

Does the free market corrode moral character?



Tyler Cowen

No, on balance.

In matters of morality, the free market functions like an amplifier. By placing more wealth and resources at our disposal, it tends to boost and accentuate whatever character tendencies we already possess. The net result is usually favorable. Most people want a

good life for themselves and for their families and friends, and such desires form a part of positive moral character. Markets make it possible for vast numbers of people, at every level of society, to strive for and achieve these common human ends.

Other features of the free market also encourage the better angels of our nature and discourage our destructive impulses. People who are good at cooperating with others tend to be better money-makers, for instance. They find it easier to work with fellow employees, easier to communicate with customers, and easier to pitch a business plan to venture capitalists. The more we are rewarded for such cooperation, the more our characters move in a cooperative direction.

In a more personal sense, the free market also allows people to realize a range of good intentions. Markets allow productive people to provide extraordinary service to generations of their fellow human beings: by inventing new drugs, developing labor-saving devices, or finding cheaper, more efficient ways to supply the world with food. The chance to become wealthy is often an incentive for such creative types, and ego and ambition are also prime factors. But we should not confuse these motivations with bad character. Markets make it possible to harness our desire for wealth and personal distinction to our more altruistic impulses. They spark us to do good by doing well. And, of course, they create the means for people to donate their wealth and labor to a range of philanthropic causes.

From an international point of view, the moral

attractions of markets are clear. Consider immigration. Across the world, people tend to migrate to market-friendly societies and away from market-unfriendly societies—and money is not the only motivating factor. They are also drawn by the opportunity to live under a system that offers a better quality of life, and especially by the opportunity to escape from the morally degrading favor-seeking of many other economic arrangements. Every year, Transparency International issues an index of the most corrupt places in the world to do business. The countries topping last year's list were Iraq, Myanmar, and Somalia. The least corrupt countries were Denmark, Finland, and New Zealand, all of which have active market economies.

Does this mean that markets have caused the lack of corruption? No, but it is obvious that the rise of markets and the decline of corruption are part of a common and consistent thread of progress. One of the most important functions of markets is to create a consensus around certain moral expectations: that agreements should be binding, that honesty is expected in transactions, that economic actors are held accountable for broken promises. All of these ideas have positive social consequences far beyond the realm of commerce, as any observer of modern market societies can see.

Some qualifications are in order. Not all markets are “free,” in the sense of having well-enforced laws against aggression and fraud. Free markets also require a certain baseline level of trust and a shared cultural understanding of market rules. “Corrupted” markets, as I would call them, do not meet these criteria. They allow evildoers, such as hit men and the mafia, to commit crimes, and they give deceptive businesses the means to sell tainted or defective products or (borrowing from recent headlines) to pawn off mortgages that are too good to be true.

Nor should we deceive ourselves by thinking that the broader definition of self-interest encouraged by markets is always noble. Trying to advance the

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aims of your family, friends, and community certainly has a positive moral dimension, but it can also be accompanied by envy, greed, self-deception, and a variety of other human imperfections. By making more social activity of every kind possible, the market creates greater scope for these vices.

As observers of economic life, many of us (especially if we happen to be journalists or academics) focus too often on these sorts of negative examples. But we need to take a wider view of human progress. In the midst of our own

long era of economic growth and expansion, it is obvious that the positive features of markets decisively outweigh their negative features. This is true not only because of the practical and material benefits of wealth creation but because of its beneficial effect on personal morality as well.

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