



## The Morality Of Free Markets

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Rod Kemp, John Roskam, Tony Abbott, friends of the Institute of Public Affairs, and fellow champions of the free market: Let's be clear about our purpose this evening. We are not here to mark an anniversary that just commemorates the past. We are here to champion a vision that speaks to the future.

That vision remains as vital today as when the IPA was founded back in 1943.

The Australians who came together that decisive year were concerned about the drift to socialism they thought might prove a legacy of the war. My father, I am proud to say, was among these men.

They set up the IPA to help write a different future for this country.



What they wanted was simple: an Australia where men and women would rise in society not because they were born into privilege—but because they earned it with their hard work, their thrift, and their enterprise.

As you have pursued this vision over the years, you have had many victories.

In your early years, you helped defeat the postwar bid to nationalise Australian banks—often fighting the banks as much as the government!

You were an early advocate of the great reforms—pushed by Labor and Liberal governments alike—to open up Australia by deregulating, privatising, reducing tariffs and floating the dollar.

And today you are leading the fight for freedom of speech in Australia.

So on this 70th anniversary I say to you: Your victories have truly been victories for the Australian people. And it is the great hope of everyone in this room that you will continue the vital work that will make Australia a freer, more competitive, more hopeful, and more successful society.

Success is not something we can take for granted. Success must be fought for. Success must be won.

But, instead of hearing about new initiatives that would make Australia more competitive and open up new opportunities for the Australian people, we hear more of the class warfare rhetoric that has proved so toxic and so damaging for older nations. And, here is something else we are not hearing about: we must argue the morality of free markets and the immorality of markets that are not free.

The cold, commercial word 'market' disguises its human character—a market is a collection of our aspirations, exertions, choices and desires.

I saw that up close last week in China, where the digital marketplace has become a launch pad for individual opportunities unimaginable to the Chinese of 20 years ago.

Typically, those of us who believe in free markets make our arguments by extolling the market's economic superiority.

But I believe we need to do something very different from what we are used to.

We need to defend the market on precisely the grounds that its critics attack it: on justice and fairness. Yes, the morality of free markets.

Outside your typical Western university, most people these days do not question the free market's superiority when it comes to performance. Even the so-called Communists in China have come around to the view that Adam Smith is a more reliable guide for a nation than Karl Marx or Chairman Mao.



The results in Australia are equally clear.

As the Productivity Commission recently reported, since those market reforms of the 1980s, Australian wages have increased by one-third in real terms.

Over the same time, the number of jobs went from 6.9 million to 11.5 million—increasing faster than the population.

So when it comes to producing results, there's no contest.

Even so, there's one thing we still have not won. We have not persuaded people that the market does better because it is more moral—or that socialism fails because it is largely immoral in its denial of fundamental freedoms.

To the contrary, too many people think that the market succeeds because it is based on a vice—greed. And that socialism is better, because it is based on a virtue—sharing.

Naturally they conclude from this that the way to make capitalism more just and more humane is to temper it by injecting a large dollop of government-mandated sharing, or worse, like President Obama, that government is always better.

We see this contradiction everywhere. And to be fair, it's not just those on the left side of the political aisle.

Here's another example. In Britain, David Cameron gave a speech in which he rightly defended the market as moral. But then he went on to say how he would improve its fairness—by having his government issue guidelines on executive pay, with legislation to follow if necessary.

The same is true here. How often have you elected political leaders to fight against some horrible regulation or tax, only to watch as they basically agree to a watered down version of what their opponents are arguing?

Placating a nation is not leading a nation.

How often—to give one example—do you hear the same people who are calling for free trade go on in the next breath to argue for stronger anti-dumping laws, a back door form of protectionism?

Crony capitalism is not capitalism—it is cronyism.

So long as we allow the debate to be framed by people who think the market is efficient because it is based on a human failing, we are going to lose every argument.

The only way to uphold market freedom is to show people that the market doesn't succeed because of greed.

In fact, it's just the opposite.



The market succeeds because it gives people incentives to put their own wants and needs aside to address the wants and needs of others. To succeed, you have to produce something that other people are willing to pay for.

Matt Ridley is a British author who has given great thought to these issues. He wrote a famous book called *The Rational Optimist* that many of you must know. He points out a few simple facts:

First, that today by almost any measure you can think of, people on this planet are better fed, better sheltered, and better protected than they've ever been—and that prosperity has really accelerated in the last 100 years. Indeed, that the average person's standard of living has improved ten fold—yes, ten fold—in the last century.

Second, he says that the key is simply trade, or the interchange of goods, services, and ideas among people.

Third – and this is important for our moral point—that you can't really have trade until we trust each other.

Let's put this in human terms. Recently the World Bank reported that in 1981, 42 per cent of people in the developing world had to live on less than a dollar a day. That is one and a half billion people in poverty or starvation.

Thirty years later, the percentage has been reduced to 14 per cent—a huge change in a relatively short period of time. What could be more moral than that?

This is unparalleled in history.

Now there is a great deal left to be done, because hundreds of millions of people still live in terrible conditions.

But a remarkable portion of our overall progress is attributable to Asia since it moved to markets; and it is only accelerating.

I believe that one of the great crimes of our time is how we take this for granted. That's certainly not true for those on the receiving end.

For the Chinese boy who can go to university, for the African mum who has enough to feed her babies, for the teenager in India or in Latin America—the market has opened possibilities for a better life that their parents and grandparents never even dreamed of.

For these people and their families, the advance of the market has been a life-altering event. And because of these openings, they look to the future with confidence that opportunities will grow.

If the market were as immoral as some of our politicians would have you believe, it could not do this.



Arthur Brooks goes further. Arthur runs a think tank very much like the IPA in America. And he's written a terrific book talking about the morality of the market. What he means is that the market isn't about selfishness or greed—or the rich getting richer and the poor getting poorer.

It's about fairness and opportunity.

He defines fairness as the universal opportunity to enjoy earned success. That means enjoying the fruits of our success. Which turns out to be healthier for people than just having others give them things.

He's also pretty scathing about some of government actions that pass for compassion these days. What's fair or compassionate, for example, about using taxpayer dollars to bail out Wall Street bankers?

What's fair about taking money from people who have earned it and giving it to people who didn't?

What's just about a generation of people who rack up government debt for their own health care and retirement—while leaving their children and grandchildren to foot the bill? A criticism that is more true of nations other than Australia.

The answer is that there's nothing compassionate, fair or just about doing these things. Yet governments do these things every day, largely because those of us who know they will only make the problems worse seem to forget that we have a moral as well as a financial case for reform.

In too many countries, the public sector has lost sight of the public that it is supposed to serve and instead become self-serving.

But if we are to win, we must do more than simply oppose what we find unfair and immoral about government intervention.

After all, people should not be opposed to a reasonable level of regulation, taxation and spending, especially when it comes to providing a safety net that will allow the poorest, most unfortunate among us to live with dignity.

But we need to put all these things in the context of just what we mean by a fair and just society.

At its core, a fair and just society is one where opportunity is open to all—not just those at the top.

Let's take one example: economic growth. We all know growth is absolutely vital to a free society. No one should want Australia to be a stag-nation: a nation with a stagnant economy and stagnant aspirations.

But these days when we argue 'more economic growth' or 'lower taxes,' many people think to themselves: 'That's fine for hedge fund managers and CEOs. But it doesn't mean anything for an



ordinary bloke like me.'

Our challenge is to bring that message to such people—whether they are on the shop floor or behind a desk—in a way that lets them understand why they stand to benefit more from a society that rewards their work and initiative than one that pretends to spread the wealth around.

That's not always an easy case to make. Unfortunately, it becomes much harder when our side confuses being pro-free market with being pro-business.

You see this confusion everywhere. Many of the same people who appreciate that too much welfare can be bad for a single mother somehow believe that spending tax dollars on 'industrial hubs' is an excellent investment.

When we do these things, we undermine our case for free markets by conveying the impression that the benefits are only for the already rich, well-connected and politically powerful—that is why we must have a press free from government intervention and why government attempts to regulate the press in Australia and Britain have been ill-conceived. The press must be held accountable, but so must our politicians—grievances and grudges should not fuel a fundamental shift in our social balance.

Many of those who resort to class warfare do so because they believe people are naturally envious of others. I do not believe this.

In my life, I have learned that most people want the same thing. They are not driven by class resentment.

What they want most is to make a better life for themselves and their families—and to know that the opportunities for their children will be better than they were for themselves.

People begin to resent the rich only when they conclude that the system is rigged.

To put it another way, if we wish to persuade people that income inequality is not the right way to measure the fairness of our society, we have to work to make sure that social mobility is real—especially for people at the bottom-most levels of society.

By that measure, we have so much left to do.

So on the 70th anniversary of IPA I leave you with this thought: The battles we have fought, and the victories we have won, for free market reforms have given people all across this country more opportunity, more wealth, and more hope for the future.

But these victories will all be hollow unless we can persuade our fellow citizens of the truth behind these reforms: that we fight for these measures not just because they are efficient, but because they are fair and just and right.