can this *morally justified* market opportunism have become a factor of *moral decay* of commercial democracy?

The problem is all the more pressing because, as will not have escaped the reader's notice, a purely functionalistic explanation of the successive sublimations begs the most fundamental issue—namely, *how the social actors interact* so as, first, to uncover the need for a new wave of sublimation and, second, to carry it out. To put it more precisely, the modern social scientist from Smith onward cannot remain content with an explanation from his observer's position; he has a duty to discover the mechanisms through which people's combined actions—either purposively and intentionally through collective design, or purposively but unintentionally through a decentralized interaction mechanism, or nonpurposively via an overarching superstructure—cause the system of norms to evolve from one *habitus* (say, the feudal one) to another *habitus* (say, the merchant-capitalist one). Inevitably, any such interaction-based explanation requires that all agents be seen as *internalizing* both the reasons for abandoning old norms and the reasons for adopting new ones. Now, if the norm of market opportunism can become a factor of *decay* of the social order, this means that the *preservation* of the social order cannot have been the *reason* for adopting it in the first place, and hence will also never be the *reason* for abandoning it. By simple recursive reasoning, we can conclude that none of the norms which the *social scientist* tends to view as functional to the preservation of the social order was ever adopted by any *individual* with a view to contributing to this preservation. Thus, none of the moral norms which can be viewed as having been conducive to some type of *overall* social order can ever be postulated to be those norms which individual agents had *internal* reasons to adopt or, at some later stage, to abandon.

In a Smithian perspective, it is the decentralized, unintended nature of the social order which makes it so fragile: The reason why self-interest can cause the moral decay of the market through corruption, rent-seeking, promise-breaking, and so on, is that it is also self-interest which underlies individuals' reasons for initially following moral norms of honesty, trust, and so on. Moral norms are followed by an individual only if the potential costs of not following them exceed the potential gains—and Smith's faith in the mysterious alchemy of interests in the invisible-hand parable relies on a kind of fixed-point argument: If the moral norms are well-adjusted to the overall requirements of the reproduction of the social order, *calculated norm-following* will, for each individual, lead to a "share" of the collective outcome which exactly confirms that individual's *norm-induced calculation*. And where are well-adjusted moral norms supposed to come from? If they are viewed—as seems to be the case in the later Smith—as the result of skilful mechanism design of the part of the legislator and the social scientist, the problem is merely pushed up one level: What reasons other than

self-interest can these two agents be assumed to have? And if they cannot, as should be the case in a consistent Smithian model, what moral norms do they have a calculated interest in following—and where do these “well-adjusted” moral norms, in turn, originate? Smith appears to have harbored the faith that all relevant levels of normativity could in the end be accounted for by the interplay of self-love and sympathy; namely, if norms are an equilibrium, each individual will follow them out of a craving for self-approval and for the approval of others. To that extent, Smith believed moral norms could become self-enforcing at each level—which does not preclude that they may have been designed by norm-makers at a higher level as long as these norm-makers, in turn, are subject to equilibrium norms at the yet higher level, and so on.

I think this intellectual construction fails because if an infinite regression is to be avoided it has to rest, at some level of reasoning, on someone imposing on himself an initial or liminal set of norms without submitting to a higher-level incentive. In Smith’s time, that someone could clearly be the biblical God; in more contemporary climates we may no longer use the word “God” but the underlying logical structure is, *of necessity*, unchanged: Any Smithian reasoning about nested levels of equilibrium norms requires some self-instituting, initial Source of normativity. But if God or any Source of norms can impose the first norms (like Jehovah handing Abraham the Ten Commandments), an even mildly rationalistic, even moderately modern mindset will lead us to wonder what the reason might be for these very first norms, other than having some predesigned normative effect “all the way down”. And if so, then despite all Smithian and subsequent pretensions to the contrary, the overall social order turns out to be not the *result* but the *hidden cause* of individual agents’ calculated actions. More precisely, the overall social order may be individually unintended but it is divinely or collectively intentional, and to be fully consistent we need to ask ourselves whether even individual self-love is not, unbeknownst to the individual agent, the *dispositional medium* through which the overall intention of order fulfills its hidden purpose. This, it seems to me, is functionalism returned with a vengeance. In that way, Smith’s reliance on moral norms as factors of social order may be much more Lucretian and Leibnizian, and hence much more mechanistic, than he himself and most of his economist followers ever suspected. (For highly thoughtful and subtle discussions of this idea, see Renaut, 1987 and Dupuy, 1992.)

The upshot of all this is the impossibility of understanding how an economic system driven by an “invisible hand” can go from moral to immoral—or, to put it a bit differently, how the built-in features of individual dispositions and supporting norms designed to preserve the

social order can lead that social order into decay. This is the reason why, as announced at the end of the first section, I believe we need to cast the “moralization of capitalism” issue within the co-evolution thesis. Since this is not a study in the history of thought, but rather an analysis of argumentative structures, whether this move will lead us towards Smith’s “real” message—as opposed to a “caricature” which might be the content of this second section—or whether we will actually end up with a post-Smithian view of the process of norm formation will not be my concern. It may well be that parts of the co-evolution paradigm do connect up with certain crucial ideas in Smith’s own analysis.

3. The co-evolution of norms and interaction structures

The only way to keep the Smithian, decentralized mindset from folding in on itself seems to be to resolutely *abandon any idea that moral norms are somehow “designed” with the “aim” of supporting any sort of overall system of practical norms*, be it capitalism or any other. We need to view the social system, with the norms that make up its economic and cultural *habitus*, as a purely emergent property of evolutionary dynamics. This imposes a strong constraint: “Moral” norms *co-evolve as parts of whatever set of norms and interaction structures emerges from the multifarious interaction*, and they may or may not be supportive of certain other practical norms or modes of behavior. Like all other norms, those related to what we call morality are sprouts growing out of a slow, decentralized process of *collective adjustment* made up of a myriad of inter-individual adjustments within dyads, triads, and so on—an analytically intractable process of adjustment in which social networks of various sizes and shapes experimentally generate norms, sometimes get transformed by the norms they have generated, and sometimes transform them again if the norms turn out to be inadequate.

In such a framework it becomes difficult, if not impossible, to determine even from an observer’s viewpoint whether a norm is functional to a social network or whether, on the contrary, it is the social network which has been triggered by the existence of a norm. Both types of process coexist and overlap within the network of all networks we call society (see Wasserman and Faust, 1994). The crucial issue, however, is how this twofold process of co-evolution is propelled. This requires us to understand how normativity gets “disseminated”—how structures of interaction affect norms and how norms, in return, affect structures of interaction. Cognitivism, expressivism, emotivism, and so on, all have

significant contributions to make to such an understanding; clearly, spelling this out would be very much beyond the scope of this paper (see, e.g., Lakoff & Johnson, 1999 and Varela, 1999). What matters here is mainly one thing: Does this co-evolutionary, much more “organic” and complex picture of structures of interaction and accompanying norms allow us to better understand how a given system—say, capitalism—can evolve toward moral decay? As I will argue, it does not. In fact, it will make the very formulation of the problem even more difficult, though at the same time it will bring us closer to what I believe to be the important issues.

The first point to be made is that, strictly speaking, we no longer have at our disposal any external point of view from which to discriminate between *moral* norms and other (nonmoral) norms. This was already so, to a large extent, in the Smithian model, whose ill-visible functionalism led us to focus merely on the compatibility of norms with self-interest, that is, on the question of whether under given norms calculated norm-following will, for each individual, exactly confirm that individual’s norm-induced calculation. What all norms have in common is to be (i) *decentralized practical norms*, i.e., norms pertaining to individual ways of acting which in turn can modify them through the interactions they permit as (ii) *socially generated norms*, i.e., norms elaborated within social networks which they can in turn modify through the interactions they permit as practical norms. Let me use the shorthand “practical social norms”. The set of such norms will contain what we usually view as *moral* norms if (a) *The norms of communication and linguistic expression contain the categories of goodness, badness, rightness, wrongness, justice, etc.* and (b) *Certain practical social norms are actually being described using such categories.*

The details of the process by which social interaction structures and practical social norms co-evolve are immensely complicated and, in most cases, utterly intractable. Such a process involves not only the dynamical genesis of emergent objects (allocations, distributions, etc.) at given norms and at given interaction structures (see e.g. Resnick, 1994 and Epstein and Axtell, 1996), but also the co-revision of norms and interaction structures once these emergent objects have been generated (or, worse still from the tractability point of view, *during* the process of their genesis). However, the overall logic at work is fairly simple to describe: Being socially generated, norms are given by the shape and organization of the prevailing social networks; being decentralized norms, they allow for certain ways of acting which, through *inter*-action, produce certain emergent objects; through their material-structural effects and/or through the cognitive-emotional changes they trigger in people’s

minds, these emergent objects modify the shape and organization of the prevailing social networks, which gives rise to new socially generated norms, and so on.

In such a nonequilibrium framework devoid of functionalist underpinnings, horizontally multilateral trial and error replaces both the naive requirement that norms be edicted from within an autonomous “moral” sphere and the Smithian requirement that calculated norm-following coincide with norm-induced calculation. Individual self-love is no longer the dispositional medium through which the overall intention of order fulfills its hidden purpose; what we have is almost the contrary: The overall “order” is merely that combination of norms and interaction structures which has emerged from the socially normed interactions of self-loving—or, more broadly, cognitive-emotional—individuals. It seems quite possible, in such a framework, that the very norms which had at some point emerged within a certain structure of interaction gradually put a stress on that structure, up to the point where *a certain subset of the norms allows certain individuals to use the structure of interaction to subvert another subset of the norms*. The crucial question, of course, is to what extent—if any—such a co-evolutionary tension can still be called a moral problem and can still call for “moralization” in any meaningful sense. If indeed it cannot, as I will try to show, this means that the puzzle of second-order morality can be overcome simply by noticing that the terms in which it has been put to us are, upon reflection, inadequate.

I should, at this point, emphasize that I am not engaging here in a game of sophistry designed to evaporate the *problem* of how to moralize capitalism. Quite to the contrary, my goal is to clear away some of the *weak* ways of formulating the “moralization of capitalism” problem which make life too easy for those who, for ideological reasons (an expression whose meaning I will need to spell out below), would like to convince us that there *is no problem*. To put it perhaps a bit paradoxically, I draw from my preceding conceptual analysis the conviction that the *problem* pinpointed in the expression “The moralization of capitalism” *cannot be addressed in terms of “morality”*. In order to demonstrate that the problem is nevertheless crucial—rather than being nonexistent, as a conservative reading of the co-evolution thesis might have us believe—we need to displace our vocabulary from the sphere of moral judgment to the sphere of political (democratic) experimentation; to put it differently, the problem underlying the expression “The moralization of capitalism” is ill-served by a vocabulary of *ethical reflection* on the *rational foundations* of *moral* norms and can be much better served by shifting to a vocabulary of *political reflection* on the *democratic construction* of *social* norms.

In order to get a better grasp of the issues involved in such a shift of vocabularies, let us dwell more in depth on some of the most momentous implications of the co-evolution thesis. As we shall quickly realize, this will imply that we pay more attention to the above-mentioned notion of *ideology* and to the crucial question of how to pass democratic judgment on ideologically self-confirming norms.

4. From capitalism as “economic subsystem” to capitalism as “cultural system”

The co-evolution thesis has the potential of generating one very important challenge: Since the process is one of continuous mutual adaptation of norms and interaction structures, the presence or absence of congruence between the elements—or, conversely, the presence or absence of tensions between them—provides no sensible way of discriminating between morally progressive and morally decaying social systems. In fact, so the challenge would go, since the very notion of morality has been completely stripped of any extra-systemic autonomy, *whatever socio-economic system has co-evolved with its embedded practical social norms “is what it is”, and there is no meta-normative point of view from which it can be judged.* It will change whenever it changes, and in the direction that will be observed, without there being any legitimate viewpoint from which to pronounce a decree of “moral decay”. On the contrary, if one had to insist on using qualifying adjectives, one would probably have to say that any system of co-evolving systems is, by construction, progressive—unless one absurdly credits the individuals whose interactions drive the system with a very high dose of suicidal irrationality and inefficiency in the use of the information available to them.

This challenge, as most readers will no doubt have noticed, is precisely the one voiced by Friedrich von Hayek (1973, 1976, 1979). In a bout to disqualify any moral judgment about socio-economic systems, and hence any call for their (re-)moralization, Hayek strove to demonstrate that the kind of knowledge and information that would be required to have a “view from nowhere” is not available to any one individual in the system. As Jean-Pierre Dupuy (2002: 157-158) very aptly puts it,

For Hayek, spontaneous order (...) signifies an emergence, an effect of composition, a system-effect. The ‘system’ is obviously not a subject, endowed with consciousness and will. The knowledge that the system exploits is irreducibly distributed over the set of its constituent elements: it cannot be synthesized in one place, for the system has no ‘absolute knowledge’ about itself that is localized

somewhere within it. This collective knowledge resides in the social order of the system insofar as it is the ‘result of human action but not of human design’ and cannot be appropriated by any individual consciousness. It is *knowledge without a subject*. It is embodied in norms, rules, conventions, institutions, which themselves are incorporated in individual minds in the form of abstract schemata: ‘The mind does not so much make rules as consist of rules of action. We can make use of so much experience, not because we possess such experience, but because, without our knowing it, it has become incorporated in the schemata of thought which guide us.’

That the co-evolution thesis can generate such a view is one very important reason for scrutinizing it for *internal* alternatives. Indeed, if the Hayekian diagnosis were the *only* way to exploit the co-evolution thesis, we would have to give up any hope of ever making sense of the problem that underlies the “moralization of capitalism” question.

Fortunately, it is not the only way. Much of Hayek’s rhetoric turns on a refusal—which seems to be shared more or less unconsciously by numerous contemporary economists in the more neoclassical and neo-institutional veins (see Becker & Becker, 1997 and Barzel, 1997)—to portray *capitalism as a cultural system*. (Some even go so far as to claim that the very notion of “capitalism” makes no sense, so that there is in fact nothing to be “moralized”; but this is just a further radicalization of the Hayekian move.) In fact, the idea that “*capital*” is not just a bunch of productive assets but is most fundamentally a social relationship based on a particular structure of political power makes no sense in a Hayekian reading of the co-evolution thesis. Viewing the sphere of market exchanges as fundamentally an information-processing device whose output are prices as efficient transmitters to individuals of socially useful pieces of information (Hayek, 1945), Hayekians appear to confine the interdependence between market exchanges (labor markets included) and private property regimes to a mere *subsystem* of what Hayek (1973) repeatedly calls “a free system” and which he identifies as the “culture of a free society”. Hayek himself was adamant on showing that individual freedom, not the interests of “capitalists”, is what drives the cultural structure, and hence in particular the political structure, of the free system and the sets of norms which that system evolves. In short, to the extent there even is such a thing as capitalism (Hayek frequently puts the term between quotation marks, as if highlighting its merely metaphorical character), it is a subsystem within a broader system of norms with which it has co-evolved and which have no title to denounce that subsystem as “morally decaying”. To the extent that democratic politics is even really necessary in such a free system—something of which Hayek, being consistent with his views about the interplay of the various subsystems in the free system, seems rather unconvinced—it has the task of *imposing on itself procedural norms such that the norms it*

will in turn impose on the economic agents always go in the direction of maximizing the possibilities for mutually beneficial market exchanges of private-property rights.

This does not imply that *no* democratically based criticism of the norms governing capitalist exchanges ever makes *any* sense in a Hayekian perspective. What it *does* imply is that all such criticism must be aimed at making capitalist exchanges more informationally efficient. Issues of social justice are meaningless because they require overall knowledge that no agent can obtain; and criticism of capitalism as a cultural system makes no sense either, because capitalism is not a cultural system for Hayek—it is, to repeat, merely the economic subsystem in a broader cultural system based on a dogmatic defense of individual freedom, so that the only normative issues surrounding capitalism can be those pertaining to its greater informational efficiency. In a Hayekian framework the “moralization” issue is that of how political procedures can be made self-limiting and even self-censuring. There is, and there can be, no sense of “(re-)moralizing capitalism” here; what is at stake, if anything, is rather the “moralization of politics” in the service of unfettered market exchange and capital accumulation.

Moving away from the Hayekian variant of the co-evolution thesis requires us to explicitly introduce at least two additional elements. Whether a Hayekian could reject the *existence* of these two elements is doubtful; after all, they will be seen as having co-evolved with all the others. However, it is their *normative relevance* which a Hayekian perspective would probably deny. I propose to call these two elements the *interest-oriented politics thesis* and the *economic-power clustering thesis*.

It seems difficult to say which of the two theses designates the logically or historically primary phenomenon: Does the collusion of political and economic elites lead to a concentration of economic power among a smaller set of individuals, or—conversely—does the concentration of economic power tend to increase the effectiveness of alliances between powerful economic actors and influential political actors? In the end, especially within the co-evolution paradigm, the order is irrelevant. What matters is that, to a very significant extent, the two phenomena generate strong mutual feedback loops and are therefore mutually reinforcing. Economic power concentration tends to induce a spread of behavioral norms which are congruent with it and help it sustain itself (see, e.g., Turow, 1997; de Graaf, Wann & Naylor, 2001 and Hacker, 2002). And interest-driven politics tends to rely on and create political decision procedures which facilitate the pursuit of the interests of those in whose hands economic power is concentrated (see, e.g., Balanyá *et alii*, 2000; Leys, 2001 and Palast, 2002). Consequently, capitalism needs to be viewed as a much more pervasive

systemic—rather than subsystemic—phenomenon: The mutual interplay of market transactions and property rights regimes strongly influences, and is in return strongly influenced by, behavioral norms and political procedures which mutually reinforce each other through power clustering and interest-driven politics. As a result, one can arguably call this systemic phenomenon the *cultural system of capitalism* (see Meiksins-Wood, 1991; Wallerstein, 1995 and Kelly, 2003).

This cultural system is endowed with built-in mechanisms that tend to be homeostatic: When followed by the majority of individual agents, the co-evolved norms of behavior tend to confirm the need perceived by powerful economic agents to press for congruent political decisions—something which can be done all the more easily if the political elite is itself inclined to adopt the co-evolved behavioral norms. Although this process of interdependent adoption of a common frame of mind could be described in more exact terms (something which exceeds the scope of this paper), what matters for our present purposes is that this process of emergence portrays *the non-functionalistic process by which a set of agents with heterogeneous interests coordinate on a shared “ideology”*, that is, on a set of mutually supporting and reinforcing norms of behavior, norms of political deliberation, aspirations, and perceptions of their own role in the whole network of social relations.

The reason why this view of ideology is not functionalistic is that two properties hold at the same time: (a) The complex of norms, political rules, individual aspirations and shared representations maximize the benefits accruing to the most powerful holders of economic power, but they do so (b) Under the strict constraint that the benefits perceived by the other agents in the system (the political elite, the “middle class” and even the “small people”) also be increasing or at least nondecreasing. In other words, the ideology can be shared because it induces and is reinforced by an overall functioning that Pareto-improves the social situation over time. (This is undoubtedly what occurred, at least roughly, in Western capitalism during the period from 1850 to 2000.) Thus, instead of the occasional Marxian caricature of society as a zero-sum game or as a Pareto-deteriorating system held together only by violence of the powerful, by submission of the masses and by thickening alienation, the co-evolution thesis can accommodate a much more “positive” view of the emergence and permanence of capitalism as a cultural system. There is no underlying providential scheme at work—just a set of norms (most notably among them market norms and norms of democratic decision-making) capable of creating a minimal initial congruence of divergent interests, and then a process of systemic reinforcement of the shared aspirations and perceptions.

The pressing question, of course, is now the following: How can such an account of the co-evolution of social norms and interaction structures make any room (a) for the perception by individuals that the system in which they live is decaying and is in need of more or less radical reform, and equally importantly (b) for the possibility for these individuals to actually effect the social changes they believe will implement such radical reform?

5. From interactively generated collective consciousness to the historicization of the capitalist culture

There is a risk involved in my preceding account of co-evolution and of the emergence of capitalism as a cultural system. Even though I brought in—so as to move away from an excessively glib Hayekianism—the interest-oriented politics thesis and the economic-power clustering thesis, is there not a possibility that the co-evolving ideology supporting the capitalist cultural system might be a *fully self-confirming and self-perpetuating ideology*? This might be the case if any attempt by individuals to question the foundations of the culture that surrounds them were to trigger a set of *norm-induced social sanctions* so strict that these individuals would be chastened into forever abandoning their questioning stance. Such sanctions, of course, would involve no physical violence and would be fully compatible with a formally democratic political regime—but the fear that they could become an *endogenous* product of the capitalist cultural system is what has always led radical critics of capitalism to label it “totalitarian” or “repressive” (see e.g. Marcuse, 1956, 1964).

But more radically still, it might be the case that the very capacity for questioning the foundations of the capitalist cultural system disappears, simply because the *perceived need* for such questioning itself disappears. This would echo Theodor Adorno’s famous phrase that in late capitalism we have become “alienated from our own alienation”—a phrase, surely, incompatible with its own postulated context since one wonders how Adorno alone could have become aware of this second-degree estrangement, but nevertheless a phrase which could point to a crucial phenomenon: The possibility that the “thick” alienation of the desperate factory worker whose mind is hopelessly emptied and numbed by harrasing workloads might give way to a state of “thinner” or *lighthearted alienation* in which individuals sincerely believe that they have every reason to remain content with existing norms and interaction structures. The classic example of this is the extreme version of the American Dream in which the individual firmly believes that democratic capitalism offers

everyone an equal chance of success and that failure is only a sign that something is wrong with the individual himself. If this version of the American Dream is literally held by a majority of people, there is no possibility that decay be viewed as anything but the result of the basic, ontological wickedness of human beings.

As the latest book by Joseph Stiglitz (2003) demonstrates, for instance, many Americans reacted with a shock when they found out that “crony capitalism” was not just something faraway Asians practice in shady, semi-democratic regimes. However, Stiglitz’s own indignation at the Enron scandal and at the way the US Administration covered or ignored the initial stages of the decay is, to my mind, ambiguous. In a very Smithian vein, he gets angry at the economic and political elites which meet in cocktails or in plush backrooms to strike deals on new regulations or deregulations which open the way for fiscal evasion or even outright fraud. However, the body of economic theory on which he bases his indignation is one in which markets allocate resources efficiently if subjected to the “right” regulations, in which capital accumulation can produce equality of opportunity for a majority of citizens if subjected to the “right” regulations, and in which regulations and other public goods are provided by a benevolent, public-welfare oriented government with the power to establish the “right” incentives. But who, apart from Stiglitz and those who have read his book and agree with him, possesses the information about what is “right”? And what does this matter to the “truly existing” US administration, since according to Stiglitz’s own diagnosis—and also to Paul Krugman (2003) or to Rajan and Zingales (2003)—the political elites are *not* public-minded and will *still* concede interests to their favorite oil lobbies or to the Vice-President’s own favorite construction company?

What normative issues are involved here over and above the merely efficiency-related ones which we saw to be the exclusive realm of normative criticism in Hayek? Stiglitz and Krugman may be lonely prophets screaming in an empty desert; this will be the case if the prevailing ideology is so “locked in” that all Americans believe in the extreme version of the American Dream and hence are spending all of their time—each on his or her own rung of the ladder—pursuing the same goals as the CEO of Enron, with no time to read critical books and not even any awareness that such books exist. Of course, this lonely-prophet scenario is nonsense because in actual fact Stiglitz and Krugman do sell books (there is a market within capitalism for books critical of capitalism) and their books do spark public debate. Still, such debates could simply boil down to a lament on “human evil” and on the “sin of cupidity”, with a vibrant call for resurrecting moral values of honesty, truthfulness, maybe even altruism—along with, perhaps, an equally vibrant call for the government to enact “new and

tougher sanctions” against “financial criminals” who individually “ruin the reputation of American business”. In fact, the economic elite which profits most from its acquaintances with the Bush administration may actually have an interest in publicly demanding such tougher sanctions which harm them in the short run, in order to be able to continue profiting from its government connections on a longer-term basis. Still, just like in the lonely-prophet scenario, all this finally boils down to using an individual rather than systemic condemnation of “evil businessmen” in order to minimally refurbish the set of norms and to keep intact the basic configuration of interaction structures, behavioral norms, politically vested interests and economic-power concentrations that make up the prevailing capitalist culture.

So either Stiglitz and Krugman are lonely prophets to whom hardly anyone listens, or they are ineffectual prophets who call to the government elite to correct a set of norms which are really a result of the alliance between that government elite and the business elite. Is there a third possibility? I believe there is, and I believe it is the one possibility which can put us on the right track towards a meaningful interpretation of the “moralization of capitalism” problem.

That third possibility is for Stiglitz, Krugman and other social critics to realize that in the same way as the subsystem of decentralized market exchanges in the capitalist culture can be viewed as a device for what Lindblom and Cohen (1979) call “interactive problem solving”, various processes of *decentralized democratic decision-making* can also be called on to act as devices for interactive problem solving (see Fotopoulos, 1997). The specific “problem” which these decentralized democratic processes would attempt to solve—and which, like the market-exchange problem, cannot be solved by any centralized mechanism for lack of information—would be the following:

- (a) For any dissatisfaction to be voiced in an effective way, this dissatisfaction needs to be rooted in collective-action movements (see Olson, 1958 and Hirschman, 1970).
- (b) In the absence of a centralized normative authority, collective-action movements can only take shape on the basis of a set of shared interests based on a collective consciousness.
- (c) This collective consciousness itself can only emerge interactively on the basis of the gradual realization that existential failures within capitalist interaction structures and not always individual failures, and that what is being most deeply stifled is a set of *shared* aspirations (see Newman, 1993, 1999 and Ehrenreich, 2001).

(d) This shared dissatisfaction can be sparked by various analyses and diagnoses by social critics (Walzer, 1988) to the effect that, as highlighted earlier, a certain subset of the norms of the capitalist cultural structure allows certain individuals to *use the capitalist structure of interaction* to subvert another subset of the norms of the capitalist cultural structure.

Since the capitalist culture is based on a strong belief in the capacity of the market-exchange subsystem to solve a large number of economic coordination problems through interaction, there is no reason at all why the same capitalist culture could not develop *an equally strong belief in the capacity of a suitably designed political-decision subsystem to solve through multi-level interactions the specific coordination problem called “formation of a collective consciousness”*. And if Stiglitz, Krugman and the others could develop this belief, they could write their diagnoses and analyses with such multi-level political interactions in mind. By doing so, they would be circulating *critical theories* which, according to Geuss (1981: 2), are “reflective theor[ies] which [give] agents a kind of knowledge inherently productive of enlightenment and emancipation”.

The way in which such “enlightenment and emancipation” are produced here is *not*, emphatically, the traditionally moralistic way by which a set of actions or modes of behavior within the capitalist system are judged and denounced using value judgments which are absolute, categorical or otherwise towering above the capitalist cultural structure in the guise of “academically distributed” moral theories or theories of justice. Rather, the critical observation that a certain subset of norms is being subverted by the use of another subset of the norms within the capitalist cultural structure is *generating citizens with a critical consciousness from within the normative legacy with which capitalism itself co-evolved*. These are, I believe, two quite different ways of addressing the “moralization of capitalism” problem. What the citizens will end up doing in the second instance is *to collectively criticize the present in order to return to the historically specific norms out of which the norms and interaction structures in which they collectively live have co-evolved*.

Doing this requires a more or less radical “dis-ideologization” or “de-fetishization” of these norms and interaction structures: These citizens have to come to the realization that *the particular historical dynamics imposed by a particular interplay of economic-power concentration and interest-driven politics has created a particular version of the capitalist culture, a particular version which possesses no logically necessary connection to the earlier norms from which it evolved*. Thus, to put it a bit idealistically perhaps, if the economic power

which had become concentrated was that of capital-owning workers rather than that of capital-owning bourgeois or of a Soviet-type *intelligentsia*, and if the political decision procedures had been shaped by the interests of these capital-owning workers rather than by those of the bourgeoisie or the *intelligentsia*, a capitalist cultural system might have emerged in which the co-evolved behavioral norms might have been those of solidarity, self-restraint in profit-seeking, socially conscious consumption, and so on, and the co-evolved political decision procedures would have gone more along the lines of Pannekoek's (1948) "workers' councils" or of Albert and Hahnel's (1991) "participatory economy".

Collective reflection on such alternative capitalist cultural systems and on their possible evolution out of the same basic modern norms of individual liberation, freedom from ecclesiastical or royal power, self-creation and self-responsibility, and so on, is not at all aimed at simply wishing away all the technical and normative problems—most notably, the free-rider problem and the principal-agent problem—thrown up by these alternatives. Rather, this reflection can be viewed as *a counterfactual exercise which suddenly historicizes—and hence renders relative and fragile—the currently prevailing version of the capitalist culture.*

In the last section of this paper, I will discuss how such counterfactual and historicizing reflections can be fed into the processes of decentralized democratic decision-making designed to provide interactive solutions to the problem described by points (a), (b), (c) and (d) above.

6. From the historicization of the capitalist culture to democratic experimentalism

One of the basic and positive lessons of the whole discussion so far is that the evolution of social norms is guided neither by some heavy historical "necessity" nor by some ahistorical "absolute". To recapitulate one last time, the co-evolution thesis combines with the interest-oriented politics thesis and the economic-power clustering thesis to yield a portrait of social norms as being both decentralized practical norms and socially generated norms which co-evolve with structures of interaction under the influence of political alliances and concentrations of economic power. Capitalism is not merely a subsystem in a broader "system of liberty" as Hayek would have it, but it is a fully-fledged cultural system. However, it is also a historically contingent cultural system open to internal variations on the basic normative theme of individual liberation, freedom from ecclesiastical or royal power, self-creation and self-responsibility—a theme which pervaded early defenses of the liberating horizons offered

by capitalism (as in Montesquieu or Smith) and which needs to be salvaged from what the particular dynamics of early-to-contemporary capitalism has made it into.

But how exactly can individuals in the current society become aware of the need for new variations on the early theme, and how can they enact these new variations given the current constellation of market-exchange mechanisms, property-right regimes, norms of behavior and political procedures? As we saw, this is the four-part problem (points (a), (b), (c) and (d) above) for which certain processes of decentralized democratic decision-making might provide solutions: Collective efforts should not be directed at launching a deeply contemplative reflection on a “new morality for today’s capitalism”, nor should they simply call for an “ethical revival” among the current business elite; rather, *the whole complex of existing market-exchange mechanisms, property-right regimes, norms of behavior and political procedures should as much as possible but “put up for grabs” in the spirit of what Roberto Mangabeira Unger (1996, 1998, 2001) has called “democratic experimentalism”*. When I say “as much as possible”, I mean that what would today be put in the place of the current version of the capitalist culture will, of historical necessity, be an alternative version *of the capitalist culture*, even though neither the capitalist culture in itself or any particular form of it can be said to be historically necessary.

Unger’s main point of departure is the recognition of the “institutional indeterminacy” (2001: lxxxvi) of the main components of the capitalist culture:

The crucial assumption is that the market economy, like representative democracy or any other abstract institutional conception, is institutionally indeterminate: it lacks any single natural and necessary institutional form. The narrow repertory of variants of the market economy now established in the rich North Atlantic economies is made up of institutions and practices that have shown themselves more innovation- and growth-friendly, and more hospitable to free political institutions, than many others now or once on offer. Nevertheless, we read the lessons of experience wrongly if we suppose them to teach that these arrangements represent the inevitable outcome of a halting but relentless convergence toward the necessary, or even the best, form of the market. (...) Instead of seeing every disturbance of the present course of market-oriented reform as the trumping of the market by a non-market based form of resource allocation, we must learn to recognize in some such disturbances early moves in a campaign to reorganize the market.

This reorganization of the market can be interpreted in at least two ways. The first interpretation is that the sphere of market exchanges can be reorganized in various ways, most notably through an increased recourse to what Hirschman (1970) calls “voice” as opposed to the traditional “exit” mechanisms of market competition. The second interpretation is that other spheres of social life can be reorganized to mimic, by analogy, the effectiveness of

information dissemination in market exchanges. Upon reflection, these two interpretations are closely related to one another: While political mechanisms of “voice” can be institutionalized into market functioning (say, through various workers’, consumers’ and citizens’ councils), political procedures in return can be reformed in such a way that the “exit” mechanisms and the associated efficiency in the use of localized knowledge, which are traditionally confined to markets, may gain more right of place in nonmarket social exchanges as well. This gets us to the heart of democratic experimentalism as I understand it: What actors in the capitalist cultural system need to push for is the design of *decentralized experience-building and experience-dissemination mechanisms which are analogous to the “catallactic” Hayekian market mechanism*—and which, quite possibly, might political generate economic institutions quite *opposed* to the Hayekian market mechanism. So the idea, quite emphatically, is not to make politics more like marketing, or to create “market incentives” within democratic decision-making. Rather, the idea is to reform in depth the political procedures of the capitalist cultural system so as to render possible the decentralized experimentation with innovative social norms by groups, communities, virtual fora, etc.

Viewing the political decision procedures in this way allows us to fulfil the aim which I announced at the end of section 3, namely the replacement of a vocabulary of *ethical* reflection on the *rational* foundations of *moral* norms by a vocabulary of *political* reflection on the *democratic* construction of *social* norms. This implies that within the prevailing capitalist culture, overarching moral discourse be replaced by political, step-by-step search for “next better steps”, without really any general social or moral theory—whether social-democratic, neoliberal or anticapitalist—guiding the way in a unified manner. As Unger (2001: xxv-xxvi) describes it,

Transformative politics changes, part by part and step by step, the context of institutional arrangements and enacted belief that shapes the practical and discursive routines of social life. (...) For the democratic experimentalist, transformative politics counts three times: first, as the way to take the next step; second, as the practice that we must generalize in social life if we are to make our societies both more democratic and more experimental; and, third, as a way to give practical effect to the truth about ourselves: that we immeasurably exceed, in our powers of insight, invention, and connection, all the systems of social and cultural organization that we have established or will develop.

What my earlier discussion of Hayek implies is that, paradoxically, *to the extent we believe (as one of the cornerstones of the capitalist cultural system) that decentralized market exchanges based on local experiments by individuals will produce a self-organizing pattern*

rather than a chaotic void, we must also accept to believe that decentralized institutional experiments based on local innovations by individuals and groups will produce a self-organizing pattern. Through the multiple levels of democratic interaction among ideologically critical citizens, the self-organizing market on which these citizens *also* interact can progressively generate a self-organizing democracy which can shape and reshape the capitalist cultural system *from within*.

From a democratically experimentalist perspective, there is no normative theory of the next step. Each normative theory—say, those of Van Parijs (1995), Unger (1998) or Rawls (2001)—will only ever be a “partial totality” destined to be confronted with other “partial totalities” (other normative theories) in the self-organizing democratic process. This does not at all mean that normative theorizing has become obsolete. As Unger (1998: 12) himself emphasizes,

a transformative and solidaristic project may need additional help. The visionary element in politics provides such help. The intimation of a different world, in which we would become (slightly) different people, with (slightly) revised understandings of our interests and ideals, supplements the cold appeal to group interest and familiar conviction. (...) The visionary intimation of a reordered social world, with its poetic and prophetic attempt to connect present personal experiences to hidden social possibilities, helps right the scales of risk by enlarging the imaginative terrain on which the debate takes place.

As I have already indicated, the main propelling force of such a broadened and deepened democratic process has to be the realization that the capitalist culture in which we are living is not living up to its initial potentials because a certain subset of the norms of the capitalist cultural structure allows certain individuals to use the capitalist structures of interaction to subvert another subset of the norms of the capitalist cultural structure. Thus, democratic experimentalism will largely consist in *various regions, groups or collectives “trying out” different recombinations of norms and interaction structures within the capitalist culture,* implying different ways of reorganizing economic and political processes.

All this might seem desperately vague, and I may now be pressed to give my own preferred “vision for a better future”. Although on other occasions I would be glad to indulge, in this paper I want to resist the temptation—and to resist it on purpose because throwing in my own personal version of a better market economy would contradict what I have tried to convey to the reader concerning the basic structure of the “moralization of capitalism” problem. Remember that we are dealing with the puzzle of second-order morality; what I have suggested here is that this puzzle has no moral solution but does have a political one. In

somewhat Habermasian fashion, I would retreat behind “process” and “dialogue” when pressed to provide “substance” and “content”. When asked, “Okay, but what do *you* suggest as an alternative to current capitalism?”, I would reply: “I don’t know. I cannot know and, strictly speaking, I *should not* know without having effectively gone through the democratic experiment of confronting my own favorite model with that of others. What I *do* know is that if we don’t first build a radically different political sphere that dis-ideologizes our aspirations and social representations, any proposed substantial model, as well-intentioned and ‘moral’ as one wishes, will be ripped to pieces by the threadmill of the current inherited ideology of the ‘feasible’ and the ‘obviously unrealistic’.”

And one thing we can *only* discover through effective interaction with others within experimentally democratic processes—whether these others be capitalist bastards at Enron or well-meaning anti-globalizers—is the kind of human beings we are able to be. This is, of course, the bedrock of all normative reflection on capitalism. As C.B. Macpherson (1962) has argued long ago, socialization within the capitalist culture creates, in addition to norms of behavior, certain *anthropological norms* about “how humans are” and what is “obviously utopian”. Only by experimenting with recompositions of the norms inherited from our capitalist past, by reshuffling them and testing how far they bend, can we begin to realize to what extent democracy, as a process of collective reflection on how to move ahead, can entice us into unexpected ways of being “what we are”.

The co-evolution of norms and interaction structures can thus be made *more collectively deliberate* without degenerating into top-down planning. This is what democratic experimentalism is for.

7. Concluding remarks: For “political sociologism” in normative research

The absence of a fully articulated alternative to current capitalism in this paper may prompt some readers to formulate the following objection: By leaving the co-formation of norms and interaction structures to an effectively democratic process, are you not giving undue priority to an intuitionist or even expressivist view of normativity? Where is the room left for rational theorizing and reflection?

My reply to this objection is that, as I have already indicated, the democratically experimentalist process is not devoid of prophets and intellectuals who provide, to repeat Unger’s earlier words, “the visionary element in politics”. However, it is true that after my

first fifteen years in academia I no longer believe in the ability of some fully-fledged vision to impress the masses all at once. My colleague Philippe Van Parijs (1995) has written, after twenty years of hard work and rational reflection, a definitive normative blueprint for the deep reorganization of the capitalist culture through *basic income*. This book has been widely read and commented on in academia, but basic income is on virtually no political agenda of any democratic country. Thus, the priority in research now is how to create socio-political conditions and to overcome ideological blockages so that basic income will become an agenda item (see Vanderborght, 2004). Which just goes to show that democratic experimentalism is far from just being a figment of the imagination, or a new metaphysical gimmick. If anything can “moralize capitalism”, decentralized democratic experimentation will be required to trigger concrete initiatives in the desired direction. And such initiatives, I have argued, are most likely to come about if people realize that the normative legacy of capitalism *could have* historically moved in other directions than it actually did. This realization, in turn, requires knowledge not so much of fully-fledged normative alternatives or of categorial criteria of morality, but of the complex social dynamics of co-evolution of norms and interaction structures within a context of interest-oriented politics and economic-power clustering.

So, if anything, I am neither an intuitionist nor an expressivist, but a defender of a form of *political sociologism*.

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