

Markets as Processes of Moral Discovery

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Abstract: *The Genesis and Ethos of the Market* asserts that virtue is not inconsistent with economic liberty. This raises the question about the relationship between virtue and economic liberty addressed in the “Civil Economy” tradition of the Neapolitan Enlightenment. We explore this question by analyzing the parallel emphases of two related schools of thought. One examines the role of practical reason in the Aristotelian ethical tradition. The other examines the role of entrepreneurship in the Austrian school of economics. Both provide insights into the institutional conditions in which practical reason and entrepreneurship interact to enable a process of moral discovery.

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Introduction

The main theme of Bruni's latest book, *The Genesis and Ethos of the Market*, postulates that "there is no opposition, but only complementarity between the market, civic virtue, gifts, freedom, human cooperation and the common good, as the tradition of Civil Economy well knew and still knows" (Bruni 2012:xii). Rather than dismissing the claims of collectivists and communitarians, he argues that the rise of individualism and the market order has led to the rise of "moral spaces" (Storr 2009: 284) where individuals interact with each other as a community through voluntary associations, providing the context both for economic growth and virtue.

Critics of the market order worry that, while economic liberty might expand the scope for individual autonomy, it comes at the expense of sacrificing virtue. As Storr (2009: 277) put it, they worry that:

The growth of the market is at the expense of community. As the number of products and services available in the market increases, the importance of the house, the club, the union hall, and the town square, they assert decreases. Moreover, they claim, as the market expands, not just the importance but also the viability of these community spaces declines. Critics of the market also worry that the market encourages vice and has little or no scope for virtue.

Bruni elaborates on this question through the work of the Neopolitan author Giacinto Dragonetti, who developed a theory of action based on rewards, which are regarded not as an *ex ante* motivation or incentive but an *ex post* recognition or prize. He also envisioned an institutional framework that incentivized and "rewarded" virtue (2012:140). Bruni quotes Dragonetti's description of the reward structure as such:

He, therefore, who measures his actions by the standards of law, deserves (however commendable) no other recompense than the advantages arising from social compact. He, on the contrary, who extends his benevolence beyond what the laws strictly enjoin, merits a particular reward; for if he contributes more than others towards the general welfare it is just he should enjoy more sensible benefits. Virtue disappointed of its proper recompense must become the prey of drones, the scourge of the virtuous, and its own destruction (Bruni 2012:142-143).

Yet there is little detail about how the market “rewards” virtue and the institutional conditions that allow *both* economic liberty and virtue to flourish (Bruni 2012: 147).

Within the Aristotelian tradition of virtue ethics employed by the Civil Economy tradition, we will attempt to fill in the void left by Dragonetti by answering two basic questions. First, is market activity based on self-interest consistent with virtuous activity? Second, how does the role of the political/legal order affect the relationship between economic liberty and virtue?

Section II defines the role of virtue according to the Aristotelian ethical tradition and how it is incorporated into the Neopolitan tradition of Civil Economy à la Dragonetti. Section III examines the parallel themes of “practical wisdom” in the Aristotelian tradition and entrepreneurship in Austrian Economics. Both schools of thought emphasize a process of discovery that is both *self-directed* and contingent to particular knowledge. We argue for a political economy of a market order in which virtue is not rewarded *per se*, but a market order that makes the *possibility* for virtue to emerge as a rewarding activity. That is, markets are processes of moral discovery. Section IV concludes.

Our argument is twofold. First, economic liberty grounded in an ethical framework of practical reason allows self-interest to align with virtue. Second, a robust political economy of economic liberty is based on an institutional framework that need only protect the possibility for virtuous activity based on self-interest. Conversely, an institutional framework that coerces individuals undermines both economic liberty and virtue.

Virtue and Self-Interest

According to Bruni, the work of Giacinto Dragonetti, translated into English as *On Virtues and Rewards*, “has to be interpreted within the classical tradition of virtue ethics (in line with Aristotle, Cicero, and Thomas Aquinas)” (Bruni 2012:141). Like others of the Neopolitan Enlightenment, Dragonetti regarded markets and commerce as a framework of “mutual assistance” and *philia* that “rewards” virtue. Dragonetti also argues that “the sheer pursuit of personal interest, despite being natural and, unlike Mandeville, not to be disparaged as a vice, should not be called ‘virtuous’ *per se*. Virtue requires effort to reach results that go *beyond* one’s private interest” (Bruni 2012: 142). Although acknowledging a distinction between self-interest and virtue, Dragonetti claims that a “good” society reconciles self-interest and virtue.

Within a classical or Aristotelian tradition, the foundational priority of ethics is the individual agent’s self-perfection. According to Rasmussen and

Den Uyl, perfectionism holds that *eudaimonia*, the ancient Greek term for “happiness” or “human flourishing,” is the ultimate good or value and that virtue ought to characterize how individuals conduct their lives (Rasmussen and Den Uyl 2005: 111). The term “perfectionism” itself is a Latin term *perfectus*, meaning “complete,” “thoroughly done,” or “actualized.” Human flourishing is not merely an activity, but also an actuality and end in itself realized through self-direction or choice and aimed at the fulfillment of an individual’s *telos*, or end (Rasmussen and Den Uyl 2005: 129). What role does virtue play in this Aristotelian teleological framework?

In his *Nicomachean Ethics*, Aristotle distinguishes between moral virtue and intellectual virtue. Moral virtue refers to a state of character through a habituation of individual action, lying within a “mean between two vices, one of excess, the other of deficiency” (NE 1107a4). This equilibrating state of character will be analyzed more in depth later in conjunction with our assertion that entrepreneurship is a virtuous activity constitutive of self-interest. Such habituation of action aligns desire with reason and is realized as “a disposition towards intelligent action” (Den Uyl 1991: 82).

Although moral virtue refers to the excellent development of an individual’s character, intellectual virtue refers to the excellent development of one’s intellectual understanding (Den Uyl 1991: 60). The exercise of both virtues is realized in practical wisdom, or the appropriate use of practical reason. Rasmussen and Den Uyl best define practical wisdom as “*the intelligent management of one’s life so that all the necessary goods and virtues are coherently achieved, maintained, and enjoyed in a manner that is appropriate for the individual human being.*” (emphasis theirs, 2005: 147).

Although Aristotle regards practical wisdom as an intellectual virtue, moral virtue is united with practical wisdom in the actualization of one’s *telos*. That is, practical wisdom, or “the ability of individual to discern particular and contingent circumstances,” (Rasmussen and Den Uyl 2005: 146) requires that the individual also demonstrates excellent dispositions to act, or moral virtue, in such circumstances. Both practical wisdom and moral virtue are not only pursued for their own sake, but are also *self-directed* processes required for *eudaimonia* and “achieving, maintaining, and integrating the goods needed for *eudaimonia*.” (Den Uyl 1991: 208) In light of this analysis, virtue broadly defined refers to the actualization of salutary qualities by an individual, but the ethical grounding of virtue itself is embodied in one’s self-perfection.

How well is the Aristotelian notion of virtue incorporated in the Civil Economy Tradition? Put simply, by underplaying the centrality of individual perfectionism within the Aristotelian ethical tradition, not only does Dragonetti undermine the pursuit of virtue, but he also fails to reconcile the conflict between self-interest and virtue. This apparent distinction, which Dragonetti

doesn't regard as inconsistent, expresses more closely a modern understanding of ethics rather than a classical one (Bruni 2012: 146).

Modern ethics renders foundational priority to one's relations to other individuals, rather than to one's self-perfection. This is not to say classical, or Aristotelian ethics, is atomistic and anti-social. Indeed, Aristotle emphasizes the importance of sociality in the eudaimonic process. However, when the locus of ethical concern shifts from individual perfection, so does the link between self-interest and virtue.

This modern disjoint between self-interest and virtue is what Den Uyl refers to as "The Problem of Prudence." (1991: 3) He argues that "when the teleological model dropped out, the gap created may have been filled by linking prudence directly to unmediated interest" (Den Uyl 1991: 9). In other words, in this Aristotelian ethical context, self-interest or prudence is equated to practical wisdom in a normative sense. That is, self-interest is inherently linked to one's human flourishing, in which practical wisdom integrates one's desires in a manner conducive to their own perfection. However, in the modern context, self-interest, although agent-centered, is understood descriptively as the maximization of one's desires to the extent that they are conducive to social cooperation and peaceful relations. Classical ethics defines self-interest based on how individuals ought to choose, whereas modern ethics defines self-interest based on how they choose. Moreover, because the starting point for ethical inquiry in modern ethics is phrased in terms of the social, modern ethical theory must be defined in terms that resolve conflicts between the self-interest of different individuals.

Whether Dragonetti himself recognizes the problem of reconciling virtue and self-interest in terms of a modern ethical paradigm is unclear. Moreover, it is also unclear whether Bruni has mistakenly interpreted Dragonetti within the Aristotelian tradition based on his adoption of many important features of his ethical thought. Regardless of which interpretation is correct, not recognizing the centrality of self-direction in the classical paradigm leads Dragonetti into making other assertions that undermine the compatibility between self-interest and virtue in a market system.

In terms of commercial or market interactions, Dragonetti's assertions are indicative of a communitarian social doctrine.¹ We follow Den Uyl in his definition of communitarianism:

¹Both Den Uyl (1991) and Rasmussen and Den Uyl (1991, 2005) distinguish between a communitarian social doctrine and a communitarian ethical doctrine. For example, Alasdair MacIntyre is not an ethical communitarian, since he employs a perfectionist ethics, but he is a social communitarian, since he views the individual in terms of his social interactions. A deep elaboration of this distinction, however, is beyond the scope of this paper.

“Communitarianism” as it is currently used refers to the idea that individuals are, in certain fundamental respects, a function of the community that surrounds them—that their actions, beliefs, values, and evaluative norms are to be understood in terms of their role as part of a larger social whole (1991: 42)

Communitarianism deemphasizes the primacy of practical wisdom and that the pursuit of virtue as a primarily self-directed activity. Moreover, it views virtue in terms of social interactions and how it relates to the pursuit of the common good.

Bruni directly quotes Dragonetti’s understanding of virtue, which is defined with a communitarian streak: “Hence the name of Virtue to every action that respects the interests of others, or the preference of another’s well-being to our own” (2012: 142). Besides stating that virtue requires going beyond one’s self-interest, Dragonetti regards the rewarding of virtue as having a “civil and ‘public’ nature, and is somehow external to the virtuous agent” (Bruni 2012:143). This implies that Dragonetti’s understanding of virtue is exclusively in terms of relationship with others. However, “there is no place for replacing individual judgment with communal deliberation” (Rasmussen and Den Uyl 2005: 241). Virtue is fundamentally an agent-centered activity grounded in practical wisdom. But within the communitarian paradigm, practical reason “is a process of those activities that constitute the relationships of giving and receiving” (Rasmussen and Den Uyl 2005: 240).

Dragonetti’s view of market exchanges as “mutual assistance” logically follows from this communitarian orientation. Bruni correctly points out that communitarian philosophers, such as Alasdair MacIntyre (1981), have objected to the compatibility between virtue ethics and a liberal market order. Communitarians “claim that since the market depends on instrumental motivations, it must lack virtue and so undermine virtue in other domains of life” (Bruni 2012:154). However, Bruni claims Dragonetti’s perspective is one that transcends these criticisms by reconciling virtue ethics and the pursuit of self-interest. Whether he does so depends on what is meant by “mutual assistance.”

For Dragonetti and the Civil Economy tradition as a whole, the idea of mutual assistance is closely related to the Aristotelian notion of *philia*, or “friendship.” This conception of market exchanges “entails an intention, on the part of the part of the person who ‘assists,’ to benefit the person ‘assisted”” (Bruni 2012: 130). Bruni distinguishes this notion of “mutual assistance” from what he regards as Adam Smith’s notion of “mutual advantage” viewed in terms of self-interest:

Man has almost constant occasion for the help of his brethren, and it is in vain to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favour, and show them that it is for their own advantage to do for him what he requires of them...We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages (Smith 1776 [1981]:26-27).

Based on this differentiation from Smith, it seems that, for Dragonetti, *philia* includes only Aristotle's notion of "character-friendships" and excludes "advantage-friendships," which are associations based on self-interest.

Dragonetti's rendition of *philia* was influenced by the historical context of 18th century Naples, "where free-riding and the pursuit of individual privileges were jeopardizing public wealth and happiness" (Bruni 2012:142). Indeed self-interest may lead to rent-seeking in certain institutional contexts. But understanding *philia* only as the "unself-interested" regard for others undermines the role of practical wisdom as a process of "moral discovery," in which our self-interest that motivates advantage-friendships may mature into character-friendships motivated by virtue.

Smith was correct in asserting that widespread cooperation in society is initially motivated by self-interest and mutually beneficial exchange. The fact that exchanges must be mutually beneficial means also that we also have regard for the interest of others. This recognition of the interest of others is not merely an instinctual response to stimuli, but acknowledges that an "*opportunity of knowledge of other persons as unique individuals is the possibility of the participation of qualitatively unique personhood in sociality*" (Norton 1976: 274).

Since the circumstances under which friendships flourish are uncertain, practical wisdom enables the individual to deliberate about which relationships are good for an individual's *eudaimonia*. It would be naïve to believe that all friendships will become character-friendships. But if one has the goal of forming a character-friendship, practical wisdom must first discern the potential of a relationship mutually advantageous to each individual's flourishing. Only after this unique personhood is recognized can a character-friend be "considered in the plans one makes for oneself" (Den Uyl 1991: 251).

Besides the economic fact that Dragonetti's conception of the market limits the extent of the division of labor, it also stifles practical wisdom as a process of "moral discovery" in which self-interest is guided by virtuous activity to generate knowledge about others and our possible relationships with them. On this point, Den Uyl notes that "mutuality of interest is what opens the door to such exploration; prudence, in its quest for excellence, is what leads one through" (1991: 249). Without practical wisdom, self-interest is merely

utility maximization and cannot manifest itself as a virtuous activity. Under such circumstances, the link between self-interest and virtue withers away and with it their mutual compatibility.

This section has reconciled self-interest with virtue via an Aristotelian ethical tradition in a manner that the Civil Economy tradition does not fully appreciate. In the next section, our focus is to understand under what conditions virtue is a rewarding activity.

Economic Liberty, Practical Wisdom, and Alertness

In the previous section, we emphasized the ethical primacy of self-direction in the Aristotelian tradition as the link between self-interest and virtue. In this section, we develop the political and social manifestations of that argument. We argue that liberty is a necessary condition for self-direction, and therefore paramount to protecting the possibility for human flourishing, the achievement of which rewards virtue. In a political/legal framework that protects individual rights, markets are processes of moral discovery. Markets can and do emerge in contexts outside of liberalism (Storr 2009: 290). However, only where moral agency is protected from coercion can the possibility of virtuous activity emerge. Therefore, the liberal market order is the institutional manifestation of self-direction.

In order for markets to have moral significance, individuals must be free to be “the locus of rationality in planning” their economic and moral development (Miller 1983: 36). For moral agents to engage in virtuous activity, they must first be free to self-direct their own flourishing:

Virtuous agents must exercise practical rationality at the time of action in order to determine how to pursue their ultimate ends. Even if agents have a correct general apprehension of the end, this will not provide them with *a priori* recipes for answering concrete moral questions in complex and unpredictable situations. (Miller 1983: 30)

In order to understand the social implications of individuals pursuing their flourishing, we draw from the insights of Austrian economists F.A. Hayek and Israel Kirzner about the nature of competition and entrepreneurship.

Both the Austrian school and the Aristotelian ethical tradition emphasize that knowledge is both particular and contingent, and that social cooperation manifests itself within a framework in which individuals are free to act on such knowledge, both for moral self-direction and wealth creation. An understanding of the parallel insights in both schools of thought may reveal to us the economic conditions in which virtue emerges as a rewarding activity, not

in which virtue is rewarded by the economic conditions. Virtue not only requires the freedom to choose and freedom from coercion, but also the presumption that individuals have moral potentialities that require actualization through reason in action, or practical wisdom.

Indeed, it may seem strange at first to advance the notion of a market as a process of moral discovery. Many neoclassical economists, even those who advocate the superiority of free markets, abstain from defining markets in moral terms. On this point, philosopher Tibor Machan notes that,

It is a very interesting issue whether these and other economists advance their economic determinist theory because they are convinced that human beings are indeed so constituted as to be profit maximizers or because this approach to understanding people avoids all issues of ethics. (Machan 2009: 51)

Machan's issue with the utility maximizing individual of neoclassical equilibrium models is related to Den Uyl's "Problem of Prudence" that was discussed in the previous section. The *homo economicus* in the neoclassical paradigm of perfect competition is descriptively defined in terms of utility maximization, which precludes any notion of uncertainty and therefore human action. Since individuals are devoid of any moral agency,

There could not be anything *ethically or morally wrong or right* with their commercial behavior any more than there is anything morally wrong or right with their breathing or circulation of their blood. These are not matters of choice, so they are amoral and not open to moral evaluation [emphasis original]. (Machan 2009: 51)

Moreover, defining the market order in terms of equilibrium and utility maximization is an institutionally antiseptic construction. A competitive equilibrium that assumes perfect knowledge abstracts away the role of choice in the model, telling us nothing about the conditions in which self-interest manifests itself morally or immorally. A definition of markets that throws out the bathwater of moral choice also throws out the possibility of a baby that is virtuous. Before self-interest can even emerge as a virtuous activity, we must first make room for individual choice in a market setting that is characterized by uncertainty and the possibility of discovering new opportunities to flourish both economically and morally.

In the Austrian paradigm, markets are defined in terms of human action under uncertainty. Following Ludwig von Mises, both Hayek and Kirzner view markets as "discovery procedures" (Hayek 1978: 117) and the entrepreneur as

the central catalyst of the market process (Kirzner 1973). The entrepreneur catalyzes the generation of economic knowledge by discovering previously unnoticed profit opportunities in the market. Entrepreneurship is not manifested as an endowment in a particular group of individuals, but as an innate potentiality embodied in all individuals. However, let us be clear that Mises defined the concept in a positive, value-free manner by stating that “in any real and living economy every actor is always an entrepreneur” (Mises 1949[2007]: 253). But the fact that entrepreneurship is action-oriented and defined in terms of human volition means it is inherently value-laden and has some normative implications about the conditions under which virtue can emerge.

The entrepreneur earns profit based on his “alertness” of uncertain market conditions. In a world of uncertainty, the means by which individuals pursue different economic ends are unknown and must be discovered. Entrepreneurial activity is characterized by the discovery of unknown means to pursue an economic end *only at the moment of human action under uncertainty*. It is the entrepreneurial element in each individual “that is responsible for our understanding of human action as active, creative, and human rather than as passive, automatic, and mechanical” (Kirzner 1973: 35). The entrepreneur does not mechanically respond to profit opportunities as a calculative, maximizing *homo economicus*. Rather, he is “alert” to price discrepancies between existing commodities and to discovering previously unknown opportunities for mutually beneficial exchange. Kirzner also notes that “the discovery of a profit opportunity *means the discovery of something obtainable for nothing at all*. No investment at all is required; the free ten-dollar bill is discovered to be already within one’s grasp” (Kirzner 1973: 48).

In *Nicomachean Ethics*, Aristotle elaborates further on his definition of moral virtue in a manner that embodies entrepreneurial characteristics. Exercising moral virtue properly in the context of action means “to have them at the right time, about the right things, towards the right people, for the right end, and in the right way, is the mean and best; and this is the business of virtue.” (NE 1106b: 20-23) What this suggests is that practical wisdom in accordance with moral virtue is a discovery process that integrates particular and contingent knowledge not only through self-reflection but also in association with other individuals, much like the Kirznerian entrepreneur. What can this comparison between “alertness” and practical wisdom tell us about the relationship between self-interest and virtue?

Munger and Netle provide some important insights about relationship between the profit-seeking entrepreneur and moral virtue. They too define moral virtue in the Aristotelian sense, and adapt it to fit the characteristics

exhibited by entrepreneurs, notably those of W.K. and J.H. Kellogg, the creators of Kellogg's Corn Flakes:

They cultivated the habits of hard work, accurate research methods with record-keeping and even "liberality." They did not overspend, and were in fact quite thrifty in their habits. But once they hit upon a successful recipe, they went all in, investing in expansion and inventing a series of mechanical improvements to the production processes (Munger and Netle 2013: 8-9).

They also claim that Aristotle's "concept of a moral mean is an apt description of the art of entrepreneurship" (Munger and Netle 2013: 7). Indeed, entrepreneurship can be described as manifesting virtuous characteristics. Moreover, entrepreneurs that engage in excessive risk-taking and prodigious spending will likely be unsuccessful in discovering profit opportunities. However, if all individuals have the potential to be entrepreneurial, then is the mere habituation of the right dispositions, or moral virtues, conducive to successful entrepreneurship? We do not believe that moral virtue alone captures what it means to be "alert" in the entrepreneurial sense.

Aristotle's definition of moral virtue is closely connected with practical wisdom. Moral virtue is "consisting in a mean relative to us and determined by reason—the reason, that is, by reference to which the practically wise person would determine it" (NE 1107a2-3). Recall that practical wisdom is an intellectual virtue "directed towards practical action" (Den Uyl 1991: 64). Practical wisdom refers to a disposition towards reason in action. Indeed, practical wisdom is constitutive of excellent habituations of character, or moral virtues, and is not possible without it. However, it is the proper use of practical wisdom that dictates the habituation of appropriate character in each individual by directing our desires and self-interest using reason.

The notion of practical wisdom described above more closely resembles what Kirzner meant by "alertness" as "the kind of 'knowledge' required for entrepreneurship is 'knowing where to look for knowledge' rather than knowledge of substantive market information. The word which captures most closely this kind of 'knowledge' seems to be *alertness*" (emphasis original, Kirzner 1973: 68). Where we differ from Munger and Netle is that the central feature of entrepreneurship, alertness, is better described as practical wisdom, an intellectual virtue, rather than as a moral virtue.

That being said, moral virtue has an "economizing" role on entrepreneurial action, such that "without moral virtue, every component of practical wisdom would have to be exercised fully in every particular case" and

“would make it difficult to act expeditiously in the real world” (Den Uyl 1991: 66). In other words, practical wisdom builds on desires, experiences, habits, and insights that each individual has acquired and channels these dispositions with reason in action. By regarding moral virtue as a corollary to practical wisdom, we can understand virtue to encompass a plurality of rewarding activities, rather than as a single, overarching activity that needs to be rewarded. How then does this relate alertness with practical wisdom?

Returning to the example of the Kellogg brothers, they both exercised moral virtues that were conducive to living well, such as frugality, hard work, and honesty. Although these virtues were not direct inputs into their “discovery” of corn flakes, practical wisdom integrates these virtues into the context of action at a particular place and time. Only when the Kelloggs “discovered” the profit opportunity of a breakfast recipe were the virtues appropriate for the discovery—frugality, hard work, and honesty—“actualized.”

This moral process closely resembles the process that Kirzner regards as a “discovery” of something obtainable for nothing at all and requiring no investment. The Kelloggs did not pursue these moral virtues for the intention of inventing breakfast cereal. Those moral virtues were maintained and enjoyed beforehand, but not until the particular act of entrepreneurship were those virtues coherently actualized and appropriately “invested” for the particular time and place of action. Practical wisdom correctly discovers the appropriate means for action, while moral virtue appropriately habituates us towards the ends of our action.

In the case of the Kelloggs, the act of “hitting upon” a successful recipe was “alertness” to an entrepreneurial profit requiring reason in action, or practical wisdom. It required correct habits, such as frugality and hard work, and insight and deliberation, which are universal characteristics of practical wisdom, but such universal attributes became particularized and contingent in the self-directed action of their discovery. Only after such discovery of a profit opportunity did they go “all in” in their investment.

Practical wisdom and alertness are both entrepreneurial. They are actions pursued under uncertainty and motivated by our desire, or self-interest, to achieve a particular end. Edward Younkins best summarizes this point:

A person’s actions are motivated from within...Whatever his incentives, he must be committed to action, reality, and the need to transform ideas into concrete form. An entrepreneur obtains wealth and his other objectives by providing people with goods and services that further flourishing on earth. Entrepreneurs are specialists in prudence—the virtue

of rationally applying one's talents to the goal of living well. (Younkins 2002: 113)

Moreover, the dispersed and tacit nature of knowledge requires that self-directed individuals discover and crystallize such knowledge in the context of action (Hayek 1948: 77).

The possibility of discovering such knowledge conducive to our individual flourishing and economic well-being requires the protection of self-direction. Since coercion destroys moral agency, the case for economic liberty recognizes the primacy of self-directness and the need to protect it (Rasmussen and Den Uyl 2007: 40). Self-direction does not guarantee virtuous activity, but is crucially fundamental to the exercise of practical wisdom, the overarching virtue that integrates and coordinates our habits, motivations, and experience into reason in action.

Practical wisdom is an entrepreneurial discovery process, primarily of ourselves, but also of our relationship with others. Without practical wisdom, self-interest can never be regarded beyond the instrumental role of passive utility maximization, analogous to *homo economicus* of neoclassical equilibrium models. By disregarding the role of practical wisdom, self-interest cannot be tied to excellent moral and intellectual development that is required for acting, adapting and achieving virtue under uncertainty. An institutional framework that protects liberty as the paramount value allows for the possibilities of other values, and allows individuals to discover what it means for them to be virtuous in order to achieve human flourishing.

Conclusion

The Genesis and Ethos of the Market illustrates that economic liberty is not inconsistent with virtue. Our contribution here has been to articulate a relationship between an Aristotelian ethical tradition and Austrian economics and their complementary insights into the primacy of human action in fostering virtue, human flourishing and wealth creation. Although the Aristotelian roots of Austrian economics runs from its founder Carl Menger to Murray Rothbard to most recently Edward Younkins (2011), much research on the similarities between these schools of thought remains to be developed and will bring greater understanding into the moral foundations of capitalism. Furthermore, it will illuminate to both philosophers and economists alike that the relationship between markets and ethics can be better understood in terms of processes of discovery.

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Notes

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