

Morality and Markets

MTPR Commentary

Mark J. Hanson

March 3, 2010

We know the story pretty well by now: In the years preceding the current recession, the United States is awash in cash as foreign countries like China buy up government debt. Interest rates go down. Consumption rises from 67 to 73 percent of GDP, as many consumers take advantage of easy credit to buy houses and other goods they can't afford, and the bad apples in the marketplace play on American materialist hunger through predatory loans and risky speculative behavior. The economy nearly collapses, and the government must incur more debt just to keep us from crashing altogether, just as obstructionist politics paralyze attempts to do much of anything else.

As we stagger out of this "Great Recession," people are asking how the behavior that produced it came to be and what we can do to stop it from happening again. In a *Newsweek* essay entitled "The Capitalist Manifesto," journalist Fareed Zakaria argues that what we are experiencing is not a crisis of capitalism, but a crisis of democracy and ultimately of ethics. Or as British tycoon Martin Sorrell wrote, "Capitalism messed up; or to be more precise, capitalists did."

I think Sorrell is only *partly* right, for ethically bad behavior is often about more than a few bad apples making bad choices. The fact is, bad fruit comes from bad trees, produced by multiple factors and that most dangerous fertilizer: greed. We live with an economic system and set of cultural values that, for all its benefits, is also too good at producing bad apples.

If we look to the Ancient Greeks, we learn that a person's ethical character is shaped in large part by the values and practices of the communities of which they are a part. Thomas Jefferson concurred when he wrote: "A nation, as a society, forms a moral person, and every member of it is personally responsible for his society." But if all we have shaping us are the morally thin values of individual rights and the dominant practices of consumption and "do your own thing," we will surely produce people who will be less resistant to the kinds of economic incentives that make financial scandals and crashes all too easy and all too common.

A 2006 UCLA poll of college freshman indicated that gaining substantial wealth is valued by 73.8 percent of those surveyed, second only to having a family. Meanwhile, students' desire to develop a meaningful philosophy of life dropped to a low of 39.3 percent, compared with 85.8 percent in 1967.

So what can we do? Zakaria suggests there needs to be a deeper fix within all of us, a simple gut check. If it doesn't feel right, we shouldn't be doing it. I agree that greater self-regulation should be at the heart of this. But we also need responses within the financial world specifically and on the broader plane of cultural values more generally, or your gut won't give you the message at all.

Greater regulation is the most important first step. Many big bankers and other financial elites have proven that they have little feeling for the moral outrage in the country. The only way they will get the picture is if we eliminate the possibilities for and punish irresponsible risk-taking. And we will always have bad apples among us.

To those who say that you cannot legislate morality, I would suggest that legislation *reflects* our collective values. But laws are, at best, moral minimums. They do not reflect our ideals of what we should aspire to as human beings. For that, we need to go beyond the law.

On the cultural level, education can be helpful. But as a professor of ethics, I've learned that ethics classes can only take people so far if they're not already inclined to be ethical. Religious traditions provide Americans with stories around which moral character is shaped. But the more religion becomes complicit with the prevailing norms of society, the worse off we are. Unfortunately, our dominant traditions have made it all too easy to equate material success with God's blessing, rather than stressing love as self-sacrifice.

For the long term, we might use the current economic times to re-evaluate dominant cultural values and how they are exhibited in our own lives and lifestyles. We need to express our collective condemnation of the greediness that ignores social responsibility and not succumb to the speculative gambling of our resources for the sake of more and more wealth. We need to ask the more fundamental question of what our economy is actually for. We need to look to new leaders on all levels to witness to higher values. But mostly, we need to look for ourselves at how we can pass those higher values on to the next generation.

This is Mark Hanson, guest commentator, for the Center for Ethics, at the University of Montana