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# IS THE MARKET MORAL? A DIALOGUE ON RELIGION, ECONOMICS AND JUSTICE

*As part of the Pew Forum Dialogue Series on Religion and Public Life, respected policy analysts Rebecca M. Blank and William McGurn have written six responsive essays identifying and discussing their agreements and disagreements on the question of **Is the Market Moral?** The Dialogue series, edited by E.J. Dionne, Jr., Jean Bethke Elshtain and Kayla M. Drogoz, takes as its starting assumptions both that religion has always played an important role in American public life and that public deliberations are more honest and more enlightening when the participants are open and reflective about the interactions between their religious convictions and their commitments in the secular realm. In this volume, Blank and McGurn lay out the theological and economic assumptions that inform their respective understandings of the moral nature and potential of the market. Drawn from their essays, this executive summary highlights some of their views.*

Religious traditions teach us to behave morally in all our actions; there is no special exemption for activities in the economic sphere. Lying, cheating, stealing — whether in business or in our personal lives, these behaviors are forbidden by religious and moral dictates. That is clear. What is not always as clear is how to make economic systems moral and just. Religious people and economists have long argued amongst themselves and with each other about how to achieve this end. The roles of markets, government and culture are at the crux of these discussions, and varying religious philosophies as well as contrasting economic theories inform how different people balance those factors in their quest for a moral market.

Rebecca M. Blank and William McGurn, both respected policy analysts and committed Christians, join in this ongoing debate and offer their perspectives in *Is the Market Moral? A Dialogue on Religion, Economics and Justice*. Trained in economics rather than theology, Blank and McGurn acknowledge their

debts to their religious forebears in this debate, biblical as well as contemporary, while also bringing a freshness and vigor to their arguments based in their long experience with the practice and implementation of economic policy.

So, is the market moral? In grappling with that question, Blank and McGurn both conclude that the market is — or at least can be — moral. Their agreement is due in large part to their shared support of market economics. Yet they disagree sharply on which outside factors — government or society — should be expected to provide the primary check on free markets. McGurn, a practicing Catholic who draws heavily on the writings of Pope John Paul II, argues for the importance of culture — and of religion as a significant component of culture — in creating an environment in which markets do not run amok. Blank, a mainline Protestant who emphasizes the importance of the biblical prophetic tradition in decrying the plight of the disenfranchised, argues that government regulation is a necessary check to the possible excesses of a free market.

## EXECUTIVE SUMMARY

With these points of consensus and contention, Blank and McGurn reflect rather well the current poles of the economic debate as it is playing out in the United States and most other countries. At this point in history, even socialist and social democratic parties accept the necessity of markets. Such parties are not seeking ways to overturn capitalism; rather, they grapple with how the market and its outcomes can be made more just.

Blank and McGurn begin their respective discussions of the morality of markets by defining what a market is, but their definitions differ in a way that sheds much light on their subsequent disagreement about the nature of the relationship between the market and morality. Based on their different representations of the market, Blank and McGurn explain how they each see government, culture and religion correcting for the potential immorality of the market.

## DEFINING THE COMMON GOOD

Blank begins by outlining the common understanding of the ideal market model and some of the individual behavioral assumptions that are imbedded in that model, with its strengths and weaknesses, as understood both by economists and Christian theologians. She writes, “A market is a set of interactions that occur when goods get bought and sold. ... Buyers and sellers come together in a market. ...

This model of the competitive market process works as promised only when certain assumptions are met. For instance, individuals are assumed to pursue only their own self-interest; they do not care about the well being of any other actor in the market. Firms are assumed to pursue their own self-interest, which means maximizing profits. There is ‘full information’ — that is, everybody knows what’s being offered for sale, by whom, and at what price. There are multiple potential buyers and sellers so that nobody has any influence on outcomes by being bigger or more powerful than anybody else. All parties can choose what they want to buy and sell; none are coerced into buying something that they do not want or selling at an unattractive price.”

Blank makes clear that the traditional model of a free market is oversimplified and that some of the assump-

tions of the model are flawed. She therefore argues that “When the conditions for competitive markets are not met, there is often a role for some degree of government regulation. In fact, government regulation is typically designed to ‘correct’ market failure and to assure that markets function competitively.”

Blank also sees a role for state-sponsored services and regulations such as welfare, subsidized housing, homeless shelters and child labor laws. Commonly expressed moral commitments, such as compassion and concern for the next generation, often inspire the development of these services, none of which are provided by the market. She writes, “One of the strongest arguments for redistribution programs is the lack of attention that the market pays to those who cannot participate in it. Those without the ability to earn income — those who are too old, too young, ill or disabled — must survive economically outside the market.”

Blank also assigns an important role to individual Christians and to religious communities in checking the market. “The role of the church,” she writes at another point, “is not to be ‘antimarket’ or ‘promarket,’ but to be life-affirming. In cases in which markets and incentives promote better life opportunities, the church should affirm this, but when the market limits opportunity and creates human misery, the church must call the market to judgment and open a conversation about alternative institutions and social responses to the problem.”

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In this connection, Blank notes the difference between Christian ethical understandings of “good behavior” and a market-based understanding of that phrase. Blank brings to the fore the individual ethical problems faced by Christians in an economic system that is based on self interest, as well as concerns about how the market responds to those who cannot participate fully in its activities. “As Christians, we cannot view all choices as morally neutral,” she writes. “Some choices lead us closer to God and some turn us away.” “Is the economic world no more than the sum of individual actions?” she asks. “If one’s faith is to infuse all parts of one’s life, it is hard to argue that community has meaning in religious life but no meaning in economic life. Religious life cannot be neatly separated from daily activities.”

Conversely, Blank argues that there is a danger in letting economic life — or economic understandings — infuse other spheres of our lives. Market transactions are essential, she argues, but there is a danger that they can encroach in inappropriate ways on family, community and faith. The market should not only be kept in check, but other social institutions “must speak for alternative values in civil society,” and thus limit the market’s reach.

Blank also brings together her understanding of Christian morality and government programs. “For Christians, government programs may provide an instrument that can help support the values and responsibilities taught by faith.” She continues, “The important role that Christian faith ascribes to community suggests that Christians within a democratic society should be particularly interested in helping to define the ‘common good’ pursued by governmental organizations. Government legislation that limits the scope of market involvement may support values that are consistent with Christian teaching, particularly when they protect individuals from choices that might bring harm to themselves and others. Government programs that redistribute income and respond to economic need may directly satisfy the Christian responsibility to exhibit particular concern for the poor.”

## WORKING RELATIONSHIPS

McGurn takes a less traditional approach in defining markets. Markets are “the relationships and networks between and among human beings,” he writes, “rather than the goods or services that pass through them.” By thus focusing on the relationship aspect of markets and on the central role of human beings, McGurn sets up his argument that a free market economy can provide opportunities for a spiritual good, namely, the ability to work. The dignity of work, he writes, is part of one’s fulfillment as a human being who is “fashioned in the image and likeness of his Creator, tasked with continuing the process of creation by applying his labor and talents to the earth bequeathed us.”

Markets are moral, McGurn argues, because they create circumstances in which individuals can act

freely and command dignity and respect. They also are moral because they foster the creation of the very wealth that allows the poor and the oppressed to be lifted up — and, more to the point, to lift themselves up. “For the poor,” McGurn writes, “the real danger is almost never markets and almost always the absence of them.” Indeed, he cautions against excessive regulation and placing too many limits on the market. “It is worth remembering,” McGurn writes, “that for the most desperate among us, it is precisely the *limits* on the market that stand in their way.”

McGurn bases much of his understanding of the value of work on the writings of Pope John Paul II. He writes, “The Holy Father’s understanding of human work is that it is something far more than brute exertion, something that involves the essence of man himself. The pope speaks of this as labor. We might speak of it as easily as capital, in the sense that work becomes more human to the degree that man does not simply take the world as given but adds to it, a co-creator with his Maker.”

This view of workers then becomes a building block for McGurn’s relational market. He explains, “When we speak of a ‘free market,’ we mean a market in which a worker [is a co-creator, improving God’s bounty] through voluntary exchanges of goods, services and ideas. [This] further implies an oft-overlooked truth: That a market economy presumes more than an individual; it is impossible to have a market without a network of other beings. If that is true, the market is not just about individual performance but even more so about relationships.”

McGurn explicitly rejects the view that capitalism leads to the exploitation of labor and to the concentration of resources in the hands of the wealthy and privileged. Like Blank, however, McGurn recognizes that the market is not entirely self-sufficient. He writes, “[I]t is true that the market’s drive to organize and order, when applied to something inherently wrong, can produce particularly ghastly results because the best of the market — its efficiency — is

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*William McGurn*

used to enhance the worst in another realm. Not only does the market trade in sin, it expands upon the sin itself by making sinning more efficient than it might otherwise be. Abortion, for example, has sadly been practiced by human beings almost since the beginning of time. But, no doubt, in John Paul's mind, while an individual abortion is one thing, an abortion industry, as exists in America, is quite another. The pope might call this the perversion of the market.

"But here, too, the issue of culture is crucial," McGurn continues, "because no market will decree on abortion. There have been abortions from the beginning of time. But it's the culture that decides whether this is to have the sanction of society that allows it to rationalize itself into a business. In fact, there are people who would defend both the market and abortion, people who would attack both the market and abortion, and people in between who would attack one but not the other. The culture decides."

In taking up the possibility of government regulation as a means to moderate the market, McGurn acknowledges that "some regulation will always be necessary for men and women exercising their freedom through the market. But however necessary that is, it is far short of sufficient for the operation of a moral market. ... The only thing that can really guarantee a market functioning in a moral way (and not to its own destruction) is a properly oriented culture within which that market operates." He further explains, "[T]he market depends on virtues — self restraint, honesty, courage, diligence, the willingness to defer gratification — that it cannot itself create. Francis Fukuyama calls it social capital. And we depend on this social capital to allow our free society to function, even more than our formal rules."

#### WHENCE COMETH VIRTUE?

Blank notes in her first response essay that she likes McGurn's "description of the market as a series of networks." Yet she takes issue with his discussion of "how

'virtue' is encouraged in economic behavior and ... how the market relates to the larger social and political forces surrounding it, including its relationship to the public sector." Blank notes that McGurn "claims that this virtue must come from the individual and cannot be imposed by government.... While he is not explicit about where 'good behavior' is taught, the implication is that it comes from moral teachings within the church (or elsewhere) that in turn shape the culture. Government, in fact, is mentioned little except to note that its regulatory role is important but should not be overused." Blank continues, "I don't

think it's quite that simple, nor do I believe that the cultural forces that shape markets can be so easily separated from the market itself."

Blank raises three points of contention with McGurn's thesis: "First, ... 'virtue' should be imbedded within the structure of economic institutions rather than relying solely upon the virtuous behavior of individuals. Second," Blank writes, "my concern with the struc-

ture of economic institutions is heightened because economic structures are deeply imbedded within political and economic structures and cannot be readily separated from them. Third, ... the public and private sectors are closely linked and ... the public sector can have important positive effects on the economy."

When Blank discusses the importance of building virtues into the institutional structure of the economy, she is careful to define what those virtues are. They are not individual virtues taught by parents or religious institutions, she argues, but virtues that must be promoted by the organizations or institutions that back-up enforcement through government regulation. They include the following principles: "markets should function as promised in economic theory"; "markets should include and provide adequate sustenance to as broad a number of participants as possible"; and "markets and their outcomes should be utilized in ways that assist the most disadvantaged in society to achieve fuller lives that are less subject to poverty and economic uncertainty."

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*Rebecca M. Blank*

## I AM MY “OTHER’S” KEEPER

McGurn, in his first response essay, takes up Blank’s discussion of one of the primary assumptions of a market economy, namely that “individuals are assumed to pursue only their own self interest and not care about the well-being of any other actor in the market.” Blank had noted in her opening essay that “In many situations, self-interested and individualistic behavior is appropriate; but as Christians there are times when we must balance self-interested behavior with a concern for others and a concern for the communities in which we participate.” McGurn, in turn, argues that the very nature of the market engenders a concern and awareness of the other. He writes, “I’d like to suggest that [the market] promotes habit-forming virtue. That is to say, in societies where we are compelled to be attuned to our neighbor’s wants and desires if we hope to sell to or contract with him, [the market] is inherently other-regarding. Again, to be clear, this is not the love of neighbor demanded of us. It is, rather, to acknowledge the broad incentive powers, attested to by no less than Marx in his almost lyrical riff on how the bourgeoisie class compels all others to imitate it.”

McGurn then turns to a discussion of the limits of the market. He acknowledges that there are things that the market does not do well, but he does not see the answer in government regulation or state-sponsored social service programs. McGurn’s greatest concern is “the law of unintended consequences: As easy as it is to talk about government intervention to remedy market failure or provide for a good undervalued by the business economy,” he writes, “in practice it is exceptionally difficult because the intervention itself can distort the market. One reason President Bill Clinton signed welfare reform into law is that something that started out as a noble effort to help the poor ultimately had created a government network ensuring only lifetime dependency and family breakdown.”

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McGurn further argues that when the poor are labeled as a distinct group by those who criticize the market and the way it “ignores the poor,” and by Christians who wish to bring the poor “front and center,” that very labeling marginalizes them from the market. McGurn again turns to Catholic teachings, this time about solidarity, to put forth what he considers a better way to view the poor. He writes, “Solidarity — the feeling that we are linked with our fellow humans — is not exactly the same as loving our neighbor as ourself. What makes it a social virtue, however, is that it creates conditions more amenable to the Gospel commandments. To put it another way, free and open markets increase feelings of solidarity because they increase our interactions with and co-dependency on other beings.”

McGurn also argues against giving money to the poor as a way of solving their problems. He proposes that the answer is capital. “But not capital defined in the material sense,” he explains. “Rather, the answer is capital in the metaphysical sense, measured by the ability of human beings to combine their intelligence and labor to create and interact with others as they create. Both these

factors are necessary for real development. Human beings need the freedom to work — by which they become integrated with others — as well as the freedom to make the most of what they have worked at through associating with others.”

## IN THE MARKET BUT NOT OF IT

Blank’s concluding essay provides a strong reiteration of her views while responding to McGurn’s arguments for minimal government regulation of the market. She questions, for example, his claim that markets foster a civility and peace. Blank points to abuses of economic power by individuals and corporations that arise not just because of “individuals who lack a strong moral compass and are in leader-

ship positions. They are also the direct result of a market economy that consistently sends the message that more sales, higher profits and higher growth rates are the definition of economic ‘success.’ While none of these things inherently leads to fraudulent behavior,” Blank continues, “the market system surely encourages the mindset that can lead to fraudulent behavior on the part of those arrogant enough to push the rules a bit too far when they find themselves with economic power.” In this connection, Blank reiterates her position that individual ethics are insufficient to maintain a moral market.

Blank also returns to her arguments for the importance of government social services, although she acknowledges that these programs can have many problems. In the debate about the government’s role in regulating markets, she concludes, “[T]he question is...one of balance. Over-reliance on the market is as dangerous as over-reliance on an overly large and powerful government. Good public and private leaders understand that there is a partnership between the public and private sectors, with each operating where they are most effective and most needed.”

For Christians, too, balance is the answer. She writes, “There is no need to make an ‘either/or’ choice between participating in the market economy versus being a Christian. Rather the challenge is to live in the market but not be wholly possessed by the market.” She captures the ambiguities of the market and its outcomes when she states that they are “not *either* good or bad; more frequently, they are *both* good and bad.” She continues: “Markets can enrich the lives of some who were previously poor while excluding others; markets also can generate new jobs and encourage the development of new human talents, even while they displace or disempower others whose skills are no longer as useful.”

## CULTURE IS MIGHTIER THAN THE SWORD

McGurn’s concluding essay further clarifies his argument for the limits of government and the primacy of culture in regulating the market. He agrees with Blank that “the market does indeed require social virtues — a social framework — that is indeed more than the sum of the individuals that participate in it. ... Our disagreement over the role of government, however, reflects not simply a difference in how much government regulation we believe necessary for the job but — and this is often overlooked in such discussions — a more fundamental divide in how we define the problem in the first place.”

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*Rebecca M. Blank*

McGurn continues, “I am no libertarian. Which is only to say that, in acknowledging the market requires, encourages and rewards certain virtues, I do not believe that these required virtues are either sufficient or self-sustaining. That leaves only two other potential checks. The first is politics (or government). The second is culture (whose most obvious component is religion). If I had to sum up our respective propositions, [Blank] would probably suggest it naïve to think of culture as strong enough to counter powerful market forces while I deem it

even more naïve to expect that government, which enjoys a monopoly of force, [will] do it properly.”

McGurn also cites a number of examples of how government intervention can be ineffective and can have the added problem of siding with vested interests to squelch others who do not have access to the market. He argues that minimum wage laws, environmental regulations and even child labor laws in different contexts have been detrimental to the most disenfranchised people in societies throughout the world. He writes, “Efficiency is one thing, but when it comes to morality, the more operative concern I have is that when the government intervenes, it puts the powers of

the state on the side of one interest — which makes redress much more difficult to effect. That is what made Jim Crow so pernicious in the South: Not only could those who wanted to discriminate count on custom and prejudice, they had the whole machinery of the state behind them as well, leaving African Americans with no real options.”

McGurn’s argument hinges on the notion that “Law works best when it ratifies some social consensus; it works least well when it tries to impose such a consensus — especially in the teeth of clear economic

incentives against it.” In this sense, it is clear for McGurn that “culture

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not only supplies the context within which markets operate, it provides the institutions and values that no market can survive without.”

Religious and nonreligious people alike care about upholding a morally decent standard toward which all economies and societies should strive. Religious people and economists — and those who are both — will continue to debate how best to reach this shared goal. The exchange between Blank and McGurn helps clarify and further the debate.

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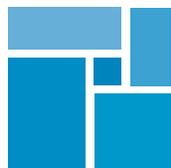
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