

Free Exchange: Morality and Economic Freedom

By Jim Daly with Glenn T. Stanton

I did not come from wealth, privilege, or influence. Though I lived in one of the most prosperous corners of the world, there were days in my childhood when I did not know where my next meal would come from or where I would lay my head for sleep that night. For far too much of my childhood, I was an orphan. My mother died when I was young and my father and stepfather both left me for destinations unknown and without any connection. While most of my schoolmates' greatest concern was what their mothers would serve for dessert that night, my deepest fear was who would watch out for me. Who, if anyone, would provide for my needs? Beyond basic food and shelter, it sure wasn't the foster home I was placed in.

But you would never know any of this by looking at me today. Thankfully, I have come to a good place in life, far beyond my wildest expectations. I earned an advanced degree in business administration, over many years, while working full-time. By God's grace, I now hold a challenging and deeply fulfilling job as the president and CEO of a large international nonprofit, which I joined two decades ago in an entry-level management position.

My most important position is the honor of being the husband of a beautiful and super-smart wife and the father of two beautiful, energetic young boys. We have a lovely home in a nice neighborhood. Our life is settled, if still a little hectic. I am committed to making sure my boys have a very different childhood from mine.

While the pain and hardship of my youth had one source, the good in my life today springs from two very different sources. The first was my remaining family. Even though my parents were taken from me, I had a gracious band of older siblings who became my surrogate parents, loving me, watching out for me, and making sure I stayed on (or, at times, returned to) a straight path. It was a

dysfunctional family—teenage siblings should not have to be parents—but a family all the same.

The second source was a land that afforded me the opportunity to improve my lot in life based only on my desire and willingness to work hard to do so. This is the same system (somewhat new in the long course of human experience) that has lifted millions of men, women, and children out of poverty, anxiety, struggle, and early death. The evidence of human migration in the past few centuries is unmistakable. We find people voting for this society not only with their feet but also from the depths of their very souls, risking fortune and life for the chance to prosper under its benefits. The benefits of the American Experiment are not a well-kept secret.

Its benefits include many things but, most importantly, America has meant freedom, including economic freedom. We know that nations that allow free exchange, including the solid right to own property, do much better economically and socially than those that do not.¹

Economic Freedom and Prosperity

In considering the lives of our neighbors—remember that every day technology widens the circle of who our neighbor is—we must be concerned with the fair and free exchange of goods and services. Theologian Paul Tillich once explained to his students that socialism “is the only possible economic system from the Christian point of view.” Since he said that in 1957, however, the verdict upon socialism as a vehicle for improving our lot has been unmistakably delivered. It does not work because it does not correspond to the motions of the human heart and soul. It is not socialism but economic freedom that most closely corresponds with our human needs and desires.

Adam Smith recognized an old truth in 1776 when he argued in *The Wealth of Nations* that real abundance is not found in a nation’s supply of gold and silver, but in the ability of its people to

create and trade goods and services and to do so freely, driven by a desire to improve their own interest. Smith's famous "invisible hand" is the self-regulating nature of markets that discourages us from filling our own stomachs to the exclusion of others (even if we would like to) but naturally rewards individuals when they seek their own good by meeting the needs of others.

As for the market's ability to punish mere selfishness, think of the consequences that some Wall Street and banking executives face today.

In fact, Smith believed that individuals' pursuit of their own self-interest actually results in promoting the good of society to a greater extent than if each person had intentionally set out to do so through other means. That's the fruit of the invisible hand. Smith's "hand" is far better at distributing goods and services than are state planners; thus, Milton Friedman's summation of Smith's theory—"the possibility of cooperation without coercion."²

Time and experience, as well as the flow of immigration, have proved Smith largely correct. This is not rooted in the nature of nations, but in the nature of nations' citizens, all created in a particular image. Every healthy human being ever to walk the earth was created with a nearly inexhaustible capacity to create or provide something of value and, in doing so, to enhance his own life as well as to promote the happiness and satisfaction of those around him. But those capacities come to greater fruition in societies that protect economic freedom.

As Ludwig von Mises recognized:

Within the frame of social cooperation there can emerge between members of society feelings of sympathy and friendship and a sense of belonging together. These feelings are the source of man's most delightful and most sublime experiences. They are the most precious adornment of life.³

We desire to relate to others, as well as to create and provide for ourselves and for others. Our sinful hearts will move us toward a naked individualism in which our self-interest devolves into selfishness— as it did with my father and stepfather. Yet such “individualism” does not satisfy, but rather leads to isolation and misery. The “happy individualist” is an oxymoron if ever there was one.

Free markets and true free exchange are economic displays of this truth and metaphysical reality. It is for which we are made. In free exchanges, we are not isolated islands but social individuals who can meet the needs of others while prospering ourselves, without losing our own individual identity.

Michael Novak makes this point elegantly in the first sentence of his consequential book, *The Spirit of Democratic Capitalism*:

Of all systems of political economy which have shaped our history, none has so revolutionized ordinary expectations of human life—lengthened the life span, made the elimination of poverty and famine thinkable, enlarged the range of human choice—as democratic capitalism.⁴

He later explains:

It is no accident that democratic capitalism arose first in Jewish-Christian lands (or that it is imitable only in analogous cultures). Apart from certain specific views of human life and human hope, neither a democratic polity nor a market economy makes sense. If those who live under democratic capitalism lost sight of the moral foundations of the system, a loss of morale is likely to occur.... Necessary reforms and advances cannot be attempted when individuals within the system have lost sight of its proper ideals.⁵

Morals, Values, and Economic Freedom

This economic system relies on certain ideals and values present both in our government and in our citizenry. In the long run, widespread moral ignorance will bring—along with other ills—economic paralysis. And this is precisely what we are seeing today. Our present and deeply troubling economic realities are more the result of our moral failures than our market failures. Our appetites have become much larger and stronger than the constraints of our souls. We prefer instant to delayed gratification. We are creating “men without chests,” as C.S. Lewis put it. Drawing from Plato’s idea that each person is governed by three sources—the thinking (head) rules the appetites (stomach) through moral strength (chest)—Lewis explains, “It is by this middle element that man is man: for by his intellect he is mere spirit and by his appetite, mere animal.”⁶ A market economy demands participants whose “chests” can govern both their minds and their stomachs.

How do we get the kind of people our markets require? Where are they made? It does not start in the marketplace, nor even in Sunday School or the classroom (although these last two are necessary helps once the process is started). Virtuous people are most likely created in good families. This is a fundamental and unavoidable fact.

British Prime Minister Gordon Brown recognized this in a public forum on economics the day before the convening of the monumental 2009 G-20 Summit in London. He began his remarks by explaining that he would not talk about the fine points of economic theory or market minutiae. He said he would, rather, speak of the “enduring values—indeed the enduring virtues—that we have inherited from the past, which must infuse our ideals and hopes for the future.” While his speech fell short on the global order, Brown eloquently evoked the core of local order:

And I want to suggest to all of you here today that this most modern of crises, the first financial crisis of the global age, has confirmed the enduring importance of the most timeless of truths: *that our financial system must be founded on the very same values that are at the heart of the best of our family lives.*⁷ (Emphasis added.)

Brown was talking about basic truth and honesty. Without such honesty, there can be no trust. And, without trust, there can be no vibrant system of trade. It is in the family where we first learn how to care for ourselves and then of the need and duty to care for others. Family is where love is first learned and demonstrated and, hopefully, selfishness discouraged. It is where we learn both self-confidence and security, leading to empathy and altruism. It is where we learn the value of hard work, sacrifice, and honesty. It is where we learn that we ought to tell the truth rather than lie.

The Greek philosopher Aristotle held that “the family is the association established by nature for the supply of men’s everyday wants.” As families developed, he said, thus came the village and, out of the villages, the state arises. The family is also the most powerful human elevator of a free market of exchange.

If we care for others and want to lift them out of misery and poverty and on to a better, healthier life, we cannot be apathetic about the economic system that has proved itself better than others at doing this. Nor can we be laissez-faire about the social conditions that create what is required to drive this system. The free market is the best and fairest system for allowing human beings to create resources and then distributing the resources we need to live prosperous and ever-improving lives. But this system cannot function strongly and fairly if our culture produces “men without chests.”

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¹ Heritage Foundation/Wall Street Journal *Index of Economic Freedom*, at <http://www.heritage.org/index/>.

² Milton Friedman, introduction to Leonard E. Read, “I, Pencil: My Family Tree as Told to Leonard E. Read” (Irvington-on-Hudson, New York: The Foundation for Economic Education, Inc., December 1958), at <http://www.econlib.org/library/Essays/rdPncl1.html> (accessed July 20, 2009).

³ Ludwig von Mises, *Human Action*, 4th edition, Chapter 13, Section 1, “Human Cooperation” (Irvington-on-Hudson, New York: The Foundation for Economic Education, 1996), p. 143.

⁴ Michael Novak, *The Spirit of Democratic Capitalism* (Lanham, Md.: Madison Books, 1991), p. 13.

⁵ *Ibid.*, pp. 334-335.

⁶ C. S. Lewis, *The Abolition of Man* (New York: Macmillan Publishing Company, 1947), p. 34.

⁷ Gordon Brown, “Speech and Q&A at St. Paul’s Cathedral,” London, England, March 31, 2009, at <http://www.number10.gov.uk/Page18858> (accessed August 21, 2009).