

# *Does the free market corrode moral character?*



*Michael Walzer*

## **Of course it does.**

Competition in the market puts people under great pressure to break the ordinary rules of decent conduct and then to produce good reasons for doing so. It is these rationalizations — the endless self-deception necessary to meet the bottom line and still feel okay about it —

that corrode moral character. But this isn't in itself an argument against the free market. Think about the ways that democratic politics also corrodes moral character. Competition for political power puts people under great pressure — to shout lies at public meetings, to make promises they can't keep, to take money from shady characters, to compromise principles that shouldn't be compromised. All this has to be defended somehow, and moral character doesn't survive the defense — at least, it doesn't survive intact. But these obvious flaws don't constitute an argument against democracy.

To be sure, economic and political competition also produce cooperative projects of many different sorts — partnerships, companies, parties, unions. Within these projects, empathy, mutual respect, friendship, and solidarity are developed and reinforced. People learn the give-and-take of collective deliberation. They stake out positions, take risks, and forge alliances. All these processes build character. But because the stakes are so high, participants in these activities also learn to watch and distrust one another, to conceal their plans, to betray their friends, and — we know the rest, from Watergate to Enron. They become “characters” in familiar stories of corporate corruption, political scandal, defrauded stockholders, and deceived voters. Let the buyer beware! Let the voter beware!

Is there a way of making political and economic competition safe for moral men and women? It certainly can't be made entirely safe. Free markets

and free elections are inherently dangerous for all participants, not only because the wrong people, products, and policies may win out, but also because the cost of winning for the right people, products, and policies may be too high. We don't, however, treat the dangers of markets and elections in the same way. We work hard to set limits on political competition and to open politics to the participation of more or less moral mortals. Politicians aren't widely recognized as moral exemplars these days, in part because they live so much in the media eye, and every sin, every foible, is broadcast to the world.

Nevertheless, constitutional democracies have succeeded in stopping the worst forms of political corruption. We are free from the whims of tyrants, from aristocratic arrogance, from repression, arbitrary arrest, censorship, fixed courtrooms, and show trials — not so free that we don't need vigilantly to defend our freedom, but free enough to organize the defense. Politicians who lie too often or break too many promises tend to lose elections. No, the worst corruptions of our public life come not from politics but from the economy, and they come because we don't have similar constitutional limits on market behavior.

Perhaps the most important achievement of constitutional democracy has been to take the desperation out of politics. Losing power doesn't mean getting shot. Supporters of the losing side are not enslaved or exiled. The stakes in the power struggle are lower than they used to be, which greatly improves the options for moral conduct.

The modern welfare state is supposed to do the same thing for the economy: it constitutionalizes the market by setting limits on what can be lost. But in fact, in the United States at least, we don't have much in the way of market constitutionalism. For too many people, the competitive struggle is pretty close to desperate. What is at risk is the survival of a family, healthcare for the children, a decent education, dignity in old age. And risks like those don't leave a lot of room for morality. Decent people will act decently, and most people

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are decent when they can be. Still, the effects of the struggle are steadily corrosive.

Another achievement of constitutionalism has been to set limits on the political power of the most powerful men and women. They must live with countervailing powers, opposition parties and movements, periodic elections, a free and sometimes critical press. The primary point of these restraints is to minimize the harm that already corroded characters can do. But some of our politicians actually internalize the restraints, and that is an important character-building process.

Market constitutionalism would set similar limits on the economic power of the wealthiest men and women. But again, obviously, we don't have much of a market constitution. Restraints on economic power are very weak; the countervailing power of labor unions has been greatly reduced; the tax system is increasingly regressive; the regulation of banking, investment, pricing policies, and pension funds is virtually nonexistent. The arrogance of the economic elite these last few decades has been astonishing. And it stems from a clear-eyed view that they can do just about anything they want to do. That kind of power, as Lord Acton wrote years ago, is deeply corrupting.

The corruption extends to politics, where the influence of money, earned without restraint in an

unrestrained market, undermines the political constitution. You need money, let's say, to run a political campaign (for a good candidate or a good cause), and here is someone — a banker, a corporate giant — who has a lot of money and is offering it for a price, for policies or legislation that will improve his market position. The other side is taking money like that, as much as it can get. Whose character will resist corrosion now?

Some might argue: isn't this the way character is tested? If market constitutionalism limits the power of wealth and the welfare state reduces the fear of poverty, don't we make virtue too easy? Easier, maybe, but never very easy. Consider again the political analogy: do we make virtue too easy when we deny Presidents tyrannical power and when we protect the powerless from persecution? The corrosive pressures of electoral competition don't go away. We set limits on those pressures out of respect for human frailty. And if we need to do that with regard to governments, we surely need to do it with regard to markets.

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*Michael Walzer is professor emeritus in the School of Social Science at the Institute for Advanced Study in Princeton, New Jersey. He is a contributing editor of the New Republic, co-editor of Dissent, and the author, most recently, of Thinking Politically.*

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