

# *Does the free market corrode moral character?*



*Qinglian He*

**No.**

Over the past several centuries, the world has seen the many ways in which an active free market spurs material and social progress while at the same time strengthening moral character. By contrast, people who have lived under the free market's primary modern rival, the

ideologically-driven planned economy of state socialism, have suffered as economic performance stagnated, civil society withered, and morality was corroded. In recent decades, as planned economies collapsed under their own contradictions, this utopian experiment has proved to be a systematic failure. Citizens who had endured long years of economic, moral, and political disaster were eager to get rid of them.

Of course, the market economy is not a perfect system. But the market's flaws stem from the actions and motivations of its human participants rather than from its design. Experience has taught us that a free market is closely associated with a free society. And in free societies, people are better able to act in concert to improve their lives. Free societies afford people the opportunity to make their own political and social systems more just. In general, these activities support rather than corrode morality.

From a comparative historical perspective, we tend to define the market as an all-encompassing socioeconomic system, covering economic institutions, social relations, and culture. But when we analyze the relationship between the market and morality, it makes sense to use a narrower definition of the market as the rules that coordinate economic activities.

Is the market or morality the most likely causal factor in our analysis? We must recognize that moral judgments about particular socioeconomic activities are different from moral judgments about the rules of the market. Values and business ethics

shape the behavior of economic actors. If their activities result in unfavorable or unintended consequences, we should look for an explanation primarily in the social institutions that nurture the market rather than in market rules themselves.

Discussions about "moralizing the market" — that is, about softening some of the consequences of growth or of the global expansion of the market — are best addressed to the sociocultural priorities of economic actors. States, international organizations, and civilian groups or movements must help to shape new values and moral concerns before they can hope to shape the rules of the market and see more desirable behavior.

All economic activities are embedded in sociocultural circumstances. From 10th-century China to 21st-century Europe, consumption and production have operated according to prevailing moral values. And in all historical contexts, moral vision has always been related to religious belief. For instance, there is a perception today that religious people in East Asian countries tend to be honest in business. By contrast, in contemporary China, where religion was once banned and is still strictly controlled by the state, poor business ethics became rampant as the market economy took root.

Other factors affect moral vision as well. The economic and cultural globalization of recent decades has introduced developing countries not only to new economic institutions but also to the norms and values of the West, which themselves keep changing. The recent hot trends have been ecologically-friendly consumer products and the establishment of international standards for workplace conditions, as in the Social Accountability 8000 Standards developed a decade ago. Both are prominent examples of shifting mores, but the latter has had much more influence on countries like China, where it has improved working conditions in many factories that were once sweatshops.

A dramatic adjustment of moral values is taking place in today's transitional societies, as once-

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isolated planned economies are being transformed into interconnected market systems. To be sure, the legacy of statist institutions and the role of dominant elites may delay or hinder the adjustment. In Europe, the integration of former Soviet bloc countries into the continent's free-market trading system does not seem to have brought many negative moral consequences. But in China, one can easily find evidence of a decline in both the moral order and business ethics. Political influence and government offices are traded for money, bribes free people from criminal punishment, employers of child labor are rarely punished, and the sale of blood and human body parts is a common practice.

All of these activities are illegal in China, but the government tolerates them. Obviously, the country is still far away from the rule of law. Indeed, it is ruled by a political group that stands above the law. Non-governmental organizations (NGO's) are struggling to fight against these disturbing problems, but their activities are strictly controlled and each one must be supervised by a government office. Rather than take decisive action to prohibit these nominally "illegal" activities, the government makes great efforts to control media reports and Internet discussion about such "negative news damaging to the image of the regime."

So what deserves blame for the de-moralization of development in China — the free market itself or the failures of the state and its exclusive ruling elite? The people who set and enforce the rules of every market play a critical role. This is particularly true in China, where government and party officials make the laws and supervise economic activities even as they themselves seek to make profits. It is their tolerance of immoral activities, not the growth of the free market, that has distorted the moral order of Chinese society.

Based on China's recent experience, I would conclude with three important lessons. First, that despite all the celebratory coverage in the international press, the Chinese government's influence on the market has not been unconditionally positive. Second, that a sustainable and strong market requires a democratic political structure. Third, that pursuing moral development is no less important a task for China than encouraging economic development.

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*Qinglian He is a Chinese economist and a former senior editor of the Shenzhen Legal Daily. She is the author of The Pitfalls of Modernization: The Economic and Social Problems of Contemporary China and The Fog of Censorship: Media Control in China.*

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