

# Does the free market corrode moral character?



John Gray

## It depends.

Free markets corrode some aspects of character while enhancing others. Whether the result is good, on balance, depends on how one envisions a good life. Much also depends on whether one believes other economic systems can do better. The question can only be

answered by comparing realistic alternatives and by understanding how different systems promote divergent types of human character.

It is important to avoid thinking in terms of ideal models. In recent years there has been a tendency to think that free markets emerge spontaneously when state interference in the economy is removed. But free markets are not simply the absence of government. Markets depend on systems of law to decide what can be traded as a commodity and what cannot. Slavery is forbidden in modern market economies; so are blackmail and child pornography. Free markets *always* involve some moral constraints of this sort, which are policed by governments. More generally, free markets rely on property rights, which are also enforced — and often created — by government.

The free market as it existed in mid-Victorian England came about not because the state withdrew from the economy, but rather because state power was used to privatize land that had been under various forms of common ownership, or not owned at all. The *laissez-faire* economy that existed for a few decades in 19th-century England was made possible by the Enclosure Acts. These laws, enacted by Parliament starting in the second half of the 18th century, displaced farm laborers from the countryside and created the industrial working class that was the free market's human base. But with the extension of democratic voting rights in the late 19th and early 20th century, these workers began to demand that economic activity be subject to various kinds of regulation.

The eventual result was the managed market economy that exists in Britain and many other countries today.

A historical perspective is useful because it enables us to see that economic systems are living things. In real time, free markets rarely work according to the models constructed by economists. There are booms and bubbles, busts and crashes. It is only in economics textbooks that markets are self-regulating. Against this background, the relation between economics and ethics can be seen more clearly. The traits of character most rewarded by free markets are entrepreneurial boldness, the willingness

to speculate and gamble, and the ability to seize or create new opportunities. It is worth noting that these are not the traits most praised by conservative moralists. Prudence, thrift, and the ability to press on patiently in a familiar pattern of life may be admirable qualities, but they do not usually lead to success in the free market.

In fact, when markets are highly volatile, these conservative traits may well be the road to ruin. Retooling one's skills, relocating, switching careers — such risk-taking actions help people survive and prosper in free-market economies. But this kind of risk-taking behavior is not necessarily compatible with traditional values that stress the value of enduring human attachments.

Adam Smith, one of the originators of free-market economics, was also an astute critic of commercial society. Smith feared that the market economy emerging in his time would leave workers adrift in cities lacking cohesive communities. As he perceived, the subversive dynamism of the market cannot be confined to the marketplace. Free markets demand a high degree of mobility and an ingrained readiness to exit from relationships that are no longer profitable. A society in which people are constantly on the move is unlikely to be a society of stable families or to be notably law-abiding.

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In the end, the answer to this question depends on how one conceives the good life. What a traditional moralist views as family breakdown may be seen by a liberal as the exercise of personal autonomy. For the liberal, personal choice is the most vital ingredient of a good life, while conservatives may regard the preservation of valuable institutions to be more important. With regard to contemporary Western societies, I tend to a liberal view. But the important point is not so much which of these conceptions one adopts. Rather, it is this: though free markets reward some moral traits, they also undermine others. If they emancipate individual choice, they at the same time corrode some traditional virtues. One cannot have everything.

The moral hazards of free markets do not mean that other economic systems are any better. Centrally planned systems have corroded character far more damagingly and with fewer benefits in terms of efficiency and productivity. The planned economies of the former Soviet bloc only functioned — to the degree they did at all — because they were riddled with black and grey markets. Corruption was ubiquitous.

In the Marxian model, the greed-fuelled anarchy of the market is replaced with planning based on altruism. But actual life in Soviet societies was more like an extreme caricature of laissez-faire capitalism, a chaotic and wasteful environment in which each person struggled to stay afloat.

*Homo homini lupus*— man is wolf to man — was the rule, and altruism the exception. In these conditions, people with the most highly developed survival skills and the fewest moral scruples did best.

No economic system can enhance every aspect of moral character. All rely to some extent on motives that are morally questionable. Greed and envy may be vices, but they are also economic stimulants. An economic system is good to the extent that it harnesses human imperfections in the service of human welfare. The choice is not between abstract models, such as the free market and central planning. In the real world of history, neither has ever existed in the form imagined by its advocates. No, the true choice is between different mixes of markets and regulation, none of which will ever be entirely morally benign in its effects. A sensible mix cannot be achieved by applying an ideal model of how the economy should work. Different mixes will be best in different historical contexts. But one thing is clear: a modern market economy cannot do without a measure of moral corrosion.

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