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Values, Empirical Analysis and Finding Possible Consensus on the Moral Ecology of Markets: A Symposium

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Editor's Note: Faith & Economics *book review editor Edd S. Noell arranged this symposium to mark and reflect on the 2006 publication of* The Moral Ecology of Markets, *by Daniel K. Finn (New York: Cambridge University Press. ISBN: 0–521–86082–2, $65.) The range of views expressed in these essays reflects the range of opinions on this topic and, together with Daniel Finn's thoughtful response, are a stimulating complement to the book itself.*

A Useful Framework for the Discussion of the Morality of Markets

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Daniel K. Finn's book, *The Moral Ecology of Markets*, is a significant contribution to the discussion of the morality of markets and actions within them. His goal is to provide a framework for discussion of the morality of markets that can enable people from widely diverging perspectives to talk with each other, weighing each other's arguments carefully and fairly, rather than talking mainly with those who hold similar views and engaging others only to attack them. I think he provides a useful framework for this.

Finn says that we should clearly distinguish between two types of moral questions concerning markets:

1. How should our [market and related] institutions be structured? and
2. Given the institutional structures within which I am living, what will I myself do in my own economic activities? (pp. 146–147).

Regarding the second of these questions he discusses particularly the question of under what conditions, if any, acting in pursuit of narrow self-interest is morally justified. Narrow self-interest "refers to actions in which the self . . . is the intended beneficiary of action" (p. 58). This is the type of action assumed by the standard neoclassical model, which generally goes beyond this to make additional assumptions about what benefits an individual, e.g., assumptions that, other things equal for the person, more consumption of a good gives more benefits than less. Although the book has much useful material regarding this question, I believe the heart of the book is Finn's framework for thinking about and discussing the first question: how market and related institutions should be structured. I will discuss this before returning to the question of the morality self-interested actions.

Finn states that there are four fundamental problems [or perhaps questions] that every economic system must address. These are:

1. the allocation of scarce resources to alternative uses,
2. the distribution of goods and services to various persons in the economy,
3. the scale of the economy in the biosphere, and
4. the [quality of the] relations that exist among persons in economic life (p. 5).

In chapter 5 Finn demonstrates that persons of various perspectives, from libertarian to communitarian to Marxist, see that there are questions that must be answered in each of these areas, and that current market systems have problems in them, although their views on what the particular goal in an area should be are often widely different, as are their views on which problem or problems are more important. But recognizing that all have concerns in each of these areas, and that their concerns are somewhat different, gives a framework for persons from different perspectives to discuss the bases for their evaluations of markets without simply talking past each other. Finn also correctly states that moral standards are necessary for deciding the relative importance of the four problems and of the various goals and values implicit in any perspective's approach to them. Evaluation of any market system cannot be made on a purely "scientific" basis, but must involve both moral judgments and empirical analysis.

Finn also shows that these problems are all interrelated. Actions to try to improve results in any one area may worsen results in another area (as evaluated according to a particular set of values). For example, as commonly discussed by economists, redistributive taxes and transfers may reduce the level of total output, which many would take as a worsening of the allocation result. And higher output may damage the biosphere. Other problems that Finn mentions are less commonly discussed by economists; for example, "the tendency of the market to undercut communal ties and traditional values" (p. 94) when pursuing goals of allocative efficiency. Moreover, the cost of improving or maintaining the quality of interpersonal relationships may reduce the willingness to give up potential production to address problems of distribution or scale.

But it is also true, as Finn points out, that there are potential positive interactions between the various areas. For example, if people perceive a system or workplace to be more equitable, they will often be more productive in it. And attention to the scale in relation to the biosphere (which involves not only over-all scale, but also the scale of use of particular natural resources and capabilities) and to the quality of relationships is necessary for the preservation over time of the possibilities of maintaining production (allocation problem). This brings up the fact that reproduction, "the necessity of investing resources simply to maintain the capacity one already possesses" (p. 78), is an important problem that must be attended to in all four areas if any system is to continue to perform well.

In Part II, Finn turns to the question of the justice of markets. He states that we should not ask the question "Are markets just?" because this "has generated simplicities on all sides that have undercut a real dialogue on the issue" and "has effectively distracted both scholars and the general public from debates about the real issues that divide us" (p. 103). Instead we should look at any particular market system in its social, political, and cultural context, its "moral ecology." Finn identifies four elements which make up the moral ecology of markets:

1. The Construction of Markets by Government (p. 126, also referred to as the character or extent of markets),
2. The Provision of Essential Goods and Services (p. 127),
3. The Morality of Individuals and Groups (p. 132),
4. The Presence of a Vibrant Civil Society (p. 138).

Finn maintains that "these elements are present, at least implicitly, in every moral evaluation of markets, whether endorsement from the right or criticism from the left" (p. 105), and gives examples of this from the work of people from a variety of perspectives. His "goal is to provide a framework for understanding the diverse positions on markets as addressing the same fundamental issues—but with different moral and empirical presumptions" (p. 105). The presumptions are related to the four problems of economic life and proposed policies to deal with them. Only when the moral judgments and empirical assessments are delineated can we understand and adjudicate "competing claims about alternative economic systems" (p. 105). Thus, instead of asking "Are markets just?" we should ask "Under what conditions are the outcomes of markets just?" (p. 105), taking into account this complex moral ecology.

Regarding the first element, Finn proposes a spatial analogy: markets as an arena for voluntary making, accepting, and rejecting any offers that a person wants. No society allows all such offers to be made or accepted (e.g., offers of payment for killing a competitor). Governments place fences around the arena, fences which prohibit "abusive" acts by the threat of punishment. Some potential economic exchanges are prohibited altogether (e.g., procuring murder), but some regulations forbid a type of transaction only under certain conditions (e.g., practicing a profession without a license or charging interest on a loan above a certain amount). People may advocate placement of fences in order to improve, in their view, the outcomes with respect to any of the four economic problems, allocation (e.g., anti-trust laws), distribution (e.g., minimum-wage laws), scale (e.g., prohibitions on certain types of pollution), or human relations (e.g., laws requiring worker representatives on management boards of corporations).

The question that citizens and government policy makers have to answer is where the fences should be drawn in a particular society at a particular point in time. People holding different perspectives will advocate placing the fences in different locations; e.g., a libertarian would want to allow more within the area of voluntary exchange (in the extreme case, anything that did not involve force or fraud) than would a Marxist, who would want to prohibit private ownership of the means of production, because the two would have very different beliefs about what is "abusive." Different societies will place the fences in different locations, some allowing transactions that others forbid. Besides differing beliefs about moral values, differing assumptions or empirical conclusions about the effects of the placement of the fences will influence conclusions about where the fences should be placed. The context in which the market operates (the other three elements) will also influence people's ideas regarding the proper placement of the fences. If, for example, all essential goods and services are provided to all people, there would be less reason for fences against activities that might deprive some people of them (e.g., low wages or discrimination in labor markets); if all people acted in line with a moral belief that it was wrong to cause a certain type of pollution or use more than a certain amount of a finite resource, there would be less reason for fences prohibiting these activities; if civil society institutions provided important information about the effects of the production and use of certain products, there would be less reason for fences that prohibited the sale of these products without the seller providing this information.

I believe this model is a useful way to structure thought and debate about policy issues relating to how markets should be structured in order to attain the most justice possible. It would organize the debates over government policies by requiring that those from each side give the moral and empirical justification for placing a fence in a certain place. But it is not clear to me how some types of government policies to deal with economic problems would be understood within this model. How, for example would taxes or subsidies to deal with external costs or external benefits fit here? They do not prohibit certain voluntary transactions; they only make them more or less expensive, so the fence metaphor does not seem to fit well. The area within the fences is supposed to be the area of completely voluntary transactions, and Finn does not talk of government modification of behavior there, so taxation or subsidization does not seem to fit within the fence. The area outside of the fence represents "abusive" behaviors, and Finn does not talk of the government allowing them under conditions of paying a tax to do so, so they do not seem to fit there. I expect the best way to fit them into the spatial metaphor is to consider them another type of fence, i.e., another type of regulation, but that seems somewhat forced to me.

Judgments about the justice of a particular set of market outcomes are also influenced by judgments about the provision of essential goods and services, the second element in Finn's moral ecology of markets. Even libertarians who believe that force and fraud are unjust will base judgments about justice in a society in part on whether protection from these are assured to all citizens. Even if the fences are placed in such a way that force and fraud are placed outside them, if all citizens are not given protection against these by police and judicial agencies, whether they can pay for it or not, the outcomes of the market will not be just, because not all people will obey laws against force and fraud. And even scholars such as Milton Friedman and Friedrich Hayek did not object to the provision of a basic minimum income and opportunities for education (p. 128). Of course, based on different moral judgments, many others will want to go beyond these things in their list of essential goods and services, some including such things as a measure of equal opportunity for education and work, access to some standard of food, shelter and medical care, opportunities for decision-making about the use of one's labor and/or other resources of the society, etc. The government need not provide things deemed to be essential from a particular point of view directly, but there should be legal provisions guaranteeing access to them for all if there is to be justice from that point of view. (e.g., if a certain level of medical care is deemed essential, the government does not have to provide it directly to all in order for there to be justice, but it must assure that all who cannot afford it themselves have access to it or the outcome will not be just.) Finn is correct that directly addressing questions of essential goods and services is important for understanding different positions on the justice of markets and coming to personal conclusions about them.

But, as with taxes and subsidies to influence people's incentives, I have some trouble seeing how government action in this area fits into the fence metaphor. Unless all essential goods and services would be provided to all voluntarily, due to the high level of morality of individuals and groups and/or the actions of civil society organizations, the government will have to finance the provision of them for some people, via taxation. Where, spatially, do taxes and government spending for this purpose fit? And of course, in any but a perfect world there will at times be trade-offs between more fully providing essential goods and services to all and some of the other requirements for full justice in a society.

Finn's third element in the moral ecology of markets is the morality of individuals and groups. He says "very few people would find markets morally attractive if all individuals sought only their own narrow interests and tempered this focus only in the face of laws limiting their activities" (p. 132). Since human law cannot prevent all immoral or even all unjust acts, the more individuals and groups voluntarily act morally (and justly), the better (and more just) society will be. Furthermore, economic models that assume that persons and firms always act in their own narrow self-interest, understood in a materialistic sense, cannot explain significant aspects of economic activity. A broader examination of human behavior, that recognizes multiple motivations, including views of what is right and just, is necessary to both explain outcomes of various markets, and to see the range of options for improving them. Empirical investigations of the effects of the operation of markets in various moral contexts on the morality of the people and groups in them over time are important in evaluating the operation of particular markets. Finn points out that the behavior of people and firms (and other organizations) will be influenced by things beyond their control, e.g., the presence of civil society institutions reporting on various firms' treatment of workers or effects on the environment, and laws regarding who is represented on the board of directors of corporations and their legal responsibilities.

The presence of a vibrant civil society is the fourth element in Finn's moral ecology of markets. For Finn, civil society includes many different voluntary associations larger than the family but smaller than the state. Individuals sometimes join them to pursue narrow self-interest and sometimes to promote what they see as the common good. They influence decisions about where to place the fences around markets, as well as decisions about essential goods and services, and influence the morality of actions of individuals and groups. Thus they influence the other elements of the moral ecology of markets as well as the answers to questions regarding the four economic problems. No moral evaluation of a particular market will be complete without an evaluation of its civil society.

In view of the importance of all four elements of the moral ecology of markets, an evaluation of the justice of the outcomes of a particular market system, or more broadly, a moral evaluation of the system, will only be an evaluation of that particular market system in its context, not an evaluation of markets in general.

This review began with two moral questions. The first was: "How should our [market and related] institutions be structured?" Finn's analysis clearly says that in order to answer this question we will have to include consideration of all four elements of the moral ecology of markets in our society and the answers that various structures will give to the questions in the four problem areas. Even for a person with a particular set of moral principles the best answers about the placement of fences in one society at a particular time will not necessarily be true for that society at other times or for other societies. Both moral principles and empirical analysis of the consequences of various policies and actions will always play a role in such an evaluation.

The second question was: "Given the institutional structures within which I am living, what will I myself do in my own economic activities?" Again an answer to this will have to include consideration of all four elements of the moral ecology of markets in which I am living, an estimation of the effects of various actions on the outcomes in the four problem areas, and my moral principles. Finn in particular asks whether or not narrowly self-interested actions are morally warranted. He concludes that from each of the various perspectives he discusses a *general* moral approbation of self-interest is not warranted, because that will not always lead to results that are just. He says: "acting in one's own interest . . . is just (or moral) only if the context is the right one, a judgment that requires both moral analysis and extensive social scientific investigation of the cultural and institutional situation" (p. 148).

Finn's goal in the book is to provide a framework for clarifying thinking, discussion, and debate concerning moral evaluations of markets, decisions about structuring them, and individual actions in them. I believe he has provided a useful framework for this.

What implications does this have for Christian economists? If one accepts, as I do, Finn's conclusions that an empirical understanding of all four elements of the moral ecology of markets in a given society is necessary to understand and evaluate the market outcomes in that society, to suggest how the market structure should be changed, if at all, to improve those outcomes, and to make morally valid judgments about personal economic behavior, then there is need for an economic theory that does not assume people and institutions act only out of narrow self-interest and which considers the interactions of various social institutions. Use of methodologies such as those of the Institutional and Social Economics schools, which are more inclusive in their consideration of a diversity of motivations for and influences on economic action, and which consider the interactions of economic, political, social, and religious aspects of society and their development over time more fully than do Neoclassical models, will be necessary if we are to be able to give guidance to the Christian community on these questions.

In order to give such guidance we, in collaboration with Christian theologians and ethicists, will also have to articulate standards for evaluation of economic outcomes in the four areas that Finn articulates, including some estimation of the relative importance of them in various situations. There is, of course, much disagreement within the Christian community about such standards and their relative importance. While most, if not all, would say Christians should be good stewards of God's creation and that justice is important, these are interpreted in different ways by different Christians. It is important that we discuss these issues, and Finn's framework can be useful in this. While it is not possible in this article to propose and argue for such a set of standards, a few examples of issues that will have to be addressed may be useful.

Regarding allocation, Finn states that the general goal in this area is to increase production. Those who stress this goal are concerned with wealth creation and efficiency. Particular issues for Christians to consider here include what measures of value of production and definitions of efficiency should be used. Gross Domestic Product and Pareto Efficiency have serious problems as measures of value of production and efficiency, given the effects of sin on human valuations of goods and services and vastly unequal distributions of income and wealth in many societies.

Regarding distribution, almost all Christians would agree that economic justice requires that all have access to what is necessary for life in their society (if resources are able to provide that), but there is considerable disagreement over just what that involves in a given society, and what other things are required for distributive justice. Many include such things as opportunities to develop one's talents and use them productively, opportunities to have a role in deciding how one's labor is used, and some share in deciding how other resources in society are used. It is important for the Christian community, including Christian economists, to continue to study these issues. (For a number of statements on the economy by Christian churches and groups see Stackhouse *et al.* 1995, pp. 427–495).

Regarding scale, there is increasing concern among Christians about the effects of the economy in the United States (and elsewhere) on creation, including the effects on global warming. Most Christian statements stress our responsibilities as stewards to care for God's creation, although considerable disagreements remain about just what that involves. In addressing questions in these areas Christian economists will have to work with natural scientists as well as ethicists and theologians.

Questions to consider in the area of the quality of human relationships include what individual and group practices and what structures for the economy will best treat people with the respect due them as people created in God's image, and how loving, cooperative, trusting relationships can be encouraged in a competitive market economy. To adequately consider these questions sociologists and psychologists will have to be brought into the discussion.

The task before us is complex, but Finn's book gives us a useful framework for pursuing this task.

Reference

Stackhouse, Max L., Dennis P. McCann, Shirley J. Roels, and Preston Williams, eds. 1995. *On Moral Business: Classical and Contemporary Resources for Ethics in Economic Life*. Grand Rapids, MI: Eerdmans. ■