

Does the free market corrode moral character?



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To the contrary.

I can attest from personal experience that, if you try to talk about the free market on today's university campuses, you will be buried in an avalanche of criticism of globalization. The opposition of faculty and students to the expansion of international markets stems largely from a sense

of altruism. It proceeds from their concern about social and moral issues. Simply put, they believe that globalization lacks a human face. I take an opposite view. Globalization, I would argue, leads not only to the creation and spread of wealth but to ethical outcomes and to better moral character among its participants.

Many critics believe that globalization sets back social and ethical agendas, such as the reduction of child labor and poverty in poor countries and the promotion of gender equality and environmental protection everywhere. Yet, when I examined these and other issues in my book, *In Defense of Globalization*, I found that the actual outcomes were the opposite of those feared.

For example, many believed that poor peasants would respond to the greater economic opportunities presented by globalization by taking their children out of school and putting them to work. Thus considered, the extension of the free market would act as a malign force. But I found that the opposite was true. It turned out that in many instances, the higher incomes realized as a result of globalization — the rising earnings of rice growers in Vietnam, for example — spurred parents to keep their children in school. After all, they no longer needed the meager income that an additional child's labor could provide.

Or consider gender equality. With globalization, industries that produce traded goods and services face intensified international competition. This competition has reduced the yawning gap in many developing countries between the compensation

paid to equally qualified male and female workers. Why? Because firms competing globally soon find that they cannot afford to indulge their pro-male prejudices. Under pressure to reduce costs and operate more efficiently, they shift increasingly from more expensive male labor to cheaper female labor, thus increasing female wages and reducing male wages. Globalization hasn't produced wage equality yet, but it has certainly narrowed the gap.

There is now plenty of evidence that India and China, two countries with gigantic poverty problems, have been able to grow so fast by taking advantage of trade and foreign investment, and that by doing so, they have reduced poverty dramatically. They still have a long way to go, but globalization has allowed them to improve material conditions for hundreds of millions of their people. Some critics have denounced the idea of attacking poverty through economic growth as a conservative "trickle-down" strategy. They evoke images of overfed, gluttonous nobles and bourgeoisie eating legs of mutton while the serfs and dogs under the table feed on scraps and crumbs. In truth, focusing on growth is better described as an activist "pull-up" strategy. Growing economies pull the poor up into gainful employment and reduce poverty.

Even if they grant that globalization generally helps the achievement of certain social aims, some critics still argue that it corrodes moral character. A widening free market, they say, expands the domain over which profits are pursued, and profit-seeking makes people selfish and vicious. But this is hardly plausible.

Consider the Calvinist burghers described by Simon Schama in his history of the Netherlands. They made their fortunes from international trade, but they indulged their altruism rather than their personal appetites, exhibiting what Schama aptly called the "embarrassment of riches." Similar self-restraint can be seen in the Jains of Gujerat, the Indian state that Mahatma Gandhi came from. The riches that the Jains reaped from their commercial activities were harnessed to their values, not the other way around.

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As for the influence that globalization continues to have on moral character, let me quote the wonderful sentiments of John Stuart Mill. As he wrote in *Principles of Political Economy* (1848):

The economical advantages of commerce are surpassed in importance by those of its effects, which are intellectual and moral. It is hardly possible to overrate the value, in the present low state of human improvement, of placing human beings in contact with persons dissimilar to themselves, and with modes of thought and action unlike those with which they are familiar... There is no nation which does not need to borrow from others, not merely particular arts or practices, but essential points of character in which its own type is inferior... It may be said without exaggeration that the great extent and rapid increase in international trade, in being the principal guarantee of the peace of the world, is the great permanent security for the uninterrupted progress of the ideas, the institutions, and the character of the human race.

In today's global economy, we continually see signs of the phenomena Mill described. When Japanese multinationals spread out in the 1980s, their male executives brought their wives with them to New York, London, and Paris. When these traditional Japanese women saw how women were treated in the West, they absorbed ideas about women's rights and equality. When they returned to Japan, they became agents of social reform. In our own day,

television and the Internet have played a huge role in expanding our social and moral consciousness beyond the bounds of our communities and nation-states.

Adam Smith famously wrote of "a man of humanity in Europe" who would not "sleep tonight" if "he was to lose his little finger tomorrow" but would "snore with the most profound security" if a hundred million of his Chinese brethren were "suddenly swallowed up by an earthquake," because "he had never seen them." For us, the Chinese are no longer invisible, living at the outside edge of what David Hume called the concentric circles of our empathy. Last summer's earthquake in China, whose tragic aftermath was instantly transmitted onto our screens, was met by the rest of the world not with indifference but with empathy and a profound sense of moral obligation to the Chinese victims. It was globalization's finest hour.

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