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## "The Unfreedom of the Free Market"

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# WEALTH, POVERTY & HUMAN DESTINY

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task theologians must pursue. Other questions are more important. What moral norms does the Christian tradition present as those which direct our exchanges to God's goodness? And what is the cultural context within which exchanges take place? Can it permit reading the world as if what is most real is the teaching we have received in the Christian tradition? Christology and ecclesiology, not the theories of any social science, require that we be concerned about how the necessary exchanges of the modern corporation instruct us in theological teachings that will not let us remember the name of God well. The "corporation" must not usurp the *corpus verum* and the global market must not be confused with the Catholic Church.

## 5

### The Unfreedom of the Free Market

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*William T. Cavanaugh*

There is a gap between dual perceptions of the market economy that seems to be getting wider in the age of globalization. On the one hand, we are told that we live in an era of unparalleled freedom of choice. As the last few state barriers to free markets crumble, we see opening up all around us an infinity of opportunities for work and consumption. On the other hand, there is a profound sense of resignation to fate in attitudes toward the market. The process of globalization seems to have advanced beyond anyone's control. Managers sigh that their decisions are subject to the impersonal control of "market forces." The popularity of "Dilbert" cartoons bespeaks a cynicism about the instrumentalized and bureaucratized nature of corporate employment. Consumers feel besieged by marketing and surveillance, and feel powerless in the face of enormous transnational corporations disconnected from the communities in which they live. We hear rumors that our shoes are made by children and other exploited laborers, but we have no idea how we would begin to resist.

The argument of this essay is that there is a fundamental connection between these two types of perceptions. In the ideology of the free market, freedom is conceived as the absence of interference from others. There are no common ends to which our desires are directed. In the absence of such ends, all that remains is the sheer arbitrary power of one will against another. Freedom thus gives way to the aggrandizement of power and the manipulation of will and de-

sire. The liberation of desire from ends, on the one hand, and the domination of impersonal power, on the other, are two sides of the same coin.

If this is the case, then true freedom requires an account of the ends of human life and the destination of creation. I use St. Augustine to help make this argument. There is no point to either blessing or damning "the free market" as such. What is required is a substantive account of the ends of earthly life and creation, so that we may enter into particular judgments of what kinds of exchanges are free and what kinds are not.

### The Empty Shrine

When is a market free? According to Milton Friedman, the central problematic of economics is how to ensure the cooperation of free individuals without coercion. The answer, says Friedman, was provided by Adam Smith, who saw that, in the absence of external coercion, two parties enter into exchanges because it will be mutually beneficial for them to do so, "*provided the transaction is bi-laterally voluntary and informed.*"<sup>1</sup> No exchange will take place unless both parties benefit.

So long as effective freedom of exchange is maintained, the central feature of the market organization of economic activity is that it prevents one person from interfering with another in respect of most of his activities. The consumer is protected from coercion by the seller because of the presence of other sellers with whom he can deal. The seller is protected from coercion by the consumer because of other consumers to whom he can sell. The employee is protected from coercion by the employer because of other employers for whom he can work, and so on. And the market does this impersonally and without centralized authority.<sup>2</sup>

State authority is necessary to maintain law and order and enforce voluntarily created contracts, but the state must not interfere in the market, and in fact may be called on to prevent such interference. If individuals are voluntarily entering into exchanges from which both parties expect to benefit, then the market is free.

This is a fairly conventional definition of a free-market economy. It hinges on the insistence that exchanges be voluntary and informed. With regard to information, exchanges are not free if one party deceives another, say, by selling a house without divulging a severe termite problem. Barring such deception, however, Friedman is confident that the price system in a free-market economy transmits all the information needed to make exchanges informed. Indeed, "The price system transmits only the important information and only to the people who need to know."<sup>3</sup> Producers of wood do not need to know why demand for pencils has increased or even that it has increased. In order to increase production, they only need to know that someone is willing to pay more for their product. At the other end, the increased price of pencils tells consumers to wear their pencils down to stubs before buying new ones. They don't need to know why the price of pencils has increased, only that it has.<sup>4</sup> It is the same for the relationship between employer and employee; the price system applies in equal measure, because wages and salaries are the prices of labor, and the employer-employee relationship is an exchange of labor for money.

Besides being informed, a free-market exchange must also be voluntary. What this seems to mean, first, is an absence of external coercion. The chief culprit here is the state. In a free-market economy, the state does not interfere. No one threatens dire consequences if one party decides not to enter into a particular exchange. In a voluntary exchange, each party enters into the transaction in the expectation of gain and not in the fear of punishment. Second, then, voluntary exchanges are based upon each party's wants. They need not want the same kinds of things; wrestling videos and rosaries can be

freely exchanged for each other. There need be no agreement at all on the nature of desire for a voluntary exchange to take place. A market is free if people can satisfy their wants (within legal limits, of course), even if there are utterly incommensurable ideas about what people ought to desire. As Friedman says, a free-market economy "gives people what they want instead of what a particular group thinks they ought to want. Underlying most arguments against the free market is a lack of belief in freedom itself."<sup>5</sup> And freedom itself, in Friedman's account, is pursuing whatever you want without interference from others.

Two corollaries follow from this conception of voluntary exchange. The first is that freedom is defined negatively, as freedom *from* the interference of others, especially from the state. Freedom is what exists spontaneously in the absence of coercion. This approach is agnostic about the positive capacities of each party to a transaction—for example, how much power or property each party has at his or her disposal. To be free, it suffices that there be no external interference.

The second is that a free market has no *telos*, that is, no common end to which desire is directed. Each individual chooses his or her own ends. As Friedrich Hayek says, "this recognition of the individual as the ultimate judge of his ends"<sup>6</sup> does not mean there can be no common action among individuals, but the ends on which such actions are based are merely the "coincidence of individual ends"; "what are called 'social ends' are [in the free-market view] merely identical ends of many individuals—or ends to the achievement of which individuals are willing to contribute in return for the assistance they receive in the satisfaction of their own desires."<sup>7</sup> To claim that desires can be ordered either rightly or wrongly to objectively desirable ends has no place in a free market. To stake such a claim within the market itself would be to interfere in the freedom of the market. As Michael Novak says, democratic capitalism—of which a free market is a crucial component—is built on the explicit denial of any unitary order. There is no common *telos* or "sacred canopy" above

the diversity of desires, only an "empty shrine" or "wasteland" where common goals used to stand.

The "wasteland" at the heart of democratic capitalism is like a field of battle, on which individuals wander alone, in some confusion, amid many casualties. Nonetheless, like the dark night of the soul in the inner journey of the mystics, this desert has an indispensable purpose. It is maintained out of respect for the diversity of human consciences, perceptions, and intentions. It is swept clean out of reverence for the sphere of the transcendent, to which the individual has access through the self, beyond the mediations of social institutions.<sup>8</sup>

That is, the transcendent is not denied but preserved in the freedom of each individual to pursue the ends of his or her choice.

If ends are chosen and not received, on what basis are these choices made? On the basis of "wants" or "preferences" or "desires." From where do these come? Free-market economists are agnostic on this question. It may be unanswerable, and it does not matter anyway. Milton and Rose Friedman make a distinction between the "real wants or desires of consumers" and artificial wants supposedly created by advertising. They believe that advertising succeeds not by creating artificial wants, but by appealing to real wants. "Is it not more sensible to appeal to real wants or desires of consumers than to try to manufacture artificial wants or desires? Surely it will generally be cheaper to sell them something that meets wants they already have than to create an artificial want."<sup>9</sup> As an example, the Friedmans cite the success of automobiles that change models year after year over those like the Superba that did not. If unchanging models were "what consumers *really* wanted, the companies that offered that option would have prospered, and the others would have followed suit."<sup>10</sup> How do you tell the difference between real wants and artificial wants?



Simply by noting what people in fact choose. If they choose something, they must have a real want for it. From where do real wants come? It does not matter. All that matters for a market to be free is that individuals have real wants and can pursue them without the interference of others, especially the state.

### Augustine on freedom and desire

An examination of Christian thinking on voluntary action renders suspect the ideas that freedom can be adequately defined negatively and that freedom requires no objective ends. I will take as my principal guide St. Augustine of Hippo, arguably the classic source of Christian reflection on freedom and desire. Augustine was forced to wrestle with these questions in controversy with both the Pelagians, whose account of free will seemed to render God's grace unnecessary, and the Donatists, whose schism from the Catholic Church raised questions of using coercion to reunify the fold. These controversies may at first seem far removed from the dynamics of market economies, but Augustine represents the heart of Christian reflection on freedom and desire, and is thus directly implicated in any Christian attempt to answer the question, When is a market free?

With regard to the first corollary, freedom in Augustine's view is not simply the absence of external interference. Augustine's view of freedom is more complex; freedom is not simply a negative freedom *from*, but a freedom *for*, a capacity to achieve certain worthwhile goals. All of those goals are taken up into the one overriding *telos* of human life, the return to God. In the words of the famous prayer that opens the *Confessions*, "you have made us for yourself, and our heart is restless until it rests in you."<sup>11</sup> Freedom is therefore fully a function of God's grace working within us. Freedom consists in being wrapped up in the will of God, who is the condition of human freedom. Being is not autonomous. All being participates in God, the source of being.

Autonomy in the strict sense is simply impossible, for to be independent of others and independent of God is to be cut off from

Being, and therefore to be nothing at all. To be left to our own devices, cut off from God, is to be lost in sin, the negation of being. For the Pelagians, in order to be convicted of sin and rewarded for righteousness, human freedom must be in some sense "external" to divine grace. Freedom then becomes a kind of human power, and sin is an exercise of such power. For Augustine, on the other hand, sin is not a power but a weakness. In his anti-Pelagian treatise *The Spirit and the Letter*, Augustine uses the metaphors of slavery and sickness to discuss the nature of sin. "How, if they are slaves of sin, can they boast freedom of choice?"<sup>12</sup> Or again, "by grace comes the healing of the soul from sin's sickness; by the healing of the soul comes freedom of choice."<sup>13</sup> Sin is not subject to free choice, properly speaking. The alcoholic with plenty of money and an open liquor store may, in a purely negative sense, be free from anything interfering with getting what he wants, but he is in reality profoundly unfree and cannot free himself. To regain freedom of choice he cannot be left alone. He can only be free by being liberated from his false desires and moved to desire rightly. This is the sense in which Augustine says "freedom of choice is not made void but established by grace, since grace heals the will whereby righteousness may freely be loved."<sup>14</sup> Freedom is something received, not merely exercised. To determine if a person is acting freely, much more is therefore required than to know whether or not a person is acting on his or her desires without the interference of others. Others are in fact crucial to one's freedom, in Augustine's view. Slaves or addicts cannot, by definition, free themselves. Others—the ultimate Other being God—are necessary to break through the bonds that enclose the self in itself. A community of virtue is needed in which to learn to desire rightly.<sup>15</sup>

On display here is a fundamentally different view of desire from that held by the Friedmans. Augustine does not assume that individuals simply have wants that are internally generated and that subsequently enter the social realm through acts of choice. Nor does he

assume that desires are simply real because people have them, nor that what one *really* desires is fully transparent and accessible to oneself. For Augustine, desire is a social product, a complex and multidimensional network of movement that does not simply originate within the individual self, but pulls and pushes the self in different directions both from within and from without the person. In his famous examination of his theft of pears as an adolescent, he repeatedly draws attention to the social nature of the act: "Yet had I been alone I would not have done it—I remember my state of mind to be thus at the time—alone I never would have done it. Therefore my love in that act was to be associated with the gang in whose company I did it. Does it follow that I loved something other than the theft? No, nothing else in reality because association with the gang is also a nothing."<sup>16</sup> Here Augustine points to the social nature of desire, the origination of desire both from within and from outside of the individual self. Augustine also points to the "unreality" of his desire. The object of his desire, because it is not oriented to the true end of human life, is literally a "nothing," or better, a privation. His desire is not endowed with reality simply by the fact of experiencing it and choosing on the basis of it. Furthermore, the whole affair—and desire itself—is not simply transparent to us mortals whose bodies are battlegrounds of competing loves: "Who can untie this extremely twisted and tangled knot?" The answer is God. Only through the sheer grace of God is Augustine able to continue on to say, "My desire is for you," that is, my *real* desire is for God.<sup>17</sup>

All of this indicates that there are true desires and false desires, and we need a *telos* to tell the difference between them. The second corollary of free-market economics we identified above is that freedom is maximized in the absence of a common *telos*. A market is free if individuals are free to choose their own ends based on nothing more than their own wants. To the contrary, in his controversy with the Donatists, Augustine argues that freedom in fact depends not on the autonomy of the will but on the end to which the will is moved. I

do not wish to defend Augustine's justification of the use of civil authority to compel the Donatists to rejoin the Catholic fold. What is interesting about the way Augustine argues in this matter is his conceptualization of the relationship between freedom and coercion. For Augustine, the most important question is not whether the will has been moved externally or internally. The most important question is rather to what end the will has been moved.

Augustine acknowledges that no one can be forced to be good against his or her own will. Nevertheless, since he does not assume that mere negative freedom of the will from interference is a good in and of itself, he believes that the individual will can legitimately be moved from outside itself to reexamine its ways.<sup>18</sup> According to Augustine, many of the Donatists had long been prevented from examining the Catholic case by complacency, fear, ignorance, and indifference. Their wills had become entrenched in habit; they were "held prisoners by the force of old custom."<sup>19</sup> What was needed, therefore, was for their wills to be moved from without. Just as Christ "coerced" Paul to cause his conversion, God's grace often works upon us despite our own will for our own profit.<sup>20</sup> In Augustine's thought, we desperately need not to be left to the tyranny of our own wills. The key to true freedom is not just following whatever desires we happen to have, but cultivating the right desires. This means that the internal movement of the will is not a sufficient condition for freedom; we must consider the end toward which the will is moved. "[W]hat is important to attend to but this: who were on the side of truth, and who on the side of iniquity; who acted from a desire to injure, and who from a desire to correct what was amiss?"<sup>21</sup> In the case of the Donatists, the "whole question, therefore, is whether schism be not an evil work."<sup>22</sup> For this reason, according to Augustine, Christ added "for righteousness' sake" to the beatitude, "Blessed are they who are persecuted."<sup>23</sup> The cause of the persecution makes all the difference.

Does this mean that the end justifies the means? In places it seems as if Augustine is saying so.

When good and bad do the same actions and suffer the same afflictions, they are to be distinguished not by what they do or suffer, but by the causes of each: e.g., Pharaoh oppressed the people of God by hard bondage; Moses afflicted the same people by severe correction when they were guilty of impiety: their actions were alike; but they were not alike in the motive of regard to the people's welfare,—the one being inflated by the lust of power, the other inflamed by love.<sup>24</sup>

Nevertheless, Augustine makes no separation between ends and means. He counsels moderation in dealing with the Donatists, and refuses to allow deception in bringing them back to the fold. Furthermore, Augustine rejects the use of judicial torture in dealing with the Donatists, and limits the means used to those available to school-teachers—beating with canes. “For he whose aim is to kill is not careful how he wounds, but he whose aim is to cure is cautious with his lancet; for the one seeks to destroy what is sound, the other that which is decaying.”<sup>25</sup> The images from education and medicine here are deliberate. In pedagogy the will of the students must often be redirected, sometimes forcefully, for them to learn. In medicine, pain is sometimes produced for the sake of healing. In both cases, however, the means must be proportionate to the end in order for good to be achieved.

I believe that Augustine was wrong in his choice of means for dealing with the Donatists. Nonviolent witness is a far more faithful means of persuasion. Nevertheless, Augustine's broader point about the relationship of desire to ends is important, and goes to the heart of our discussion of the freedom of the free market. The point is this: the absence of external force is not sufficient to determine the freedom of any particular exchange. In order to judge whether or not an exchange is free, one must know whether or not the will is moved toward a good end. This requires some kind of substantive, and not

merely formal, account of the true end or *telos* of the human person. Where there are no objectively desirable ends given, and the individual is told to choose his or her own ends, then choice itself becomes the only thing that is inherently good. When there is a recession, we are told to buy things to get the economy moving; what we buy makes no difference. All desires, good and bad, melt into the one overriding imperative to consume. We all stand under the one sacred canopy of consumption for its own sake.

And yet, Augustine says, desire for objects cut free from their source and end in God is ultimately the desire for “nothing.” In Augustine's vision of the great chain of being, all things that exist are good, but only insofar as they participate in God, the source of their being and the source of all good. To pursue the lower things on the chain of being for their own sake, to forget their source and their final end, is to sever the link that holds them in being, at which point they begin to slide back into the nothingness from which the *creatio ex nihilo* summoned them.<sup>26</sup> For Augustine, sin is committed when “in consequence of an immoderate urge towards those things at the bottom end of the scale of good, we abandon the higher and supreme goods, that is you, Lord God, and your truth and your law.”<sup>27</sup> This is not just a matter of wanting too much; it is a matter of wanting without any idea why we want what we want. To desire with no good in mind other than desire itself is to desire arbitrarily. “I abandoned you to pursue the lowest things of your creation. I was dust going to dust.”<sup>28</sup>

Augustine presents a remarkably sympathetic account of the person in this condition, for even in the pursuit of lower things, Augustine spies the inchoate groping for the true end of human life. Even murder is committed out of love, but it is love for some lower good that has become detached from its true end.<sup>29</sup> All such loves are disordered loves, loves looking for something worth loving that is not just arbitrarily chosen. “I sought an object for my love; I was in love with love.”<sup>30</sup> Augustine would have no problem recognizing the pathologies of twenty-first-century advanced industrial countries, in



which it is estimated that shopping addiction claims more than 10 percent of the population, and 20 percent of women—more than drugs and alcohol combined.<sup>31</sup> People buy things—anything—to try to fill the hole that is the empty shrine. Once the things are purchased, they become ephemeral “nothings,” and the shopper must head back to the mall to continue the search. With no objective ends to guide the search, the search is literally endless.

### **Libido dominandi**

Even if Augustine is right about the need for objective ends to guide the will, the question remains, who is to say what those ends are or should be? There is no doubt that Augustine's view can be taken in a very paternalistic direction: We know what you *really* want, and we are going to organize society accordingly. I have no intention of endorsing such a view. This is the specter of a socialist command economy that free-market advocates rightly reject. Free-market advocates would rather that individuals make their own mistakes. That some will make bad choices is inevitable, but it is far better to give individuals the freedom to damn themselves than to subject everyone to a power that is no more guaranteed than the individual will to choose well.

Nevertheless, the idea that this type of economy is free is also problematic, for it assumes that the abolition of objective goods provides the conditions for the individual will to function more or less autonomously. The reality is quite different. For as Augustine sees clearly, the absence of objective goods does not free the individual, but leaves him or her subject to the arbitrary competition of wills. In other words, in the absence of a substantive account of the good, all that remains is sheer arbitrary power, one will against another. This is what Augustine calls the *libido dominandi*, the lust for power with which Pharaoh was possessed. Without the idea that some goods are objectively better than others, the movement of the will can only be arbitrary. Persuasion in this context can only reflect the domination

of one will over another. The will is moved by the greater force, and not by any intrinsic attraction to the good. The difference between authority and sheer power has been eliminated.

In this section I want to look at some of the ways that power in the market actually functions. In the absence of any objective conception of the good, sheer power remains. The prevailing models of business strategy recognize this fact and are unsentimental about it. For example, on the one hand, marketing is put forward to the broader public as the provision of information about products so that consumers may make choices that are both informed and voluntary. Here consumers are depicted as autonomous and rational, perfectly sovereign over their choices of products and ends. On the other hand, marketing presents itself in-house to its practitioners and clients as a machine fully capable of creating desire and delivering it to its intended goal. These two aspects of marketing are two sides of the same coin; marketing can manipulate desire successfully in part because of its success in convincing the broader public of consumers that their desires are not being manipulated. Richard Ott's popular marketing text *Creating Demand* is one example of the two faces of marketing. His introduction extols the consumer as king and declares the impossibility of manipulating consumers. The rest of the book is a detailed analysis of how to use the latest in psychological research to create desires by targeting consumers' subconscious impulses.<sup>32</sup> Not surprisingly, businesses expect more for their billions of dollars in marketing expenses than the mere purveying of objective information to the consumer.

In fact, most contemporary marketing is based not on providing information but on associating products with evocative images and themes not directly related to the product itself. Non-commodifiable goods such as self-esteem, love, sex, friendship, and success are associated with products that bear little or no relation to these goods. The desire for these goods is intensified by calling into question the acceptability of the consumer,<sup>33</sup> what General Motors' research divi-

sion—in a reference to changing car models each year—once called “the organized creation of dissatisfaction.”<sup>34</sup> This shift in the twentieth century from product-oriented advertising to buyer-centered approaches has been extensively documented, and is recognized not just by critics of the advertising industry but by its practitioners as well. As one marketer promises, advertising creates emotional bonds between consumers and products; it is about “creating mythologies about their brands by humanizing them and giving them distinct personalities and cultural sensibilities.”<sup>35</sup> The efficacy of these approaches is augmented by the fact that most of us believe ourselves to be immune to such approaches. This sense of immunity is fostered by an entire genre of anti-advertising advertising, which either “exposes” the process of advertising itself (Sprite: “Image is nothing. Obey your thirst”) or advances the notion that, by buying the product in question, one will not be conforming but rather following one’s own path (Taco Bell: “There’s nothing ordinary about it.”)

It is of course true that advertising does not work on each individual as a lobotomy does. Tracing cause and effect is difficult. The individual does not react like a programmed zombie upon being exposed to effective advertising. As Michael Budde puts it, being subjected to advertising is more akin to playing poker against an opponent who, unbeknownst to you, has already seen, through a slightly blurred mirror, the hand you are holding. You still exercise free will, but the dynamics of power have shifted because the situation is set up to advance the interests of others.<sup>36</sup> This imbalance of power happens in two related ways. First, surveillance ensures that the balance of information is decidedly in favor of the marketer. Not only do marketers withhold information about a product from consumers, or divert their attention to evocative images unrelated to the product itself; marketers also gather extensive information about individual consumers and target their efforts based on this disequilibrium of knowledge. Erik Larson details this phenomenon in *The Naked Consumer: How Our Private Lives Become Public Commodities*. Larson

began research for the book when, a few days after the birth of his second daughter, a sample of Luvs diapers showed up on his doorstep, courtesy of the Procter & Gamble Corporation. His eldest daughter had already received birthday greetings, just days before turning one, from a marketer on behalf of several corporations, including Revlon and Kimberly-Clark selling toddler-related merchandise. Larson describes how information on our purchasing patterns, births, deaths, political views, educational levels, credit histories, pet ownership, hobbies, illnesses, and so on is harvested from credit-card records, bank statements, hospital records, the websites we visit, our answers to surveys, frequent buyer cards, even filmed records of our shopping habits in stores. Such surveillance has become incredibly sophisticated: a flyer for “OmniVision,” a system developed by a consumer intelligence service called Equifax, boasts, “We think we know more about your own neighborhood than you do, and we’d like to prove it!”<sup>37</sup>

The second way that marketers produce an imbalance of power is through the use of the information gathered from surveillance to saturate consumers’ social environment. The average person is exposed to thousands of advertising images every week. Virtually everywhere we look or listen—television, radio, websites, newspapers, magazines, billboards, junk mail, movies, videos, t-shirts, buses, hats, cups, pencils, gas-pump handles, walls of public restrooms—is saturated with advertising. As one observer puts it, what the record reveals is an almost total takeover of the domestic informational system for the purposes of selling goods and services.<sup>38</sup> To pretend that the consumer simply stands apart from such pervasive control of information is to engage in fantasy.

Marketing is not the only area in which the logic of sheer power is manifest. Another is the concentration of power in enormous transnational corporations through mergers and acquisitions. The last two decades have seen an intensification of mergers and acquisitions as large corporations seek to outdo their rivals through the increase of their size and market power. The result is such behemoths as AOL

Time Warner and ExxonMobil. In industry after industry, a few huge corporations dictate patterns of production and consumption. In the meatpacking industry, for example, four giants handle 80 percent of the beef production in the United States, leaving small farmers and ranchers powerless to influence pricing or even determine how their cattle are raised. Independent bookstores and department stores have shut down in legions in the face of Barnes & Noble and Wal-Mart. Some argue that here the sovereign consumers have spoken; they simply prefer Barnes & Noble and Wal-Mart to smaller, less "efficient" operations. If this is the case, however, king consumer has paradoxically used his freedom to restrict his freedom, since now there are fewer choices available, and he is increasingly faced with the prospect of frequenting the same few chain stores whether he likes it or not. Rather than celebrate the growth of enormously powerful corporations as the manifestation of consumer freedom, it is more realistic to examine the ability of concentrated economic power to control patterns of consumption.

More severe than the asymmetrical power relations between corporation and consumer are the disparities of power in the exchange between employer and employee. In 1980, the average CEO made 42 times what the average production worker made. By 1999, the ratio had risen to 475 to 1, and it continues to rise.<sup>39</sup> Why do executives pay themselves so much? In part, because they can. Top executives serve on each other's boards of directors, and there is an expectation that they will keep up with increases in each other's pay packages. As the owners of capital have gained power, labor has lost power. Only 13 percent of American workers now belong to unions, and "Right to Work" legislation in twenty-nine states has made union organizing extremely difficult. A crucial factor in the atrophying of labor power in the United States has been the ability and willingness of corporations to shift production overseas, where they can and do pay wages as low as 30 cents an hour. Capital can move freely across national borders, but labor cannot. Factory workers in Massachusetts know

that the threat of moving operations to El Salvador or China hangs over every negotiation with management, and the mere existence of such a threat suffices to weaken their bargaining power.

"Rosa Martinez produces apparel for U.S. markets on her sewing machine in El Salvador. *You* can hire her for 33 cents an hour." So goes an advertisement, paid for by USAID, in the textile trade journal *Bobbin*.<sup>40</sup> Why do companies pay such low wages? Again, because they can. Transnational corporations are able to shop around the globe for the most advantageous wage environments, that is, those places where people are so desperate that they must take jobs that pay very poorly, in many cases wages insufficient to feed and house themselves and their dependents. In other words, it is considered good business practice to maximize the disparity of power between employer and employee, in order to increase the profit margin of the corporation. All of this is done in the name of "free" trade. As Augustine saw, in the absence of any substantive ends, what triumphs is the sheer lust for power. The one and only end is profit, the aggrandizement of the corporation. This end is served precisely by the minimization of employees' freedom.

"Because they can" is not the end of the story, however, for most managers of corporations would reply that they act as they do because they must. When managers lament the displacement and suffering caused by closing factories that pay living wages and opening others that do not, they are not just being disingenuous, nor are people who make such decisions *ipso facto* bad people. When they blame the move on necessity, they recognize that in a very real sense the "free" market does not leave them free to act in ways they might believe to be just. In the search for cheap labor, managers often appeal to a sense of fate. They feel they have no choice in the matter, because they assume that, given the prevailing logic of free exchange, consumers will want to maximize their own gain in any transaction by paying the lowest price possible for a product. In a world of consumption without ends, it is assumed that the consumer will want to

maximize his or her own power at the expense of the laborer, and the manager feels unfree to resist this logic, lest his or her own corporation fall victim to competition from other corporations that are better positioned to take advantage of cheap labor.

More than consumers, however, it is stockholders who drive the search for cheap labor. As Peter Drucker, Michael Naughton, and others have observed, over the last twenty years the tremendous concentration of stock in institutional investment plans—mutual funds, pension plans, insurance companies, etc.—has shifted the power dynamics of publicly traded corporations. Institutional investors have put tremendous pressure on executives to maximize returns for their clients. At the same time, offering stock options to executives has been the favored tool for ensuring that the interests of the executives and those of the stockholders coincide. As a result, executives have strong incentives to favor the concerns of stockholders over those of other stakeholders, such as employees and communities.<sup>41</sup> Who owns corporations—the question of property on which Friedman and others are generally agnostic—plays a crucial role in the dynamics of power.

When market forces alone are not enough to discipline the labor force, political coercion has often been brought to bear, supposedly to protect free markets from interference. As the examples of China, South Korea, Singapore, Taiwan, and Myanmar indicate, authoritarian regimes are perfectly compatible with “free”-market economies, where a disciplined labor force is considered attractive to business. The economies of many Latin American nations were “freed” of state interference through a series of military dictatorships in the 1970s and 1980s. As Uruguayan writer Eduardo Galeano remarks about this period, “people were in prison so that prices could be free.”<sup>42</sup> Milton Friedman himself made a highly publicized visit to General Pinochet’s Chile in 1975 to help guide the reconstruction of the economy under Chilean economists known as “Los Chicago Boys,” students of Friedman and Arnold Harberger from the University of

Chicago. In published remarks, Friedman counseled General Pinochet to ignore his image abroad as a human rights abuser and focus on curing Chile of “statism.”<sup>43</sup> Friedman also declared publicly that the Chilean economy needed “shock treatment.”<sup>44</sup> To those thousands subject to torture by electricity under Pinochet, Friedman’s words were a chilling confirmation of the link between the disciplining of labor and the freeing of capital.

### Judging when a market is free

Is Rosa Martinez free? If we take Friedman’s definition at face value, then we might answer yes. Her decision to take a job making clothes for American markets is presumably both informed and voluntary, provided she was not deceived about the kind and amount of work she would be doing, and the hourly rate at which she would be paid. Presumably no one forced her to take the job, and no one would prevent her from leaving it. Both Rosa Martinez and her employer entered into this exchange in the expectation of benefiting from it. The employer expected to increase profits by paying low wages, and Rosa Martinez expected an improvement over starvation.

The problem with this view is that it pretends to be blind to the real disparity of power at work here while simultaneously stripping away the ability to judge an exchange on the basis of *anything but* sheer power, since any *telos* or common standard of good has been eliminated from view. Nothing necessarily connects the employer’s desires to Rosa Martinez’s desires. In Friedman’s view, to ask if this exchange serves the common good, or if it is just, is irrelevant to the question of whether or not the exchange is free; we may only ask if each party is entering into the exchange expecting to gain something for their own individual interests that they would not have gained had they not entered into the exchange. Considerations of goodness and justice seem to apply only to the capitalist system as a whole. Friedman and other free-market advocates argue that capitalism as such is the best system based on its ability to give people what they

want. A system allegedly based on individual rights is thus ironically justified by a utilitarian justification of the system as a whole, to which individuals and their freedom are sacrificed.

Some free-market advocates may wish to argue, on the other hand, that the exchange with Rosa Martinez is not free, but an aberration in the free-market system that will work itself out if the market mechanism is given time to operate. Similar claims could be made for all the examples I gave above under the heading "Libido dominandi"; none are examples of the true functioning of the free market, and the market mechanism will protect against coercion if given time and allowed to function without interference.

However, in order to judge which exchanges are truly free and which are not, one must abandon Friedman's purely negative and functionalist approach to freedom and have some positive standard by which to judge. If we admit that Rosa Martinez's exchange with her employer is voluntary and informed, yet still want to claim that it is not truly free, we must be able to muster an argument based on some standard of human flourishing and the ends of human life that is being violated by her working for less than a living wage. In other words, once we admit that freedom defined strictly negatively is inadequate, we are pushed toward a recognition that Augustine was right; to speak of freedom in any realistic and full sense is necessarily to engage the question of the true ends of human life.

Yet such ends are precisely what free-market advocates would banish from the definition of the free market. To enter into judgments about the freedom of particular exchanges, we must abandon Friedman's definition of a free market, and also abandon any claims for the goodness of "the free market" as such. There is no point to claims that "capitalism produces freedom" unless one wants to claim that "whatever economic exchange produces freedom is capitalism," in which case one has simply uttered a tautology. The key point is that the freedom of each economic exchange

is subject to judgment based on a positive account of freedom, which must take into account the good ends of human life.

Let us consider some examples. Reporter Bob Herbert visited a factory in El Salvador that makes jackets for Liz Claiborne. The jackets sell for \$178 each in the U.S.; the workers who make them earn 77 cents per jacket, or 56 cents an hour. The factory is surrounded by barbed wire and armed guards. A worker interviewed after her twelve-hour shift told of being unable to feed herself and her three-year-old daughter adequately. He daughter drinks coffee because they cannot afford milk. Both mother and daughter suffer fainting spells. David Wang, president of Mandarin Co., which runs one of the plants in El Salvador, admitted to Herbert that the wages are inadequate: "If you really ask me, this is not fair." But then he offered a lesson in "free" trade. "In the United States, if you want to buy a Honda Civic, you can shop around and always you will find cheaper ones." This is what the clothing companies were doing, according to Wang. "They are shopping around the whole world for the cheapest labor price."<sup>45</sup>

Contrast this situation with the Mondragon Co-operative Corporation based in Spain, founded by Basque priest Jose Maria Arizmendiarieta in 1956. Mondragon employs 60,000 people, and has annual sales of manufactured goods in excess of three billion dollars. What makes Mondragon extraordinary is that it is based on the principles of distributism, the idea—itsself based on papal social teaching and promoted by Hilaire Belloc, G. K. Chesterton, and others—that a just social order can only be achieved through the just distribution of property and a recognition of the dignity of labor. Mondragon is entirely worker-owned and worker-governed, based on a system of one vote per worker. At Mondragon, they believe that labor hires capital, instead of capital labor. Their capital comes largely from a worker- and community-supported credit union. The highest-paid employee can make no more than six times the lowest-paid. Ten percent of surpluses are given directly to community development projects. Not only is the company successful and the laborers highly satisfied with



their work, but the communities in which Mondragon plays a significant part enjoy lower crime rates, lower rates of domestic violence, higher rates of education, and better physical and emotional health than neighboring communities.<sup>46</sup>

By Friedman's standards, both the Salvadoran worker and the worker at Mondragon are free. If we allow ourselves to judge freedom on the basis of the true ends of human life, on the other hand, it becomes obvious that the Salvadoran woman is little better than enslaved, and the Mondragon worker is afforded the opportunity for true freedom. We must enter into particular judgments of this kind if "freedom" is not to be used as an empty slogan to cover over the depredations of naked power. Mondragon is founded on the recognition that true freedom requires careful consideration of what is required for human flourishing, which requires consideration of the ends of human being. As Belloc wrote, "Economic freedom can only be a good if it fulfills some need in our nature."<sup>47</sup>

Economic freedom is in our eyes a good. It is among the highest of temporal goods because it is necessary to the highest life of society through the dignity of man and through the multiplicity of his action, in which multiplicity is life. Through well-divided property alone can the units of society react upon the State. Through it alone can a public opinion flourish. Only where the bulk of the cells are healthy can the whole organism thrive. It is therefore our business to restore economic freedom through the restoration of the only institution under which it flourishes, which institution is Property.<sup>48</sup>

The link between property and freedom is a crucial one. Free-market advocates tend to be agnostic on the question of ownership; barring external interference, an exchange is formally free even if all one person has to exchange is his or her labor. But as the example of Rosa

Martinez makes plain, having no ownership can make one little better than a wage slave. For Belloc—and much of the Catholic tradition on property going back to Aquinas—the ownership of property is natural to human beings and allows them to develop their own capacities.<sup>49</sup> Property is thus essential to human freedom. However, here freedom is not construed negatively. The ownership of property is not about power, and the wide distribution of property is not about a greater equilibrium of power. Rather, property has an end, which is to serve the common good. The universal destination of all material goods is in God. As Aquinas says, we should regard property as a gift from God,<sup>50</sup> a gift that is only legitimate if it is used for the benefit of others. Aquinas therefore sanctions private ownership only insofar as it is put to its proper end, which is the good of all: "man ought to possess external things, not as his own, but as common, so that, to wit, he is ready to communicate them to others in their need."<sup>51</sup> Absent such a view of the true end of property, freedom means being able to do whatever one wants with one's property, and property can become nothing more than a means of exercising power over others.

Let us consider two more examples, this time relating directly to consumption. When one buys a steak in a large chain grocery store, according to Friedman, all the information one needs to make a free decision—assuming that the steak is not simply defective or contaminated—is conveyed by the price. The true story behind the shrink wrap, however, is more consequential than Friedman would have us believe. A calf might spend the first few months of life eating grass on the range, but typically the rest of its short life is spent in a feedlot, ankle deep in manure. By nature cattle are equipped to turn the grass that grows naturally on arid land into high-quality protein. To let cattle graze is considered inefficient these days, however, because it takes longer. Today's cattle go from 80 to 1,200 pounds in just fourteen months on a crash diet of corn, protein supplements, and drugs. They are given hormone implants—banned in Europe—to promote growth. Their calories come from corn, which is cheap and con-

venient, but depends on the use of lots of petroleum products, and wreaks havoc on their ruminant digestive system, designed for grass. The only way to keep cattle from dying of bloat, acidosis, and abscessed livers on a grain diet is to give them steady doses of antibiotics. Still many strains of bacteria survive. We used to be able to count on the fact that such bacteria, raised in a cow's neutral-pH digestive tract, would be killed off by the acids in the human stomach. Now that the cow's digestive tract has been acidified by a corn diet, however, acid-tolerant strains such as *E. coli* have developed that, when found in our food, can kill us. When the cattle are slaughtered, they are caked with feedlot manure, which is where the *E. coli* reside. Rather than alter their diet or keep them from living in their own feces or slowing down the processing speed of the slaughter lines (all considered inefficient and impractical), the meat is sprayed with disinfectant solution and irradiated. Then it is shrink-wrapped and sent to your local supermarket.<sup>52</sup>

The meat is cheap, but the social costs are not included in the price. Each head of cattle requires about 284 gallons of oil in its lifetime. As Michael Pollan says, "We have succeeded in industrializing the beef calf, transforming what was once a solar-powered ruminant into the very last thing we need: another fossil-fuel machine."<sup>53</sup> Runoff from the petroleum-based fertilizer has traveled down the Mississippi and created a 12,000-square-mile "dead zone" in the Gulf of Mexico. Extensive use of antibiotics has led to resistant strains of bacteria. And scientists believe that hormone use has contributed to dropping human sperm counts and sexual abnormalities in fish. One cattleman interviewed by Pollan commented, "I'd love to give up hormones. If the consumer said, We don't want hormones, we'd stop in a second. The cattle could get along better without them. But the market signal's not there, and as long as my competitor's doing it, I've got to do it, too."<sup>54</sup> It is hard to imagine how this signal would be generated, however, for the system is designed to keep the origins of beef a mystery to the consumer.

Contrast this with E-Z Acres farm in Elko, Minnesota. When I buy beef from Jon and Lisa Zweber, I know that it is grass-fed, having been raised on pastureland behind their house. They use no hormones or antibiotics. When I buy beef from E-Z Acres, it is a free exchange. All the information I need is available and transparent, and the exchange contributes to the flourishing of the Zwebers, their local community, my family, the cattle, and the environment. My exchange with the supermarket is less than free. The information I need is not readily available to me; before I read Michael Pollan I had only the vaguest sense of how beef is typically raised. The ranchers and feedlot workers chafe under the compulsion of market forces beyond their control. All the while, their profit margin is made ever narrower by the four conglomerates that dominate the meatpacking industry. And the overall effect of the system on the environment and on rural communities has been devastating.

### **Conclusion**

Is this a call, then, for state intervention in the market? No. It is a false dichotomy to limit the possibilities to either requiring state intervention or blessing the unfettered reign of corporate power. Neither state intervention nor its absence ensures the freedom of a market. There is no point to making broad utilitarian claims about the benefits of "the free market" as if we could identify a market as "free" merely by the absence of restraint on naked power. Giving free rein to power without ends is more likely to produce unfreedom than to produce freedom. There is simply no way to talk about a really free economy without entering into particular judgments about what kinds of exchange are conducive to the flourishing of life on earth and what kinds are not.

Though my purpose in this essay has not been to go into detail about the specific ends of human work and material possessions, the Christian tradition provides a wealth of reflection on these matters.<sup>55</sup> I believe it would be counterproductive to expect the state to attempt

to impose such a direction on economic activity. What is most important is the direct embodiment of free economic practices. From a Christian point of view, the churches should take an active role in fostering economic practices that are consonant with the true ends of creation. This requires promoting economic practices that maintain close connections among capital, labor, and communities, so that real communal discernment of the good can take place. Such are spaces in which true freedom can flourish.