

# Morality and Economics

## A Critical Review of Joseph E. Stiglitz's Writings

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Joseph Eugene Stiglitz is an American economist and a professor at Columbia University who received the Nobel Memorial Prize in Economics in 2001 and the John Bates Clark Medal in 1979. He is one of the most frequently cited economists in the world and has served as a Senior Vice President and Chief Economist of the World Bank. He has been critical of the management of globalization, free-market economists, and the International Monetary Fund and the World Bank. He is the founder of the Initiative for Policy Dialogue, a think tank on international development based at Columbia University. He also chairs the University of Manchester's Brooks World Poverty Institute and is a member of the Pontifical Academy of Social Sciences. He served in the Clinton Administration as the chair of the President's Council of Economic Advisors, has advised President Barack Obama, and was a lead author for the Intergovernmental Panel on Climate Change. Most interestingly, he is a member of Collegium International, an organization of leaders with political, scientific, and ethical expertise whose goal is to provide new approaches in overcoming the obstacles in the way of a peaceful, socially just and an economically sustainable world, but his views on morality seem, at best, to be trivial.

In a piece titled [Moral Bankruptcy](#) he states that:

"Too little has been written about the underlying moral deficit that has been exposed. ... We allowed markets to blindly shape our economy, but in doing so, they also shaped our society. ... We have created a society in which materialism overwhelms moral commitment, in which the rapid growth that we have achieved is not sustainable environmentally or socially, in which we do not act together to address our common needs. Market fundamentalism has eroded any sense of community and has led to rampant exploitation of unwary and unprotected individuals."

Of course, he's right, but his claims are too generic and he fails to address their implications.

We? No, not we. Not I nor anyone I have ever personally known has done any of it. Our economists and our ruling, oligarchic elite have done it. And the implications that follow but which Stiglitz fails to address are that a society's values are acquired from its economic system, that no nation that adopts such an economic system can be a force for good in the world.

Capitalism is an immoral system and it destroys any vestiges of morality in any culture that adopts it. Capitalism violates the Golden Rule; it violates at least four of the Commandments; it repudiates the teachings of Jesus, it transforms the Seven Deadly Sins into best practices for business; it violates Kant's Categorical Imperative, and it turns

Utilitarianism's "greatest good for the greatest number" into the "greatest good for the smallest number." It even violates the moral principles Adam Smith put forth in *The Theory of Moral Sentiments*. No known moral doctrine can be used to support it.

All of this has been known for two hundred of years.

Stiglitz mentions the immorality in exorbitant pay for corporate executives, but never mentions the immorality in enticing workers to regularly contribute to retirement funds and then making the money and the retirement dreams evaporate like morning dew, the immorality of selling homes to families, taking their money, and then evicting them, the immorality of the absurd situation in which workers still holding jobs have both income and healthcare while those who have lost their jobs have neither.

Stiglitz was there when Reagan, on the advice of economists such as Arthur Laffer, opened the barn doors and allowed the mules of regulation to escape. He was there when Nixon turned the dollar into Monopoly Money. He was there when Clinton promoted NAFTA. He was there when Bush gave the largest tax cut in history to the wealthy. He was there when the housing bubble was expanding. Where were the moral protestations? None were heard from Stiglitz.

Stiglitz is to the economics profession what John McCain is to the Republican party—a maverick. He objects, once in a while, to this or that but is, nevertheless, a tried and true believer in neo-Keynesian Capitalism. He, like all mainstream economists, is merely willing to tinker with the Model A's engine to keep the clunker running. But if Capitalism is immoral and infuses immorality throughout society, one cannot consistently bemoan the latter while advocating the former. Doing so is irrational.

When Lloyd Blankfein claimed he was "doing God's work," no one in the economics profession, not even Stiglitz, pointed out that that was what the chief priests said to Judas Iscariot when they handed him thirty pieces of silver. When Stiglitz resigned from his position at the World Bank, he said, "I saw how the IMF, in tandem with the U.S. Treasury Department, responded [to the way the IMF treated the developing countries it is supposed to help]. And I was appalled." Praiseworthy, but hardly an indictment of the IMF's morality.

The International Monetary Fund, financiers, and mainstream economists have apparently adopted Shakespeare's Shylock as their role model. They always prefer taking a pound of flesh to providing an ounce of compassion. The morality they have adopted is the morality of Machiavelli. Currently it is being applied by Great Britain, the Netherlands, and the ECB on Iceland and Greece and soon, perhaps, to others. Everything done and advocated is immoral because a greater value is placed on money than on the welfare of human beings. But where are the moral protestations?

Stiglitz writes, "Exaggerating the virtues of one's wares or claiming greater competency than the evidence warrants is something that one might have expected from many businesses. Far harder to forgive is the moral depravity—the financial sector's exploitation of poor and middle-class Americans. Our financial system discovered that there was money at the bottom of the pyramid and did everything possible to move it toward the top. We are still debating why the regulators didn't stop this. But shouldn't the question also have been: Didn't those engaging in these practices have any moral compunction? . . . Part of moral behavior and individual responsibility is to accept blame when it is due."

Well sure. But it has been said that the promise of forgiveness and salvation guarantees bad behavior. So does the limited liability, or no liability at all, of corporate executives and the members of their governing boards for the harm—physical, emotional, and financial—that they inflict. When an economic system is immoral through and through, why should anyone be surprised by the immorality of its participants?

Economists as a class are deluded people. They have deceived themselves into believing that they are engaged in a rational profession even when they are apparently unable to recognize even the most elementary fallacious reasoning. They have deceived themselves into believing that expressing their beliefs in mathematical equations makes them scientists, ignoring the fact that even the theory of relativity, which is entirely mathematical in essence, was not recognized as being “scientific” until it was confirmed during the solar eclipse of 1919. Knowing how to add, subtract, multiply, and divide doesn’t make one a mathematician. They have deceived themselves into accepting their beliefs as knowledge. Read any economic blog and count the number of times ‘believe’ or one of its synonyms is used and how infrequently the word ‘know’ is. I was once led to tell a colleague who taught economics that if economics were to be taught in colleges and universities, it should be relegated to schools of theology where sectarianism is allowed. What other “scientific” enterprise is made up of sects? Economics, however, has Austrian, Keynesian, Fresh Water, Salt Water, Fundamentalist, and Reformed sects at least. Stiglitz’s claim that part of moral behavior and individual responsibility is to accept blame when it is due applies to economists, too.

Stiglitz writes, “self-deception is no crime, nor is persuading others to share in that self-deception.” Good thing for him. If it were, most economists would be in jail.

Stiglitz shared the Nobel Memorial Prize in Economics for his contribution to the theory of information asymmetry which holds that whenever markets are incomplete and /or information is imperfect, even competitive market allocation is not constrained Pareto efficient. Well Joe, you could solve that problem by merely requiring that businesses tell the truth, the whole truth, and nothing but the truth. That would be a small step toward restoring morality’s place in society.

He asks, “Why are we letting Wall Street off so easy?” Well, we are not. Only our mainstream economists and our ruling, oligarchic elite are. Our economists, our ruling elite, and Wall Street’s principals are after all merely birds of a feather who flock together to protect their own interests at everyone else’s expense.

*John Kozy is a retired professor of philosophy and logic who blogs on social, political, and economic issues. After serving in the U.S. Army during the Korean War, he spent 20 years as a university professor and another 20 years working as a writer. He has published a textbook in formal logic commercially, in academic journals and a small number of commercial magazines, and has written a number of guest editorials for newspapers. His on-line pieces can be found on <http://www.jkozy.com/> and he can be emailed from that site’s homepage.*

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