



Morality and the Market

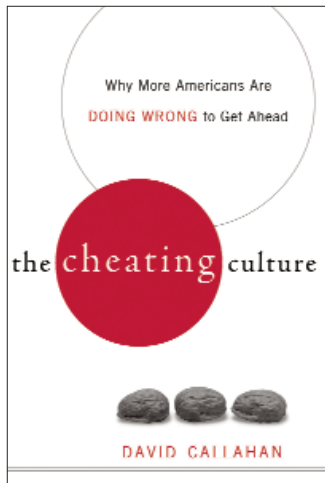
Values, Ethics, and the Need
for a New Social Contract

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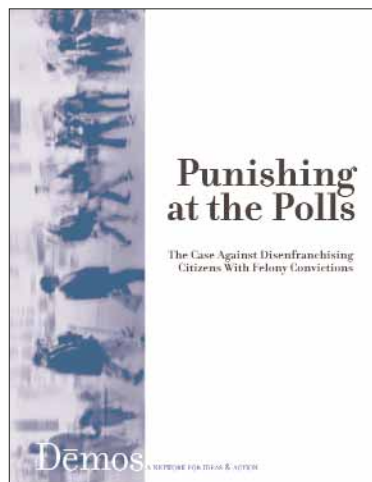
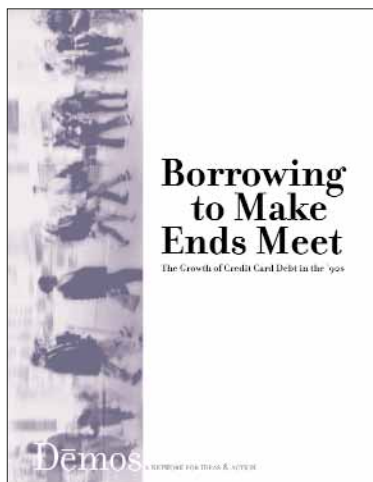
About *The Cheating Culture*

This paper is based upon David Callahan's book, *The Cheating Culture: Why More Americans Are Doing Wrong to Get Ahead* (Harcourt). The book examines cheating across U.S. society, from tax evasion to steroid use by athletes to corporate scandals to academic dishonesty. It links pervasive cheating to the laissez-faire economic and cultural trends of the past two decades. *Esquire* calls the book "a damning and persuasive critique of America's new economic life." Learn more about the book at www.cheatingculture.com.

About Demos

Demos is committed to a long-term effort to reframe and redesign policy and politics to meet the complex challenges of the 21st century. We seek to bring everyone into the life of American democracy and to achieve a broadly shared prosperity characterized by greater opportunity and less disparity. Founded in 1999, Demos' work combines research with advocacy—melding the commitment to ideas of a think tank with the organizing strategies of an advocacy group. Learn more about Demos at www.demos-usa.org.

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Introduction

Americans are famously concerned about values and personal morality. The United States ranks among the most religious of all the advanced industrialized democracies, and it has frequently experienced eras of intense moral introspection. The past several decades have been such a period, with heated debates over issues like abortion, drugs, divorce, homosexuality, and prayer in schools. Today, opinion polls show considerable public concern about the moral state of the country. A May 2004 survey by Gallup found that an overwhelming 80 percent of Americans hold a negative view of U.S. moral values, and 77 percent believe that things are getting worse.

While moral issues have heavily shaped U.S. electoral politics, these issues have generally been framed very narrowly in the political sphere. Some thirty years ago, conservative intellectuals and politicians moved aggressively to establish a near-monopoly on values discussions amid what Francis Fukuyama has called “the Great Disruption,” namely the breakdown of the traditional family and rise of feminism and individualism. The Great Disruption played out in very personal ways for Americans, and was experienced by many—especially white men—as a full-blown social crisis. Conservative leaders adroitly leveraged the crisis to weaken the appeal of liberalism. They separated working-class voters with traditional values from a Democratic Party that, in Spiro Agnew’s words, favored “acid, amnesty and abortion.” And, in a broader assault, they convinced large swaths of the public that just about any government program was apt to spawn social pathology. The harsh discipline of the free market was offered by conservatives as more than just a path toward greater prosperity. It was presented as a savior of America’s moral character.

Today, progressive and moderate reformers have a chance to reframe national debates over values by highlighting a new moral crisis. This crisis infects nearly every part of American society, from education to sports to business to a myriad of professions. It often plays out in intensely personal ways and it deeply troubles Americans. The crisis is the rise of a “cheating culture” in the United States.

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Cheating: A New Moral Crisis

Cheating is up. Cheating is everywhere. By cheating I mean breaking the rules to get ahead academically, professionally or financially. Some of this cheating involves violating the law, some does not. Either way, most of it is by people who, on the whole, view themselves as upstanding members of society.

Cheating is intended to go undetected, and trends in unethical behavior can be hard to document. Still, what evidence is available suggests that cheating increased in the 1980s and '90s, at least in comparison to the middle decades of the twentieth century. Many studies confirm that cheating by high school and college students has increased substantially. In a 2002 survey by the Josephson Institute of Ethics, a Los Angeles-based group, three-quarters of high school students admitted they had cheated in the previous year. The IRS reports that tax evasion has soared since the early 1980s. It now costs the Treasury at least \$250 billion annually, and probably much more. Routine workplace theft totals an estimated \$600 billion a year, or 6 percent of GDP, and rose sharply in some areas during the 1990s.

Cable television companies report widespread theft of services, while insurance companies say fraud is up. An orgy of music piracy has recently been followed by a surge in the piracy of movies.

Professional ethics are in terrible shape, too. Overbilling is common in just about any trade where there is billing, from nonprofit consulting to advertising to law. Conflict-of-interest problems are pervasive in medicine. Many doctors, for example, are unethically accepting payments from pharmaceutical companies—a problem highlighted by major government probes recently of Pfizer and AstraZeneca. In sports, steroids and other performance enhancing drugs have penetrated into more areas of competition, notably baseball. Barry Bonds, who recently testified in a grand jury steroids investigation, is among the superstars whose athletic accomplishments have been called into question.

The nerds aren't doing much better than the jocks. Publishing and journalism have seen an unprecedented string of scandals, embroiling leading historians like Stephen Ambrose, but also destroying the careers of ambitious young reporters like Jayson Blair and Stephen Glass. And, as highlighted in a new book by Derek Bok, *Universities in the Marketplace*, the integrity of scientific research in academia is increasingly compromised by conflicts of interest among researchers receiving corporate money.

Last but far from least are the corporate scandals. The past two decades will be remembered as the most corrupt period in business since the Robber Baron era a century ago: insider trading, \$400 hammers, S&L looting, massive healthcare scams and then the widespread lying about earnings by companies like WorldCom, Enron and HealthSouth. Beneath these headline scandals lies a vast swamp of smaller crimes by a business community that has turned ever more predatory in recent years.

Add up all the various forms of ethical and legal misconduct and you have a moral crisis of serious dimensions—one that underscores the poverty of today's values debate as framed by conservatives. America's crisis of ethics is no accidental phenomenon. It is organic to the way of life proselytized by the right. As free-market ideology has triumphed both economically and culturally since the late 1970s, such quintessential American values as fair play and honesty have sunk into decline.

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Morality and the Market: Making the Link

Competition is an unquestioned virtue within market ideology and has been a prime mantra of conservatives for thirty years. It is seen as the foundation not just of maximum prosperity but also of individual greatness. Freedom, in the conservative worldview, is a state of pure competition where there are no checks on individual striving. Taken too far, though, competition is poisonous to people's ethics. And lately, America has taken competition too far.

Americans are under intense pressure to do well academically and professionally, starting at a very young age. High school students believe they must go to a good college if they want to survive in an economy where the best jobs are hard to get and even harder to keep. In a legal profession transformed since the 1970s by a narrow focus on profits, overbilling by lawyers has increased. HMO doctors are easy prey for pharmaceutical companies that offer cash and perks to promote drugs for off-label uses or to push patients into clinical drug trials for which they may be unsuited. Workplace theft has risen at the same time that more businesses cut benefits and job security for their employees. Many companies now rank all their employees once or twice a year; some automatically fire those who fall in the bottom 10 percent. At the very top of the heap, CEOs face competitive pressures that didn't exist thirty years ago—most notably, the imperative to hit quarterly earnings projections and avoid stock market losses.

The growing income gap in America is also harmful to the nation's moral health. While many Americans struggle just to make ends meet, today's winners win bigger than ever before. Sluggers like Alex Rodriguez take home vastly larger paychecks now than they did a decade ago, CEO pay has skyrocketed, partners in law firms make more money than ever and so on. Large inequities within professions have emerged at the same time as broad inequality trends have increased the stakes of getting an education and landing a skilled job. In 1975 workers with advanced degrees earned 1.8 times as much as high school graduates. This gap increased to 2.6 times in 1999.

Market ideology holds that inequality is actually a good thing, motivating people to work harder. Conservatives have seen no reason to respond to rising income gaps over the past quarter-century. "If you drive a Mercedes and I have to walk, that's a radical difference in lifestyle," comments Dinesh D'Souza of the Hoover Institution. "But is it a big deal if you drive a Mercedes and I drive a Hyundai?"

In fact, inequality is an obvious moral corrosive. As the economist Robert Frank and others have pointed out, people tend to judge their well-being in relative rather than absolute terms. There is no reason that a .285 hitter making \$700,000 a year should be dissatisfied and turn to risky steroids to hit better— except, perhaps, that he has to work with guys making ten times as much money. Conservatives are right in saying that even the poor in America are pretty well off compared with people in the Third World. The problem is that Americans don't compare themselves with Bengalis. They compare themselves with other Americans.

The new inequality has made envy among the most dominant emotions in American life. The celebrity-obsessed media pump this toxin around the clock, as does a \$250 billion advertising industry that portrays six-figure lifestyles as the norm. You don't need to read the Bible to know that all this is a recipe for bad behavior. Nor does it require a sociology degree to predict that a society ever more stratified along economic lines will be one where

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people trust each other less and may be more likely to live by the commandment “Do unto others before they do unto you.”

Small government is another laissez-faire virtue that doesn't go well with strong ethics. Conservatives like to caricature government as an enemy of prosperity and as a breeder of social pathology. “I believe that government has played a big role in allowing values to erode,” wrote Ben Wattenberg of the American Enterprise Institute in his 1995 book, *Values Matter Most*. The rap against big government put out by Wattenberg and others is that it has usurped the role of civil society institutions like religion and promoted a “something for nothing” ethos.

MANY AMERICANS ALREADY UNDERSTAND THAT A CULTURE OBSESSED WITH MONEY AND SATURATED WITH ENVY IS A MORALLY PERILOUS PLACE.

Yet these days it is weak government that should concern moralists of every ideological stripe. Two decades of downsizing and demeaning government have unleashed a flood of wrongdoing by people who judge, correctly, that they can get away with it. Tax cheats go unpunished because the IRS has been starved of resources over the past decade, even as the quantity and complexity of tax returns has risen dramatically. Investors in the stock market have been repeatedly deceived and ripped off in recent years as the Securities and Exchange Commission—politically sabotaged over two decades—did nothing. Elsewhere, in law and medicine, lax government oversight of licensing has made a mockery of disciplinary safeguards designed to root out professionals who abuse the trust of clients and patients.

Thanks to weak government, a great many Americans are living in a temptation nation. When watchdogs sleep, it is all too easy to follow our worst instincts—whether to cheat on taxes or overbill clients or rent out a firetrap apartment in the attic.

Building A New Social Contract

Many Americans already understand that a culture obsessed with money and saturated with envy is a morally perilous place. We understand that people will behave badly in an economy that rewards cutthroat competition and where no one enforces the rules. We fear for our own moral well-being, and even more so for that of our children. What is needed now is a political message that addresses these anxieties and links them to a public policy agenda. Boiled down to its essence, such a message should be about the broken social contract in America. Too many people who play by the rules end up as losers—or feel compelled to become cheaters just to stay afloat. Too many people who break the rules end up as winners—and learn that crime pays. Two core pillars of the American idea, optimism and egalitarianism, are being eroded. Taking their place is the cynicism of an Anxious Class that believes, rightly, that the rules aren't fair; and the hubris of a Winning Class that lives by its own rules.

America's busted social contract must be a central theme of reformers. And the new crisis of ethics offers a way to preach a social contract message that is centered more heavily on virtue, now a Republican-owned franchise with a great many customers in the US electorate. Progressives must offer both a compelling story of moral decline and the way to redemption.

Beyond this, the actual policy agenda for fixing a broken social contract is hardly extraordinary.

- First, there must be new investments in education, healthcare, childcare and other things to insure that ordinary people who play by the rules can succeed with integrity in a postindustrial economy.
- Second, we need to beef up the government agencies that enforce the rules of fair play in economic life and stop indulging cheaters in the Winning Class.
- Third, it's long past time we declared a cease-fire in "the war against the poor," as part of a broader effort to insure that rule-breakers across all income groups stand as equals before the law.
- Fourth, we need major reforms to open up the democratic system to insure that more Americans have a genuine say in how society's rules are made.
- And fifth, there must be new initiatives to reduce income inequality and foster greater trust across the chasms of class, race and geography.

That extreme capitalism fosters moral corrosion is not a new message. Teddy Roosevelt said as much a century ago. But, packaged right—as a defense of the American way, not an attack on it—this is a message that could redefine the values debate in US politics and change the electoral map for decades to come.

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