

Jung Mo Sung

Brazil, 2001

## Evil in the free market mentality

topics:

- theological critique of “Free Market”-mentality
- concepts of justice and solidarity

source: *Intercultural Pastoral Care and Counselling* No 7, 2001; pp 12-16

### The strange logic of the market

“Wall Street Celebrates Rise in Jobless.” This headline from a major Brazilian newspaper is a typical example of the new mentality that dominates the market. Unemployment has ceased to be an economic and social evil and become, in many cases, an economic benefit. So, over the last few years, major corporations have made great efforts to introduce ‘downsizing’ programmes to reduce the numbers of their workforce, and the more they make redundant, the higher their share value rises, enriching their shareholders and executives. The pride and strength of companies no longer resides in the number of their employees but in the number of workers they can remove from their employment. This number serves as an index of increased efficiency and productivity, today’s absolute economic criterion.

Those not accustomed to this strange logic of the market will find it difficult to understand this ‘celebration’. This difficulty stems not only from their scant knowledge of economics, but from the fact that there has been a profound shift in the way of judging unemployment and other social problems. In the past, unemployment was always seen as an economic and social scourge. It was a scourge often impossible to foresee and difficult to control, the fruit of economic cycles, bad management, wars, or natural disasters – a sort of ‘social plague’, and, as such, an evil to be combated. For a long period, economic policy after the Second World War made maintaining a low level of unemployment one of its prime objectives. Inspired by Keynesian theories, states intervened in the economy to generate employment and advocated social policies designed to mitigate the consequences of unemployment and reduce social inequality.

Today, on the other hand, high levels of unemployment are viewed as inevitable, the fruit of the new technological revolution and of economic globalization. Even the social exclusion of a significant section of humanity, the most glaring social fact of our day, no longer moves society. This social insensitivity shows that unemployment and social exclusion are no longer regarded as social problems but as individual ones, and as a social cost, a sacrifice worth making for the fantastic technological progress supplied by the free-market system. Therefore, the main

objective of present-day economic policies is control of inflation, no longer job-creation and reduction in social inequality

### The market and the theology of sin

In order to understand this huge transformation a little better, we need to go back to the 1970s. At the beginning of that decade, Europe and the United States found themselves faced with a major economic crisis, characterized by a rise in inflation and unemployment coupled with economic recession – “stagflation”. This crisis deeply shook the optimism born of the longest period of growth and economic expansion the world had ever known, following the Second World War. This growth was interpreted by neo-classical economists as the natural fruit of the market, conceived as a harmonious and balanced system that ‘naturally’ generated economic growth. This optimistic concept, born of a mechanistic view of the world, led the neo-classicists to stop worrying about the problems of economic fluctuations and unemployment, as classical economists had done. Keynesian economists themselves shared this mechanistic view of the world and the economy with neo-classical ones. The difference between them consisted in the fact that the Keynesians believed that state spending played an important role in the process of generating higher employment.

When a crisis such as that of the 1970s occurs, of such magnitude that it is impossible to deny its existence, and puts the basic consensus of society in check, we have to find new explanations for its causes if we are to be able to find means of overcoming it. Let us not forget that in those days the notion that high levels of unemployment were a social evil still prevailed. A theological review is not the place for detailed discussions of economic theory. I propose to concentrate on the philosophical and theological questions that form the kernel and basis of the theory that emerged victorious from the debates – neo-liberalism. But let us look at one preliminary question first.

Speaking of philosophical questions in economic theories is no longer so strange in economic and philosophical circles, though there are still some who regard it as heresy. But to speak of theological bases and questions in economics is far more polemical. Many theologians completely deny the possibility and make a radical separation between theology and economics. Others reduce the relationship to a simple application of the social teaching of the church to the field of economics, denying the existence of theological questions lying within the economy itself. Meanwhile, and with increasing frequency, we see politicians, economists and other social scientists using expressions such as “neo-liberal dogma”, “orthodoxy”, “faith in the market”, “*laissez-faire* theology”, “necessary sacrifices”, and others deriving from theology, in presenting their arguments and analyses.

Some would discount the question by saying that these terms are being used in a purely analogical sense. But their abundance, in authors either favourable or opposed to the present economic order, obliges us to take the matter more seriously. The length of this article precludes numerous quotations, but one has only to read newspapers, reviews or books to find them. Take Paul Ormerod’s book *The Death of Economics* as an example:

It contains such statements as, “The economists of the International Monetary Fund and the World Bank preach *salvation* by means of the market to the Third World... An intellectual *orthodoxy* arose... *The intensity of faith* demonstrated by

the majority of economists... Many years ago in economic theory the *fundamental belief* was in vogue that the price of a merchandise – be it bananas or people – is determined by the relative levels of supply and demand” (my italics).<sup>2</sup>

‘Salvation’, ‘faith’, ‘orthodoxy’ and other such terms are not new in economics. The basic nucleus of such theological language was already present in Adam Smith. His famous concept of the ‘invisible hand’ derives from the theological concept of divine providence. This view of the market as a supra-human entity capable, on the basis of individual egoisms competing in the market place, of producing a non-intentional effect of common good, has always been present in the various theories and ideologies of capitalism. But in the 1970s, with the advent of neo-liberalism, it came to assume a specific and more radical form.

The speech given by F. A. von Hayek, the ‘pope’ of neo-liberalism, when he accepted the Nobel Prize for Economics in 1974, provides a synthesis of the philosophical-theological nucleus that concerns us here. Its title alone is significant: “The Pretension to Understanding”.<sup>3</sup> Basically, it consists of a re-reading of the myth of the original sin of Adam and Eve. All economic theories develop, in one way or another, consciously or unconsciously, a theology of sin, since they try to explain the causes of evils to be combated and put forward means of achieving what they consider the (economic) good.

In his acceptance speech Hayek defined the challenge of the economic crisis of the early 1970s as: “How can we liberate the free world from the serious threat of galloping inflation?”<sup>4</sup> It is important to note that he reduced the crisis to the problem of inflation, discounting unemployment as a serious problem. Having posed the question in these terms, he replied to it by saying that the crisis was brought about by economic policies recommended by the majority of economists, who shared the belief that we could achieve full employment on a permanent basis. This economic theory, inspired by Keynes, presupposes, in Hayek’s view, the possibility of understanding all the complex phenomena that make up the market. In other words, the basic evil that originates the harm of galloping inflation and the resulting imbalance and instability of the market – the original sin, in theological terms — is the desire to promote the social good consciously and intentionally, which presupposes the pretension to understand the market.

Against this pretension, Hayek defends the idea that the market is an essentially complex structure. As such, he argues, we cannot understand it fully, and therefore we should not pretend to replace the spontaneous processes of the market with conscious human control through economic and social goals. On the basis of this, he says: “To act according to the belief that we possess the knowledge and power that enable us to plan the processes of society entirely to our taste, knowledge that in fact we do *not* have, will probably cause us great harm.”<sup>5</sup>

From the correct understanding of the market as a complex system and from the consequent recognition of the impossibility of understanding it fully, he deduces the impossibility of directing it according to our wishes, that is, the impossibility of intentionally achieving full employment or other consciously-set economic goals. This intentional and conscious quest, according to him, will cause us great harm. It is clear that, in the context of his critique of pretensions to absolute understanding of social reality, he cannot state categorically that these desired goods translated into political and economic actions will necessarily cause great harm. So he presents it as a strong possibility.

Harm as a non-intentional effect of an action that seeks the social good comes about, he maintains, through the fact that this action of coercion on other persons or social groups by an authority impedes “the functioning of those forces of spontaneous disposition through which, without understanding them, man is in fact so fully assisted in the quest for his objective”;<sup>6</sup> that is, it impedes the free functioning of the market.

Once social actions planned on the basis of good intentions are seen as generating socio-economic crisis, only two courses are open. One is to take a radically nihilist stance and defend the impossibility of ever having a better world. This type of social theory is, however, frustrating by its nature and doomed to political failure. The other is to believe and hope that the solution to economic and social problems will arrive through the actions of a god or through the non-intentional effects produced by an intrinsically beneficent economic system—that is, the market. As it is impossible to prove empirically that the market system produces only and inevitably social benefits, we have to have faith in it. That is why Milton Friedman, recipient of the Nobel Prize for Economics in 1976, claims that “underlying most of the arguments against the free market is a lack of faith in freedom as such”.<sup>7</sup>

The alternative to the nihilist position and faith in a transcendentalized market is to take on our human responsibility to work out, democratically, our social goals and to try to put them into effect. This clearly presupposes not only our capacity to understand the dynamic of the market, at least in part, but also the legitimacy of a certain social and legal coercion on sections of society, such as, for example, a progressive tax system to ensure a better distribution of wealth or control over certain types of production or consumption that pose a threat to the environment - ideas abhorrent to neo-liberals.

Neo-liberalism starts from the epistemological principle of the impossibility of fully understanding the way the economy and trading relationships function and comes to the conclusion that the basic evil, or original sin, is the desire to make the benefit they presuppose the object of understanding. Given the impossibility of doing good, the only thing left is the choice to try not to do harm. And the basic harm to be avoided is “the temptation to do good”. This, incidentally, is the title of a novel written by Peter Drucker, the ‘high priest’ of business management. In this, a Bishop O’Malley says that the only fault of Zimmerman, the protagonist, “is to have exercised a little Christian compassion”, in that “he did not resist the temptation to do good”.<sup>8</sup>

This is the reason why unemployment is no longer seen as an economic and social evil to be combated, and why economic policy has been reduced to the struggle against inflation, so as to maintain confidence in money and in the market. The ‘In God we trust’ stamped on the dollar shows that trust in money and in the market is as basic as trust in God, since basically the market has been elevated to the status of a god. This is what liberation theologians call the idolatry of the market.

### **Justice and solidarity?**

This central core of neo-liberalism, established in a ‘probabilist’ fashion by Hayek in 1974, has today been raised to the level of dogmatic certainty. It is not by chance that so many economists and sociologists make use of the concept of dogmatism in analysing neo-liberalism and the present dynamic of globalization. Fundamentalism is not only a problem relating to religious groups. The most pre-

dominant and perverse fundamentalism today is economic. Social, cultural and historical differences are left out of account when the orthodox prescriptions of the IMF and the World Bank are imposed on undeveloped countries. Social disasters have no effect on belief in the universal validity of their orthodoxy. They claim that increases in poverty and social exclusion are the results not of applying their dogmas, but of not applying them rigorously enough.

When the search for good is considered the basic cause of harm, and when unconcern and cynicism in the face of social problems are seen as the best ethical approach, it is no use preaching social justice and solidarity in the abstract. This is because social justice has been reduced to the efficiency of the market. Efficiency measured by competitiveness in the market is today considered the best criterion for discerning social questions. Therefore, as J. K. Galbraith has shown, one of the main characteristics of our societies is the belief that those who enjoy the riches and benefits brought by the market 'are doing no more than reap their just reward', and "if good fortune is deserved or if it is a reward for personal merit, there is no plausible justification for any action that may come to prejudice it or inhibit it – that will come to reduce what is or could be enjoyed".<sup>9</sup> Which means that the poor and unemployed must suffer the 'just deserts' of their own incompetence. This perverse culture is the most dominant version of the theology of retribution in our time.

Solidarity, a concept so dear to Christianity and so important in our days, has not been immune to this inversion either. The speech given by Michel Camdessus, the director general of the IMF, to participants in the National Congress of the CFPC, for owners and directors of Christian firms, in Lille, shows this inversion clearly. He said: "You are men of the market and of business, seeking efficiency for the sake of solidarity. The International Monetary Fund was set up for international solidarity in the service of countries in crisis which try to make their economies more efficient. The search for efficiency is in and through the market, and you and I both know how related efficiency and solidarity finally are: we stand on the same ground."

The statement that the IMF is in the service of solidarity will strike many people as being as strange as the headline on celebration at the start of this article. Anyone with even minimal experience of the social consequences of the forced implementation of IMF programmes in the countries of the Third and Fourth Worlds will be indignant at such a claim. But, beyond indignation, we need to understand the logic behind such a statement.

The key lies in the relationship between efficiency in and through the market and solidarity. For the dominant economic school of thought, it is possible to exercise solidarity with the poor only through economic growth. This is because this school identifies quality of life with the quantity of economic goods provided by the Gross National Product. This is seen as the only way of obtaining this growth and, therefore, of exercising solidarity and increasing economic efficiency through free competition in the market. Outside the market there is no salvation!

Once this dogma is adopted *a priori*, one can only practise solidarity by denying solidarity – by, that is, imposing programmes of economic adjustment which increase unemployment, social inequality and other social problems in the name of increased market efficiency. When the IMF is presented as an agent promoting solidarity, all those groups which work in solidarity with the poor, fighting for greater social justice and so upholding alternative political and economic policies,

are seen as bringing about the crisis and, therefore, fomenting evil. They are those who fall into the “temptation to do good”.

According to this school of thought, social inequality is no longer considered a social evil. On the contrary, it is seen as something inevitable, just and beneficent. Inevitable, because it is the necessary outcome of the only possible economic system, the market system. Just, because it is the fruit of the wise distribution of wealth by the market, according to the efficiency of each individual. And beneficent, because it is social inequality that drives people into competition, the engine of economic growth, and is the proof that the state is not intervening in the economy.

### **Solidarity and critique of idolatry**

If we fail to unmask this inversion brought about by the market mentality, our works and actions in favour of social justice and solidarity run a serious risk of falling into a void or, worse still, of being interpreted in the sense given them by the neo-liberals. This unmasking has to be done through the process of theological critique of market idolatry. It is this idolizing, this transcendentalizing of the market, which makes the inversion of good and evil possible and legitimate, and which presents the sufferings and deaths of human beings and the destruction of nature as sacrifices necessary for salvation.

In this struggle it is vital for us to re-establish the true meaning of good and evil, of solidarity and cynicism. This is a challenge that does not stop in the economic and ethical fields, but reaches to the heart of theologies and religions. When we talk of the economy today, we are talking of faith, beliefs, dogmas, sacrifices, transcendentalized systems, gods and anthropologies. The problem of evil in the market is, basically, a problem of the theology of sin, of original sin. Sin, grace, salvation... are themes that need reflection by theologians within the complexity of contemporary economies and societies.

In the struggle for greater social justice and solidarity, we must take care not to fall into the temptation of trying to build a perfect society, one with no evil in interpersonal and societal relationships, a society in which it is possible to foresee, control, and avoid everything we consider harmful and in which people are completely unselfish and generous. This, besides being epistemologically impossible, would be a negation of our human condition. Criticizing the idolatry of the market does not mean absolute denial of the market or of trading relations as such. As Hugo Assmann says: “Among undeniable facts, in the field of human interactions in complex societies, is the existence and working of dynamic, partially self-regulating systems in what concerns human behaviour. In the economy, this fact has a name... the market.” In other words, our critique of the inversion born of absolutization of the market has to be complemented with a critical but positive acceptance of the market, coupled with a strong emphasis on goals of solidarity.

However well we are able to construct an alternative society – and we have to make the maximum effort to do so – economic and social problems will not disappear completely. One of the reasons for this is that the sum total of human desires will always be greater than existing or future economic goods, so generating conflicts, envies and other evils. Besides this, there is a multiplicity of human, social, and natural factors outside our control. This being the case, we have to struggle, in the political field and in civil society, to make solidarity take root as a so-

cial value. And this is not an easy task, since solidarity is not the only impulse moving human beings; it is rather the fruit of conversion, which is often a very difficult personal process. Without the establishment of solidarity as an objective social norm and value, the suffering of the poor will be seen not as a social evil, but only as a necessary sacrifice or debt due to the sin of economic inefficiency. What makes a correct perception of economic-social evil possible, looking beyond the inversions of the market system, is not only a correct understanding of economic theory but, and most basically, openness to others, solidarity with those who are suffering.

*Translated by Paul Burns*