

# Economic goods: Making moral sense of the market

by [Douglas A. Hicks](#) in the [October 10, 2001](#) issue

*The Market System: What It Is, How It Works, and What to Make of It.* By Charles E. Lindblom. Yale University Press, 304 pp., \$26.00.

*Development as Freedom.* By Amartya Sen. Knopf, 382 pp., \$29.95; paperback, \$15.00.

Cities sell the names of their sports stadiums to the highest corporate bidder. Coke and Pepsi compete for vending machines in schools in order to “brand” young people with their product. Will it be shocking to learn soon that the First Baptist Church has changed its name to the Energizer Baptist Church? (Think of the possible marketing campaigns with the Energizer bunny at Easter.) Perhaps we will first see corporate sponsorship of mission trips. Then corporate-endowed positions for specialized ministries. These possibilities may seem outrageous, but they are surely more thinkable today than they were just ten years ago.

Concerns about the increasing role of the market are widespread. But at the same time the virtues of the market are widely touted and hard to deny. A growing number of people of faith have examined how we spend our money, where and how much we work, whether the economy is just, and how much income is enough. Are there ways to enjoy the benefits of a market system without allowing it to dominate our lives?

Economists are often of limited help on this question, since they hesitate to discuss values. When asked whether they have a theory of the human person, economists usually say that their goal is more limited: they seek only to explain and predict human behavior on the assumption that people strive to maximize their welfare through exchanges in the market. Some economists, of course, see every activity as a marketplace transaction—dating and marriage, political behavior and even religious commitment can be viewed as the pursuing of maximal self-interest.

Charles E. Lindblom and Amartya Sen are refreshing figures in the field, because they are willing to point out the flaws and limits of the market as well as its virtues. Lindblom and Sen extend the tradition of political economists running from Adam Smith to John Kenneth Galbraith. Lindblom's *The Market System* reads something like a primer in economics—without the supply and demand curves or references to production of “widgets.” He stresses that when encountering the term *market*, the reader should “think society, not economy.” It refers to more than a geographic place where persons go to buy and sell products. (Even the Soviet Union had its fair share of these.) Rather, the market system is an institution by which much of society is coordinated according to the interaction of buyers and sellers who exchange scarce goods and services at nonfixed prices.

Lindblom, professor emeritus at Yale, notes that persons who construct a church “with paid labor and bought materials” are engaged in market activity, even if their reason for doing so is to have a place for the expression of religion. In this instance and in others, Lindblom insists we look to the ends or purposes for which the market mechanism is employed. Such questions, of course, make it more urgent for people of faith to engage in moral and theological reflection.

As Lindblom shows, there is a difference between how much of society the market can coordinate and how much it should coordinate. For instance, most societies have decided that slavery—the buying and selling of human beings—is not acceptable, even though the market mechanism could be employed to such an end. (A tragic exception is the current situation in Sudan. Interestingly, an economic study of the slave trade there would consider whether the effort by some Christians to buy slaves in order to set them free has had the effect of increasing the market price for slaves.) Another potential market is in human organs. Whether organs should be bought and sold in the open market is a moral question; the market mechanism certainly can, and to some extent already does, function to regulate supply and demand of hearts, lungs and kidneys.

A leading Catholic ethicist and economist, Daniel Rush Finn, has pointed out that the boundaries placed on the market are a critical element in “the moral ecology of markets.” Working along similar lines, Lindblom contrasts the “maximum domain” of the market system and the “chosen domain” that a society gives to the market. It reminds us that we as citizens should not take the market as given and immutable, but rather that it is our responsibility to shape how it functions and shall not function. Lindblom argues that terms such as “government intervention” or

“government interference” miss the point. A system of laws provides the foundations for a market system to work at all.

Further, the government is the largest market participant, buying and selling many important goods and services. It has an important regulative role in guaranteeing workers’ and consumers’ protection and in guarding against monopolies and collusion. No serious citizen could truly want unregulated markets—we only need to review the recent history of the former Soviet Union to see the chaos that results when a market economy is unconnected to other institutions of a well-ordered democracy.

Lindblom claims that no democracy (at least in a form we would recognize in the West) has existed outside of a market system. This is mostly due, he thinks, to the fact that market elites have managed to convince their fellow citizens, or at least the political elites, that the market system is necessary for maintaining a well-ordered society. Some of his harshest words are saved for proponents of the so-called free market who protect their elite status and who oppose efforts to create a level playing field for all people. He’s even more scathing about the “sales promotion” and “public relations” aspects of the market, and he shows that governments need to protect consumers from false advertising and to constrain the massive campaigns to “create needs”—the pursuit of which takes away energy and time from other important activities.

The great virtue of the market is that it provides extensive freedom of choice in terms of occupation and products. At its best, the market system coordinates large numbers of people even to make possible a transaction as simple as buying a cup of coffee. Billions of these expressions of choice take place every day. Yet the market also entails forms of “unfreedom” that we seldom discuss. Workers sacrifice much of their privacy to the workplace, not to mention their time, which could be spent on other activities, whether that be family life, civic engagement or just sleeping. Lindblom suggests that it is potentially beneficial to regulate advertising if we as citizens are willing to confront the ways in which it can adversely affect our well-being.

Lindblom’s most important discussion of freedom is related to the question of property rights. He notes that the market does not determine the initial allocation of property rights, and it is not a mechanism that guarantees even rough equality in distribution of income or wealth. He also points out, however, that the market

system removes some kinds of inequality, such as those in feudal and authoritarian systems in which the people holding political power dictate the economic distribution as well. Lindblom pushes us to ask how the market can work alongside other institutions to achieve social conditions that guarantee each person's human dignity.

Lindblom enjoys using terms provocatively to jolt us out of intellectual ruts. In one of his more creative uses of language, he argues that efficiency is always determined in relation to some other value. The real question is not "is the market efficient?" but "efficient toward what purpose?" When a system leaves many people in poverty, it is hard to call it efficient.

Are there any alternatives to the market? Lindblom shows that any viable alternative would have a lot of features that resemble the market system itself. The former Soviet bloc granted some occupational choice, and allowed consumers to use their money to purchase what they wanted among the limited items available. Conversely, market economies involve a fair amount of central planning. That is, market institutions work directly or indirectly with the government and public opinion to shape industrial policy, environmental policy, educational policy and so on, through taxes and subsidies. When it comes to determining how a society should organize and reform its market system, ideological talk only goes so far. Decisions finally become a matter of pragmatic choice about the impact of specific policies. Corporations, the state and civil society—including churches—have a role to play in this process of creative, pragmatic reflection on the appropriate role of the market.

Amartya Sen, who won the Nobel Prize for economics in 1998, is best known for his studies of poverty and famine. He has argued that no democracy has ever suffered a famine—a striking instance of his larger point that many issues of distribution cannot be analyzed in economic terms alone. *Development as Freedom* is an important overview of his thought, and one of his most accessible works, though still not an easy read.

If Lindblom wants his readers to "think society, not economy," Sen wants us to "think capabilities, not commodities." Like Lindblom, Sen places economic life within the wider context of personal and societal well-being. He thinks a central task of a good society is to "convert," as efficiently as possible, economic wealth into human capabilities. Some societies are better at this than others. Sen gives examples of countries with relatively high income per capita but low quality of life (South Africa,

Singapore) and others with relatively low income per capita but high quality of life (Sri Lanka, Costa Rica). The purpose of economic development, then, should be not the production of more and more goods, or the creation of more and more wealth, but rather the expansion of people's capabilities to function and thrive in their communities. It is relevant to ask: Are people well nourished? Are they able to obtain a good education? Can they appear in public without shame?

This shift of framework can seem rather abstract until Sen applies it to matters, literally, of life and death. Take famines. Conventional wisdom long held that famines are caused by the lack of food. According to this view, the answer to famine is to provide emergency food relief and then increase or repair a country's total food production. Sen has shown that while food supply is relevant, the ability of people to control their access to that food is most crucial. A country in which people can share the available food supply can almost always avoid famine. Democracies are more successful at avoiding famine because starving people and their advocates are able to make their demand for help more politically compelling. Democratic India, for example, has managed to warn its politicians about impending famines, and thereby has avoided them, while authoritarian China in the late 1950s did not get that message to its leaders, and starvation followed.

The capability framework also sheds light on the household. Sen shows that income earned in the market by a male breadwinner is often not evenly distributed within the household, due to cultural as well as legal factors that discriminate against women. Standard economic analysis (if it doesn't peer inside the institution of the family) overlooks the resulting inequality. Households in which mothers have adequate education and access to outside employment achieve better health, not just for mothers but for their girls and boys alike.

The market system is often touted for the instrumental freedoms it provides for people—that is, the market helps people to meet basic needs like having adequate nutrition and shelter. But like Lindblom, Sen argues that the market system also produces the intrinsic good of participation—participation in social life through “freely” chosen work and through buying and selling products of one's choosing. Even staunch supporters of the market often miss the significance of participation.

Both Sen and Lindblom aptly state that no market choices are fully free (they are constrained both by the talents and background of the individual and by the nature of society itself). This acknowledgment leads each author to note the potential value

of redistribution to alleviate those severe inequalities that prohibit full participation in society. In addition, Sen points out that political and civic participation can help citizens to deliberate together about “what they really need” and what individual and societal ends are truly worth valuing. This point becomes particularly crucial when it is juxtaposed with Lindblom’s critique of the advertising and public relations dimensions of the market system. A vital, strong, flourishing democratic system can help us distinguish the valuable dimensions of the market system from its more outrageous temptations to pursue well-being in products that do not satisfy.

Moral and theological commentary on the market is often of dubious value, and there is a good reason for this—reflection on these topics requires hard work. These texts challenge any simplistic mantras about free enterprise or human dignity for all. They show us that the real debate is not about whether the market economy is desirable or not, but about how citizens should harness the market system to serve ends that they consider fundamental. What goods and services are necessary for genuine well-being and quality of life? The Christian story should contribute some good ideas.