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The Moral Basis of Global Capitalism: Beyond the Eclectic Theory

with Mark Casson

John Dunning's work has taken a distinctive turn in recent years. He has placed greater emphasis on policy, and addressed much wider issues than before (see, for example, Dunning, 1994). This is particularly evident in his book *Global Capitalism at Bay?* (2000). The title not only echoes Raymond Vernon's *Sovereignty at Bay* (1971), but also conveys Dunning's concern that capitalism's survival depends not only on international trade and technology transfer, but also on the efficiency of the institutions that support them. Institutional efficiency depends in turn on the legitimacy conferred by moral systems.

The Festschrift for John Dunning, which was published on his retirement from Reading (Buckley and Casson, 1992) naturally concentrated on the technical aspects of his eclectic theory, which he had elaborated during the 1980s. The focus was the interplay of ownership, location and internalization advantages in the foreign investment decision. The range of issues addressed by the eclectic theory has expanded very considerably since that time. The eclectic theory is now concerned as much with the general institutional framework of international business and the political economy of government intervention as it is with specific issues relating to the foreign investment decision. Reflecting this shift of emphasis, this chapter focuses exclusively on wider issues of this type – and in particular on the issues raised in the first two chapters of Dunning (2000). These chapters address the future of capitalism, and the Christian response to it. They contain little reference to the original technical concerns of the eclectic theory; indeed, the multinational enterprise is relegated to the status of just one of several institutions of global capitalism. His work still remains 'eclectic' – but in the sense of embracing not only economics and business studies, but also politics, ethics and religion.

In his Raul Prebisch lecture, Dunning (1994) suggested that a 'G7' of the world's spiritual leaders be convened in order to 'establish common ground rules for the values and behaviour of their followers' (Dunning, 1994: 33). Despite his generally optimistic view of the impact of globalization, Dunning feared that, without some consensus of spiritual values among people of goodwill from widely different cultures, any gains in material welfare which global interdependence might bring could be completely destroyed by a clash of civilisations, the like of which is 'too terrible even to contemplate' (see also Huntingdon, 1996).

Dunning argues that a synthesis of economic liberalism and strong communitarianism is required to optimize the performance of the modern global economy (see also Hood, 1998). He does not consider the dismantling of the present global system as either probable or desirable. He is clear that changes need to be made to the present order, but he remains agnostic on whether change is best effected using a 'top-down' or a 'bottom-up' approach.

This chapter argues that Dunning overlooks the way in which modern global capitalism actively undermines the moral order on which it depends for its long-term survival. A sharp distinction is drawn between the early capitalism that evolved around the time of the commercial and industrial revolutions and the global capitalism of today. Early Western capitalism was embedded in a strongly religious culture, whereas modern Western capitalism is embedded in a highly secular one. Early capitalism developed in a world of relatively slow communication, where people, goods and information all travelled at about the same speed, in contrast to contemporary capitalism, where information travels at almost the speed of light. In particular, modern mass media had not been invented at this stage: the closest equivalent to a modern satellite television channel was a local newspaper, which would carry only a limited amount of advertising.

The traditional religion that incubated early capitalism embodied important insights into human nature which have been lost in the modern secular world (Skutch, 1970). Modern elites view human nature through the lens of modern social sciences, which have popularized misleading views of human nature, as explained below. As a result, the contemporary mass media disseminate a large amount of disinformation about human nature, encoded in entertainment and 'lifestyle' advertising (Earl, 1986). Contemporary mass media amplify the distortions effected by modern social sciences by selective emphasis on those ideas that serve their private interests. This disinformation undermines the spirit of community which Dunning recognizes as being so important

for social stability. Economic liberalism cannot be combined with a spirit of community, as Dunning proposes, so long as contemporary capitalism assumes its current cultural form. Sound social policies cannot be derived from an erroneous view of human nature.

From this perspective, the problem facing the modern world is not a clash between different civilizations, based on different religious traditions, which will disturb an otherwise stable secular world built on the foundations of free trade. The confrontation in Seattle in 1999 shows that it is not divisions between East and West, or between Christians, Moslems and Jews, that are most likely to bring down global capitalism, but rather discontent among Western consumers – the very people that capitalism has made materially rich, but left spiritually poor.

Plan of the chapter

The remainder of the chapter is structured as follows. The third section examines the religious context in which early Western capitalism developed. It argues that the potential excesses of profit-seeking behaviour were curbed by self-imposed emotional sanctions – in particular, by a strong sense of guilt that would be incurred by unethical business dealings. While the Protestant ethic did much to legitimate business as a 'calling', it established definite limits on how far businessmen could pursue profit at the expense of broader social objectives. Religious sanctions kept transaction costs low at a time when commercial law was relatively underdeveloped and competition in local markets was normally weak.

Many of the insights into human nature provided by Protestant Christianity can be discerned in other religious traditions too, as Dunning has pointed out. A common theme is that people have both a higher nature and a lower nature. The higher nature is associated with deliberate conscious decision-making, based on logic and calculation. Decisions are based on mental models, and involve the pursuit of long-term objectives, the most important of which is peace of mind. The lower nature is largely governed by subconscious decisions, in which an unexpected stimulus generates an immediate response. The objectives that govern these decisions are concerned with fulfilling a small number of powerful drives concerned with aggression, procreation, pursuit of social dominance and so on. This view has much in common with the argument of Alexander Pope's *Essay on Man*: 'Two principles in human nature reign, Self-love, to urge, and Reason, to restrain' (Pope, 1733: 62).

There is an underlying rationality to the lower nature, concerned with the biological survival of a race or tribe in a highly volatile environment. The resultant behaviour is, however, badly adapted to a civilized society, where volatility is handled through complex social institutions. The power of the drives, however, is such that considerable self-control must be exercised in order to override them (Ainslie, 1992; Charlton, 1988). Moral systems punish lapses of self-control, and thereby sustain a civilized society (Casson, 1998).

Opinions have always differed, however, on the amount of self-control that needs to be applied. The fourth section of the chapter considers modern opinion on this issue, and in particular the Freudian view. It argues that the modern Freudian view of human nature is seriously misleading in certain respects. While Protestantism may have over-estimated the importance of certain forms of self-control, modern Freudianism almost certainly under-estimates it. Some people are sufficiently self-aware to recognize their need for self-control, but others are not. People who lack such self-awareness are vulnerable to manipulators, who may persuade them that self-control is not required. Manipulators have a good command of the arguments relating to self-control, and can use them to persuade others of their views. They are especially good at advancing reasons for relaxing self-control, and Freudian rhetoric is admirably suited to this purpose. It is argued that modern capitalism is based on the systematic use of mass marketing to undermine consumer self-control. The techniques used were not available in earlier times – for example, television advertising. But equally, the message would have proven unacceptable in earlier times because Protestant convictions would have caused the arguments to be rejected. The decline of Protestantism, and religious belief in general, combined with the growth of mass media, means that modern capitalism is based on a culture that is exceptionally lax in its attitude to self-control. As a result, manipulation of consumers, and consequent consumer discontent, is rife.

The fifth section examines some of the moral ambiguities of capitalism in greater detail. Ideologically, capitalism represents a systematic attempt to harness private self-interest for the public good. It tries to achieve this by constraining the pursuit of self-interest by competition and the law. It accepts that only a moderate degree of success can be achieved. It therefore tolerates a situation where entrepreneurs make exaggerated claims for their products, and bluff in negotiations by withholding information. It supports the pragmatic maxim of 'buyer beware' to cover situations in which neither competition nor the law can fully address the problem.

Socialism does not make moral compromises of this kind, but it depends on a quite Utopian view of human nature to make it work. Its morality, though in one sense secular, is even more severe than that of the strictest Protestant sect. Because of its extreme demands, well-intentioned socialist experiments often degenerate into tyrannies whose excesses are even worse than those of capitalism. Protestantism accepts that the lower nature can never be completely eradicated, and that sin and temptation are therefore ever-present realities, and capitalism accepts this verdict too. Capitalism works best, however, when it uses internal moral constraints to control the excesses of the entrepreneur, as well as the external constraints of competition and the law.

The sixth section argues that the present moral weakness of global capitalism first began to emerge more than a hundred years ago. It argues that the present moral vacuum, in which self-control has atrophied, is not caused solely by the decline of Protestant Christianity, but by the subsequent decline of alternative secular ideologies too: scientific progressivism, socialism, imperialism and so on.

The seventh to ninth sections consider the impact of globalization. A major effect of globalization has been to open up new economic linkages between low-wage workers in newly industrialized and newly liberalized economies, and wealthy consumers in mature industrial economies. This has benefited Western consumers and non-Western labour, and penalized unskilled Western labour. On balance, it has advanced international economic development significantly, when considered in purely materialistic terms.

Globalization has, however, been marred by many of the excesses of the secular capitalist economy alluded to above. Many of these excesses have been perpetrated by multinationals involved in marketing branded consumer products, and by multinational banks promoting credit. The producers have targeted inexperienced consumers, such as affluent young people in Western economies, while the banks have targeted inexperienced borrowers, such as Third-World governments.

Globalization generally has weakened the power of nation states to implement economic policies at the national level. Many of the complaints against globalization have come from those who favour the use of national industrial policies to facilitate innovation and growth. It can be argued, however, that the major weakness of national policies is the inability of governments to call advertisers and the mass media to account. The power of the multinational media in a global economy has revealed a potential weakness in modern democracy – namely, the unwillingness of party politicians to constrain the media in case the

media should take revenge by undermining their electoral prospects by using hostile propaganda.

The tenth and eleventh sections summarize the conclusions and discuss possible ways of improving the performance of global capitalism. It is argued that, in the long run, the necessary improvements in the moral basis of capitalism can only be effected by the revitalization of traditional religious views of human nature, and a consequential reformulation of certain aspects of social science theory. As a short-term measure, statutory controls should be placed on the programme content of the mass media – and on the advertising of branded products. Because of the multinational nature of the entertainment and media industries, this may require international agreements. Such agreements may be difficult to negotiate because of the opposition of certain governments, who face constitutional constraints and/or a powerful industry lobby. This may well set the scene for further confrontations of the kind witnessed in Seattle.

The Protestant ethic and its decline

The development of capitalism in Western Europe is often ascribed to the influence of Protestantism (Weber, 1930). This is a controversial thesis (Robertson, 1933). It is grossly inadequate as a monocausal explanation, because it fails to take account of the growth of capitalism in late-nineteenth-century Catholic Europe – for example, in France and Italy. On the other hand, it is consistent with the prominent role of Protestant nonconformist sects in the British Industrial Revolution.

An interesting feature of Protestantism is that it undermined a traditional source of authority – namely, the Papacy – and replaced it with the direct accountability of the individual to God. It thereby discouraged conformity of thinking, and encouraged individuals to think more independently, and even to express open dissent. Individuals continued to affiliate to groups, but they now decided for themselves, as a matter of conscience, to which groups they should belong. In this way, Protestantism encouraged individualism.

Protestantism was promoted by the availability of printing, and by the translation of the Bible into local languages, which meant that people could afford to purchase and read the Bible for themselves. This in turn provided a great stimulus to literacy. The Word of God was now presented in an impersonal codified form (Dark, 2000).

Protestantism also promoted the idea of human rationality. People no longer needed to rely on a priesthood to interpret religious truth for

them: they could engage with truth directly for themselves. In other words, they could 'cut out the middleman' in their relations with God. Protestantism also presented a novel view of this relationship with God. Celebration of the Eucharist was played down, and prayer and study were played up. The net effect was to replace passive participation in a communal ritual with proactive private prayer and study.

It also became possible to interpret the Bible in distinctive ways. For example, an analogy could be drawn between a commercial contract and God's 'contract' with His Creation: God would always keep his side of any contract, and so people should keep their side of a contract too. Equally, those who did not keep their side of a contract would be punished. They would certainly be punished in the after-life, and possibly in this life as well. The contractarian interpretation of the Scriptures fitted in well with the commercial revolution that was getting underway at the time.

The spread of Protestantism was effected by conversion. Catholics were an obvious target to begin with. Protestant preachers emphasized that nothing short of genuine repentance could deliver people from their sins. Purchasing indulgences from the Pope would do no good at all. The message of repentance requires people to be conscious of their sins. They need to reflect on all the things that they have done wrong. Only when they feel guilty, and are full of remorse, are they ready to make themselves right with God. Even then, those who enjoy sinning may attempt to have the 'best of both worlds' by deferring repentance until their deathbed.

To emphasize the importance of immediate repentance, the Protestant preacher would describe the many different forms that sin can take – for example, sins of omission, which are easily overlooked, as well as sins of commission, which are normally easier to recall. He would emphasize that death is an ever-present risk, and dwell on the endless torments of Hell that awaited the unprepared. In modern parlance, the Protestant preacher was 'selling' religion. He first created the problem – sin – and then offered the solution – salvation – which was available exclusively through the Church. Unlike the Catholic Church, however, the solution had to be administered by the individual themselves, and not by a priest (or saints) interceding on their behalf. Because the cure was more onerous, the problem had to be presented as being more urgent and acute. Repentance could not be taken lightly in the Protestant Church, and so the 'salesmanship' needed to be of a high order.

The techniques of persuasion employed by the Protestant preachers were really quite modern. To market a truly innovative product it is

always necessary to explain to potential customers why the product is needed. Unless the product resolves some problem, it is pointless for customers to spend their money on it. While the problem may not be one of guilt, it is often one of shame. People may be ashamed of the spots on their face, or dandruff in their hair, or that they are not as tall as they would like to be. The answer may be a new brand of soap, a new shampoo, or a new style of shoe; in each case, purchasing the product helps to make the consumer feel less ashamed than before.

It might be said that the analogy with guilt is rather weak, because guilt is a feeling that is purely subjective while shame reflects an external social reality. But this ignores the fact that modern advertisers may create illusory problems: for example, people can be led to believe that they suffer from 'body odour' on the flimsiest of evidence, and thereby be induced to purchase unnecessary deodorant sprays. In fact, the reverse is the case: some advertisers would defend their strategies explicitly on the subjectivist grounds that their products exist merely to make people feel better, and for no other reason at all. It has been said, for example, that the housewife is the only real expert on washing powders, because she alone knows what shape and colour of box she likes her powder to be delivered in. According to this view, the role of the producer is not to educate the housewife that the colour of the box makes no difference to the contents, but to discover what colour she desires and to match it as closely as possible.

More fundamentally, Protestant preachers' emphasis on guilt may not have been as misplaced as modern opinion would suggest. It depends a lot on what a Protestant preacher wanted to make people feel guilty about. In so far as he condemned dishonesty and breach of contract, for example, his efforts will have served to reduce transactions costs in the economy (Casson, 1991). If he preached on the Fall of Man, then he may have argued that work is not merely an unavoidable chore, but is actually good for the soul. Once mankind was expelled from the Garden of Eden, there was no alternative for the great majority but to make the best of a life of toil. Making people feel guilty about idleness helps to overcome the shirking problem, and raise productivity.

But if the role of the Protestant preacher was to promote economic performance, why did he also emphasize the forgiveness of sins? Surely an enduring sense of guilt for an unforgivable sin is a more powerful deterrent than a temporary feeling of guilt that can quickly be redeemed? The Protestant preacher was, however, too good an intuitive psychologist to overlook the need for forgiveness. Many sins are committed in the heat of the moment, through a temporary lapse of self-control.

Self-control requires scarce resources, such as willpower – which are in limited supply (Vance, 1985). Thus no amount of preaching can eliminate sin altogether, as the story of the Fall of Man confirms. If one sin were enough to condemn a person for ever, then having sinned once they might as well go on to sin as many times as they liked, for the final result – eternal damnation – would be the same. By 'cleaning the slate', forgiveness creates an incentive not to sin again. Although it reduces the expected cost of sin, it does not eliminate it altogether, because the emotional cost of temporary guilt remains. In general, if sins are associated with antisocial activity, then a Protestant sense of guilt fulfils a useful purpose by curbing antisocial behaviour. In a Protestant community, a sense of guilt not only improves economic performance, it also improves quality of life as well.

One reason why traditional Protestant values have fallen out of favour is that guilt was associated, not just with antisocial behaviour in general, but with sex in particular. The Bible lays great emphasis on sex, since it is the first reported sin. Before the advent of modern contraceptives, associating guilt with sex outside of marriage was a highly cost-effective method of population control. When marriage was accessible only to males with the means to support a family, strict observance of the Protestant ethic ensured that children were reared by parents with adequate means to support them.

Even before the appearance of modern contraceptives, the association of guilt with extramarital sex had been attacked by psychoanalysts – notably Sigmund Freud – who argued that it could lead to subsequent problems within marriage too. More generally, it led to a repression of sexual drives that was bad for the individual's health (Sulloway, 1979). Sexual guilt could turn potentially well-balanced people into neurotics, it was suggested. Christianity had an obsession with sex, it was suggested, and had, quite unnecessarily, turned a major source of pleasure into a major cause of guilt.

There is a problem with this view, however, which continues to cause difficulties in the global economy of today. Because the sexual impulse is so strong, control of sexual drives is a paradigm for the exercise of self-control as a whole. It is not only sexual drives that need to be controlled, but various forms of aggression too. A person who cannot control their sexual impulses may be unable to cope with anger, envy, or other emotions. The basic problem is that any sort of self-restraint can cause neurosis if carried to extremes, and so tackling neurosis simply by relaxing self-control removes an important check on aggression and undermines social behaviour as a whole (Ellenberger, 1970). Freud

himself was aware of this issue, but most of his professional followers chose to ignore it (Freud, 1930).

The weakening of self-control, and the liberalization of attitudes to sex, give modern capitalism some distinctive features compared to its earlier form. For example, an important form of self-control has traditionally related to saving. To resist the temptation to purchase consumer novelties on impulse, people often commit to long-term savings schemes – from save-as-you-earn schemes through to 'Christmas clubs' and the like (Thaler and Sheffrin, 1981). At the same time, business interests counter with credit cards and hire purchase schemes that allow people to consume temporarily beyond their current means. They employ slogans such as 'Take the waiting out of wanting' and 'Go on, treat yourself, you deserve it'. Such advertising undermines directly the individual consumer's self-control.

Another example is the way in which modern advertising promotes products as instruments of sexual seduction – for example, motor cars, alcoholic drinks, boxes of chocolates, bubble bath and so on. Indeed, it seems that there is hardly any product advertised on television that cannot be given a similar treatment. The difficulty here lies with the fact that only a tiny minority of consumers are offended by this genre of advertising, and that once the genre is accepted, the advertiser who exploits the sexual connotation of the product most effectively is generally the one that gains the largest market share. Regulators lack the will to interfere if consumers do not protest, since they do not wish to appear out of step with public opinion. Conversely, if consumers were to be widely offended, then regulation would be unnecessary, since advertisers would find the advertising counter-productive – people would either not watch the advertisements, or would watch the advertisements but then boycott the product.

The reason why people are not offended is that they believe that taking offence is a kind of psychological weakness (indeed, it is quite common for warnings about the contents of magazines or television programmes to be addressed to 'people who are easily offended'). The fact that taking offence can be a valuable aid to self-control is overlooked.

A standard defence of such advertising is that it is aimed at rational individuals, who are perfectly capable of managing their own affairs, and do not require any protection from an interfering 'nanny state'. The concept of rationality employed in this argument is far removed, however, from the concept of rationality employed in Protestant thought. Rational Protestants invest in control devices to stop their lower animal

nature getting the better of that higher spiritual one. Rationality is a higher-order function, given to Man by God to enable the control of the lower nature, and to be exercised by the act of will. This act of will allows the power of reason to prevail over the power of aggression and sexual drives. The exercise of the will stems from the individuals' commitment to their religious faith. While this commitment is emotional, it is a higher-order emotion that differs fundamentally from the emotions that dominate the lower nature.

The unwillingness of regulators to play a 'nanny' role in the modern era of global capitalism shows just how far traditional moral leadership has fallen into decay. The classic role of the moral leader was to promote personal commitment to exercise self-control. Today the people who occupy traditional leadership roles – including priests and intellectuals, as well as politicians and regulators – have lost confidence in the message about self-control. Guilt has become an unfashionable word, and forgiveness has become just an excuse for doing nothing about antisocial behaviour. The idea that perpetrators of antisocial acts should be asked to repent would seem extraordinary to many citizens of the modern global economy.

Modern views of human nature: an evaluation

Few people today, therefore, agree with the Protestant view set out above. The views of Freudians, Libertarians and neoclassical economists are far more influential. Table 2.1 summarises the main differences between these modern views and the strict Protestant view described above. It also compares these views with the view of human nature advanced in this chapter.

In contrast to the strict Protestant view, a typical Freudian psychoanalyst would argue that it is the higher nature, rather than the lower nature, that is the major source of problems. Excessive self-control means that civilisation produces mass neurosis. It encourages people to be dishonest by denying the existence of their lower nature altogether. This repression forces the lower nature to surface through disturbing dreams and psychosomatic illnesses. The cure is to condemn the higher nature as being fundamentally hypocritical, to 'get in touch with the feelings', and to indulge the lower nature whenever possible. The only moral constraint is that one person's self-indulgence should not be at the expense of others.

A Libertarian would take a rather similar view. If one person's self indulgence occurs at the expense of someone else, then the other

Table 2.1 The rhetoric of moral manipulation: five views of human nature compared

	Distinguish higher and lower nature?	
Protestant	Yes	Higher nature must completely subdue lower nature. A strong sense of guilt will deter sin, and so improve social and economic co-ordination.
Freudian	Yes	Higher nature may go too far by repressing feelings associated with the lower nature. This leads to ill-health. Higher nature must respect the truth regarding biological imperatives. Lower nature must be indulged, except when other people are likely to get hurt in the process.
Libertarian	No	There is a single nature. To say that it is either high or low is an unscientific value judgement. The single nature may be identified, in emotional terms, with a lower nature in search of continuous excitement through novelty and experimentation. Its powers of reason are substantial, however, and in this sense it corresponds to the higher nature. It fears the law. It recognizes the imperatives of competition. This is all that is necessary to maintain social order.
Neoclassical economist	No	For reasons of analytical parsimony it is convenient to assume that there is a single nature, to equate it with the selfish motives of the lower nature, and to assume that people are fully rational in pursuing their selfish motives. Issues that cannot be dealt with within this framework will be studied by other social sciences instead.
This chapter	Yes	The Protestant position is correct in principle, but too unforgiving. Freudianism suppresses the higher nature, and so makes people unable to cope with a legitimate sense of guilt. Libertarianism is unworkable because it ignores unavoidable imperfections in legal and market institutions. Neoclassical economics is too partial to provide a holistic approach to the issue. Freudian and Libertarian positions (and to some extent the neoclassical one) are exploited for profit by modern marketing techniques. Globalization allows these techniques to be refined to an unprecedented level.

person should be compensated through a market process. With a full set of markets, people can be completely free to experiment with any form of self-indulgence that appeals to them. For those who like excitement, the 'weirder' and 'freakier' the indulgence, the better. In fact, a typical Libertarian would assert that the higher nature can be dispensed with completely as an analytical device, because it is simply a vestige of a primitive religious age that preceded modern enlightenment. The only controls required on self-indulgence are legal ones, protecting the individual property rights on which the market economy is based. The only civil role for the state is to uphold the law, and not to act as 'nanny' by giving spurious moral guidance to its citizens.

Many neoclassical economists hold rather similar, though less extreme, views. They would argue for assuming a single rather than a dual human nature simply on grounds of analytical parsimony. They would identify this single nature with the lower nature because it is easier to model the selfish and material preferences associated with the gratification of basic drives than it is to model the altruistic motives associated with the higher nature. Furthermore, since neoclassical economics is very much concerned with competition for scarce resources, it is natural to emphasize the aggressive side of human nature that is evident in competition. Indeed, some neoclassical economists would like to synthesize their subject with sociobiology, and explain people's preferences as an outcome of a biological struggle for survival. This approach will naturally tend to emphasize the kind of motivations associated with the lower nature.

An important feature of the Freudian, Libertarian and neoclassical views is that they provide an excellent form of propaganda for those who would like to weaken the degree of self-control that is exercised within society. There are a number of vested interests that would like to do this. Prominent among these are firms producing products that are most easily sold to people who lack self-control. For example, cosmetics can be sold as devices for attracting casual sexual partners, while motor cars can be sold as aggressive weapons, encouraging prospective owners to drive them in a dangerous manner. Cheap products can be sold as 'impulse' buys, while more expensive products can be sold to impatient consumers by offering hire purchase credit. Advertising can attack the notion of self-control by showing the happy consumer as an uninhibited one – this is particularly noticeable in the promotion of alcoholic drinks. Consumers can be flattered into thinking of themselves as being rational in the higher sense, when they are only being rational in the lower sense; they can then be duped, for example, into making enormous 'savings' on items in a bogus 'sale'.

The principal types of product whose sales can be expanded through undermining self-control are summarized in Table 2.2. The left-hand column identifies six main drives associated with the lower nature, each of which calls for a particular type of self-control. Examples of relevant products are given in the middle column. The final column indicates whether the costs that arise from undermining self-control are borne mainly by the individual or by society. For example, undermining control of aggression is likely to increase outbursts of anger and violence, which will tend to damage other people even more than it damages the angry or violent person themselves, but conversely, stimulating greed and envy is likely to damage the person who becomes greedy or envious more than it damages the people whom they envy.

The fact that people are damaged directly by loss of self-control raises the question of why they willingly allow their self-control to be undermined. If it were only other people that suffered then it could be said that they allowed themselves to be manipulated for purely selfish motives. The type of people most likely to be manipulated against their own self-interest are those who lack self-awareness. They do not understand themselves, and so are willing to believe things about themselves

Table 2.2 Who benefits most from self-control? A comparative analysis by type of control

Drive	**Examples of products whose promotion tends to undermine self-control**	**Main beneficiary of self-control**
Aggression	Sporting motorcars Spectator sports involving physical contact	Others
Sex	Cosmetics Pornography	Equal
Greed and envy	Status products: conspicuously expensive branded luxuries Addictive products, e.g. alcohol, cigarettes	Self
Impatience	Consumer credit 'Impulse' buys, e.g. snack foods	Self
Fear and anxiety	Insurance purchased on impulse	Self
Rest and relaxation	Passive activities: watching TV, social drinking	Self

that are not true. Another factor is low self-esteem. They may believe that there is something wrong with them, and feel that they do not know what it is. They look to others to provide an answer. They look, in particular, to people who appear confident and cheerful, because they suppose that these people know how happiness is achieved. It follows that people who appear confident and happy, and who have a good command of the rhetoric of self-control, can influence other people. These confident-looking people are potential manipulators.

The moral ambiguity of capitalism

It would be a great mistake to suppose that, before the advent of modern mass communication, the morality of capitalism was impeccable. Capitalism has always suffered from serious moral ambiguities (Knight, 1935). To put the present situation in its proper historical context, it is important to appreciate where these moral ambiguities lie. While the morality of capitalism has declined during the age of globalization, it has declined from what has always been, at best, a mediocre level.

Markets are the focus of activity in the capitalist system. Market equilibrium harmonizes individual decisions. Markets have ideological significance because of the claim that they harness self-interest for the public good. In Bernard Mandeville's (1729) *Fable of the Bees*, Private Vices promote the Public Virtue because the market rewards people for supplying other people's wants, while according to Adam Smith's (1776) principle of the Invisible Hand, the discipline of competition constrains the exercise of market power. Markets emerge naturally because opportunities for 'buying cheap and selling dear' encourage entrepreneurs to set up shop, permitting goods to be traded more conveniently than before (Kley, 1994). In pursuing their private profit, entrepreneurs unintentionally benefit everyone else as well.

But entrepreneurship is a morally ambiguous role. To maximize their profit, entrepreneurs may drive hard bargains with their customers and suppliers. They do not tell their customers the prices at which they purchased the goods they are re-selling, and they do not tell their suppliers the price at which they can re-sell. They are allowed to bluff about these issues if they wish (Casson, 1982). Bluffing is not considered to be lying, although the effect is much the same: with successful bluffing, the buyer pays more than she needs to, and the seller receives less than she could get (Bok, 1978). The constraint on bluffing is not an ethical one, but rather a practical one. It is competition from other entrepreneurs, who enter the market when the profit margin is too great. The competitive

system works because rival entrepreneurs cannot be trusted to keep out of the market when profits are higher than elsewhere. Thus the buyers and sellers can trust the entrepreneur only because the entrepreneur cannot trust his fellow entrepreneurs not to collude. No one can trust anyone else, and the system works only because everyone plays off everyone else against each other!

For many consumers, quality is just as important as price. Once again, the entrepreneur has an opportunity to bluff. For example, many consumer products are addictive – either for biological reasons, such as tobacco and drugs – or because there is a lifestyle that reinforces habitual consumption of the good – for example, gambling (Becker and Murphy, 1988; Warburton, 1990). Consumers' higher natures would warn them off such products, if information about the dangers of the product were to hand. But the entrepreneur can withhold information on addictive properties; indeed, the product may even be promoted with special introductory offers designed the 'hook' the inexperienced consumer.

Consumers can also be manipulated through flattery. The neoclassical economist's notion of the fully rational consumer is very useful to entrepreneurs from this point of view. Consumers are told that they are sophisticated and cosmopolitan, and are complimented on their choice of the firm's product. This puts them off their guard, and increases their willingness to commit to a purchase. The fact that economic agents are only fully rational when they are fully informed, and that advertising often does little to inform the customer, is quietly forgotten in the process.

Another kind of quality problem arises when individual items of a product are defective. This is connected, not with promotion of the product, or negotiation of price, but with the enforcement of contracts. Reputation can sometimes be used to solve such problems. It relies on the entrepreneur's enlightened self-interest, but only works well when she has regular contact with his/her customers. Competition alone cannot solve this type of problem. In the absence of reputation effects, enforcement requires a system of law. When the law itself is weak, the maxim is 'buyer beware'. Under these conditions, the market becomes a place that is safe only for the 'streetwise' customer.

To protect the naïve consumer, a variety of institutional checks and balances have been set up at different times and places, including consumers' associations, and statutory regulatory bodies. Growing suspicion about employers was a major factor in the growth of trade unions in the late nineteenth century. It is recognized more generally that naïve people may be manipulated into entering all sorts of contracts on terms that they may later regret (Moore, 1962). In extreme cases, people

are prevented from entering into contracts at all, on the grounds that if they enter these contracts they are probably being manipulated. This explains the widespread prohibitions of slavery and prostitution.

The idea that the market economy is a place for streetwise people is most apparent where stock markets are concerned. The valuation of stocks and shares provides an opportunity for people to pit their wits against others by speculating on the future. Opportunities for bluffing are enormous where stock market trading is concerned. Professional traders can manipulate market opinion by disseminating disinformation to naïve investors, while keeping genuine information to themselves. This disinformation causes people to underestimate risks, and exposes them to serious capital losses. Many critics of capitalism have focused on the instabilities created by stock market 'bubbles', and the crises that occur when they collapse, in which many innocent people suffer, such as the employees of bankrupt firms who lose their jobs.

It is evident that manipulation is very much at the core of market capitalism. It is involved in bargaining and negotiation, especially where competition is weak. It is involved in advertising lifestyle products, and withholding information about addictive properties. It is involved in engineering stock market bubbles, where naïve investors are enticed into buying shares in firms they know little about.

Manipulation can involve either withholding information, supplying disinformation, or deliberately undermining self-control. All three aspects can often be combined in a single message. The marketing of lottery tickets, for example, may involve playing down the risk of addiction, exaggerating the chances of winning, and promising instant euphoria to the winner as well.

Manipulation is not, of course, a monopoly of market capitalism. All social systems involve manipulation of one sort or another. The distinguishing feature of market capitalism is that manipulation is decentralized, and that selfish manipulation is condoned. Table 2.3 identifies

Table 2.3 Two dimensions of a socioeconomic system: degree of decentralization and degree of altruism

Degree of responsibility for others (level of trust)	**Centralized manipulation (collectivism)**	**Decentralized manipulation (individualism)**
Selfishness (Low trust)	1. Tyranny	3. Market capitalism
Altruism (High trust)	2. Utopian socialism	4. Protestantism

two dimensions of a social system, according to whether manipulation is centralized or decentralized, and whether it is supposed to be selfish or altruistic. Intuitively, the decentralization dimension, which appears on the horizontal axis, measures the extent of individualism in the system, while the altruism dimension, which runs vertically, measures the degree of trust between ordinary people. Market capitalism emerges as an individualistic low-trust system. Socialism, in its purest form, represents a collectivist high-trust system, although in practice, as its leaders become corrupt, it tends to degenerate into tyranny – the collectivist low-trust form. Protestantism supports an individualistic high-trust society, which explains why, historically, it has provided a useful antidote to the moral excesses of pure market capitalism.

The moral excesses of market capitalism stem from the way in which everyone is encouraged to manipulate everyone else for their own gain, and the way that smarter people are allowed to keep the profits they win from the naïve. These profits are treated as legitimate because all the participants in the market game are assumed to be sufficiently rational to look after themselves. The problem is that many people are neither so well informed, nor so self-aware, as they believe, and as a result they are 'easy prey' for selfish manipulators.

Antecedents of moral decline

The moral basis of capitalism, as it stands at the time of writing, reflects the profound secularization of Western society during the twentieth century and onwards. The intellectual origins of this secularization can be traced back to the impact of Darwin and Lyell, whose scientific researches served to undermine the literal interpretation of the Bible on which popular support for Christianity in general, and Protestantism in particular, was based. This decline increased the problems caused by the moral ambiguities of capitalism, as described above.

Darwin's evolutionary theory highlighted the biological and, behavioural similarities between animals and humans, thereby emphasizing humans' lower nature. It provided an intellectual justification, of sorts, for the growing hedonism of the 'naughty nineties', and of bohemian intellectual society in the Edwardian period just before the First World War. By identifying the 'self' with animal appetites, *avant-garde* artists could flout convention and breach sexual taboos, on the grounds that they were merely being 'true to themselves'. The manner in which 'science' appeared to have defeated 'religion' also reinforced the rationalist view of human nature, which was already well developed in France.

The higher nature became identified with reason, and the lower nature with emotion. The role of the higher nature was to indulge the lower nature in such a way as to maximize pleasure and minimize pain. Morality became purely prudential. Enlightened self-interest became the criterion by which actions were judged. Within these prudential limits, individuals pursued a hedonistic lifestyle through utilitarian calculation.

This culture was very similar to modern Western culture, and it is tempting to argue that modern culture has simply taken up where Edwardian culture left off at the outbreak of the First World War. Matters are not quite so simple as this, however. At the start of the twentieth century, secular replacements for religion were on hand to offer hope for the future:

- Science provided a basis for utopian schemes in which poverty could be abolished for-ever. Technological developments in the field of electricity and chemistry seemed to offer unlimited potential for the future. Science became a noble calling, offering exciting careers to young people who, in an earlier generation, would have been destined for the Church.
- Socialism offered a scientific basis for social and economic reform. Although anti-clerical and pro-scientific, there were moral similarities to Protestant Christianity. Socialist intellectuals dedicated their lives to building a 'New Jerusalem' to replace the old one (Pick and Anderton, 1999). The excesses of capitalism, when freed from the constraints of Protestant self-control, were already evident in the monopolistic practices of the great cartels and trusts. 'Muck-raking' journalism had exposed the venality of 'fat-cat directors'. Parasitic bourgeois capitalists were doomed – they would be swept away by efficient state-owned enterprises run in the interests of society as a whole. By participating in this revolution, idealistic young supporters would win themselves a place in history – the nearest thing to immortality available in the secular world.
- For those who did not subscribe to the scientific or socialist agendas, Imperialism was on hand. Exporting parliamentary institutions and honest government to 'primitive' societies was a noble calling too – even if some of the 'beneficiaries' lost their land rights in the process. The excitement of foreign travel, coupled with the security of a career in government service, made diplomacy and administration a rewarding challenge.
- Finally, for those who were not of an intellectual turn of mind, there was war. As imperial rivalry among European nations led to military

conflict, there was plenty to excite the patriotic imagination. Prior to the 'industrialization' of warfare, it was still possible to contemplate a glorious death on the battlefield with some degree of equanimity.

These different ideologies were not as incompatible at the time as they might seem today. Although many socialists disapproved of international warfare, they were still prepared to contemplate class-based civil war in the interests of 'the revolution'. Although many scientists also disapproved of war, others found it a major stimulus to invention. Imperial expansion provided scientists with new data on plants, races and societies, and provided reformers with an outlet for philanthropy and missionary work.

One by one, these secular ideologies became discredited:

- The unprecedented loss of life in the trenches of the First World War, followed by the aerial bombardment of civilian targets in the Second World War, undermined the perceived legitimacy of war. In the nuclear stand-off of the Cold War, many Europeans came to believe that it was 'better to be Red than Dead'. Vietnam provided a similar turning point in the USA. Enlightened self-interest, rather than patriotic fervour, came to dominate attitudes to war.
- Imperialism succumbed to socialism. Indigenous leaders from the colonies who went to study in Western universities were quick to see the relevance of socialist doctrine to their country's situation. The exploitative class was clearly the colonial capitalist, and the exploited were the indigenous people. The fact that indigenous people were often excluded from the higher echelons of management and administration in their own countries only made the socialist scenario appear to be an even better fit. The historical links between colonization, slavery and military conquest persuaded the imperial elites that their position was morally untenable, and twenty years after the end of the Second World War, decolonization was virtually complete.
- Socialism could not save itself, either. It was based on an intellectual critique of capitalism, and was largely untried in terms of practical policy. The socialist leader commanded enormous power, and therefore needed enormous self-control. The ideology of altruistic collectivism quickly succumbed to tyranny. Post-colonial socialist states suffered from government corruption and civil wars. In the developed world, the post-war Western experiment with socialism focused on the creation of the welfare state. But when services were provided free, it became difficult to limit demand. Because of the heavy fiscal

burden of social security payments, taxes were seen as unfair by those who worked hard. The final 'nail in the coffin' of the post-war socialist experiment was the demise of the Soviet system, as symbolized by the fall of the Berlin Wall.

- Finally, science – the great hope of the late nineteenth century – also became discredited. The causes are complex, and the process may yet be reversed. Some of the expectations were clearly excessive – for example, that nuclear fusion would make energy free – and so disillusionment was inevitable. Other concerns arose because science exceeded expectations, rather than falling short – for example, advances in genetics provided opportunities for social engineering that threatened the traditional fabric of society (Bruce, 1997). As pollution rose, and 'wilderness areas' disappeared as a consequence of global industrialization, environmentalism became the new creed. Environmentalists began to challenge professional scientific opinion rather than deferring to it. There was a growing suspicion that the pursuit of scientific knowledge for its own sake was being perverted by powerful vested interests in government and industry.

All these ideologies suffered from the problem of trying to deal with highly complex issues in a very simple form. Because they over-simplified key issues, it was only a matter of time before their weaknesses were exposed. The intellectuals of the late nineteenth and early twentieth centuries thought that they had dethroned traditional religion and put something modern and scientific in its place. Although they often disagreed about what replacement was required, they did not for a moment doubt that it would take a modern scientific form.

But with so many intellectual failures occurring in so short a time, a sense of despair about the value of great social scientific ideas took hold. Intellectuals were forced to admit that they did not always know best. The sense of failure was particularly great in France – the leader of socialist thought in the mid-twentieth century. It seemed that the only acceptable theory was that there was no theory – at least of a modern scientific kind. Thus postmodernism was born. There was a crisis of authority: truth became relative, not absolute, because there was no one to turn to who was sure to be correct. The opinions of an ordinary layman became just as valuable as those of the intellectual. Ordinary citizens could regard themselves as experts on everything.

Without a reputable body of experts to back them up, politicians began to lose confidence. If the public believed that it was always right, then politicians might as well pander to this belief. Populist politics

became fashionable as politicians increasingly 'led from behind'. This crisis of authority provided great opportunities for the press and media. The press became self-professed experts on the state of public opinion, and began to mount their own single-issue campaigns, claiming public opinion as their authority. Their ability to manipulate opinion through selective dissemination of information gave the 'press barons' considerable power. Yet many of their campaigns turned out to be misguided; they showed that the press were no better at solving problems than were the politicians themselves. It seemed that nobody could be trusted – neither official authority figures, nor the unofficial opinion leaders who mounted campaigns against them.

Globalization of commodity trade and factor movements

Market capitalism, as described above, has inherent global tendencies. These stem directly from the central role of trade in a market system. The tendency of trade to promote globalization can be seen in the empires of classical antiquity as well as in the globalization that occurred in the Age of High Imperialism before the First World War (Prior, 2000). This age was the culmination of almost a millennium of incremental development, in which local markets became integrated into regional trading systems, and these trading systems were in turn integrated across continents as a consequence of transoceanic voyages of discovery. This integration of markets is a defining characteristic of globalization.

Market capitalism also encourages the globalization of finance, and promotes the mobility of labour. Large financial markets offer investors greater liquidity, and more competitive pricing of stocks and shares, combined with greater legal security. This leads to the agglomeration of economic power in major metropolitan centres where financial dealings predominate. Peripheral regions of the integrated economy are plundered for their raw materials, or farmed intensively to feed the urban areas, or relegated to unskilled, labour-intensive work. This is simply the imperative of efficiency-seeking in a world of constant change.

This discussion provides a suitable framework for examining some of the major complaints levelled at the World Trade Organization at their 1999 Seattle meeting. The substance of the complaints appears to be that:

- the progressive reduction of trade and investment barriers leads to loss of jobs;
- an accelerating pace of technological change leads to greater insecurity of jobs, and to the end of the lifetime employment system;

- inadequate environmental standards lead to increases in pollution which are incompatible with sustainable development;
- greater income inequality emerges, both within countries and between them, creating new social and political divisions;
- destruction of local communities is caused by an extension of global linkages;
- cultural diversity is reduced, because culture is homogenized by standardization on modern Western values;
- national sovereignty is threatened, and the power of the state is undermined; and
- deregulation of industry and services leads to increased uncertainty, and to greater opportunities for stock-market speculation.

Little can be done to address some of these objections because they hit directly at the logic of the capitalist process (Rugman, 2000). For example, the dynamics of the market system mean that old jobs are destroyed at the same time that new jobs are created, and, as this process accelerates, jobs become progressively more insecure. Many of these objections can be addressed fully only by changes that would reduce the long-run efficiency of the capitalist system dramatically. It is perfectly possible, for example, to insist that the metropolitan trading centres be deglomerated, thereby redistributing entrepreneurial profits to more peripheral regions. But the costs of transporting and distributing commodities would increase, and consumers as a whole would be worse off. Similar measures could be applied to deglomerate research and development (R&D) from major clusters like Silicon Valley to a host of minor ones, but again there would be efficiency losses in terms of innovations forgone. Moreover, it is likely that plans for enforced deglomeration would quickly become distorted by local politics, so that any redistribution of income would favour corrupt officials in the main.

Indeed, contrary to the claims of the Seattle protestors, globalization confers important benefits. As Table 2.4 indicates, the opening up of trade frees domestic workers from the need to produce for subsistence and allows them to specialize, if they wish, on export production. Provided that they work in a free society, they will switch to export production only if they perceive a benefit from doing so. There is little direct evidence that local producers are duped systematically into producing for export markets through selfish manipulation, although it is often alleged by critics of free trade that this is what local money-lenders and export merchants do.

Table 2.4 Winners and losers from the globalization of capitalism

	Winners	**Losers**	**Factor**
Labour	Labour in newly industrializing countries	Labour in mature industrialized countries	Reductions in transport costs and tariffs for manufactured goods
Profit earners	Owners of successful globalized firms, or of the firms that supply them	Owners of firms that fail to globalize, or of firms dependent on them	Reduced communications costs facilitate international transfer of proprietary knowledge
Government	Non-interventionist governments with strong respect for property rights	Interventionist governments with weak respect for property rights	Reduced transport and communication costs give increased scope for international specialization and exploitation of agglomeration economies, providing firms with a wider choice of political regimes from which to operate

While some of the objections are invalid, however, others have substance to them. The moral ambiguities of the capitalist system generate a range of problems connected with negative externalities of one sort or another. No set of market contracts can cover all the issues involved in co-ordinating a complex global economic system – except at prohibitive transaction cost. It is wrong to suggest that nothing can, or should, be done about these problems. Consider, for example, the issue of financing mineral industries in developing countries. In a world where entrepreneurial greed was constrained by Protestant guilt, profits in resource-based industries would be sacrificed voluntarily to render development more sustainable. Bankers would think twice before lending large sums of money to inexperienced borrowers, such as the governments of less developed countries. In a more secular society, issues of sustainability and manipulative lending practices can be addressed through statutory

regulation, but this requires a high level of intergovernmental co-operation. The institutions of inter-governmental co-operation are often slow and bureaucratic, creating considerable impatience among activists awaiting a policy response. It is inherently wasteful to operate a capitalist system that encourages selfish profit-seeking behaviour, and to then establish a cumbersome inter-governmental bureaucracy to restrict it. Regulating profit-seeking through self-restraint is, in principle, a much cheaper option, provided that the moral infrastructure is in place.

Globalization and the nation state

It is undoubtedly true that globalization undermines the power of the nation state. Historically, the nation state has played almost no role at all in developing international trade. Long-distance trade in Europe first flourished in an age of minor principalities, where merchants obtained safe conduct to attend major fairs. The main role of the state has been to inhibit trade in the interests of national self-sufficiency – often linked to programmes of forced industrialization and military conquest (Gellner, 1983). Free trade, by contrast, tends to promote peace, by increasing the economic interdependence of economies and improving communication between them. Those who support the capitalist system therefore see little to regret in the weakening of the nation state, since this makes protectionism harder to sustain, and thereby advances the gains from trade.

There is, of course, much more to government policy than the regulation of trade. Nevertheless, whatever the field of policy-making, it can be argued that globalization will, on balance, tend to improve the quality of government rather than reduce it. Bad governments tend to suffer most from globalization, while good governments may not only suffer less, but may actually benefit from it. One of the advantages of globalization is that migrants can move from bad states to good ones, thereby improving their economic prospects and quality of life. The consequential loss of tax revenue suffered by bad states, and the increase in tax revenue achieved by good states, provides an incentive for bad states to improve their policies, and this encourages the diffusion of good government throughout the world. Similarly, private capital will flow out of countries where property rights are insecure, and into countries where they are secure. In so far as a prime responsibility of the state is to guarantee property rights, this also penalizes bad government and rewards the good.

Many writers who are critical of globalization believe that the state has an important role to play in building up national economic power. Like the Mercantilists of the seventeenth century, they seek economic growth through government-led industrial development. Globalization creates problems for such interventionist industrial policies. For example, the benefits of subsidizing the education of scientists and engineers are rendered null and void if the graduates emigrate to higher-paid jobs overseas. Again, the global diffusion of technology means that subsidies to R&D offered in one country may be used to develop new products, which are produced in other countries. The efficiency of internal markets for know-how within multinational firms allows knowledge to diffuse more quickly than ever before.

From a global perspective, however, the promotion of national economic growth makes no more sense than does the promotion of regional growth from a national perspective. Taking a moral view of the problem, it could be argued that a more appropriate global objective is international development. From this broader perspective, most of the problems identified above disappear. The enlightened nation state educates people in skills that will serve the global economy rather than the national one. It regards the state-educated workers who emigrate as part of its contribution to world development. The diffusion of R&D is regarded in a similar light. What each government can afford to contribute to international development is dictated by the number of skilled workers it can retain as its citizens, since these constitute a major group of tax-payers. If the government taxes land – either directly, or indirectly, through an inheritance tax – then it can finance development from this source as well. Countries that are well endowed with natural resources, or occupy a natural entrepôt situation, will perform well in this respect.

Not every nation can realistically expect to attract large numbers of skilled workers, or to become an international centre for R&D. Indeed, if every nation were to try to match every other nation in this respect, then economies of agglomeration would soon be lost. Small nation states must come to terms with the fact that, in a modern global economy, they are no more viable as units for subsidy-based industrial policies than were regions in the past.

The globalization of communications

The growth of long-distance communication is an aspect of globalization that has profound cultural effects, because it permits the rapid diffusion

of the low-trust capitalist culture described above. Long-distance communication takes two main forms. The first is person-to-person communication – such as by telephone – while the second involves broadcasting to a wider public. Radio and television broadcasting allow one person, or a small group of people, to communicate with a very large, geographically dispersed audience.

The cultural consequences of broadcasting are much greater than those of the telephone, because so many people can be influenced at the same time. This is particularly true of television. A visual medium is highly effective for gaining and keeping attention, and so its messages can be conveyed in a very powerful way. Television is an ideal medium of mass manipulation.

Television provides mass entertainment as an alternative to local socialization (Etzioni, 1988; Putnam, 1993). Television appeals to people in search of passive entertainment. These tend to be the same sort of people who are easily manipulated. The more they stay in watching television, the less they go out, and the more their view of the outside world is dependent on television, thus it is easy for them to obtain a distorted view of human nature. Television has created its own fantasy world of weekly 'soaps', the friendly faces of newsreaders and chat-show hosts, and so on. Television drama provides a continual diet of people losing self-control through violence, sex, greed, envy and the like.

Advertisers too want television to attract and retain the attention of the more manipulable people. Commercial pressures therefore encourage what intellectuals would consider to be the 'dumbing down' of entertainment to maximize the number of viewers from the socio-economic groups targeted by the advertisers.

Television has enormous potential for achieving positive social outcomes. It can disseminate expert opinion, and promote high-quality debate of major issues. In practice it rarely does these things. To maximize market share, the owners of major channels consider it necessary to turn debate into entertainment by structuring it as a quick-fire contest between people of extreme opposing views. The professional manipulator knows that, under these conditions, it is not the argument but the memorable 'sound bite' that wins the day. Competition between ideas does not work in the same way as competition between products when played according to the rules of the television audience game. The correct idea is not necessarily the most profitable one, for an incorrect idea may serve to lower consumer resistance to a product, and so command more value. Where viewers are passive and uncritical, and seek entertainment rather than truth, then the truth or

falsity of an idea cannot be inferred from its popularity with the audience.

Not all viewers are so lacking in self-awareness, however. Those who possess both self-awareness and self-control are likely to behave in a distinctive way – they are likely to turn the television set off. At any rate, they will be highly selective in their viewing. So far as television advertisers are concerned, this only reinforces their incentive to 'dumb down' their programmes, since they know that the most active people will not be watching in any case.

The self-aware viewer could be forgiven for contemplating the contemporary world of global capitalism with a certain amount of despair. The combination of violent dramas, superficial reporting, documentary exposures and trivial advertising suggest a world that has been totally corrupted by selfish manipulation. The cynical viewer may feel that the public is no longer a group of citizens served by honest politicians, but rather a collection of faceless people manipulated by the media. Behind the media stand vested interests who give an 'angle', 'slant' or 'spin' to every issue in order to present their own interests in the best possible light. They hide their true identity, so that even when people suspect that they are being manipulated, they cannot discover who by.

Under these conditions, the truth is concealed behind the deliberate distortions of those who provide the information. Even if, by accident, a person heard someone speaking the truth, they probably would not recognize it, because they would be bombarded by so much erroneous information at the same time that they would not be able to filter it out.

Fortunately, television is not the only medium in which ideas can be debated. There are other media which seem to be more suitable for this purpose. E-mail is a good example, as it combines the options of both private (one-to-one) and public (one-to-many) communication. This flexibility explains its popularity in large, dispersed organizations. In particular, e-mail facilitates the development of 'cyber-communities' based on shared interests. Strategic use of e-mail capabilities is almost certainly a major factor in the success of many pressure groups. Enterprising individuals with strong moral commitments can organize people in different countries around political, social and religious issues. When formalized as multinational non-government organizations fighting single-issue campaigns, they have proved formidable adversaries for slower-footed governments. Effective governmental response on global issues requires intergovernmental co-operation and, as noted earlier, this is often slow because it is channelled through cumbersome bureaucracies.

E-mailing is an ideal activity for people who have specialized interests, and have better things to do in the evening than watch television. E-mailing is not necessarily incompatible with local community involvement, because it provides a suitable means for local groups with common interests to keep in touch with similar groups elsewhere. The cyber-community is an ideal institution for active people who are not prepared to become the passive recipients of television advertising. It is hardly surprising, therefore, if the political agendas of many cyber-communities are strongly opposed to global capitalism.

Protests against global capitalism reconsidered

The secular ideologies reviewed in the sixth section, above, provided an outlet for creative talents throughout much of the twentieth century, and their demise has left a serious vacuum. The protesters at Seattle were struggling to find a relevant language in which to express their discontent. Their demonstrations showed that they did not trust existing international institutions to make the changes that they believed were required. They sensed intuitively that there is a lack of restraint by those who hold economic power – namely, by those who influence key decisions about future policy regimes in the global economy. In this sense, their attitudes simply reflect the low-trust culture that modern capitalism has created.

Admittedly, many of their criticisms are not new – they echo the criticisms of international capitalism advanced by socialists in the past. Some of their claims may also be misguided. It was shown above, for example, that low-wage workers in developing countries can benefit substantially from global capitalism. But there is always a tendency for people who are making a point to support their position with as many arguments as they can find – good as well as bad. Groups that wish to engage in collective action often have to promote an eclectic position in order to mobilize support as widely as possible.

The analysis in this paper suggests that the protesters' accusations of bad faith against modern capitalist enterprises may have some substance. Some marketing techniques probe systematically for ignorance and lack of self-awareness among the consuming public. Popular brands are targeted at poor consumers, offering them subjective rewards, such as higher status, at a price they cannot afford to pay. Children and young people make easy targets, especially when advertisements can be designed skilfully to undermine parental veto power. When people find the time to relax, and reflect on their experience as consumers, their

higher nature intuitively alerts them to the problem. But they cannot articulate their feelings easily because they have been brought up to believe that they are rational all the time. Even if the products they buy seem useless in retrospect, it has to be admitted that shopping for them seemed like fun at the time (see Frank, 1999). Shopping becomes an end in itself – exercising the impulse to buy being the immediate source of pleasure – and the product is just the excuse. Products then have to be thrown away because otherwise storage space would limit indulgence in the shopping experience. On this view, it is when shopping palls, and the meaninglessness of the impulse to buy becomes obvious, that protests become attractive instead. People become angry when they finally have to face the fact that they have been manipulated systematically by the producers of the branded trivia of the modern capitalist system.

Conclusions

This chapter has highlighted some of the moral ambiguities that lie at the heart of the capitalist system. Capitalism is a system based on private property in which the enlightened pursuit of self-interest plays an important role. It is a system in which people are expected to bluff in negotiations, unless constrained by competitive forces, and are liable to default on transactions, unless constrained by the law. Capitalism accepts the biblical view that mankind has a 'fallen' nature, and attempts to 'make the best of a bad job'.

Historically, capitalism has played an important role in the economic development of civilized society. In itself, however, it has not been the driving force of civilization. Civilization is ultimately a moral concept, and the major civilizations of history have derived their moralities from an organized religion or some sense of collective destiny. The modern concept of a society based on the individualistic gratification of material desires is linked, historically, not to the growth of civilizations, but to their decline.

The social cost of excessive individualism is increased by the unprecedented opportunities for marketing products through global television advertising. Contemporary individualism is characterized by apathy towards traditional morals. Contemporary values provide a convenient justification for a vegetative existence in front of a television screen. Aggressive individualism dismisses all arguments for self-control. From this perspective, globalization merely accentuates problems that are already present in the capitalism system. Globalization itself is morally neutral. In principle, it is ethically sound from an international

development perspective, because it allows workers in poorer countries to develop new markets for their products. In practice, globalization means that the excesses of market capitalism become greater than they would otherwise have been.

There is a major discrepancy between the private rewards to moral manipulation faced by television advertisers and programme makers on the one hand, and the social benefits on the other. Private rewards are maximized by undermining consumer self-control, while social rewards are maximized by increasing it. The social rewards reflect both the benefits to individual consumers – less disappointment with their lifestyle, lower debt, and so on – and the benefits to society as a whole – lower amount of crime, greater vitality of community life, and so on.

It is often suggested that nothing can be done to influence the multinational mass media. It is certainly true that the position of a national regulator is often weak – for example, in respect of satellite TV broadcasting. But regulation is not really the main issue. Even in a self-contained economy, regulators may be unwilling to intervene unless they feels that public opinion is behind than. If the media are sufficiently powerful to mobilize public opinion against any form of 'censorship', then regulation may not be applied even when it could be effective.

From a long-run perspective, the real issue concerns the way in which public opinion is formed. Members of the public cannot make up their own minds on every issue that concerns them, and so naturally they listen to the opinions of leaders on the issue. Because television enjoys such status, it has the power to make its own leaders, who will then promote the views that favour television. But even when other leaders get an opportunity to state their views, they rarely call explicitly for those concerned to exercise greater self-control. The subject of self-control seems to be almost 'taboo' in intellectual circles at the time of writing.

This brings us to the heart of the problem: that modern social science presents a misleading view of human nature, which overlooks the crucial significance of self-control. Many of the misleading views of human nature, as reflected not only in advertising, but also in art and drama, derive from intellectual currents in twentieth-century social science (Bailey, 1983; Baxter, 1988). There are, of course, many different versions of social science theory, associated with different disciplines, but this simply means that there is almost always some convenient theory available to those who wish to argue against the use of self-control. Freudian theory is the best example of this, and Libertarian economics provides another example.

When suitably popularized, these theories have great appeal. People like to believe that they are fully rational, and can indulge themselves on impulse without fear. People like to be told that they are fully autonomous individuals who do not have to rely on other people for their opinions. As a result, many people fail to appreciate the extent to which their values and beliefs are influenced by other people. By being blind to the risk of manipulation, they become extremely vulnerable to it.

In the long run, the only antidote to this regrettable situation is better social science. The analysis in this chapter suggests that the key to better social science is to concentrate on developing and refining the ideas about human nature that are found in traditional religions, rather than attempting to replace them with some radically different secular alternative.

This is an important theme in Dunning's recent work, and is completely endorsed by the analysis above. The social-scientific notions that failed the capitalist system in the twentieth century were mistakenly developed in opposition to conventional religious ideas, and so these were ignored, or even contradicted. The fact that religious tradition encapsulates insights drawn from observations of human behaviour in all sorts of countries and under all sorts of conditions over thousands of years was ignored. Modern social science was seen as a radical movement that overthrew all tradition, rather than an additional method for gaining insight and wisdom that could be added to the existing stock of knowledge. The metaphysical notions used by traditional religions to express their insights were sufficient grounds for rejecting these insights altogether. The social costs of doing so are now all too evident. Society cannot afford to throw away such valuable 'knowledge capital'. It is hoped that Dunning's recent work marks a turning point in social-scientific thought that might ultimately lead to the recovery of much of what has been lost (see also Hahnel and Albert, 1990).

Since around the 1980s, the spread of Western commercial culture as a result of globalization can be likened, in some respects, to the diffusion of a 'public bad'. This public bad – a low-trust culture, based on selfish manipulation – gained credibility from the enormous strength of Western technology, to which it appeared to be linked. The rightful reputation that Western technology enjoyed 'softened up' consumers around the world for the low-trust culture that was used to sell the products in which the technology was embodied. But it was a stern moral commitment to basic research, and not cynical individualism, that motivated the scientists who created the powerful ideas on which the new technologies

were based. Modern capitalism works in spite of contemporary cynicism, and not because of it.

The same stern commitment is required to motivate future social science research. John Dunning's own career provides a useful model in this respect. His wide-ranging curiosity and careful attention to detail have provided a worthy legacy on which his successors can build. Unlike many other social scientists, he has never divorced his theorizing from practical insights into human nature, and has never forgotten the religious ideals with which he was brought up. The need to reconstruct social science on a more reliable basis, as a guide to better global policy-making, is a worthy calling. It is one that will, it is hoped, appeal to future generations of scholars. In the study of global capitalism, they cannot do better than follow in John Dunning's footsteps.

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