The Costs of Living: How Market Freedom Erodes the Best Things in Life
Barry Schwartz

It is always interesting to read about economic matters from the perspective of a non-economist. Schwartz teaches psychology at Swarthmore, and writes extensively on his subject. Placing his insights into human behavior alongside the commonly held views of economists, he questions aspects of human behavior we might call rational and points out major flaws in standard economic reasoning.

Read in one way, the book reveals the author to be in mid-life crisis: a boomer who grew up optimistically in the sixties and now sees that many of his beliefs are illusions. Little that he deplores in modern life is new—one is tempted to say, “Watch 60 Minutes more often, and put it in perspective.” But read a second way the book is more interesting to economists. In particular, his insights into behavior should lead us to question whether people are rational and what the concept of rationality means.

Readers of The Journal of Economic Perspectives have already seen a wealth of material which refines the meaning of rational behavior. But Schwartz goes further, and questions whether this concept is useful at all in analyzing what people actually do. Most neo-classical economists can explain why anomalies are, in fact, optimal, although institutionalists will be more open to the notion that some of what humans do cannot be squeezed into the mold labeled “rational optimizing behavior.”

Both of these readings of the book might lead economists to place it aside. However, there is at least one more way to view it which should be of interest to Christians and others who want seriously to integrate religious faith and thinking, and who believe that ideas affect the ways in which we act.

Schwartz argues that freedom has grown out of control, and that people face few or no limits on what they do. As traditional institutions have lost the power to restrain behavior, selfishness has replaced altruism and the golden rule as guides to ethics. Alexis de Tocqueville, writing a century and a half ago, saw individualism as the main “language” of

Reviewer

John Dodge is Associate Professor of Economics, University of Sioux Falls.
discussion in the US. Institutions which in Europe shaped and confined behavior powerfully were much weaker in America, so that people paid little or no attention to them. State and church were both weak enough that they had little explicit affect on morals and actions. But a strong moral sentiment pervaded the culture, so that weak institutions made little difference.

Those institutions are even weaker today, and morality is faltering. Schwartz argues that the moral mentality has been replaced by a market mentality—that the language and mentality of the profit-seeking entrepreneur has begun to pervade all thinking and behavior to the detriment of society as a whole. The apparently beneficial rationality which economists extol is the problem, and must be replaced.

He begins his argument with a “tautology with consequences” (in the words of a former colleague), pointing out that if “Business is business,” then we can expect the profit motive will lead to destructive consequences. His details of business practices that harm the public, and the ineffective checks on them by government regulation/inspection or the “marketplace,” are pessimistic indeed. Pursuit of profit is destroying sports, which he thinks should have a constructive role in society; the professions are equally corrupted by the relentless pursuit of monetary gain by physicians and lawyers; and rather than acting as public servants, other professionals are more interested in their incomes and benefits than helping others.

How persuasive is his analysis? Sadly, it is weak. The initial problem is that he assumes the condition exists, and does no historical or other analysis to show when, how or why it developed. While I am willing to accept that selfishness is rampant, it would be more persuasive to show that other explanations of America’s moral difficulties can be discarded.

Second, as a rhetorical technique he refers to a fictitious economist who disagrees with him and argues the benefits of the economic mindset. However, this economist sometimes sounds like a smart grad student who has a superficial grasp of theory—in short, a straw person. Refuting a stronger opponent would improve his analysis.

Third, he fails to point out that specific institutional arrangements are at least partly to blame for certain developments—for example, the entitlement programs of Medicare and Medicaid, and third party reimbursement for medical care, play a huge role in the explosive increase in health-care spending (chapter 3). Legal reforms related to bankruptcy are a factor behind the “declining shame” which he deplores (chapter 6). His discussion of the ‘Demeaning of Work’ (chapter 8) emphasizes practices which are critical of employers, but he fails to discuss employers who care for employees in a constructive fashion with extensive fringe benefits and/or reimbursement for education and training. There is more than a hint of Marxist thinking in his comments about employer-employee relations—and no comment at all about what role unions may play in these problems.

Last, many non-economists could reasonably disagree with much of his analysis. He implies that women should de-emphasize careers in order to spend more time at home with families, as a stabilizing influence (chapter 7). He sees too much emphasis in schooling on training for increased income, rather than learning for its own sake (chapter 9). As a liberal arts teacher, I agree. But one important strand of argument on education reform is that there should be more emphasis on tangible rewards and punishments for performance in school—in short, consequences for performance, in the form of admission to better schools or better (higher paying) jobs after graduation.

Economists generally agree that incentives make a difference—such a reform makes perfect sense to me, and I believe that it would improve the output of our nation’s high schools. (The Japanese and Germans show that it can work quite well.) This hardly makes me an “economic imperialist” but it would invite criticism from Schwartz.
His solution to the problem he diagnoses is, apparently, to recall the virtues preached by religion, and to encourage a renewed willingness to submit to the community values which religions teach. In chapter 11, "From Profits to Prophets," he recites his own journey of rediscovery of the social activism in the Judaic tradition. The journey, begun as his children grew, taught him the need to ground individual behavior in a community norm which has stood the test of time—religious values. Christians will hardly disagree with him on this—but some may be uncomfortable when he points out that there are tensions between individualism and family/religious values and practices of hierarchy and authority. Perhaps this tension can never be resolved, so that life requires finding our way in difficult circumstances. Apparently, however, the precise form of religion is not all that important to Schwartz, a notion with which many Christians, Catholic and Protestant, would not agree.

In sum, I find his conclusion that "economic imperialism" is a major source of America's ills unconvincing. A conclusion which I think is warranted is slightly different: we should renounce unbridled individualism and recognize the need to live in a community. For many, such a community will be religious in nature, and will seek to foster values which are greatly at odds with society. A person seeking seriously to obey God's commands will find it nearly impossible apart from a community to offer support, solace, forgiveness, and hope. Schwartz's religion is akin to some form of "social gospel" which split Protestants early this century, and will hold little appeal for conservatives. Even more important, it is not at all clear what will keep communities from becoming cults, nor what prevents members from becoming "organization persons." This will no doubt trouble both conservative and liberal Christians.

College teachers should find some interesting material here if they wish to probe the limits of "rationality" in their thinking. The book's examples may cause some students to squirm, but are thought-provoking. Concerned citizens will find the book an interesting description of some of the ailments of U.S. society; the book falls short in the solutions it offers, but states problems quite well.