THE MORAL ECOLOGY OF MARKETS: ASSESSING CLAIMS ABOUT MARKETS AND JUSTICE, Daniel K. Finn. New York and Cambridge: Cambridge University Press, 2006. 182 pp.

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In many ways, this is an appealing book. The author writes well. He goes out of his way to give opposing viewpoints a fair hearing. He complains that ideological opponents too often talk past one another and seeks here to provide a more balanced treatment.

The subject is the morality of the market. The book is partly a response to the fact that, as Daniel Finn explains, "within the mainstream of the discipline of economics, moral questions are explicitly avoided" on the grounds that economics can and should limit its efforts to empirical science. This is, however, an illusion because "arguments about markets inevitably have a moral dimension, and all participants in the debate are better off to admit this at the start" (p.5).

Finn begins by examining briefly the thinking of three leading defenders of the free market – Milton Friedman, James Buchanan, and Friedrick Hayek – and shows how their advocacy embodied powerful normative elements, even as they typically neglected or even sometimes denied the presence of such underlying values. In each of their cases, government is assumed to provide a framework of law that allows the market to function, an action that itself reflects strong value judgments about the social merits of market workings and outcomes.

In Buchanan's case, he advocates significant constitutional change to correct problems associated with the rent seeking of the welfare and regulatory state. But how would a constitutional convention and other steps to improve the political order ever come about? As Finn argues, it is only conceivable if people have a wider concern for the overall benefit of society and are willing to act on that concern, foregoing the narrow pursuit of individual advantage.

Finn then considers how, assuming an ethical justification is required, the market might be defended. He examines ten positive arguments such as that markets "reduce discrimination and bigotry" because everyone is treated equally and a firm that discriminated against employees who in fact possessed higher skills would lose out in the competitive process. The market is also effective in promoting technological advance and economic growth which improves the lives and behavior of the citizenry. On the negative side, however, Finn then lists eight ethical criticisms of markets, such as that they foster inequality and they work to encourage a culture of greed and exclusive self-regard that ultimately [*952] works against efforts to advance the common interests of society.

Finn then sets the stage for an overall assessment by identifying four main criteria to be applied in assessing any economic system. Such a system must find solutions to these four basic problems: (1) an efficient "allocation" of the resources of society to maximize production and consumption; (2) a fair "distribution" of the outputs of the economy; (3) a proper "scale" of economic activity that will not overwhelm the capacity of the environment; and (4) a high "quality of human relations" (a consideration that Finn considers the "most complex" of the four). It is in part an empirical question how well any economic system fares according to these criteria, a subject that requires intensive study by economists and other social scientists.

Given some such empirical estimates, forming an overall judgment with respect to the market then will require application of the various moral criteria previously described. Finn does not seek to provide a definitive answer himself but seeks instead to improve the quality of future discourse by giving the argument greater structure.

Of course, few societies leave the market to operate without constraints – or "fences," as Finn labels them. The U.S. Civil War was fought to eliminate slavery as a market option, reflecting a basic moral judgment of the time, and there are many other areas where market freedoms are limited for ethical reasons. Almost all governments, moreover, provide certain basic services beyond law and order. Even a libertarian

[1] http://www.bsos.umd.edu/gvpt/lpbr/subpages/reviews/finn1206.htm

such as Friedrich Hayek agrees that, in addition to providing an education for all citizens, government should maintain a safety net. Milton Friedman agreed and proposed a plan for educational vouchers and his "negative income tax" – the latter taking the form today of the earned income tax credit.

Ultimately, Finn seems most worried that the market encourages an excess of individualism that will neither make people happy in their personal lives nor enlist their participation in working together for a better world. The necessary "bonds of community" may be undermined by "both the impersonality of the market and the philosophy of impersonal human relationships endorsed at least implicitly by libertarians" such as Friedman, Buchanan and Hayek. He thus argues that the market must be evaluated in the widest setting – that "we really understand the market only when we examine it within its [full] political, social, and cultural context" (p.144). His use of the term the "moral ecology of markets" refers to his concept that markets involve complex interactions among a wide range of social factors that must be studied like an ecological system.

In concluding, Finn suggests that the various advocates for and against markets typically limit their concerns and values to a subset of the relevant considerations. It is only this selective consideration that allows them to be so confident of their own verdicts on the market. Finn suggests, however, that the tradeoffs are difficult and any [*953] intellectually honest person must admit this, avoiding the dogmatism that he finds all too frequently exhibited. Instead, what is needed in deciding the appropriate role of the market is a "real dialogue between proponents with differing views" based on an attitude of tolerance and humility that facilitates a genuine "common conversation."

The market considerations listed by Finn will by and large be familiar to many readers. His greatest service thus is to provide a full catalogue in one place and to insist that all these factors must be recognized and weighed together by any fair minded person. The book thus may be most valuable for students and others who are coming to the subject for the first time.

There are some interesting messages, however, that are sent indirectly. The very fact that he sees it as desirable to assemble all the ethical pros and cons is a commentary on the absence of explicit attention to moral considerations in much of the social sciences. It is also a commentary on the tunnel vision of much of academic life, reflecting a powerful incentive structure that works against such overview assessments as Finn provides here.

Finn also gives libertarian thinkers greater attention than is typical in the university mainstream. The development of libertarian thought in the United States has largely occurred outside the academic world and in think tanks such as the Reason Foundation and the Cato Institute. Finn is indirectly criticizing this, and rightly so.

Yet, he may have actually given libertarians a greater role in defending the market than they deserve. The leading defender of the market in the twentieth century was actually John Maynard Keynes. In the 1930s, many leading intellectuals were suggesting that the market should be abandoned altogether. Keynes replied that, suitably overseen and regulated, including the application of Keynesian macro-economic methods to stabilize the market, it was a valuable – indeed essential – tool for accomplishing the purposes of society.

In the United States, this became the mainstream view of the economics profession for the remainder of the twentieth century. Thus, the critical historical role for libertarian economists such as Friedman and Buchanan was not in defending the market per se but in arguing that the Keynesian macro-economic oversight and regulation had gone too far. Finn's market intellectual history is misleading in this respect.

Another problem is Finn's assumption that individuals pursue their own interests in markets. It is true that economists often employ this atomistic model. In reality, however, many markets are dominated by large collective organizations such as business corporations. More recently, more than 50 percent of the new housing in the United States has been built in a private community association. Much of private economic activity today is thus collective, bringing into question Finn´s core argument that markets necessarily encourage an excess of individualism. [*954]

As noted, a distinctive feature of this book is Finn's strong appeal for fair minded attention to every point of view. An analogy in religion would be an ecumenical movement among faiths that have more often fought fiercely over matters of theological interpretation. Finn wants advocates of the various secular "religions" of the market – pro and con – to show a similar ecumenical spirit. The current difficulties in bringing the Christian and Muslim worlds together, however, suggest the problems and limitations of ecumenical dialogue – whether the subject is God or markets (perhaps a modern substitute for God).

The idea of economic progress did in fact become the religion of large numbers of modern men and women. If people lie, cheat and steal for material reasons, continuing rapid economic progress might lead to a new era, spiritually as well as materially, opening up the prospect of a new heaven on earth by human actions alone. The best route of economic progress –the market, government planning, or otherwise – then becomes a profound religious issue, capable of inspiring modern religious warfare between socialists and capitalists, among others.

The rise of a Christian ecumenical movement did not occur until the Christian religion had been significantly marginalized in society – when the common enemies of Catholics and Protestants were more important than the remaining differences among them. Perhaps we have reached a similar point with respect to the market. If the old battles were fought among competing visions of economic progress, much of the debate now is about the actual merits of progress. In this debate, free marketers and socialists are actually on the same side, typically opposed by environmentalists and others who now question progress. Finn thus may be a bit late, addressing a subject that is no longer the central question, and his main ethical categories could be correspondingly outdated.

His plea for tolerance also assumes that "religious passion" about the market (and implicitly most other things) is undesirable. It is true that religion has too often incited hatred and violence. But religion is a double edged sword. Without deep religious commitment, many desirable social reforms might never have occurred. Religion can be a main antidote to the pervasive rent seeking that still leaves many societies mired in poverty and inequality. Even the continued existence of free markets may require a suitable religious dedication to maintaining private rights.

Finn has nicely summarized a variety of arguments for and against the market, although inevitably somewhat selectively. For a college course, one might say that he provides a good set of market cliff notes. This is a useful service, but in the end the book does not break any new ground in thinking about the role of markets in society.