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Is There a Moral Case for Globalization?

Steven R. Weisman
Peterson Institute for International Economics
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It is no secret that support for the global marketplace is fading among Americans. Indeed, support is declining not simply for the global marketplace; the whole concept of free market economics is under fire in moral terms. The Trump administration obviously views the system of international trade and investment as a toxic threat to Americans. But not long ago, for example, one of the most eloquent criticisms of market economics and its effect on poor people came from one of the great moral figures of our time, Pope Francis. In his encyclical on climate change, *Laudato Si* [“Praised Be”], he declared: “We need to reject a magical conception of the market, which would suggest that problems can be solved simply by an increase in the profits of companies or individuals.”

Moreover, it cannot be disputed that, because of its excesses and abuses, the system of global markets delivered the greatest economic crisis of the last 75 years in 2008–2009, devastating hundreds of millions of people in the United States, Europe, and the rest of the world.

Capitalism and market economies are usually praised by experts for delivering greater efficiency and growth than any other system. That is no doubt true. But there is also a moral case for this system as well, despite the problems of the excesses. Indeed, the moral implications of our debate over globalization are crucial. It is because of these implications that the disputes over the world economy are so passionate.

As this audience knows well, since Adam Smith, who taught moral philosophy (economics did not exist as a discipline) in Glasgow, the rules of the marketplace have been inextricably bound to morals and ethics. The moral case for globalization assumes that if moral approaches are reconciled, the system can fulfill objectives to (1) strengthen the values of liberty and justice, (2) instill virtuous behavior in countries, banks, and individuals, and (3) honor the world’s obligation to its poorest citizens while protecting communities from misfortune.

I hardly need to outline for this audience the power of globalization and its effects in the last 25–30 years, fueled by eased rules on trade and investment, and by advances in technology and flows of immigration. Global exports are now about 30 percent of global GDP. Trade constitutes nearly 25 percent of the US economy. Cumulative foreign direct investment in the world has grown more than tenfold since 1990. These trends have lifted living standards for hundreds of millions, if not billions of people.

But moral concerns have been raised about those left out, about workers squeezed by wage stagnation or losses (especially for those workers lacking modern skills) and by violations to the environment and human rights inflicted, in part, by the global economic system.

Liberty and Justice for All?

Let me step back for a moment. I am a journalist, not an economist. I have written about the moral implications of economic changes since I was in my 20s and covering the New York City financial crisis—and near bankruptcy—in the mid-1970s. As a White House correspondent for *The New York Times*, I covered the Reagan and Thatcher revolutions in the United States and Britain. I covered the emergence of India as a market economy and the ascendance of Japan as a global economic power in the 1980s and 1990s. More recently, I covered trade and investment issues as chief international economics correspondent at the *Times* before joining the Peterson Institute for International Economics as director of publications and communications in 2008.

The basic moral principle undergirding the global economy is economic liberty—the right of consumers to buy and the right of investors to produce goods where they want. This principle is, at some level, ancient. As Douglas Irwin has noted, the Greeks wrote that oceans exist so that trade could flourish. From Adam Smith to "laissez-nous faire" under the Louis XIV (and his minister Jean Baptiste Colbert) to Thatcher, Reagan, and their idols, including Milton Friedman and Friedrich Hayek, markets have been associated with freedom.

But theologians throughout the ages were never that interested in freedom. They have, throughout history, actually tended to distrust free markets. Lenders and buyers and sellers who got markups from their wares were derided in literature, some of it anti-Semitic. A whole tradition of the theory of a "just price"has roots in antiquity but also was voiced famously by Thomas Aquinas. Elaborate texts date from the Middle Ages on what should constitute a "just" profit for those carrying out debased activities like buying and selling goods in the marketplace.

Justice is an elastic concept. Distributive justice on a social level—the idea that there can be an equitable distribution of wealth in a society at large—is actually a fairly modern concept, according to a review of the literature that I undertook when I was writing my book, *The Great Tradeoff: Confronting Moral Conflicts in the Era of Globalization* (published by the Peterson Institute for International Economics in 2016). Since the Greeks, justice has been defined not as a fair distribution of goods in society at large, but in terms of whether each person is justly treated in his or her relations with other individuals or institutions—more specifically, whether his or her rewards are commensurate with their virtues. The greatest exemplar of the concept of a just distribution of rewards in a society in the modern era is the philosopher John Rawls (1921–2002). In *A Theory of Justice* (1971), Rawls posited that an equitable social order is one that secures justice as well as basic liberties. His well-known formulation was that any action taken by a society must not hurt the least well-off.

One can persuasively argue that globalization fulfills that moral principle. As Branko Milanović, formerly lead economic researcher at the World Bank, has demonstrated, those in the bottom third of the world's population—except for the very poor—have become significantly *better off* in recent decades. The middle third of the world's population and, as is well known, the very richest 1 percent, have gained even more greatly. Left behind, on the other hand, is the working class, especially the unskilled, in the United States and also other advanced countries and economies.

These figures produce a moral conundrum. Does a global economy that makes the poorest citizens better off, but also delivers greater inequality because the rich are even better off, fit the standard of a just economic order? Thomas Piketty has argued in his book, *Capital in the Twenty-First Century,* that it may be more important for an economy to reduce inequality than to lift up the standards of living for the poor. Of course, that is easy for comfortable economists in the West to argue, as if they could understand the choices faced by some of the poorest people in the world.

There is no simple answer to this conundrum. But certainly, rich countries must do more to help those left behind in the global economy. They must do so to win moral acceptance from most people.

Virtue: Its Own Reward?

I want to talk about two other moral dilemmas of our modern economic system. Since Adam Smith, and certainly since the sociologist Max Weber coined the term “Protestant work ethic,” the popular legitimacy of capitalism has rested on the assumption that it encourages self-discipline, trust, hard work, saving, self-improvement, and other forms of virtuous behavior. The American Founders worried about how to encourage such conduct in their infant nation. “To suppose that any form of government will secure liberty or happiness without any virtue in the people is a chimerical idea,” wrote James Madison in 1788.

That moral value is alive and well. Economists speak of “moral hazard” when they say that certain steps aimed at helping people actually undercut their moral fiber. It is a theme often heard in the halls of Congress and the Trump administration. But two examples illustrate the point: former Governor Mitt Romney’s blast at the moral lassitude of 47 percent of Americans dependent on the government in 2012, when he was the Republican presidential nominee, or House Speaker Paul Ryan’s lament that the social “safety net” has turned into a “hammock,” discouraging recipients from taking jobs and lifting themselves up by their own bootstraps.

We have seen these concerns many times in modern history. After 1929, President Herbert Hoover complained that his Treasury Secretary was more interested in “purging the rottenness” of the financial system than in helping people. More recently was the public outrage over the actions taken during the recent financial crisis to rescue banks, financial institutions, homeowners, and governments. Both Occupy Wall Street and the Tea Party were offended by these rescues.

A similar backlash hit German Chancellor Angela Merkel and others in Europe following the rescue of Greece. But the concern about “moral hazard” has extended to domestic assistance programs.

It cannot be wrong to apply moral standards to rescuing people from the failures of the global marketplace. But the other side of the argument is that government must help, if not as a matter of charity or justice, then as a matter of preserving stability and avoiding unrest, and, in the case of the recent crisis, throwing many more millions out of work. It was significant that Ben Bernanke used Biblical terms to justify the bailouts and easy money in the crisis of 2008. In response to critics that the Fed should not have helped homeowners and financial institutions, he said: "I'm not a believer in the Old Testament theory of business cycles. I think that if we can help people, we need to help people."

The term "moral hazard" was invented some time ago to describe the insurance business. The idea was that if you had insurance, you would be more likely to misbehave; for example, would fire insurance on your house make you more inclined to smoke in bed? The East Asian financial crisis of the late 1990s and the more recent crises in Europe have prompted similar debates over whether to help countries given the risk of making them more dependent on help. But the choices made on balance have been to apply a moral standard to the global marketplace—to adjust the system to the interests of saving the innocent as well as punishing the reckless.

Citizens of the World—or of Our Community

A final moral question applied to the world economy today is the question of who is worthy of our loyalty. Moral philosophers apply the terms "communitarian" and "cosmopolitan" to the two sides of the third basic dilemma posed by the global economy. Should we do what seems best for our neighbors or for the global community? Should one's own community be protected from unwanted immigrants, foreign-made goods, and the loss of investments to locations overseas? Or should the system of trade, capital flows, and immigration serve the greatest prosperity for all, particularly the most dispossessed?

There are those like the Princeton ethicist Peter Singer who may argue that loyalty or nationalism has no moral value in an interconnected world. But there is a long tradition of exalting loyalty as a moral virtue. After all, the French Revolution enshrined *fraternité* as equivalent to *liberté* and *égalité*. Social science has discerned that the impulse of communities to protect themselves is ingrained in their members' DNA. And even John Rawls applies his theory of social justice to one's own society, not to the world at large. To try to apply moral principles to another person's society, he warns, could lead to cultural or political coercion.

The morally unassailable economic goals for any society, and indeed for the world as a whole, should be to provide the greatest good for the greatest number. But such utilitarianism cannot be an absolute. We would not incarcerate sick people even if it meant protecting the larger community. Similarly, no wealthy society can overlook its obligations to the rest of the world. As the 2018 crisis over immigration in the United States and Europe well illustrates, we are integrated in the world and must recognize that even as this economic system may have hurt some among us—those thrown out of work because of imports and foreign investments—it has also lifted up people in countries across the globe, and we are citizens of the world as well as citizens of our communities.

Peter Singer's call for "effective altruism"–to aim all one's actions to help the poorest people in the world—is appealing, even though it can go too far, especially if it leads to confiscatory tax and spending policies and stifles innovation and growth. But I think the moral principle of a system that delivers benefits to the poorest countries of the world, which is what our current trading system does, should be defended.

I have tried in this essay to lay out the three major political compromises we must wrestle with if we are to apply moral standards to our economic behavior. Compromises are difficult. There are always tradeoffs, which is why I called my book *The Great Tradeoff*. Like political compromises, moral tradeoffs have to be resolved and mediated by human beings, through global institutions, abetted by the new citizen armies including NGOs that enlist them in the discussion. Moral philosophers and policymakers have to be answerable to the publics.

We should not be afraid to use moral terms to defend the delivery of goods and services in a vibrant economic system. No system reaches moral perfection, but we can strive to improve the morality of our choices by understanding the moral issues at stake on all sides. ■