

Does the free market corrode moral character?



Garry Kasparov

Yes, but...

other systems are worse. The free market is a crucible of competition that can bring out the basest in human nature. Competition is fierce, and when survival is at stake, there is no room for morality. But, to paraphrase Churchill, for all its flaws, the free market is still

superior to all the other economic arrangements that have been tried.

At first it seems obvious that a system based entirely on self-interest would lead to the moral decay of the individual. If you pause momentarily to aid your brother during your struggle to reach the top — to beat your competitors, to maximize earnings, to buy a bigger house — you will be surpassed by those without such qualms. How, in a truly free market, can there exist consideration for the good of one's fellow man?

Despite the seemingly cruel nature of unregulated market forces, there are two important ways in which they can improve the well-being of society, much as Darwin's unseeing laws generate the best-adapted forms of life. First, if moral character is valued by a society, it can be in one's self-interest to practice and preach moral behavior. It may seem to make little sense for a company to donate a share of its profits to charity when that money could instead go to improving its competitive position. But we know that such giving can enhance a company's image in ways that do improve its competitive position. In a free market, reputation is based on popular opinion, and that perception can become a material benefit.

Second, if a society (or at least a majority in a society) reaches what we might call a state of surplus, where survival is no longer in doubt, individuals have the luxury of indulging their moral character. No one would take desperately needed food from the mouth of his own child to give it to the child of another. Our giving, moral

instincts exist, but they are secondary to the imperative to flourish. Bounty makes charity feasible.

There are, of course, exceptions to both of these rules, although they only strengthen the overall case for the free market. In the absence of real competition, there is no commercial advantage to moral conduct. This is demonstrated all too well by the rapacious behavior of the state-supported oligarchy that runs Russia today. A dominant clique simply does not care about its reputation.

Resource-rich nations like Saudi Arabia and (increasingly and unfortunately) Russia can generate excess wealth despite command economies and epic corruption. But a surplus that comes without accountability — to employees, shareholders, and consumers (or voters, I might add) — leads to corruption of every kind. Nearly all of the nations benefiting most from today's record energy prices use their unearned riches to tamp down dissent and to preserve the world's most repressive regimes.

Individuals who rely on the goodwill of their neighbors tend to act morally. So do companies that depend on the loyalty of employees, the favor of consumers, and the support of investors (if only, to be honest, as morally as they must). And so do governments that depend on the participation and tax revenues of their citizens. Though the relentless pursuit of self-interest can corrupt, a free market clearly creates incentives for moral behavior. Other systems lack these concrete incentives.

The utopian thinkers of the 19th century were certain that a global socialist paradise was inevitable. Looking around at the cruel excesses of the industrial revolution, especially in the United Kingdom and the United States, they imagined a future in which harmony would replace struggle and selfless cooperation would replace brutal competition. This was an understandable sympathetic reaction to the suffering brought on by the unrestrained free-

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market forces that had yet to produce a critical mass of surpluses. (One might point to the world's impoverished billions today and argue that we are still not wealthy enough to trust our welfare to the free market.) Surely, they thought, there must be a better way in a more enlightened future.

This socialist dream was based only in part on discontent with the capitalist status quo. It was also part of a belief in man's fundamentally moral nature. Given the opportunity and sufficient education, the idealists believed, man would sacrifice his immediate self-interest for the greater good. This in turn would eventually create a comfortable surplus for all and put an end to human suffering on a grand scale.

It is possible there would be less suffering in a world in which man desired harmony and contentment more than competition and achievement. But that world does not exist. We are the product of our ancient struggle to survive. And we deny our instincts at great peril. If the market is not free, it must be controlled — and controlled by someone or some group. When confronted with our natural human desire to achieve, an enlightened craving for equality soon turns to enforced equality. Self-generating incentives for moral behavior are replaced by edicts and punishments. Carrots give way to sticks.

I spent half of my life living under such a regime in the USSR. There, the aspirations of every individual were suppressed and fused into what

was intended to be one great national destiny. But without the voluntary participation of the citizenry, moral character cannot be mandated or imposed without destroying free will itself. The Soviet Union rapidly descended into totalitarianism and terror, as did other Communist states.

The alternative is not anarchy; a society is not a society worth living in without the rule of law and protection for minority political, religious, and business groups. Rather, the alternative is a system in which individual freedoms are combined with incentives to act morally. The free-market economy — along with democracy, which is the free market of ideas — is the closest that we have come to that.

So, yes, the free market can lead to the corruption of moral character. It is man's nature always to want more, and the free market enables these urges with few protections for those who fail to thrive. But attempting to restrain these basic human needs and desires leads to greater evils. All the needed evidence can be found over the last century in Russia, from the czars to the Soviets to Putin's oligarchic regime today.

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