

IN SEARCH OF A LIBERAL UTOPIA

Growing interest in ethical issues is one of the main characteristics of contemporary political philosophy. It can be observed both in politico-economic theories and in many areas of social life. In the liberal theory of the last 50 years there have been significant efforts to provide an ethical justification of the main principles of this philosophy. As far as the area of practice is concerned, the need to implement ethics was perceived first in politics, then in the economic sphere.

The goal of this paper is to assess some of the significant efforts to regard liberal philosophy from an ethical perspective. This problem will be analyzed in the broader context of the relevance of cultural values to the development of contemporary societies. I will argue that the commonly shared view that “culture matters” appears to be the most important element of recent liberal utopias.¹ I will follow Karl Mannheim’s definition of the term *Utopia* – as a vision of a better society, which motivates people to change their social reality. I am also going to apply Frank Manuel’s concept of *Utopian thought*, which makes it possible to consider not only literary novels, but also philosophical and economic works as representatives of the utopian way of thinking.² My aim is to apply this utopian framework to understand the important changes in liberal political philosophy at the end of the 20th century and to answer the question about the future shape of liberalism in the 21st century.

Although ethics has historically been defined in many different ways, a central focus of ethical thought has been the principles and standards

¹ Comp. *Culture Matters. How Values Shape Human Progress*, ed. L.E. Harrison and S.P. Huntington, Basic Books, New York 2000.

² Comp. K. Mannheim, “Utopia”, *Encyclopaedia of the Social Sciences*, ed. E.R.A. Seligman, vol. 15, London 1935; F.E. Manuel and F.P. Manuel, *Utopian Thought in the Western World*, Basil Blackwell, Oxford 1979, p. 5, 13.

that should govern human interactions. It is a commonly shared opinion that ethical values and concepts create a general framework for social relationships. They define the scope of individual authority and specify what persons or organizations owe to one another and to their communities. Ethics was usually concerned with the nature of the Good; today, however, issues of right and responsibility are at the center of ethical investigations.

Ethics is closely connected with the development of humanity. A framework of rights and responsibilities helps people achieve their personal and social goals as human beings. This framework facilitates cooperation and mutual trust among groups and communities. This concept of ethics does not require self-sacrifice but it does require the ability to understand the needs and interests of others. Thus, as an invisible infrastructure of norms and precepts, ethics supports positive human interaction. Another characteristic of modern ethical research is the attempt to create a system of rational morality independent of religion or tradition.³

In our times an ethical outlook in business is essential to a company's success. It supports trust and confidence in the company. Successful managers realize that confidence is especially important for employees, customers and shareholders. An organizational value system grounded in sound ethical principles (honesty, reliability, fairness and mutual trust) is an asset that pays many dividends.

According to *The Economist*:

"Tomorrow's successful company can no longer afford to be a faceless institution that does nothing more than sell the right product at the right price. It will have to present itself more as if it were an intelligent actor, of upright character, that brings explicit moral judgments to bear on its dealings with its own employees and with the wider world."⁴

But the following questions arise: How does ethics support the economic performance of a firm? What is the relationship between the ethical and the economic spheres?

Research on organizational excellence stresses the importance of a well-defined value system for achieving and maintaining outstanding performance in a company. The traditional hierarchical organization with decision rights centralized in the hands of the top management is no longer popular. Thus, a well-defined value system helps to guide employee decisions.⁵ Besides, it has also been observed that decisions are more likely to enjoy employee support when they are perceived as proce-

³ Comp. D. Gauthier, *Morals by Agreement*, Clarendon Press, Oxford 1986.

⁴ Comp. *The Economist*, June 24, 1995.

⁵ L.S. Paine, *Cases in Leadership, Ethics and Organizational Integrity*, 1997, p. vii, viii; "Chief Executives: Churning at the Top", *The Economist*, March 17, 2001.

durably just. This is one of the possible applications of the Rawlsian idea of "procedural justice". It proves that the concept of the Good is not clear in a society. Hence, it is easier to assess what is right, what fulfills the requirements of just or fair procedure.

Thus, a good reputation can help a company attract customers and investors, as well as potential employees and business partners. Today many consumers and investors are interested not only in products and services; they are also looking for high standards in the companies they deal with. Products labeled as "fair trade", which are intended to eliminate the exploitation of workers and dishonest business practices are becoming increasingly popular. Also, investors are likely to consider a company's reputation and ethical performance in deciding to invest. Thus, companies involved in misconduct often see a direct impact on their share price. On the other hand, by adhering to sound ethical principles and focusing on the needs of their customers, companies can gain trust and receive substantial profits.

The fundamental assumption of business or liberal ethics is that it pays to be honest. But how to prove the famous Humean phrase that *honesty is the best policy*? This problem has a long philosophical tradition. It was discussed by Plato, Thomas Hobbes, David Hume and, recently, by David Gauthier, who created a rational ethics based on the concept of the economic man. According to Gauthier, all these philosophers, in fact, attempted to answer the following question: Is it rational to be moral?⁶

Plato discusses this problem in *The Republic*. One of the participants of the discussion presented in the dialogue is Thrasymachus, an icon of moral relativism. In his opinion, in reality we can observe that dishonest people are well-off and honest upright people are losers. This leads to a general problem: what is the meaning of justice? As it turns out, Socrates, who defends the value of the honest life, cannot persuade Thrasymachus to give up his common-sense view and agree with him. This shows that for Plato the problem of the acceptability of moral values cannot be solved by rational arguments but depends mainly on the general beliefs of a person. For Plato, values like justice and honesty really exist. For Thrasymachus, these are empty words or they are simply a strategy to comply with laws created by the ruler. Both mark the beginning of an open debate between moral absolutism and moral relativism which has lasted until today. Plato and Socrates defend absolute ethics; Thrasymachus, who represents a sophistic attitude, advocates relativism.

In modern philosophy Thomas Hobbes, in his work *Leviathan*, describes The Foole, who is an extreme individualist and claims that interest is the main concern of a person. On the other hand, in the *Enquiry on the*

⁶ D. Gauthier, *Morals by Agreement*, op.cit., p. 9.

Principles of Morals, David Hume presents the Sensible Knave. This is a virtuous man who fell into the society of thieves. To save his life he must obey their rules of behavior in the name of self-preservation and becomes a thief. But had he remained in the company of just persons, he would have had reasons to be honest. Thus, according to Hume, the general rule: *honesty is the best policy* is liable to many exceptions.

Another example is also described by Plato. In *The Republic* Glaucon tells the story about the Lydian shepherd, Gyges, who possessed a ring that made its wearer invisible when its collet was turned down. Realizing the power this gave to him, the shepherd started to act dishonestly and finally became the king of Lydia. Thus, the ring puts its wearer outside the circumstances of morality. So here we have a definition of morality as a necessary evil.

The contemporary Canadian liberal philosopher, David Gauthier, in his book *Morals by Agreement*, challenges the view that morality is a necessary evil. He describes *homo economicus* as a rational individual capable of being moral. He uses the famous paradox called *the Prisoner's dilemma* to show that in some circumstances it is rational to be moral and it pays to be moral. But the ability to be moral does not mean that one day all citizens in a society will behave honestly both in their private and public lives. Rather, it is a matter of rational persuasion, the dissemination of good patterns, and teaching by example. Gauthier's rational ethics is deeply utopian in the sense that he strongly believes in a liberal society that consists of rational honest persons and can be created by their deliberate efforts.

Parallel to this line of thinking is the legal strategy of enhancing ethical behaviour in a society by introducing commissions, statutes and particular codes of professional ethics. For example, in the 20th century, in which dishonest situations in business became quite common, many new laws were enacted to deal with the undesirable social impact of big and powerful corporations. Numerous statutes and agencies were created to protect investors, workers and consumers.

In the 1990's free enterprise was tested in many countries around the world, particularly in the countries of Central Europe. One can also find examples which generate ethical questions regarding the business methods used by economic actors and about the resulting distribution of wealth and opportunity. It has been stressed in many research reports that the long-term prospects of these systems will depend on their ability to satisfy both the economic and the ethical needs of a society.

In the Western world public debate on corporate responsibility started at the end of the 20th century. As of now, numerous corporate misdeeds have been discussed, i.e. illegal campaign contributions, bribery of government officials, environmental pollution, racial and gender discrimi-

nation, disregard for worker and consumer safety, mismanagement, fraud, and the recent shocking example of Enron's "creative accounting". It seems that now nobody takes seriously Milton Friedman's famous statement that the only responsibility of business is to make profits. More importantly, the discussion led to the fundamental issue of the scope and nature of management's responsibility and the following related topics: To whom and for what are corporate managers responsible? What is the purpose of the business corporation?

These questions were raised on a worldwide scale. The globalization of the economy forced business and government leaders to reexamine the goals and responsibilities of a corporation. This problem also became fundamental in a general philosophical sense as the legitimacy of the capitalist economic system as a whole. It has become popular to believe that without a coherent system of moral values adjusted to society's expectations, business leaders cannot possess the authority to act as creators of wealth and managers of society's resources.

Thus, the question of how to attain business success in the face of substantial changes in the nature of global competition led to general considerations on the responsibility of governments to create competitive environments (J.M. Buchanan) and to enhance competition (M. Porter).

To understand these changes in contemporary liberal political philosophy and economics, it is necessary to reexamine the main principles of liberal theory – first of all, the notion of competition.

This notion appeared in the work of Adam Smith and was closely connected with the liberal demand for individual freedom both in economy and in politics. This fundamental relationship is still valid in contemporary liberal theory. However, the libertarian public choice school claims that the market should be restricted by the constitution and legal rules. In theory, government can no longer be seen as a benevolent despot able to control the market and competition. In fact, the State restricts individual freedom and does not improve general economic welfare. The growth of governmental power always leads to an increase of bureaucracy, inefficient management and the waste of resources. Thus, according public choice theory, government interference should be limited by constitutional rules.

The leading representative of the school, James M. Buchanan, describes economics as a science of constraints. Unlike traditional economists, Buchanan focuses not on external constraints but on self-constraints in every individual choice; for example, if I prefer apples to oranges, I constrain my consumption of oranges for the sake of apples.⁷

⁷ J.M. Buchanan, "The Domain of Constitutional Economics", *Constitutional Political Economy*, vol. 1, no. 1, Winter 1990, p. 1–18.

According to Buchanan, the *moral constraints* imposed by an individual on his/her own behavior are also the constraints which inhibit the behavior of others and they have economic value. Thus, it is possible to assess an ethical system as leading to an efficient economy or as creating obstacles to economic progress.

In his book *Ethics and Economic Progress*⁸ Buchanan analyses the economic value of the protestant work ethic and its two fundamental norms: we should all work more and we should all save more. According to him, the propagation of these norms in a society leads to general economic welfare; hence, we should all pay the preacher who propagates puritan ethics in society.

Max Weber linked the origin of capitalism with protestant ethics.⁹ However, Buchanan argues that *any* society whose members observe the puritan virtues is economically better off than a society in which these virtues are absent or weak.

The existence of work ethics in Western culture is the source of profit in the economy. In every individual choice between work and leisure, there is an element of inefficiency which can be diminished by ethical norms. Thus, according to Buchanan, the economic well-being of anyone depends on the attitude toward work held by the rest of us and our internalization of this interdependence through the work ethic.

In one of his recent papers on the politico-economic changes in Central Europe, Buchanan analyses how market and command economies operate. In his view, differences in the behaviour of those who play the role of sellers of goods and services influence the process of transition from a command to a market economy.¹⁰

He stresses the importance of tradition and historical imagination. In Western society, the central notion of gains-from-trade emerges naturally from historical imagination. It is grounded in the liberty and independence of individual families. In a socialist economy there is no such "exchange mentality"; there is behavioral indifference of sellers to the whole structure. Thus, different national experience can affect the feasibility of adaptation to different organizational structures. The experience of a command economy, in which there was little or no reward for supply-side creativity, will exert long-lasting effects, and the transition to a market economy can be more difficult because of the absence of an

⁸ Comp. J.M. Buchanan, *Ethics and Economic Progress*, The University of Oklahoma Press, Norman and London 1994.

⁹ Comp. M. Weber, *The Protestant Ethic and the Spirit of Capitalism*, Allen and Unwin, London 1930.

¹⁰ J.M. Buchanan, "Asymmetrical Reciprocity in Market Exchange. Implications for Economies in Transition", *Liberalism and the Economic Order*, ed. E.F. Paul, F.D. Miller and J. Paul, Cambridge University Press, Cambridge 1993, p. 62–63.

entrepreneurial tradition. After several years it seems that entrepreneurship was sufficiently creative to stimulate these economies. At present, the situation in the region is that economic growth is visible, partially due to the enlargement of the EU. According to recent data the enlargement has proved to be beneficial for both Western and Eastern economies.

Buchanan's description of the competitive environment is similar to that of a contemporary Harvard economist, Michael Porter, who in his work *The Competitive Advantage of Nations* (1990) investigates why nations gain competitive advantages in particular industries, what competitive advantage is and how particular actions of government create or destroy it.

For Porter the opposition between government interference and free market competition is no longer valid. In the contemporary world the role of government is to enhance competition so as to support the most competitive areas of the national industry.

In his recent works he investigates the impact of cultural values on economic growth. He describes economic culture as a set of beliefs, attitudes and values that are connected with the economic activity of individuals. Unlike Buchanan, he stresses that the attitudes of hard work or saving money deeply rooted in a culture are not sufficient to achieve welfare.¹¹

The welfare of a country or a region depends on the overall productivity and competitiveness of local industry. Thus, government should promote free competition and should support especially those branches that are competitive on the global market.

Porter stresses that the mentality of individuals influences economic welfare. He describes the paradigm of productivity, which consists of the following beliefs: that economic welfare depends on productivity, not on controlling resources or privileges, and that the multiplication of wealth is unrestricted.

According to him this paradigm should be implemented in a society through the educational system and churches. The government can impose this way of thinking but it must also be accepted by business circles. If entrepreneurs choose illegal activities, bribes and dealing with the *Ma-fia*, government policy will be unsuccessful. However, Porter assumes that although the economic culture of a society is rooted in its special tradition, a country can change it very quickly through economic education and the efforts of entrepreneurs.

Sometimes tradition constitutes an obstacle to going the way of economic prosperity. In Porter's view, however, the globalization of the

¹¹ M.E. Porter, "Attitudes, Values, Beliefs, and the Microeconomics of Prosperity", *Culture Matters*, ed. L.E. Harrison and S.P. Huntington, p. 14-28.

economy enhances competitiveness and forces nations to accept the productivity paradigm. This does not mean unification and the rejection of national values. On the contrary, these values can play an important role in creating the competitive advantage of a nation in the global economy.

Applying this theoretical framework to the present situation in Poland, we see that as a result of liberal economic reforms, we live now in a free market country. The economic growth that can be found in society is an accepted effect of a liberal economic policy that was prescribed by public choice theory and followed by liberal and, even to a certain extent, by post-communist governments.

Public choice theory also stresses that establishing a new politico-legal order is as important as transforming the economy. The new Polish constitution was passed by Parliament in 1997. As a result, the Polish State became a constitutional liberal democracy in which human rights and civil liberties, as well as the separation of powers, private property, and social justice, were protected.

Is this enough to guarantee the economic prosperity of Poland as the member of the EU? Certainly not.

Indeed, a democratic environment is as crucial for political democracy as a competitive environment is for the market economy. Thus, the government creates these institutions, but it is entrepreneurs who decide whether the new Polish economy will work efficiently or not. The greatest burden is obviously the heritage of the socialist past: illegal links between economy and politics, corruption, influence mongering. So there arises the problem of how to change the national mentality and how to educate Polish entrepreneurs to observe ethical rules, and, first and foremost, to accept the paradigm of productivity, which, according to Michael Porter, is a necessary condition to gain a competitive advantage in the highly competitive market of the European Union. This way of thinking is obviously a part of contemporary utopianism. It seems that what is now needed to change our attitudes and to accept the new liberal ideas is a new liberal utopia.

Thus, searching for a new liberal utopia in the 21st century requires, first of all, making the choice between a State based on private property and one based on collective property, which is, in fact, a choice between freedom and serfdom. It also requires our deliberate efforts to preserve the soul or spirit of liberalism that manifests itself, for example, in the conviction that values emerge only from individuals not from society or the State.¹² James Buchanan is right when he writes that now nobody will support "politics as competition for the commons" because the soul of

¹² Comp. J.M. Buchanan, "The Soul of Classical Liberalism", *The Independent Review*, vol. 5, no. 1, Summer 2000.

liberalism or liberal utopia is embedded not in such descriptions of the political game but in a vision of a good social order of human interaction. This is a utopian vision of that which might be and which as such offers an ideal that can motivate constructive institutional changes both in the economy and in politics.