

MYTH #13: Greed is Good

“Is there some society you know that doesn’t run on greed?”

– Milton Friedman¹

“A tension has always existed between the capitalist imperative to maximize efficiency and the moral imperatives of religion or community, which have historically served as a counterweight to the moral blindness of the market. This is one of ‘the cultural contradictions of capitalism’ – the tendency of the economic impulse to erode the moral underpinnings of society. Mercy toward animals is one such casualty. More than any other institution, the American industrial animal farm offers a nightmarish glimpse of what capitalism can look like in the absence of moral or regulatory constraint.” – Michael Pollan²



The Defenders of Greed

One of the foundations of mainstream economics is that greed is good.ⁱ Mainstream economists claim that greed motivates people to work hard and to be creative. They claim that when people indulge their endless desire for material possessions, they generate vital economic activity. They state that greed is more rational, natural, and beneficial than generosity. The pursuit of greed can, they claim, motivate employers to pay workers better than they would otherwise; after all, the desire for profit will lead to expanded markets that require more employees...and thus the need to pay enough to woo those people to come work for them.ⁱⁱ³ Some even claim to believe that greed would eliminate racism, as the truly greedy person is too focused on earning money to allow prejudices to slow him down.⁴ Followers of mainstream economics assert that the best that one can do for the world, in addition to becoming as wealthy as possible, is to be a non-stop consumer, eagerly shopping for all sorts of products and services. By indulging one’s own tastes and wishes, they argue, a person contributes to the reduction of poverty. Wasting time worrying about others, they contend, simply slows down the generation of wealth that will make everyone richer. According to *Time* magazine, “Greed really is good, as are income inequality, bullying across class lines, and even the iron fist of the political strongman – in certain contexts, at least.”⁵ Mainstream economists maintain that the capitalist ‘superhero’ looking out for number one has brought forth the innovations and products that make life easier and more pleasant for all – or at least for all who can afford them.

ⁱ This phrase was popularized by the fictional Gordon Gekko character in the Hollywood film *Wall Street*.

ⁱⁱ This argument ignores the fact that machines often replace workers and that jobs often shift to other countries. It also ignores the various government policies that force workers to accept ridiculously low wages.

Greed's biggest promoter: Ayn Rand. *The idea of greed (or, more politely, 'self-interest') being a positive virtue got its biggest push from Russian-American novelist Ayn Rand. Rand claims that looking out for others, not selfishness, hinders the achievement of freedom and prosperity: "If any civilization is to survive, it is the morality of altruism that men have to reject."⁶ Rand describes her philosophy as "the concept of man as a heroic being, with his own happiness as the moral purpose of his life, with productive achievement as his noblest activity."⁷ While some consider people who pursue wealth with no regard for others as sub-human, Rand labels them as super-human. According to her, it is only the selfish pursuit of money that prevents people from becoming violent and destructive: "Until and unless you discover that money is the root of all good, you ask for your own destruction. When money ceases to become the means by which men deal with one another, then men become the tools of other men. Blood, whips and guns or dollars. Take your choice - there is no other."⁸*

Why worry about what Ayn Rand writes? Because the American Library of Congress and the Book of the Month club has labelled her book Atlas Shrugged, with over six million copies sold in the United States alone, as "the most influential book on American lives after the Bible."⁹ Her books and ideas are also popular internationally. They have proved influential to businessmen and politicians who argue that government concern for the poor simply breeds laziness and that government regulations slow down the vital and beneficial pursuit of unlimited wealth.¹⁰

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Despite the biblical claim that it is easier for a camel to pass through the eye of a needle than for a rich man to enter the kingdom of God, many people associate wealth with morality. References to the wealthy suggest that they work hard and use their skills to gain their money, and thus that it would be wrong to redistribute any of their riches to the poor. The poor, likewise, embroiled in their immoral ways, are poor for a reason. The mainstream economic model thus suggests that the poor are just as deserving of their poverty as the wealthy are of their money.

From this viewpoint, the 'correct' response to the super-rich is admiration, envy, and emulation. Lest people forget the correct response, the media constantly reminds them. Television, newspapers, movies, and the Internet offer tantalizing glimpses into the homes, lifestyles, and buying habits of the ultra wealthy. Being wealthy is its own virtue. As the media, itself owned by the wealthy, reminds people: you can never be too rich, too thin, or too greedy. Oh, but wait, the wealthy are not greedy: journalists talk about the generosity of billionaires voluntarily giving away large chunks of their wealth. Of course, when you have billions and pay little tax, you can afford to part with significant sums (especially when you get a tax *refund* for your charitable gifts).

As well as creating envy for the rich and famous, the media also diverts people's attention away from the harm done by some of the ultra rich: unethical ways of earning money, tax avoidance, and mistreatment of employees. The media does single out, of course, a few individuals, but the person who got rich by cheating – or rather who was caught cheating – is treated as the exception not the rule, since by nature, the rich are virtuous, generous, and wise.ⁱⁱⁱ

Journalists write about the poor exploiting natural resources for need, but far less about the rich exploiting those same resources for greed. The media definition of theft involves small-scale robbery; at the level of a CEO, robbery becomes justified acquisition. And so the chief economist of HDFC Bank in India blames the inflation in his country not on the spending habits of billionaires, but rather on the poor who, thanks to a program that guarantees employment, can now (at least sometimes) afford to eat.

On the issue of inflation management, it might help to pay attention to the fact that the upward pressure on rural wages continues unabated. High wages are known to feed price pressures and it appears that the rural economy is sitting on large pile of cash that is supporting excess demand in consumer items particularly food. ... Thus it is imperative to take a fresh look at some of the sacred cows of public policy like the employment guarantee programme. If indeed it is contributing to price pressures, streamlining it would meet the dual objectives of harnessing inflation and reducing spending.¹¹

In other words, keeping the poor so poor that they cannot afford food will end the inflation problem – while conveniently distracting attention from the growing number of billionaires.

When society considers greed a social good, there is no compulsion to worry about ethics. A colleague with many friends in the business community has suggested that the moral of the 21st century may well be, "If it's legal, it's ethical; if it's not illegal, it's not unethical." As long as you amass great wealth without breaking any laws, the how is not important. Greed, by making a bigger pie, is its own justification.

The idea that unlimited greed is economically beneficial and thus should be encouraged has its foundation in the writings of classical economist Adam Smith,

ⁱⁱⁱ Not all rich people are wicked any more than all poor ones are virtuous...but neither are they all heroic. But when George Soros or Warren Buffett say something, it is news; if an average person were to say the same thing, no one would listen. Why, just because they have figured out a way to make billions of dollars, do people think that their opinions are more valuable than anyone else's is?

whose writings are supposedly the basis of mainstream economics. In *The Wealth of Nations*, first published in 1776, Smith famously wrote, "It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own self-interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages." Further, "by pursuing his own interest, [the individual] frequently promotes that of the society more effectually than when he intends to promote it." Did Smith genuinely believe in selfishness as the highest form of morality? Presumably not, given that in his book *The Theory of Moral Sentiments* he seemed unable to imagine people being governed by nothing more humane than greed: "How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it, except the pleasure of seeing it."¹²

The dangerous consequences of dangerous thinking

Mainstream economists seem to believe that since the rich contribute – so they claim – vastly more to society than do the poor, governments should enable the rich (through low taxes, limited regulations, abandonment of the minimum wage, a range of subsidies for big business, and laws to protect private property) rather than assist the poor. They claim that helping the poor simply makes them reluctant to work. So extensive is their dominance of media that many people agree, at least until personal experience demonstrates otherwise. Thus, an American recipient of federal aid explained that, before having to obtain it, "I always thought people on public assistance were lazy." And now? "...it helps me know I can feed my kids."¹³ Despite the great need for those government services, beneficiaries may still feel they encourage laziness, since media can have a bigger role in shaping public opinion than experience itself.

It is not difficult to see the negative consequences of promoting self-interest over concern for others. In contrast to the more socially and economically equal European (and especially Scandinavian) countries, the extent of poverty in the United States is shocking: half of all American children require government food assistance at some point before reaching the age of twenty; among black children, that figure is nine out of ten.¹⁴ Almost twelve percent of Americans currently receive food stamps (now known as SNAP, the Supplemental Nutrition Assistance Program). That number hides large differences by race: twenty-eight percent of blacks, fifteen percent of Latinos and eight percent of whites receive SNAP. Nor do those figures provide a true figure of poverty, since food aid reaches only about two-thirds of those who are eligible to receive it.¹⁵ Some of the beneficiaries hold

full-time jobs that pay too little for them to afford food. According to a recent report, one-fourth of the entire American workforce receives some sort of public assistance; that figure includes more than half of the workers in the fast-food industry.¹⁶ A country as rich as the United States should not have to provide food aid to over a tenth of its population, especially not to those who are employed. That it is necessary is testament to the preference given to greed over fairness.

Sometimes things are what they seem

There is a very big leap between Smith's rather modest comment about the value of self-interest and the idea that society functions best when people think *only* about their own interests. To reduce everything to selfishness and material wealth belittles us all. To believe that our greatest contribution to society comes through selfishness and shopping represents a 'convenient belief,' not an economic truth. Do people wish to live in a society based on the principle that greed is good? The fact is that in all but the most egalitarian countries, a handful of people have vastly more money than they can spend while their neighbours lack basic necessities. Modern societies can do better than that.

In fact they do. Cooperation and trust are far more common than people may recognize, partly because people rarely talk about them. Violence, selfishness, and greed dominate the airwaves and the newspapers, and people internalize the message that vice is widespread. Nevertheless, the existence of human societies is dependent on a large dose of more selfless behaviours. Crime is the exception, not the norm. Every day people have countless encounters that offer opportunities for rudeness and cruelty; instead, the people they have contact with generally exhibit neutrality or friendliness. Otherwise, life would be one big barroom brawl. While it may not be talked about much on the news, there are plenty of people who feel that the very essence of humanity involves a concern for others; that financial rewards need not be enormous to motivate hard work and creativity; and that societies can generate both equality and prosperity, as long as greed is kept in check.

People accept too much ugliness when they believe that it is better to elbow others out of the way in the struggle to the top than to lend a hand and to ensure that others succeed as well. There are simply too many people on the planet for selfishness and greed to be the main organizing principles. People everywhere seek out the company of others; they group themselves into communities, and those communities require cooperation to survive and to flourish. Both selflessness and selfishness are human traits, but if people really want to promote a better society, they must encourage the quality of looking out for others.

It is obvious that in much of the world, the accident of birth is the biggest determinant of the life that an individual will lead. In fact, wealth generates wealth; it is the highly exceptional rich person who started out in poverty. Social mobility is far more of a myth than a reality in present-day America and in much of the rest of the world. The poor have so many disadvantages to overcome from the very start of life that very few can escape poverty on their own. Too often, rather than allowing people to get ahead, hard work simply keeps them exhausted and poor. The best educated send their children to the best schools and have the contacts to help them get the best jobs. Even where education is supposedly free, parents must pay for clothes, books, and other fees. Recently, the situation may have gotten even worse in many countries with the heavy dependence on outside tutoring. Parents are expected to pay substantial fees for tutors; it sometimes appears that little if anything is taught anymore in the schoolroom itself.^{iv} Tutors benefit. The rich can afford it. The middle class struggles. What happens to the poor? Lack of education combined with racism, other prejudices, and the lack of opportunities means that the poor stay poor. So much for the benefits of hard work.

The costs of losing in economic competition may be starvation and homelessness, and the odds are so unfairly cast that it is, in the mildest language, a cruel joke to expect the poor to 'pull themselves up by their bootstraps.'^v But even if people did believe that poverty is partly a result of laziness or inability rather than of a system weighed heavily against the poor, neither of those human qualities should be considered acceptable reasons for some people to face inhuman living conditions. How harshly do we want to punish people for not being the most capable or energetic?

Some, perhaps most, people are lousy at managing their money. How severely do mainstream economists wish to penalize them for that inability, and how generously do they wish to reward those who are good at it? It makes sense that those who manage money well will be better off. But how much better? People have (or lack) talents in a wide array of fields: music, art, mathematics, cooking, human relationships, dog training, and earning and managing money. The penalty for lacking most skills is not huge. It is nice to be able to carry a tune, and you may

^{iv} I have observed this in Bangladesh and Sri Lanka. I imagine that the practice is widespread.

^v Even the *Time* magazine article about the social benefits of greed makes this point (if one bothers to read to the end): "The plutocrats, the pampered, are necessary members of a complex economy, and calls for pure egalitarianism have always been nonsense. But so is the tough-love, pull-yourself-up, no free lunch even if you're starving ethos of the people who have forgotten – or never knew – what that kind of desperation feels like."

make a fool out of yourself at a karaoke party if you cannot, but your quality of life will not be seriously diminished if you are tone deaf. If you lack the skill of either making or managing money, though, the results can be disastrous. A just and humane society would value many other qualities and talents above the ability to amass money.

The worship of greed causes people to allow far more suffering and adversity than a supposedly civilized world should be prepared to accept. Most European countries understand that an important role of government is to address the fact that unbridled capitalism imposes inhumanly high suffering on many of the economic 'losers.' Human effort and ingenuity are still rewarded, but the gap between the rich and poor is minimized by truly progressive taxation and a wide variety of services that benefit all members of society.^{vi}

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Earlier I mentioned a homeless man in Boston who quit his job as a dishwasher because it paid too little to maintain him even in decent poverty. During our conversations, he explained that he was incapable of operating on a sufficiently selfish basis to get ahead. He had moved in with his sister, but her home was crowded and he felt that he took up too much space. He did not want to cheat others. He felt that if selfishness was the price of success, he would rather not have it.

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In a capitalist system, people are encouraged to invest money in the production of goods and services. In return, they expect to receive significant profits. While capitalism is effective at the production and distribution of goods and while it sometimes rewards effort and ingenuity, it distributes its rewards unfairly, giving far more back to the capitalist (the person who invests the money) than to the labourers who produce the products. It also encourages profit making at the expense, rather than for the benefit, of the consumer. It cannot ensure, in and of itself, a humane society in which the cost of losing the economic game is not devastating. It would be far better to take the good aspects of capitalism, to encourage people to work hard and gain reasonable rewards for their effort, but not allow them to accumulate absurd levels of wealth. Again, to quote Smith's *Wealth of Nations*, "No society can surely be flourishing and happy of which by

^{vi} Or, at least, the Europeans have historically understood this, though England has a worse track record than other countries. Good policies can get whittled away elsewhere. Further, they often do not extend to all the residents of the country, but rather only to the citizens. Still, Europe and particularly Scandinavia are as good as it gets in terms of treating people relatively equally.

far the greater part of the numbers are poor and miserable.” If one is to accept that private purchases are important to the economy, one should also accept that spending by governments in favour of the poor and middle class is vital to the economy as well as to people’s wellbeing.



Towards a Better Way: Generous and Moral Economics

“I seek not to wax great by others’ waning
Or gather wealth I care not with what envy;
Sufficeth that I have maintains my state,
And sends the poor well pleased from my gate.”
– Shakespeare, *Henry VI Part II*

“If I am not for myself, who will be for me? But if I am only for myself, what am I?”
– Hillel the Elder, Jewish scholar

“I had rather not have riches if I am not to know from whom they come, for then I have no peace.” – Grimm, *Household Tales*

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In a close and well-functioning community, hard times are weathered because, normally, not everyone is equally badly off at all times. Those who are doing better help others through their difficult spells, and in return are more likely to receive help when they need it.^{vii} Such a system makes good economic sense. Sometimes life is simple and direct; sometimes a virtue is a virtue and a sin a sin, be it in religion or economics. Despite what some economists tell us, it is better to act in the interests of others, to keep in mind how our behaviour affects them, than always to focus on ourselves. Unlimited greed can do unlimited damage.

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A Vietnamese colleague told me about moving into an apartment building in which the neighbours did not know or interact with each other. She went to each home and introduced herself. If she heard that a neighbour was sick, she would bring food or help with cleaning or laundry. Others immediately began to reciprocate. And so, after a short

^{vii} This could be described as long-term rather than short-term selfishness. Being good to others often does involve a reward: the pleasure of satisfying one’s conscience or the enjoyment of expressions of gratitude or the satisfaction of seeing the results of one’s good deeds. If that sort of gratification was what was meant by selfishness, the world would be a far more congenial place.

period, the building of isolated strangers was transformed into a vibrant, thriving community in which people looked after and helped each other.

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It can be difficult to stay grounded when society promotes materialism and selfishness. But community and cooperation are still flourishing. It is possible to work to support them and to remind people of their importance. People can support and encourage cooperative efforts whatever their area of expertise. They can keep in mind that increasing wealth is not life's only goal. They can remind people that humanity has little meaning if everyone seeks to behave like beasts.^{viii} People can question the value of projects that harm people and/or the environment, despite the argument that they are good for the economy. They can question why 'cost effectiveness' and 'tradeoffs' are only discussed when they short-change the poor or harm the environment. Finally, people can advocate for measures to ensure that the benefits of capitalism are widely shared, that its negative effects are kept in check, and that income is redistributed from the top down and kept circulating at a lower level. People concerned about the promotion of greed by mainstream economists can support communal efforts, whether commercial or attempts to improve neighbourhood conditions. Success in one such effort will lead to others. Despite what the mainstream economists claim, humanistic interests *will* lead to a better society that promotes not unending consumption by the few but rather the wellbeing of all.

^{viii} This is a little unfair to animals, among which cooperation, even across species, is common.

Notes

¹ <http://www.popmodal.com/video/9940/What-has-greed-done-for-you-lately-Dedicated-to-the-Occupy-Wall-Street-Protesters>

² Michael Pollan, "An Animal's Place," *The New York Times Magazine*, 10 November 2002.

³ See, for example, Jeffrey Dorfman, "Workers Should Be Very Thankful That Corporations Are So Greedy," *Forbes*, 15 December 2013.

⁴ Harry Binswanger, "Selfish Greed Wipes Out Racism," *Forbes*, 26 December 2013.

⁵ Jeffrey Kluger, "Science Proves It: Greed Is Good," *Time*, 28 March 2014.

⁶ Ayn Rand, "Faith and Force: The Destroyers of the Modern World," lecture delivered at Yale University on 17 February 1960, at Brooklyn College on 4 April 1960, and at Columbia University on 5 May 1960. <http://freedomkeys.com/faithandforce.htm>

⁷ D. Campbell, "Greed is Good: A Guide to Radical Individualism," *The Guardian*, 10 March 2009.

⁸ Campbell, "Greed is Good."

⁹ Campbell, "Greed is Good."

¹⁰ Kathleen Kennedy Townsend, "Ayn Rand vs. America," *The Atlantic*, 23 August 2011.

¹¹ Abheek Barua, "A Tough Balancing Act," *The Hindu*, 18 February 2013.

¹² Adam Smith, *The Theory of Moral Sentiments*, 1759.

¹³ Jason DeParle and Robert Gebeloff, "Food Stamp Use Soars, and Stigma Fades," *The New York Times*, 28 November 2009.

¹⁴ Mark R. Rank, and Thomas A. Hirschl, "Estimating the Risk of Food Stamp Use and Impoverishment during Childhood," *Pediatrics and Adolescent Medicine* 163.11 (2009):994-999. doi:10.1001/archpediatrics.2009.178

¹⁵ J DeParle and Gebeloff, "Food Stamp Use Soars."

¹⁶ Sylvia Allegretto, Marc Doussard, Dave Graham-Squire, Ken Jacobs, Dan Thompson and Jeremy Thompson, *Fast Food, Poverty Wages: The Public Cost of Low-Wage Jobs in the Fast-Food Industry* (University of Illinois at Urbana-Champaign and UC Berkeley Labor Center, 15 October 2013).