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Real Wealth Versus Greed Is Good

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A recent essay by Sheldon Richman, "The social benefits of making money" made many misleading accusations towards those who he believes oppose "market-oriented" societies, and failed to base its assertions on appropriate historical events or evidence. The essay is a rehash of the famous saying "greed is good," which became a 1980's fad phrase, the wisdom of which was demonstrated by the Savings and Loan crisis.

In this response, I directly quote key sections of Mr. Richman's text, interspersed with my comments.

"A standard charge against market-oriented societies is that they are corrupted by profit. Businessmen only want to make money. Profits come before people."

There's a difference between businessmen and for-profit corporations run by CEOs. While business leaders may have a moral compass that wants to put people before profits, our corporate system makes it illegal to do so if morals and ethics get in the way of profit growth.

The documentary "The Corporation" has plenty of heart wrenching stories from CEOs that illustrate this point. Fortunately, the small local business people in my town don't live with this conundrum.

"At the same time, the markets' critics blame business for wasting resources and neglecting peoples needs….If businessmen really want to make money, they will neither waste resources nor neglect peoples needs, because economizing and catering to customers is how you make money in the marketplace….Obviously, an entrepreneur wants to minimize expenses by using no more resources than necessary to produce what people want to buy."

Nobody would claim that a frugal business doesn't have a profit advantage. But the point missed is how the market in general shifted focus away from needs and towards desires.

As industrialism really got going in the early 20th century, corporations became concerned that cheap goods would soon fulfill everyone's basic needs. Two 'solutions' were enacted.

First, marketing switched from promoting products as practical necessities to satiating irrational desires. This transition in marketing was led by Edward Bernays and was based on the theories of his uncle, Sigmund Freud. It really took off when Bernays staged an event that featured women smoking.

Second, products were designed not to last, i.e., “planned obsolescence,” so the consumer would have to come back soon. Horrendous waste is now built into the system.

“Why use two barrels of oil to make something, if you can make it using just one?…Why don’t the people who worry about depletion of resources give the market credit for this virtue?”

Because the market is designed not to satisfy basic human needs, but to rapidly convert our heritage of natural resources into widgets and gizmos that soon end up in junk yards. When a market like this becomes more “efficient” it simply increases the rate at which it depletes resources.

In economics this is known as the Jevons Paradox.

“…they despise the marketplace because it embodies the freedom to pursue self-interest and make money. They find that morally repugnant. But there is nothing repugnant about pursuing self-interest…”

Self-interest is fine, as long as it doesn’t come at the expense of others, including future generations. Isn’t this a core message of most religions?

The rational self-interested tend to find ways of enriching themselves while dispersing the cost among society at large. In economics this is called “externalizing costs” and is a major strategy of those pushing for “deregulation.”

“When will the critics learn that one gets wealthy in the market only by raising peoples living standards?”

The marketplace cares nothing about living standards, just selling stuff whether it is rational or not to buy. The documentary “Supersize Me” examines the fast food industry and its influence on the quality of life of devoted patrons.

Because of the fast food industry we have a growing diet industry, health care industry, and nutrition education industry. Sell them the poison, and then sell them the antidote.

“Nothing sparks imagination like the possibility of profit. As an unintended consequence, we all prosper… The incentives built in to the market raise living standards, minimize waste, and produce a clean environment just by letting people make money.”

There is an old assumption that economic growth automatically leads to prosperity, and this may have been true until a few decades ago. Quality of life measures are now declining in industrialized countries, even as economic growth continues. The economy is now becoming “uneconomic” by giving us less with more.

It isn't just environmentalists saying this. An analysis called the Index of Sustainable Economic Welfare (ISEW) was developed by academic economists to possibly replace the Gross Domestic Product (GDP) index because GDP doesn't distinguish between benefit and harm. An update of the ISEW is the Genuine Progress Indicator (GPI).

Data show that nowadays when the economy grows people tend to be worse off on average. Harms such as air and water pollution and obesity outweigh the benefits of more economic activity.

Does the market have a role in improving the outlook for humanity? Certainly, but with reforms. Some of the most coherent recommendations for change I have seen come from an Ireland-based group called FEASTA. The San Francisco-based group Redefining Progress is another leader in the field of economic reform.

Though this goes against our experience, is time for our economy to shrink, to go on a diet so to speak. Just as there's a time for people to grow, there's a time to stop growing and start maturing lest we get sick from diabetes or cancer.

But it is physical growth that needs to end, not growth in knowledge and personal relationships. Real individual wealth comes not from having more stuff, but having a supportive and secure set of relationships with other people and the environment. If the market as currently structured undermines these core values it needs to change.