

5. The Word of Honour

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Abstract

In this short essay, Nietzsche's basic thought on an economic order based on his anthropology – Nietzsche defines the human being as that animal which can give and keep promises – contains profound insights into the basic order of a market economy. The essay starts by quoting two essential sections from Nietzsche's writings in his middle period and it connects this to a discussion of basic institutions of the market economy. It is hereby shown that Nietzsche, certainly not known as an economist, had profound insights into the basics of the workings of a market economy.

Keywords:

Friedrich Nietzsche, contract, property, liability

JEL classification:

B1, B3, K0, P1, Z0

INTRODUCTION*

Friedrich Nietzsche (1844-1900) is certainly not known as a profound writer in economics. Contemporary writings do not quote him as having contributed to economics at all. However, a closer look shows that Friedrich Nietzsche had deep insights into why and how man can be a homo oeconomicus. This part has three basic sections. Section I gives essential quotes from his now available work. Section II gives a sketch of basic institutions of the market economy. Section III connects the two in showing that Nietzsche, indeed, had profound insights that go way beyond other classical thinkers in economics. In this sense, and in this sense only, Nietzsche can be claimed to be an important thinker in the history of economic thought.

*A note to the reader: This essay is based on two excerpts from Nietzsche which appear in the appendix. Instead of disassembling the original quotes and integrating them into the interpretative text, I have left them intact for the reader to study in the appendix. Nietzsche, of course, does not speak directly to the issues involved with the operation of a market economy. He is operating on a meta level. Dispersing the original text over the interpretative essay would take away much of the original flavour of Nietzsche's thought and presentation.

A. Friedrich Nietzsche (1844-1900) is probably the most important philosopher of the 19th century. Since philosophy is the mother of the social sciences, it would be curious indeed if Nietzsche did not have important things to say about economics. Economics, after all, is a social science. However, the consensus in the economics profession today is that Nietzsche had little to add to economic analysis. In this sense, Nietzsche is probably silent on economics. He did not contribute to increasing the availability of tools available to economists today. Yet, at a different level, he had important things to say, and in this essay devoted to Leland Yeager, I try to show that Nietzsche indeed had important economic insights.

B. In his “Gay Science” section 377, Nietzsche all of a sudden brings up the word of honour. It is the culmination of this section,¹ inserted into a longer sentence and ended with an exclamation mark. In this section, Nietzsche talks about his vision of a civil society. Its intellectual leaders, those who preferred to live on the mountains, have left their roots behind, have outgrown nationalism and racism, have left Christianity behind but are not at all without ideals: “in one word we are – and this shall be our word of honour! – good Europeans, the heirs of Europe, the rich, overburdened, but at the same time manifold bound heirs of millennia of European spirit and as such grown beyond Christianity...” This word of honour to seal the true European spirit is needed, because, as he later points out, the quest for a European civil society is based on belief itself.²

The notion of a word of honour is not incidental. It has actually been a central idea in his Genealogy of Morals written five years later.³ Man is defined as that animal which can make and keep promises. He sees this as the basic and most important moral achievement attained by mankind, an achievement that is even more surprising in that man also has a strong tendency to forget. This insight is at the heart of the concept of cognitive dissonance. By being able to make believable promises, man is creating a link between the present and the future through a process of division of labour. The promise entails an exchange which is not constrained to take place simultaneously and at the same time; this form of barter we can also observe in animal societies. Instead, the promise allows for an exchange of goods or service in the present in return for equivalent goods or services in the future. This is the basis for such economic activities as saving, investment, credit and bequest. If any one of these institutions is lacking, economic progress can hardly take place.

Under current conditions of economies undergoing processes of transition, Nietzsche’s insight appears to be particularly powerful. In order to make this clear, let us take a look at the basic institutions characterising a market economy. These are the institutions signalled by Eucken.