



## Experts Discuss 'The Free Market and Morality'

By Father John Flynn, LC  
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Rediscovering what genuine freedom really means may well be a key to overcoming some of the flaws afflicting the economy today.

ROME (Zenit) - As economic indicators continue to nosedive, debate over the free market continues apace. On Dec. 3 the John Templeton Foundation hosted a forum in London to address the issue. A group of economists and commentators gathered to debate the topic: "Does the Free Market Corrode Moral Character?"

Michael Walzer, retired professor in the School of Social Science at the Institute for Advanced Study in Princeton, New Jersey, argued that free market competition forces people to break the rules of decent conduct. Attempting to justify this behavior leads to self-deception that corrodes moral character, he said.

Competition is not, however, only a negative force, Walzer added. Cooperation in economic enterprises produces mutual respect, friendship and solidarity, and people learn how to take risks and forge alliances. Walzer proposed limitations on economic power and markets so as to reduce the corrosion due to market forces.

Kay S. Hymowitz, the William E. Simon Fellow at the Manhattan Institute, also warned against the negative effects of the free market on morality. The modern market economy introduces many novelties that undermine established cultural and moral traditions, she argued. As well, stimulating the desire for more and more goods can lead to a weakening of self-discipline and our sense of moral obligations. In addition, the free market often promotes a sense of autonomy and hedonism that is particularly corrupting for families with little cultural formation.

Nevertheless, she admitted, the same market forces can help children and adolescents realize the need for discipline and study if they wish to achieve success in a competitive world.

### **Not black and white**

John Gray, retired professor at the London School of Economics, took a similar view to Walzer, observing that free markets corrode some aspects of character, while enhancing others. Gray recommended against relying too

much on concepts of ideal models. In practice, he added, free markets rarely work according to the abstract economic models. As well, free markets are not simply the absence of government controls, as all markets depend on systems of laws and regulatory constraints.

Gray warned, however, that even though the free market system is imperfect and also tends to corrode some moral values, it does not follow that other economic systems are better. "Centrally planned systems have corroded character far more damagingly and with fewer benefits in terms of efficiency and productivity," he adverted.

John C. Bogle, president of the Bogle Financial Markets Research Center, premised his remarks by saying that it depends on what kind of market we are talking about.

The current financial crisis, Bogle maintained, is not really an indictment of markets, but is more due to a change from what he termed an "ownership society," dominated by individual investors, to an "agency society," where corporate managers dominate.

In the early 1950s, he explained, individuals held 92% of all U.S. stocks. Today, however, institutions and pension funds hold 75% of stocks. Bogle accused the managers of these institutions of putting their own interests ahead of the interests of those people whose money they are charged with investing.

### **Short-sighted**

Another corrupting influence has been the focus of investment strategies on short-term speculative gains, as opposed to long-term investing. When it comes to the question of moral character Bogle said that the trend to moral relativism in recent times has eroded the force of ethical principles that once restrained people. The solution, he concluded, is to return to a purer form of the free market and to recover genuine moral virtues.

By contrast, Robert B. Reich, professor of public policy at the University of California at Berkeley, said consumers bear responsibility for many of the moral flaws in the market. Frequently consumers avoid dealing with the conflicts between their market impulses and moral ideals, said Reich, who served as the secretary of labor under President Bill Clinton. For example, we want goods at the cheapest prices, but ignore the effect this has on keeping wages low for those who make the products.

Then, when we find out about ethical problems associated with consumer goods we often blame the producers and retailers, instead of taking some of the responsibility on ourselves, Reich continued.

### **Transparency**

Reich concluded the market does not corrode our character. Instead, by placing the blame on intermediaries, it allows us to retain our ideals, while making choices that lead to outcomes that, in practice, violate our principles.

The solution, according to Reich, is greater transparency in the market, so we are more aware of the consequences of our choices.

Michael Novak, a well-known commentator on economic issues, and the George Frederick Jewett Scholar in Religion, Philosophy, and Public Policy at the American Enterprise Institute, drew attention to the importance of moral values in curbing some of the self-destructive elements within an economy based on the free market.

At the same time Novak observed that the very successes of the market system also tend, over time, to weaken those very moral strengths that are necessary for its success. "A generation committed to saving for tomorrow is replaced by a generation heedlessly living just for today," he noted.

Therefore, Novak concluded, the greatest task of what he termed a commercial society is to return to its spiritual roots. This means an emphasis on the family, and on forming the next generation in good habits that will ensure a strong character.

Jagdish Bhagwati, a professor of economics and law at Columbia University, took a much more favorable view of markets and also of globalization. Many hold that globalization has harmful side effects, such as promoting child labor or harming the ecology. Bhagwati argued that the consequences are not negative, but rather positive and that globalization has been a force for good. Moreover, he said, the forces of globalization combined with the Internet means that we are far more aware of problems and difficulties in other countries, which leads to a greater sense of our moral obligations toward others.

Moral defenses

French philosopher, Bernard-Henri Lévy, started his presentation by arguing that when the free market is released from all rules and governed only by the greed of the most powerful it will fatally corrode our souls. The real world is, however, more complicated and we cannot simply declare that the market is only a negative force. The negation of the market economy that was present on both fascism and communism was by far a more deadly moral force than the free market, he argued.

The market economy, Lévy noted, develops qualities of initiative, decision-making and creates bonds between people. He even maintained that the free market can reinforce our moral defenses, so long as we refuse the temptation of a capitalism that does not abide by any rules.

"The market, to borrow Winston Churchill's famous phrase about democracy, is the worst solution, except for all the others," Lévy concluded.

Rick Santorum, a former U.S. Republican senator from Pennsylvania and now a senior fellow at the Ethics and Public Policy Center in Washington, D.C., noted that the free market depends on and rewards many human virtues.

At the same time he warned that the free market does not always coincide with what is virtuous or moral. Santorum recommended keeping in mind what Pope John Paul II said when he distinguished between the true freedom of doing what you ought to do, and the false freedom of doing whatever you want.

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