

Markets and Morality
Debating the Role of Self-Interest

By Father John Flynn

ROME, JAN. 8, 2006 (Zenit.org) Economic issues figured prominently among the end-of-year summaries offered by the media and commentators. The Christmas frenzy always brings with it concerns over excessive consumerism, added to which were reflections about inequality and the need for greater opportunities for developing nations.

Among the many analyses of these issues a couple of recent books are of interest. The first is "The Moral Ecology of Markets: Assessing Claims about Markets and Justice," by economist and theologian Daniel Finn.

The market economy is criticized for many shortcomings, but amid this debate most economists prefer to concentrate on empirical analysis, leaving aside questions of moral judgments. Nevertheless, Finn observes, morality forms an ineluctable part of our daily lives.

One problem when it comes to debating the morality of economic issues is the great variety of positions. The starting points and assumptions vary widely, according to what part of the political spectrum people occupy. Finn hopes to achieve in his book a common framework in which to examine key issues related to the market economy.

He starts by arguing that an adequate analysis of markets, whether it be from a supportive or critical perspective, must include a consideration of the moral underpinnings. The most obvious starting point for this is to look at the concept of self-interest.

Defenders of markets, Finn explained, follow in the footsteps of Adam Smith, and claim that good results can arise from complex systems of human interaction even when the individuals are not intending to generate those good outcomes. Egoism and greed no doubt exist, but through the mediation of markets, self-interest can work for the good.

Saints or sinners?

The concept of self-interest is not without its critics, continues Finn. For example, a theory that makes no distinction between a Mother Teresa and a thief -- positing that both are acting to further their respective self-interests -- is deficient. A description of the world that cannot distinguish between vice and virtue, saint or sinner, martyr or murderer, is seriously lacking in the ability to describe life's realities.

Other critics of self-interest point to problems such as large inequalities in wealth, and insufficient protection for the weak as evidence of the limitations of a system based on the pursuit of self-interest. Critics respond, Finn observes, by arguing that it is wrong to blame the market for all the evils in our society, which can stem from a variety of causes and cultural factors.

But defenders of the market face greater difficulties in responding to the accusation that a system based on self-interest foments greed. Defenders of the market point to its role in promoting virtues such as hard work, initiative and creativity, but critics point out that the utilitarian habit of basing actions on self-interest tends to spread into all areas of life, eventually undermining the moral standards on which the market itself depends.

When it comes to economic tasks such as the allocation and distribution of resources the free market does indeed have many advantages, concludes Finn. But economic production is just part of our lives and the application of behavior based on self-interest in other areas can create problems.

Even within the economic realm, acting solely on self-interest can sometimes not be enough. Finn cites the case of a consumer faced with the option of choosing between two products, one cheaper than the other because it is produced in a sweatshop. Self-interest would lead the consumer to opt for the cheaper product, but if the producer has success in selling these goods, it could reinforce the existence of exploitative work conditions.

This leads Finn to conclude that it is wrong to automatically suppose that it is either always morally wrong or right to act out of self-interest. The moral evaluation of any action in the market depends on a series of factors related to the context and the results.

Similarly, when it comes to a judgment of the market itself, Finn points out that it is not a simple choice between a free market or a centralized planning system. In practice, markets exist within a complex system of boundaries, or "fences" as he terms them, regarding their operation. The decision as to where these fences should be placed varies widely from situation to situation. In addition, markets exist within a social, political and cultural context that cannot be ignored.