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The Good That Markets Do

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A robust commitment to free-market economics and the habits and institutions that sustain market economies was once central to modern American conservatism's identity and agenda. This was especially characteristic of the conservative movement following the revived influence of classical liberal economic thought in the 1970s alongside the economic stagnation that enveloped most Western economies during that same decade and undermined the credibility of the neo-Keynesian orthodoxies that had reigned since World War II.

Since 2015, this broad conservative consensus in favor of free markets and skepticism concerning government intervention has been questioned by some American conservatives.[1] Criticisms have come from conservatives who want to use the federal government to engineer specific outcomes that, they argue, will produce better results in particular sectors of the economy and parts of society than would otherwise be delivered by markets.[2]

Another set of conservative criticisms of the market economy are associated with wider unease with modern American conservatism's classical liberal dimension. From the 1980s onwards, the argument goes, classical liberal thought exerted disproportionate influence upon American conservatism's rhetoric and policy priorities.[3] Concerns for liberty, it is held, have overridden many conservative efforts to promote greater solidarity and preserve community (especially the traditional family). In yet other cases, skepticism about markets reflects deeper doubts about the American experiment in ordered liberty.[4]

Whatever the validity of the criticisms may be, the idea of the common good has been part of the philosophical framework used to critique the depth of American conservatism's commitment to free markets. Common-good arguments also undergird the political rationale of those conservatives who desire more extensive government intervention as well as particular conservative proposals for an American polity that would depart significantly from ideals and principles expressed in key documents of the American Revolution and the Founding period.

References to the common good or analogous notions like "the general welfare," "the public good," and "public benefit" have long pervaded Western political discourse. In many cases, such notions are understood as a warrant for direct interventions by government authorities into the economy, whether through extensive top-down planning or neo-Keynesian demand-side policies to realize particular goals in areas like employment and welfare provision. In all of these scenarios, policies enacted in the name of the common good serve to constrain the operations of markets, sometimes severely.

This paper contests these claims about the common good's significance for the economy. To this end, it argues that:

- A robust and dynamic market economy operating freely within a context of robust property rights, rule of law, and constitutionally limited government is essential to the common good of a sovereign nation-state like the United States.

- In making these contributions to the common good, the market does not require direction to particular ends by the state. Furthermore, the indispensable contributions to particular conditions of the common good made by entrepreneurship, businesses, free exchange, competition, and dynamic trade tend to be degraded by state interventions that go beyond government's primary economic responsibilities.

- Those needs and wants that are not met by functioning markets are normally addressed by those free communities and associations that we call "civil society."

Illustrating the validity of these points requires a clear understanding of the nature of markets and the specific material and non-material goods that they produce. Even prior to this, however, we need an accurate conception of the particular common good that a political community like the United States serves to realize and within which the economy operates.

What Is the Common Good?

The concept of the common good has been central to Western political thinking from its beginning. At its most basic level, it reflects the insight that humans are individual beings who are also social. While every person is a distinct individual being, we all need other people if we are to flourish. Robinson Crusoe does not exist in the real world.

The idea of the common good was first expressed in ancient political thought in the writings of Greek philosophers like Aristotle as well as Roman thinkers like Cicero.[5] Further development of the concept occurred in the works of Romano-Christian thinkers such as Augustine of Hippo[6] and continued during the medieval period through the scholarship of theologians like Thomas Aquinas and canon law theorists.[7] The idea consequently became a staple of natural law philosophy and jurisprudence.

But common-good language is not confined to ancient and medieval sources. Figures as varied as the moderate English Enlightenment thinker John Locke, the late-French Enlightenment philosopher Jean-Jacques Rousseau, and the 20th century political theorist John Rawls have invoked the term or analogous expressions (although differing as to their meanings).[8] The concept of the common good that features in contemporary natural law scholarship as well as modern Catholic social teaching represents continuity with the older traditions but has developed features that reflect a need to respond to post-Enlightenment conceptions of the state, especially as it relates to the idea of rights.[9]

Notwithstanding the different meanings invested in the term, one distinction transcends these different theories. It is the distinction between the common good as *substantial* and the common good as *instrumental*.

In the broadest and most speculative sense of the term, the common good is a way of describing the entire order of the universe and its finality in God.[10] By that I mean that the common good expresses everything that is good for every person and community and thus something good common to all. This is the common good in its most substantive sense.

Substantial conceptions of the common good also express the idea that certain fundamental goods define a given community. The common good of a friendship is participating in the good of friendship for its own sake.[11] Friendship is the essential good immediately instantiated by this relationship.[12]

There is, however, another conception of the common good: one that regards it as instrumental. Here the common good is that set of *conditions* that help to make it possible for individuals and communities to freely choose certain ends or goals. These conditions are certainly valuable in themselves, but they do not define the substantive good of a community.

The common good of a political community like the United States is an example of this instrumental form of the common good. What the Oxford legal philosopher John Finnis calls the "political common good"[13] consists of all those conditions in a given political community that tend to favor, facilitate, and foster the coherent participation of each individual in goods like truth, work, and beauty that are self-evidently good for all humans.

Note that a particular characteristic of the political common good is that it is not the all-inclusive end for its members. Instead, it is instrumental as it is about *assisting* the flourishing of persons by fostering conditions that facilitate—rather than directly realize—the free choice of all its members, whether individuals or communities, to realize happiness. The word "assisting" is important. It indicates that the political common good does not give government officials a license to do whatever they deem necessary to promote human happiness. On the contrary, the political common good limits what the state can do vis-à-vis individuals and non-state communities.[14]

This point may be illustrated by one condition that the political community serves to realize: the rule of law. Aquinas famously specified that the rule of law is "not the rule of men."[15] By rule of law, Aquinas did not mean primarily that those who are charged with administering the law simply upheld established rules consistently. It is not simply a technical precondition for a functioning legal system. Rather, the rule of law underscores that there are coherent and just ways to make and apply laws. The rule of law is thus a matter of acting according to *reason* rather than our passions. The very idea of the rule of law is derived partly from the conclusion that it is *reasonable* and *good* to limit arbitrary power.[16]

Alongside, however, the innate reasonableness of embracing rule of law and rejecting arbitrary government, the rule of law is also a means to an end. It is a necessary precondition for a legal framework that gives individuals and communities confidence that they can act freely without being subject to unjust forms of coercion by state and private actors.

It is harder, for example, for entrepreneurs to start a business in situations of civil disorder. The incentives to work are radically diminished if there is no guarantee that our income and property will not be arbitrarily confiscated by private actors or the state. People will be reluctant to enter into contracts if they have little confidence that contractual disputes will be adjudicated justly. Absent such assurances provided by the rule of law, people's scope to make free choices is radically diminished, and this absence of freedom reduces opportunities for people to pursue happiness in a given political community. To this extent, the rule of law is a *condition* that helps people to pursue happiness.

In a constitutional republic like America, the political common good is focused on protecting citizens' exercise of their liberties. In many ways, this is the essence of liberal constitutionalism.[17] Reflecting on the preamble to the U.S. Constitution, the philosopher and economic thinker Michael Novak put it this way: "To seek the general welfare means, above all, to preserve the blessings of liberty."[18] Such an emphasis is harder to find in absolutist monarchies of the past and impossible to discern in Marxist or Fascist regimes.

This, however, raises other questions: Which individuals and communities bear the primary responsibility for realizing distinct aspects of a country's common good? In particular, who should play the primary role in establishing the economic conditions that individuals, families, and other communities require if they are to meet their needs and wants? What is the best way to realize the economic component of the common good?

Markets and Economic Goods

For millennia, most people's economic condition was material poverty. Economic growth was the exception rather than the rule. This relative paucity of wealth helped to make life nasty, brutish, and short for millions of people. It also constrained most individuals' respective capacities to pursue different opportunities to flourish. When I can barely meet my most basic material needs, my ability to pursue goods like beauty and creativity is profoundly limited.

This state of affairs started changing in Western countries toward the end of the 18th century. Technological developments and scientific discoveries played a significant role in enabling growing numbers of people to live longer and enjoy increasing living standards, but the combination of the spread of economic liberty, capital accumulation and investment, free exchange within and between countries, and businesses focusing upon satisfying consumer wants and needs was indispensable to this change. So too was the steady dissolving of many barriers to these transformations: most notably, tariffs, guilds, and preferential economic treatment accorded to particular groups on account of their proximity to state power.

Underpinning these changes was the intellectual revolution associated with the publication of Adam Smith's *The Wealth of Nations* in 1776. Set against the background of the Scottish

Enlightenment, Smith's book challenged the dominant mercantilist arrangements of the time.[19] Mercantilism regarded wealth as static, identified prosperity with the possession of precious metals, discouraged imports, and actively facilitated collusion between government officials and merchants (what we would call cronyism today).[20]

Smith's book and the dramatic developments in economic thought that it facilitated over the next century led to the systematizing of several key insights into how wealth creation occurs. For example:

- Humans by nature "truck and barter." This aspect of human nature was noticed by ancient and medieval thinkers but given focus by Enlightenment thinkers like Smith and Montesquieu.
- People's pursuit of their self-interest as they truck and barter tends to lead them to become interested in what satisfies the economic wants and needs of others.
- A driving force of economic growth is the human mind's innate creativity and its capacity to discover new and better ways to meet consumer needs and wants.
- Both producers and consumers respond to economic incentives.
- Trade is a mutually beneficial exercise rather than a zero-sum game.
- The economic value of a good or service depends on its subjective valuation by millions of consumers.
- Free prices instantaneously convey millions of pieces of information concerning the relative supply of and demand for millions of goods and services.
- Economic order paradoxically emerges from below as people make their own decisions about what they consume, buy, sell, save, and produce.
- An ever-expanding and deepening division of labor creates ongoing efficiencies and effectiveness in the production of goods and services.
- Free and open competition subjects businesses to unrelenting pressures to innovate, shrink costs, reorganize how they operate, and lower their prices. This discipline facilitates the creation of new or refined products, which businesses hope will generate revenue that covers costs and produces a profit. Competition is unsettling but combats complacency by forcing everyone to respond and adapt.

These key ideas remain central to the workings of the market economy and its unparalleled capacity to generate economic growth. A remarkable feature of these arrangements is that, to cite the German economist Wilhelm Röpke, this "extraordinarily complex mechanism functions without conscious central control by any agency whatsoever."[21] Every day, millions of Americans rely on markets to deliver (sometimes literally to their front door) goods and services that were:

- Envisaged and created by an entrepreneur (perhaps long dead) whom we will never know.

- Manufactured and assembled by people specializing in different parts of the production process, often located in different parts of the world, whom we will never know.

- Delivered by sophisticated transportation methods coordinated by thousands of specialists, most of whom we will never know.

- Priced on the basis of millions of peoples' subjective valuation of that product relative to all of the other possible choices about how other people (most of whom we will never know) choose to spend their money.

Certainly, these arrangements do not always function smoothly. Entrepreneurs often discover that few people are interested in their products; investors sometimes misallocate their capital; and supply chains can be disrupted. Depending on the scale of errors, the necessary corrections can take on a recessionary form. More generally, entrepreneurship and competition introduce considerable disruption into economic life.

In the long term, however, the resulting turmoil is worth it. The economy remains flexible; people are incentivized to innovate and compete; the price system continues to provide the information that people need to make informed choices about what they want to buy and sell goods in light of their available resources, wants, and needs; and the economic growth that improves people's standard of living continues apace. Importantly, the market economy maintains and reinforces consumer sovereignty. This weakens the ability of government officials and established businesses afraid of competition to collude at the expense of new entrepreneurs, businesses without political connections, and 330 million American consumers.

These are all powerful contributions made by the market economy to the economic dimension of the common good. By contrast, the failure of command economies to deliver substantive and lasting economic growth—not to mention their systematic destruction of economic liberty and its supporting institutions—hardly requires mention. Corporatist economic policies like those that characterized regimes ranging from Mussolini's Italy to Franco's Spain, Vichy France, and Juan Perón's Argentina produced low to no growth, severely compromised economic and political freedom, and facilitated widespread collusion and cronyism between business and government actors that spilled over into outright corruption.[22]

Or consider the decidedly interventionist policies of Franklin Roosevelt's New Deal and Lyndon Baines Johnson's Great Society. Economic historians have concluded that the New Deal, in addition to radically expanding the administrative state and engaging in what was then the greatest non-wartime spending increases in American history, neither rescued America from its deep economic slump nor substantially reduced unemployment.[23] The Great Society programs of the 1960s and early 1970s furnished America with an even bigger federal bureaucracy and contributed to the stagnation—high unemployment, high inflation, and low growth—that engulfed the American economy throughout the 1970s.[24]

A common feature of these and other alternatives to the market economy is the conviction that governments can and should manage economies made up of millions of businesses and hundreds of millions of consumers. This was taken to extremes in command economies. Yet even in those economies that mix aspects of social democracy with particular market institutions, the expectation is that the state can and must pursue certain economic goals in ways that involve direct and indirect interventions into the economy.

The negative consequences of this outlook for the economic dimension of the common good are real. Over time, all of these interventions—however well-intended—result, as Röpke described, in the economy's becoming "less able to fulfill its functions, less elastic, and less maneuverable."[25] It also leads us to imagine that by metaphorically pulling levers—mandating minimum wage levels, seeking to nudge capital investment in particular directions, dictating interest rates based on projections that more often than not turn out to be inaccurate, subsidizing one economic sector rather than another, etc.—government officials can produce better short-term, medium-term, and even long-term economic results than free markets can produce.

As we will see, the state does have concrete responsibilities concerning the common good's economic dimension. The illusion, however, that an economy as large, complicated, and dynamic as that of the United States can somehow be managed from the top down by elected politicians, technocrats, and state officials has damaged and continues to damage important economic conditions that assist people in their pursuit of happiness.

Markets and Noneconomic Goods

Economic life is immediately concerned with questions of material existence as humans seek to provide for their economic needs and wants. The best free-market thinkers, however, have always understood that the market economy contributes to the common good in ways that extend beyond economics. These contributions often occur indirectly and go unnoticed. Nonetheless, they are real.

In the first place, the economic liberty that is central to markets creates a sphere of freedom for individuals and their families. The possession of private property in its manifold forms, as affirmed by thinkers ranging from Aristotle to Aquinas and Locke, provides the possessor and his dependents with some degree of independence from others and the state. Economic liberty and its institutional support, like private property and freedom to contract, are not by themselves sufficient for a free society. They are, however, indispensable.

The freedom that markets help to secure goes beyond that of individuals and private groups. The governments of nations in which markets produce economic growth, for example, are in a better position to fulfill one of their essential functions: the provision of national security against external dangers to our liberty. Comparatively poorer nations, by contrast, often find themselves in a far weaker position to do so or excessively reliant on other nations for their national security.

Many important moral habits are also encouraged by markets. We often think of markets as stimulating highly utilitarian views of other people and magnifying temptations to see life's meaning in materialistic terms. These are not unfounded concerns, but they should not distract us from the many civilizing effects that are associated with markets.

One moral habit that markets rely on and incentivize is what Michael Novak called *practical intelligence*.[26] In as dynamic a setting as a market economy, people constantly have to reassess and reconsider how they can best satisfy their needs and ambitions in light of ever-changing economic conditions. Certainly, this is demanding but our exercise of our practical intelligence in this way not only helps to make us more independent and adaptable, but also encourages us to be more alert to what is going on around us in the economy as other people exercise their practical intelligence. Liberty and attention to others are thus simultaneously promoted.

Another moral habit encouraged in the conditions of market economies is that of creativity. The incentives proceeding from the profit motive and the pressures emanating from competition incentivize many individuals and businesses to be creative, exercise their initiative, and work hard to turn new ideas or insights into economically valuable products. Entrepreneurship of this nature is a rare quality, but everyone's economic well-being depends on it.

The effectiveness of this creativity is bolstered by another important habit upon which markets rely: prudent risk-taking. Markets constantly demand of us that we make good judgments in conditions of uncertainty. Am I confident that my idea about how to produce a new product will meet with approval from financial backers and, eventually, consumers? Do I take a risk with my capital when presented with one particular opportunity, or do I wait for another? Do I save at this point in time, or is it more productive for me to take out a loan? How do I assess someone as risk-worthy? Is now a good time to start a business? Should I purchase this consumer good or use that portion of my resources to pay for my children's education?

Again, some people are better than others at making these types of judgments, and there is no guarantee that the most prudent of risks will pay off. The point, however, is that markets create conditions that encourage everyone at some level to use their intellect and exercise their capacity for free choices rather than sitting on life's sidelines, watching the world drift by.

Nor should we discount the civilizing effects associated with the growth and extension of market economies. For example:

- Markets encourage *civility* insofar as this helps to smooth commercial transactions.

- Markets rely on the *cooperation* initiated by people freely entering into contracts with others and facilitate constant *negotiation* to arrive at mutually beneficial agreements.

- Markets incentivize us to *trust* complete strangers and extend our social relationships beyond family and tribe to people whose political and religious beliefs may be very different from ours.

- Markets encourage the *self-restraint* and *self-command* that arise from constant deferral of immediate gratification to realize long-term goals.

- The economic growth delivered by markets allows more people to consider using some of their wealth to be *philanthropic* and support communities that help those in need or institutions whose direct focus is the promotion of distinctly noneconomic goods like knowledge and beauty.

Much of the ethic underlining this understanding of the potential of markets to civilize people was summed up by Montesquieu in his book *L'Esprit des Lois* when he described *l'esprit de commerce*: "The spirit of trade produces in the mind of a man a certain sense of exact justice, opposite, on the one hand, to robbery, and on the other to those moral virtues which forbid our always adhering rigidly to the rules of private interest, and suffer us to neglect this for the advantage of others."[27]

Obviously, these behaviors do not constitute the entirety of the good life. There also are spheres of human activity into which the extension of market relationships would be a mistake. The bonds between parents and their children, for example, are fundamentally grounded upon a form of selfless love. They would be fundamentally distorted if replaced by a commercial ethic.

That said, the importance of such habits encouraged by the market economy for enhancing the common good can be understood by considering their opposites. These include rudeness and incivility; passivity, laziness, and undue dependence on others; automatic attitudes of distrust and hostility to anyone who is not kith and kin; the hedonism and short-termism that flow from seeking instantaneous gratification; and, perhaps above all, the use of violence to extract what you want from others without their consent.

Markets actively discourage all of these tendencies without, however, pretending that we can somehow obliterate the inclination to do evil from human hearts. This reflects the *realism* about human beings that undergirds market economies and other economic systems struggle to replicate.

Markets and the State

At this point, some readers will start to ask an important question: What is the state's role in a market economy? Addressing this issue is important, not least because the alternatives to the market economy as a way to promote the economic dimension of the common good posit very expansive economic roles for the state.

Obviously, there are vast differences between a Soviet-style command economy and neo-Keynesian arrangements that focus on demand-side management but preserve many market mechanisms. The various alternatives to free markets do, however, share the conviction that the state can and must intervene extensively into economic life from the top down—sometimes directly, more often indirectly—to deliver economic and political outcomes that, it is argued, will not likely be delivered by markets. Many of these goals revolve around questions of equality, particularly greater equality of economic outcomes.

Advocates of free markets generally reject most such interventions. They note that command economies obliterate the workings of private initiative, free prices, and free competition. This eventually leads to economies in which there is little incentive to be creative and entrepreneurial, that are unable to replicate the signaling function of free prices, and that lack the disciplines created by competition. The result is the pulverization of economic liberty, mass stagnation, and the eventual destruction of the common good's economic dimension.

But even mildly interventionist policies can undermine those same economic preconditions for flourishing, albeit in less dramatic and more imperceptible ways. Take, for example, industrial policy.

Industrial policy involves government efforts to address apparent failures by the market to produce particular commercial outcomes in terms of capital investments, goods and services, and employment levels. Typically, such interventions are aimed at businesses and industrial sectors, often with a view to helping specific groups or regions of a country. The means deployed range from subsidies to outright capital grants, special tax write-offs, etc.

The problems with industrial policy that render most such interventions ineffective are numerous. The most prominent include:[28]

- **The knowledge problem.** Efficiently realizing the goals associated with industrial policy assumes that politicians, civil servants, and technocrats possess the knowledge to comprehend all of the technical details, possible methods of production, incentives, actual and future prices, unintended consequences, and alternative uses of resources that they would need to decide accurately the most optimal allocation of resources and course of action. No one can know all of these things about a given economic sector—let alone an entire economy.

- **Opportunity costs.** Every industrial policy generates the cost of foregone alternatives. To devise a successful industrial policy, you need to know which foregone alternatives might have been more profitable, might have produced more by way of growth or innovation, or could have bolstered a region's economic and employment prospects. No government or technocrat can know these things. This makes designing a successful industrial policy extremely difficult.

- **Lack of accountability.** Those involved in a private economic endeavor directly bear the costs of failure in economic and reputational terms if the venture fails. The same cannot be said of the government department or technocrats responsible for designing and implementing a failed industrial policy. They are usually insulated from the costs of failure. After all, their personal resources are not at stake. This diminishes the odds of government officials learning from their mistakes. It may even encourage them to take risks they would never take with their own assets, thereby increasing the chances of policy failure.

- **Cronyism and rent-seeking.** Industrial policies are created and overseen by elected officials, political appointees, and government employees. Because they are created through political processes, industrial policies are also notoriously open to capture by rent-seeking individuals and groups skilled at explaining why they are uniquely equipped to implement the policy. That lowers the likelihood of industrial policy's being characterized by a concern for economic efficiency while simultaneously raising the chances that the real goal will become the enrichment of those implementing the policy.[29]

- **Distortion of information.** Industrial policy undermines the market's ability to furnish the accurate information that entrepreneurs, investors, businesses, and consumers need to identify the most optimal economic path for each of them to follow—a process that constantly allows millions of piecemeal improvements to be made across the overall economy. By contrast, if industrial policies become a central feature of economic life, inefficiencies will magnify throughout the economy as people act on the basis of increasingly bad information.

- **Disguising of government failure.** Industrial policy supposes that if markets fail to produce certain products or to foster certain economic sectors that are deemed important for regional well-being, the government must intervene to rectify the problem. But what if the failure is not one of the private sector? What if the problem is pre-existing high taxes on profits generated by start-ups? Or regulatory barriers to entry for entrepreneurs? Or weak protections for intellectual property rights? In short, what if the problem is primarily *government* failure? Industrial policy discourages us from asking such questions.

- **Absence of proof.** Industrial policy has difficulty proving its effectiveness in achieving general and specific goals. It is hard, for instance, to establish causality between a given industrial policy and economic growth. As a 1993 World Bank analysis of the East Asian economic miracle stated, "[i]t is very difficult to establish statistical links between growth and a specific intervention and even more difficult to establish causality. Because we cannot know what would have happened in the absence of a specific [industrial] policy, it is difficult to test whether interventions increased growth rates."[30]

Similar points could be made about other forms of state intervention, ranging from protectionism to welfare programs. This does not mean that the state has no responsibilities whatsoever in this area. It is merely to note that once government goes beyond particular parameters, its efforts often are ineffective, waste scarce resources, and create perverse incentives.

How, then, does the state contribute to the economic component of the common good? A good starting point in attempting to identify genuine state responsibilities in a market economy is to consider the role of state institutions vis-à-vis the common good.

Here we should recall that the political common good that the state exists to promote is instrumental, not substantial. The state's responsibility is to assist people to flourish, and helping individuals and associations in a given political community means that: *helping*. The state does not assist individuals and communities by dulling, usurping, or annulling their ability and responsibility to make the free choices that actualize human happiness. In short, the activities and powers of the political authorities are themselves limited by the rationale for a political community.

These limits suggest the next question: What are those conditions that can be realized *only* by the state? Among the more prominent of these are interacting with other legitimate political authorities (foreign policy); protecting the members of the political community from hostile outsiders (national security); maintaining public order (the police power); upholding the rule of law and punishing wrongdoers (legal justice); adjudicating disputes arising from particular relationships (commutative justice); and providing particular goods that no private entity may be especially incentivized to provide under its own volition (public works).[31]

All of these responsibilities have immediate implications for the state's role in economic life. Resolving contractual disputes, for example, requires deliberation, judgment, and binding rulings from courts. Likewise, violations of private property necessitate action by state institutions to identify and charge alleged violators and restore justice by rectifying the property violation and punishing the guilty. By acting in these ways, the state directly bolsters conditions that help individuals and communities to flourish in the economy.

Many may regard this as minimalist, but *none* of these responsibilities is minor. Upholding the rule of law, for example, is a challenging, expensive, and unending exercise. It is, however, indispensable for the survival and flourishing of market economies. Failure on the part of government officials to maintain the rule of law, protect the rights associated with property ownership, or provide effective and swift resolution of contractual disputes is among the fastest ways to undermine key preconditions for economic prosperity.

Nonetheless, many people, especially on the political Left and now some sections of the Right, hold that the general welfare of the United States demands that government economic activities should extend far beyond these parameters. They argue, for instance, that the importance of other goods like health care or stable employment—often couched in the language of rights (a right to health care, a right to a job, etc.)—necessitates even wider forms of state economic intervention.

The aforementioned example of industrial policy illustrates that direct government economic interventions that seek to secure such goals are very likely to introduce dysfunctionalities into economic life that end up damaging the common good. It is one thing to say, for instance, that people have a right to work, but no government could maintain this as a reality for all who want to work unless state institutions were allowed to control every dimension of economic life directly. That would disincentivize private initiative, destroy competition, undermine the workings of free prices, etc., thereby crippling the economy's capacity to generate jobs that serve to create goods and services that consumers need and want.

Do such well-established facts rule out any role for the state beyond the core functions mentioned above, especially given the situation of those who, despite the material prosperity produced by markets, remain on society's economic margins?

In genuine emergencies (like war), the state is often permitted to do things in the economy that would otherwise not be tolerated. Such emergencies are seen as necessitating, albeit for strictly temporary periods, an expansion of the state's immediate responsibilities for the common good. The challenge is that retracting such emergency powers is often difficult. Sometimes they become permanent.[32] At a minimum (as government responses to the 2020 Covid pandemic reminded us), mechanisms should be in place to help stop the emergency from becoming a rationale for endless extensions of state power.

Beyond emergency circumstances, many free-market thinkers have identified instances in which the state may have to act beyond the parameters outlined above. Adam Smith, for instance, considered education to be in the public interest and thought that there may be instances where the state may need to supplement private fundings.[33] F. A. Hayek was not opposed to a minimum state-provided safety net in the area of welfare, especially for those with no other apparent means of sustenance.[34]

Two preliminary questions should be asked, however, before we proceed too far down the path of identifying exceptions: Are government agencies the optimal institutions to address a given problem? And what does the political common good indicate is the best way forward?

Markets and Civil Society

It is not hard to find political thinkers who tend to identify community and the idea of solidarity with government and political action, but within any free polity, there are many other communities and associations, most of which are defined by specific goals. Families, for example, help to instantiate directly goods particular to familial life. Private charities and philanthropic organizations seek to address the needs of specific groups or promote particular interests (music, the arts, etc.). Privately run schools seek to provide alternatives for people who want their children educated in particular ways. Religious associations are fundamentally concerned with answering questions about the nature of the transcendent and how to live our lives in light of our conclusions about such questions.

The phrase "civil society" is used to describe the ever-changing ecology of all of these communities and associations that are neither explicitly political nor primarily economic in their character or origins. Such communities are also invariably "bottom up" in nature. They are formed by people freely associating with each other in order to promote particular ends.

To varying degrees, the well-being of these communities depends on a prosperous economy as well as government's performing—and sticking to—its core functions. Civil society tends not to flourish in conditions of poverty or when confronted by an overmighty state that behaves arbitrarily. What matters, however, is that these associations and communities are *antecedent* to the state. At a minimum, governments should not be undermining the liberty of these groups to pursue their activities, many of which meet human needs that markets cannot meet and reflect aspects of human existence that go far beyond the economy and politics.

An understated feature of these groups is that, while they are privately organized and directed associations, they are engaged in thoroughly *public* activities that help to establish conditions that assist people to pursue happiness. Not everything public or that impinges on the general welfare need be political, let alone governmental, in character.

The business of civil society happens to be something that Americans historically have been very good at doing. In his *Democracy in America*, Alexis de Tocqueville described at length how the Americans of the 1830s freely associated with each other to address numerous problems without waiting for government officials to act. Americans tended, Tocqueville noted, to dress up this activity in the language of enlightened self-interest ("the doctrine of interest well understood") as if afraid to concede that their actions might be driven by philanthropic, humanitarian, charitable, or religious motivations.[35] Yet they accomplished great good while largely avoiding the bureaucracy of contemporary government programs and welfare states.

More than a century later, another Frenchman, the philosopher Jacques Maritain, noticed similar habits that even the legacy of the New Deal had failed to crush among Americans. "There is in this country a swarming multiplicity of particular communities," he wrote, "in which men join forces with one another at the elementary level of their everyday concerns and interests."[36] That was how many Americans combatted numerous social problems and promoted any number of cultural goods. Indeed, Maritain observed, "the American mind still does not like the look of the very notion of *state*. It feels more comfortable with the notion of *community*."[37]

There is, however, another dimension to civil society that is especially relevant to the market economy. Critics and advocates of free markets have worried about some of the negative side effects of dynamic markets on the wider society and culture. They often have in mind the endless churn associated with creative destruction.

While the creative part drives the innovation, better and new use of resources, and technological change that boost growth, the destructive part means that some jobs, even entire industries, can be rendered redundant. The subsequent transitions can be difficult. As noted, using means like industrial policy to address such issues has its own problems, but the transition difficulties should not be trivialized.

Dynamic markets can also present challenges for culture. Economic growth creates the resources that allow communities to maintain and promote cultural goods. Nonetheless, there is still a risk that the spread of wealth can facilitate materialism in the sense that people start to view themselves, other people, and life in general primarily in terms of material possessions, gain, and loss. Prominent free-market thinkers have frequently expressed such concerns. Röpke, for instance, thought that the market's very success could easily encourage utilitarian and materialist mindsets throughout society.[38] In an American context, one of the founders of the Chicago School of Economics, Frank H. Knight, regularly expressed similar worries.[39]

It is not immediately obvious that state institutions can do much to alleviate such problems. On the issue of transitions, there is considerable evidence that various government assistance and trade adjustment programs designed to help workers manage transitions create perverse incentives against adapting to change. Keeping markets—especially labor markets—as flexible as possible, it turns out, is far more important in facilitating relatively fast transitions.[40]

In terms of the cultural challenges associated with markets, free associations and communities can do much to head off such problems. In many cases, the very purpose of such associations is to encourage people to think about and promote goods that go beyond market logic. Whether their focus is promoting classical music, friendships that gravitate around common sporting interests, the practice of religious beliefs, or helping people suffering from addiction and mental illness, these and other associations remind us that there is more to life than the accumulation and spending of wealth. Moreover, they do so without bringing debilitating effects of government bureaucracy into the picture.

The great temptation faced by such organizations is to accept direct support from the state. When they do so, private associations often gravitate toward doing what government officials offering large contracts deem to be the priorities. That can initiate a process by which such associations slowly surrender their independence, thereby undermining the liberty that is as essential for a dynamic civil society as it is for markets. At this point, civil society starts to become displaced by non-governmental organizations that function as auxiliaries of and advocates for government action. The freedom of individuals and communities to operate under their own volition thus becomes steadily weaker, just as ongoing state interventions into the economy gradually compromise the workings of markets.

Conclusion

Properly understood, the idea of the common good helps to establish a coherent framework for discerning where responsibility for realizing the various conditions that constitute the common good of political communities lies. It reminds us that a country like America is a political entity made up of millions of individuals and communities that help others to pursue happiness without unduly undermining their capacity to make the free choices through which such flourishing occurs.

That point about free choice alone should give those American conservatives who are open to greater use of state power to secure particular economic goals considerable pause. Operating within the parameters associated with the rule of law and constitutionally limited government, and buttressed by the free associations of civil society, market economies give tremendous scope for people to realize numerous economic and noneconomic goods freely in ways that are much harder to recognize in managed and mixed economies.

The realization of such goods in a dynamic market economy has unintended flow-on effects that further bolster the general welfare. As Novak observed, "moral strengths in an economic system based upon innovation, invention, enterprise, creativity, and other attendant commercial activities...spill over from economic activities into the arts, sciences, culture, and civic and political life as well."[41] Conversely, government economic interventions beyond certain core state functions have quite different implications. Whether it is the fostering of rampant cronyism through protectionism and industrial policy or the spread of undue dependence on state welfare, the damage is not just to the common good's economic dimension; the political, social, and cultural components of America's general welfare are also degraded.

None of this is to deny that there are trade-offs associated with market economies. Even if the living standards of the vast majority of people steadily improve in market economies, businesses still fail, recessions still occur, and the toll on people's morale can be considerable. That truth, however, must be accompanied by attention to another truth: There is no such thing as a perfect economic system in this world any more than there is a perfect political system. Moreover, the available alternatives to market economies are demonstrably worse. For all their imperfections, the habits, protocols, and institutions underlying free markets have proved to be the most efficacious long-term means of allowing what Hayek called "the creative powers of a free civilization"[42] to promote the specifically economic components of the common good.

Even more important, the market economy does so in ways that reflect core universal truths about who we are as human beings. Markets recognize that we are simultaneously individual and social; rational and fallible; possess free will and yet are dependent on others; creative but also tempted to passivity; able to know good and yet drawn to consider doing evil; and, finally, shaped by the pursuit of self-interest while also capable of considerable selflessness.

Here we should emphasize yet again the essential *realism* about the human condition that should make the case for the market economy and a rich civil society and the case against expansive government intervention so morally and politically compelling to modern American conservatives. For decades, conservatives have criticized American progressives for their utopianism, unbounded faith in experts and bureaucracies, and unreasonable confidence that governments can somehow possess and utilize the knowledge needed to realize something approaching perfection in this world. Markets, by contrast, embody a profound level-headedness about our strengths and weaknesses as human beings and instead of trying to deny these truths seek to turn them to our advantage. That is a classic conservative insight into human nature, and conservatives ought to affirm its implications for the economy.

No set of arrangements, including the market economy, Michael Novak once wrote, can realize "the common good of all without exceptions, flawlessly, and without inequalities."[43] Against those who insist that we can somehow have it all through a mixture of macro-planning and micro-interventions, market economies help us understand that the common good can be realized in any human society only by means of approximations and always incompletely. Rather than imagining that we can and should use political means to realize a substantive common good that is ultimately found beyond politics, the habits and institutions of markets help to bring us ever closer to that which is gradually better for all, even though we will never attain a perfect end.

To this extent, markets have permitted and will continue to permit millions of people to build up the economic common good and thus, by extension, Americans' general welfare in ways far beyond what they could have achieved under pre-capitalist arrangements. Living out the blessings of liberty in the marketplace, it turns out, is a marvelous way to realize the well-being of ourselves, those close to us, and numerous individuals and communities that we will never know. Markets neither promise nor deliver heaven on earth. Nevertheless, they do help to bring us closer to a full realization of those goods that reflect our essence as humans and are within the reach of those American men and women who have the courage to be free.

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Endnotes

1. The contours of this intra-American conservative debate are outlined in Alexander William Salter, "Free Enterprise and the Common Good: Economic Science and Political–Economic Art as Complements," Heritage Foundation *First Principles* No.90, April 2023, https://www.heritage.org/conservatism/report/free-enterprise-and-the-common-good-economic-science-and-political-economic-art.
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11. See John Finnis, *Natural Law and Natural Rights*, 2d ed. (Oxford: Clarendon Press, 2011), pp. 141–143.
12. See John Finnis, "Limited Government," in John Finnis, *Collected Essays*, Vol. III, *Human Rights and the Common Good* (Oxford: Oxford University Press, 2011), p. 88.
13. Ibid., pp. 87–92.
14. See Samuel Gregg, *The Essential Natural Law* (Vancouver: Fraser Institute, 2021), pp. 35–42, https://www.fraserinstitute.org/sites/default/files/essential-natural-law.pdf (accessed January 19, 2024).
15. See Thomas Aquinas, *Sententia Libri Ethicorum*, V.11 n.10, in *Thomae Aquinatis Opera Omnia cum Hypertextibus in CD-ROM*, ed. Robert Busa (Milan: Editoria Elettronica Editel, 1996).
16. See Finnis, *Natural Law and Natural Rights*, pp. 270–275.
17. See Eric Barendt, *An Introduction to Constitutional Law* (Oxford: Oxford University Press, 1998), p. 4.
18. Michael Novak, *Free Persons and the Common Good* (Lanham, MD: Madison Books, 1989), p. 77.
19. See Adam Smith, *An Inquiry into the Nature and the Causes of the Wealth of Nations*, ed. R. H. Campbell and A. S. Skinner (Indianapolis: Liberty Fund, [1776] 1981), Vol. II, IV.viii.49, 660.
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35. See Alexis de Tocqueville, *Democracy in America*, Vol. 3 (Indianapolis: Liberty Fund, [1835–1840] 2010), p. 920.
36. Jacques Maritain, *Reflections on America* (New York; Charles Scribner's Sons, 1958), p. 162.
37. Ibid., p. 163. Emphasis in original.
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40. See Gregg, *The Next American Economy: Nation, State, and Markets in an Uncertain World*, pp. 239–244.
41. Novak, *Free Persons and the Common Good*, p. 135.
42. Hayek, *The Constitution of Liberty: The Definitive Edition*, p. 73.
43. Novak *Free Persons and the Common Good*, p. 139.