



## 2003 ACTON LECTURE ON RELIGION AND FREEDOM

### CHRISTIAN MORALITY AND MARKET CAPITALISM

By Ian Harper

As a professing Christian and a practising economist, I have often found myself at odds with my co-religionists as well as my professional colleagues. For their part, my Christian brothers and sisters often find it hard to accept that someone who claims to follow the preacher of the Sermon on the Mount could also follow the teacher of the doctrine of 'the invisible hand'. For many (but not all) of my professional colleagues, on the other hand, the rationality of economics reigns supreme, sweeping all forms of non-rational enquiry—including superstition and religious dogma—before it.

For my part, I find it helps to have an appropriately modest view of the realm of the market within the sphere of our lives. The trouble starts when one begins to treat market capitalism itself as religion—an irony, indeed, for those of my colleagues who would foreswear any and all forms of dogmatic faith! The market is a means to an end rather than an end in itself. And the end it serves is by no means an ignoble one—it is no less than the material prosperity of human kind in this earthly life.

To speak for a moment to my fellow believers, nowhere do I read in the Scriptures an admonition to resile from material prosperity—to abjure the *worship* of material things, definitely yes, but not the creation of material wealth itself. Indeed, the Genesis account records God surveying his handiwork at the close of the sixth day, declaring it to be 'very good' (Gen. 1:31). Earlier in the day, God had created man and woman in His own image, blessed them and ordered them to, 'Be fruitful and increase in number; fill the earth and subdue it' (Gen. 1:28).

It seems commonplace to remind ourselves that there is more to this life than the purely material, and yet it is no less true for being trite. Nor does it seem redundant, in these secular times, when people seem either to have lost sight of the transcendent altogether or to have started over, pursuing atavistic conceptions of deity, which our ancestors abandoned generations before Moses, let alone Jesus of Nazareth, walked the earth. But if there is more to life than what we see with our eyes or touch with our hands, market capitalism *per se* cannot answer the fundamental ethical question, 'How *should* we live our lives?'. The market may allow us to lead prosperous lives but will they be virtuous?

And what about freedom? No lecture in honour of Lord Acton could overlook the place of liberty in the virtuous life. St Paul reminds us in his letter to the Galatian Christians that, 'It is for freedom that Christ has set us free' (Gal. 5:1). Christians believe that we live under Grace and not under Law, which, roughly translated, means that we are free to choose whether we allow God's Spirit to lead us towards virtue and holiness in our lives, or whether we abandon ourselves to the vice and ungodliness which lurk within us. One thing is for certain—whatever we choose is our responsibility and God will honour our choices for better or worse. We are not automatons in God's factory. We are free to choose—even those of us unfortunate enough to be denied our physical liberty. Market capitalism sustains and is sustained by economic, social and political freedom. But if such freedom to choose is exercised consistently towards vicious rather than virtuous ends, no amount of material wealth will save us from a sticky end.

True freedom, I argue, is the freedom to be virtuous. Those engaged in business must choose to exercise all the virtues as they pursue and deploy the resources at their disposal. That goes as

well for scientists, labourers, and artists—in fact, all citizens, whatever their position in life. And if enough people within a market capitalist society—be they wealth-creating corporate bosses or humble street-sweepers—exercise their free choice by abandoning themselves to self-centred pleasure-seeking or to the pursuit of other perfectly legal but nevertheless immoral ends, that society will be swept away as brutally and finally as were the Weimar Republic and the *Ancien Regime*.

Let me now develop my argument in detail. I begin with a definition of market capitalism and a brief overview of its strengths and weaknesses. I then say something about the symbiotic relationship between freedom and virtue. I argue that freedom is the necessary precondition for virtue, and that, conversely, virtue is necessary for the free society—including the free market economy—to survive.

I then critique our current infatuation with self-centred pleasure seeking and moral relativism. I argue that we are rapidly draining our reserves of cultural and moral capital, reserves upon which more than our cultural and moral well-being depend. Finally, I indicate ways in which we might begin to recover from our malaise and to restore moral fibre to our economy and our society.

To begin, we need a definition of market capitalism. Market capitalism is a system for organising economic activity based on three core principles:

- private ownership of the means of production;
- generally free markets; and
- limited but not absent government.

The aim of the system is to raise material living standards by accumulating capital (physical, financial and human), which in turn raises per capita incomes over time.

The freedom to own and to exchange is an essential feature of the market economy. The late philosopher, Robert Nozick, once cheekily described this freedom as, ‘permission to engage in capitalist acts between consenting adults’. Barriers legislative or otherwise that serve to inhibit owning and swapping compromise the integrity of the market. On the other hand, the freedom to own and swap cannot exist without laws to prohibit murder, theft, fraud and other violations of life and property. A well-enforced and accessible legal system is necessary to create the conditions under which owning and swapping can enhance our material well-being.

If we were to assess the ethics of such a system, what might we say is good about the market economy? We should, perhaps, place first on our list the fact that the market is a proven performer when it comes to raising material standards of living. Surely we would want to acknowledge as good the fact that millions of human beings have been delivered from grinding poverty by economic systems variously based on free market principles.

Our own Commonwealth Treasury recently published data showing the dramatic effect of 100 years of economic growth on the material living standards of the world’s inhabitants. The poorest 25% of people living in the year 2000 were on average richer than all but the richest 25% of those alive in 1900. Put differently, 75% of the world’s people alive in 2000 were richer than the richest 25% alive a century earlier. Much of this improvement occurred in the last third of the 20th century with the rapid economic development of East Asia.

These figures reflect only narrow income-based measures of economic welfare. If we included non-economic factors like life expectancy, literacy, infant mortality, drinking water quality, and the like, the picture would be equally dramatic. None of this is to say that there are not many millions, indeed billions, of people still living in desperately poor conditions. But rather it is to acknowledge that free market economics has been responsible for improvements in material living conditions for the majority of humanity. Our hopes for the minority must surely rest on spreading the benefits of this system to them also.

The Nobel-prize-winning development economist, Professor Amartya Sen, speaks of economic development as freedom and poverty as ‘unfreedom’. He notes that no free society—no democracy—has ever suffered famine. He lays blame for the lack of economic development in many parts of the world, including especially Africa and India, at the feet of developed Western countries that block access to their markets by developing countries. Professor Sen’s remedy for world poverty is *more* market capitalism, not less—because of the proven wealth-creating

properties of free market economics but more fundamentally because of the freedoms (democratic and economic) which are an essential part of this system. Market capitalism allows *more* people *more* often to lead *more* fully the lives they would choose to lead.

On the plus side, I would make two further points. Free market capitalism, with its focus on profits and economic efficiency, promotes good stewardship of the world's scarce resources. Stewardship of the earth is a strong Biblical theme. Having created man, God, ' . . . put him in the Garden of Eden to work it and take care of it' (Gen.2:15). (Those who think that work is a form of punishment for our sin take note—this was *before* the Fall of Adam!) The word 'efficiency' is shorthand for elimination of waste. Firms that waste resources do not maximise profits and are soon weeded out by the forces of competition in a market economy. Efficient firms minimise waste and, in doing so, maximise their profits. These profits grow the wealth of ordinary citizens whose savings are held as shares in private and public companies. Moreover, profitable firms survive and therefore create sustainable employment opportunities.

The market economy also rewards traditional virtues. Material success in a capitalist setting requires diligence, industriousness, trust, prudence, courage, co-operation and self-reliance. Without these, no capitalist enterprise can succeed. The joint-stock corporation—that hallmark of capitalism—is a monument to co-operative human effort. When the opposite of these virtues abound—laziness, deceit, recklessness, cowardice, one-upmanship, shirking of one's responsibilities—we do not see success but abject failure, as recent corporate misdemeanours in the United States and closer to home amply bear witness.

What about the dark side of the market? What might we point to as genuinely bad about the capitalist system? First on my list is the promotion of materialism, workaholicism and conspicuous consumption. I will have more to say about materialism later in this address. But for now let me just note that, while market capitalism should not be confused with materialism, it can create the conditions under which materialism flourishes. There is a clear difference between the *creation* of material wealth and the *worship* of it—between money and the love of money. It is worth recalling that St Paul's warning to his protégé, Timothy, was aimed at the *love* of money, which he identified as, 'a root of all kinds of evil' (1Tim.6:10)—not money itself. On the other hand, the market is so effective at creating wealth partly because many people regard the possession of material things as sufficient reward in itself.

We should be careful here because capitalism would still be the most effective system for creating wealth even if everyone chose not to consume what he or she produced but to give it away. John Wesley, the founder of Methodism, saw no contradiction in the Christian making as much money as possible (within the bounds of Christian ethics) so as to be in the best position to support the Church and charitable works—'Make as much as you can, save as much as you can - just in terms of expensive motorcars, luxurious houses or designer clothes. It also encompasses the time for people to spend serving others in their communities. Communities in which people are forced to spend much of their waking day in physical labour just to feed themselves are generally in no position to establish great charitable foundations or to fund medical research into finding a cure for AIDS.

It is not so much how we produce what we produce but *what* we produce—and in a free market economy what we produce is to a much greater extent in the hands of individuals than in any other system yet conceived by human kind. We have the freedom *not* to buy tuna caught by fishermen who ignore dolphin-safe nets. We have the freedom *not* to buy shoes manufactured under sweatshop conditions. Marshalling this force is likely to be far more effective for good than trying to persuade governments to pass laws. At base, market capitalism is built on democratic freedoms—including, importantly, the freedom to do the right thing.

There is also no doubt that the market can ride roughshod over morality. In fact, the market economy is, broadly speaking, amoral. Money can and will be made as easily through the exploitation of children as the design and manufacture of life-saving kidney dialysis machines. Slavery was abolished in civilised countries not because it was economically inefficient—indeed, slavery built a substantial part of the wealth of Victorian England—but because it was morally wrong. Similarly, laws that proscribe owning and swapping in the name of decency and humanity must be enacted to tame the free market. The market can and will violate human dignity, unless

this is well defined and enshrined in law or custom. Market capitalism is, in the end, a servant of humanity in the interests of improving our material lot on this earth. If allowed to master us, it will debase and ultimately destroy us.

The market can also fail on its own terms. It is well known that market capitalism can lead to the exercise of monopoly or collusive power, for example, which is the reason why we insist on government oversight of this potential form of market failure. Environmental degradation is another form of market failure, which arises when the pre-conditions for capitalism, including the appropriate definition and enforcement of property rights, are absent.

Finally, through its emphasis on individual preferences and performance, market capitalism can corrode a sense of responsibility or of belonging to one's community, and fuel social alienation. This is obviously not the intention of the system and there are clearly ways in which higher living standards potentially improve our communal lives, through better-funded public services, charities and civil societies, for example. However, habits learned in the marketplace can be carried over inappropriately into community life, undermining a sense of mutual obligation and encouraging people to value others not according to their intrinsic worth as human beings but according to the value the market places on their services.

Once again, this reflects a misuse of the market rather than a failure of the market itself. Those in market economies need to remember that market capitalism is first and foremost about wealth creation—it is not a code for living, much less a philosophy of life.

So where do I come down on balance? Acknowledging the ethical shortcomings of market capitalism, I am still persuaded that it is better than any alternative system I have ever studied or experienced. I think market capitalism works—at least as a means of promoting material prosperity. Note I say material prosperity and not happiness. I am persuaded by evidence and experience that, broadly speaking, happiness and material prosperity are uncorrelated. We have all known 'rich men in their castles', who are nonetheless miserable, and 'poor men at their gates', who are nonetheless happy and content with their 'estate'.

On balance, I conclude that the market economy allows *more* people *more* of the time to achieve *more* of the goals they set for themselves. I think this is not only arguable from economic theory but seems to me to leap from the pages of history. Conversely, I have learnt that, beyond its essential function as policeman, judge and welfare-provider-of-last-resort, the state is a very ineffective means of enabling people to achieve their ends. It lacks the flexibility and tacit knowledge that is needed to coordinate the revolving kaleidoscope of people's valuations, plans and choices. It has great difficulty in replacing profit with another barometer for measuring the quality of its services. A large state attracts undesirables who use its apparatus as an instrument to exploit others for their own selfish ends.

But it is nonetheless true that market capitalism permits the greedy person, the hedonist and other moral reprobates, at least within the basic rules of property and life, to pursue their chosen ends of self-gratification. In a free society, the possibility of making immoral choices is a real possibility. The sun of liberty rises on the evil and the good, as the rain of misfortune falls on the righteous and the unrighteous.

Yet the liberty to make immoral choices allowed by the free society should not lead us to conclude that immorality is the norm in free societies. To draw this conclusion is to commit a logical fallacy. The liberty to commit immoral acts is, at the same time, a liberty to perform virtuous deeds. So, in a society where people are free to choose their lifestyles, the heedless acquisition or conspicuous consumption of material wealth, or the pursuit of pleasure for its own sake, need not be preferred choices. I can choose to live for myself or for a higher principle—to pursue extrinsic or intrinsic goals. Even if I choose to make money, it may be for my own pleasure or I could emulate Andrew Carnegie and earn it for the benefit of others.

So a community of monks or nuns, having embraced voluntary poverty and individual ownership, is just as authentically part of the market economy as is the board of directors of a multinational company. Both ways of living are marked by their respect for the lives, rights and property of others, and are thus distinguished from the lifestyle of the swindling business executive, the petty thief, the mafia boss and the hired killer. We can conclude that, if everyone in our free society renounced the possession of anything beyond the mere essentials, or adopted the

technology-free lifestyle of the Amish, our society would nevertheless be just as authentic an example of market capitalism as would a community populated with clones of Gordon Gekko.

Understood in this way, market capitalism cannot be equated—as it so often is—with materialism. Materialism *is* the genuine foe of Christian morality, rather than market capitalism, which can be both friendly and inimical to Christian morality depending upon the choices people make. As I have already mentioned, the very freedom of the market facilitates all sorts of responsible, even self-denying behaviour, which must be set alongside the irresponsible and selfish actions chosen by others. Some observers discern a greater preponderance of materialist attitudes among the *less* affluent, non-capitalist societies—their more affluent, capitalist cousins having discovered that ‘All that glitters is not gold’ and having the time and resources at hand to pursue non-material ends in life.

But, while market capitalism may provide for and even encourage virtue, it cannot guarantee virtuous behaviour. There is another side to the symbiotic relationship between freedom and virtue. The free society confines its legislation to the enforcement of justice. But in order to survive, the free society requires a critical mass of the community to value virtue and to behave virtuously. There must be more than a minimalist adherence to virtue.

We can begin to reflect on the necessity of virtue for freedom by looking more closely at choices—not from an economic, but from an ethical point of view. Our choices have consequences, not only for our material but also for our moral well-being. Our choices live on in us to shape our characters. Good choices make us virtuous while bad choices make us vicious. In other words, as we continue down a path of good or bad actions, we inevitably become different people, for better or for worse. The writer of the Book of Proverbs puts the matter colourfully if also bluntly:

*As a dog returns to its vomit  
so a fool repeats his folly* (Prov.26:11).\*

What is true of the individual is true of the group. If a whole community embraces some form of immorality, its ability to sense what is right and wrong will be dulled. The threat to the free society need hardly be spelt out. The free society is delicately poised on a set of principles that are easily eclipsed by strong desire, mob sentiment, bias, manipulation and muddleheaded thinking. The free and virtuous society must be built every day and rebuilt the next. Good choices must constantly go to work to master the bad. And it is far easier to destroy than to build. The searing images of September 11, 2001 and October 12, 2002 should serve to remind us how easily our seemingly invulnerable civilization collapses into dust or explodes in pieces in the face of the cunningly chosen choices of a few bad men. Vice is, in the end, inimical to liberty. Unless our freedom is exercised substantially for the good, it is under grave threat of annihilation.

If all this is sound advice, then alarm bells for our own society should be ringing loud and clear. Gordon Gekko would be very much at home, not only in the boardrooms of our companies, but in almost any other social milieu he cared to join. In fact, it is hardly fair to single out business in this regard. Business is something of a whipping boy, especially when the morally dubious activities of huge companies like Enron, HIH and Anderson are exposed to public scrutiny, not to mention those of certain high-profile individuals. We tend to be distracted by ethical failure at the big end of town or in high office into thinking that therein lies the root of our problem. This is convenient but dangerous thinking.

It is not just that some people in big business—and perhaps even ex-politicians—commit fraud in the quest for profit and their own private ends. The twin peaks of industry and politics have no monopoly on vice. Our society at large has wandered well away from the path of moral objectivity. Problems manifest in the corporate world and elsewhere within the powerful elite are symptomatic of our society at large. None of us should be too eager to cast the first stone.

Unscrupulous individuals exploit legal loopholes to secure Commonwealth grant monies intended for young homemakers, and ‘gift’ them to their children, some no more than babes-in-

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\* In the Bible, the word ‘fool’ often connotes moral deficiency as well as stupidity—as in, ‘The fool says in his heart, “There is no God.”’ (Ps.53:1).

arms. Petty theft at the workplace is rife—the public service auditor cannot account for thousands of laptop computers which have disappeared from government departments over the last five or six years. Many people, in other respects honest and generous even to heroic degrees, take their sick leave as another form of paid holiday. Family life, too, is attacked by ethical failure. The serious oath of marriage is ignored with growing frequency. Marital infidelity is commonplace. Gambling and drinking drain family resources, and unrealistic levels of debt are shouldered blithely—sometimes in full knowledge that timely repayment is unlikely.

What has brought us to this sorry pass? On one level, we see the unmistakable spoor of materialism. The creation and acquisition of wealth has become, for many people, the sole purpose of their existence and the sole criterion of value in their lives. Many substitute worldly success and sensual pleasure for honour, virtue and even happiness. For them, the only reality is the world of sense and emotion. But our free society is built on values and principles which are *not* tangible entities, and which can only be deduced, and accorded due respect, if we think our way *beyond* the material world. When materialism reigns, it's not that thinking stops but *good* thinking certainly does.

This materialist obsession would be dangerous even in a world where moral direction was clear. But, sadly, we no longer live in such a world. It is not that there are no moral opinions or moral discourse today but a coherent moral framework is difficult to discern. How do we categorize the morality of a society where:

- the cutting down of trees is protested more violently than the cutting up of human embryos;
- where it is permissible to portray explicit sexual intercourse in a public cinema and yet not to project an advertisement in that same cinema of a person smoking a cigarette;
- where negative comments about certain faiths and lifestyles are denounced as discriminatory (sometimes fairly) but Christianity and its culture can be misrepresented and ridiculed with impunity?

We might settle on the term 'moral relativism'. Certainly, the prevailing view seems to be that everyone has the right to fashion his or her own moral code. But, in a step that Plato's Socrates would lampoon with deadly irony, the very advocates of this 'toleration' do not hesitate to condemn particular moral codes which offend their taste or sensibilities—especially Christianity.

[DROP CAP] If materialism and moral incoherence threaten the foundations of our free society and poison the wells from which our market economy draws, can anything be done? What kind of moral medicine can heal a disease of the human heart (as distinct from heart disease)?

For me, as a confessing Christian, the teachings and moral guidance of Jesus Christ have been an antidote to materialist leanings and moral laxity in my own life. It is because, like St Paul before me, I am only too well aware of the corrosive effects of sin in my own life that I dare to offer a moral prescription for the lives of others and for our communal life together. It was, after all, the same St Paul, who admonished the Corinthian church so roundly for sexual misconduct and other moral failures, who wrote of himself:

*So I find this law at work: When I want to do good, evil is right there with me. For in my inner being, I delight in God's law; but I see another law at work in the members of my body, waging war against the law of my mind and making me a prisoner of the law of sin at work within my members. What a wretched man I am! Who will rescue me from this body of death? Thanks be to God—through Jesus Christ our Lord!'. (Rom.7:21-25)*

Here are some of the things I think we need to address to protect the freedoms we cherish and enjoy, and to keep market capitalism working for the ultimate good of humanity, and not against it.

- We must argue fearlessly and confidently for the restoration of an objective moral order. The Gordon Gekkos among us must be confronted in season and out of season. The notion that self-centred pleasure seeking is the highest goal and ultimate purpose of our lives must be repudiated at every turn. *Homo economicus* (or rational economic man) must be confined to the economist's laboratory and not permitted to become a popular role model much less a moral exemplar.

- We must be clear as to the fundamental worth and achievement that is our free society, and the great arc of thought and culture on which it subtends. It is by no means perfect. But flawed as it is, our society remains one of the most fortunate in history. We need to understand and articulate precisely why this is the case. We must not resile from asserting the essential role of objective moral truth in shoring up the foundations of our democracy and our freedom.
- It is important to recognise the limited capacity of the state to promote moral behaviour in human beings. Too often our energies and imaginations have focused on the state as a means of compelling our moral vision. We should realise that, beyond the core area of justice, the power of the state to do good and bring about a moral society is by no means unambiguous. For one thing, state-enforced morality often fuels resentment and breeds its own resistance. The lessons of the Prohibition Era in the United States should not be forgotten. Moreover, we should remember Thomas Jefferson’s caution: ‘Never give power to a good man that you would not give to an evil man’. If we rely too heavily on the state and bolster it, with a view to deploying its coercive power to our purposes, we may regret it when at some point the state begins to enforce values antipathetic to our own.
- We must be clear that the task of preserving and nourishing our free society falls on all of us—not just the captains of industry, the politicians or the lawyers—not even, perhaps especially not, to the Church. Moreover, it is not a matter of plucking out the few rotten apples in the barrel. We are all prone to the blight and the climate is conducive. Moral conversion, like charity, begins at home. This means that we should seek to regain confidence in our ability to make a difference in the world simply *by being good*. With rare exceptions, we can safely assume that most people have not completely lost their fundamental instinct that certain actions are just plain right or wrong. Indeed, for most people, there are certain things we can’t *not* know—things that every human being knows at some level, even if he or she pushes them down and hides them under a false bottom. The great goal of our conversation is to get past that false bottom and to bring that deep-down knowledge to the surface. Finally, we should not hesitate to exercise sovereignty as consumers and boycott companies whose products and services infringe or impugn moral standards.

Let me conclude quickly with a reflection. When a computer switches on, it is said to ‘boot up’, meaning that it has within it the resources to pick itself up and function normally—to pick itself up, as it were, by its own bootstraps. Does our society have the capacity to boot itself up to function as a flourishing free and virtuous community? As a Christian, I believe that, ultimately, this capacity does not come from within ourselves but that a higher authority must be called upon to guide us. This is an enormous step for the modern mind, as the steady march of scientific and technical progress has inclined us to the view that the material world is all there is, or at least all there is worth thinking about.

However, we place far too heavy a burden on ourselves when we forget that, as creatures, we are fundamentally flawed, and that we cannot rely merely on our own resources to work our way forward. This is not to say that we should not look within ourselves. On the contrary, St Paul reminds us that there we will find a law written on our hearts.

But it is ultimately to the Author of this law that we must turn, in my view, if we are to preserve our free society and our free economy, and the many valued things that issue from them.

The writer of the Book of Ecclesiastes is identified only as Qoheleth, a title translated roughly from the Ancient Hebrew as ‘The Teacher’ or even—perhaps appropriately!—‘The Professor’. Qoheleth seeks to discover the meaning of life and, more broadly, ‘to find out what is good’ (Eccl.2:1). He first pursues wealth and worldly pleasure but is disappointed (Eccl.2:10-11):

*I denied myself nothing my eyes desired;  
I refused my heart no pleasure.  
My heart took delight in all my work,  
and this was the reward for all my labour.  
Yet when I surveyed all that my hands had done*

*and what I had toiled to achieve,  
everything was meaningless,  
a chasing after the wind;  
nothing was gained under the sun.*

Yet Qoheleth was no anti-materialist (Eccl.3:12-13):

*I know that there is nothing better for men than to be happy and do good while they live. That everyone may eat and drink, and find satisfaction in all his toil—this is the gift of God.*

But he knew well the folly of materialism (Eccl.5:10):

*Whoever loves money never has money enough;  
whoever loves wealth is never satisfied with his income.*

Having surveyed what the world has to offer, Qoheleth concludes with an injunction:

*Fear God and keep his commandments, for this is the whole duty of man. (Eccl.12:13)*

As for Qoheleth, this is for me also ‘the conclusion of the matter’, and in this, I am happy to say, we two Professors are in complete agreement!