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LECTURE

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THE SECOND GREAT TRANSFORMATION

1.

Several years ago I had the following verbal exchange on American television with a United States senator, a Republican from the state of Utah. At the time, I was Secretary of Labor of the United States, and one of my responsibilities was to try to convince Congress to raise the minimum wage, then \$4.25 an hour.

"The minimum wage should be abolished," said the Senator, with utter assurance. "If someone isn't worth \$4.25 an hour, he should be paid less."

"I completely disagree," I said. "Every hard-working American is worth at least a wage that lifts a family of four out of dire poverty."

Note the different ways each of us used the word "worth." When the Senator used it, he was speaking in economic terms about the amount of money other people are willing to pay someone for their labors. When I used the term, I was speaking in moral terms, about the minimum price that labor should be worth in the United States.

Congress finally raised the minimum wage, to \$5.15 an hour. But the victory was short lived. Since then, inflation has eroded the purchasing power of the dollar, so the real minimum wage is almost back to what it was before. In addition, digital communications technologies have vastly increased the number of people around the globe who now compete directly with America's lower-wage workers, making it more difficult for many of them to find jobs even at the minimum wage.

When I recently phoned an American company for help with a new gadget I had just purchased, I was referred to a pleasant woman who introduced herself as Stacy and advised me how to put the gadget in working order. I thanked her, and then asked her where she was located. Calcutta, she replied. I didn't have the temerity to ask Stacy what she was paid, but I'm sure it amounted to a small fraction of the American minimum wage.

The issue I want to consider today is the place of moral values in a market economy -- especially one that's advancing technologically at a rapid speed and also integrating quickly into a single global market.

The economic historian Karl Polanyi, born in Vienna and raised in Budapest, wrote a book in 1944, called The Great Transformation, which seems relevant. Human beings have always traded in markets of some sort. But in the West, up until around the fifteenth century, most economic roles and transactions were guided by political and social relationships. Young men followed their fathers or uncles into occupations, for example, rather than choose jobs on the basis of potential earnings. Local producers often smoothed out fluctuations in supply and demand. So when flour was scarce, the town baker made smaller loaves and limited how many each customer could buy, rather than upping the price of bread.

During the past five centuries, according to Polanyi, market relationships have steadily supplanted most political and social relationships. Presumably, the trend continues to this day. Everywhere, it seems, markets are becoming more powerful than societies. There appears to be less and less room for moral judgments about human worth or the sanctity of human life and human needs, separate and distinct from supply and demand.

Yet, on closer inspection, the idea of a market as somehow separate from political and social relationships -- and from the moral values that they reflect -- seems odd. Polanyi's analysis, while undoubtedly correct in its broad sweep, neglects a basic reality: Markets, as such, do not exist in a state of nature. Absent a set of decisions about how they are to be organized, we don't have markets; we have chaos. A market is a human artifact, the shifting sum of a set of basic moral judgments about how we wish to live together.

Private property is the essential building block of capitalism, but new technologies are rapidly challenging our views about it, and even about personhood. Personal information about you, or me, can now be found on the Internet, and used for free, or sometimes even stolen. Who owns such information? The market doesn't tell us. And what about the purchase or sale of human beings or body parts? Therapeutic cloning in order to retrieve stem cells from an embryo could save countless lives. But should such embryos be created for such purposes? And, if so, who will generate the eggs needed for them? College women in prestigious American universities are already selling their eggs for thousands of dollars each. A few are financing their entire educations this way. A very few are renting their uteruses as well. Should this be permitted? The market doesn't say.

Some wealthy people who desperately need healthy organs to replace their failing ones are willing to pay almost any price. The world market has become so efficient -- information about

buyers and sellers so readily available, technologies of refrigeration and transportation so advanced -- that it's rumored that some of the world's poor may be hastening the deaths of relatives in order to cash in.

Should I be able to sell my baby or buy someone else's? Can I sell myself into slavery? When I was Secretary of Labor, my staff discovered a group of undocumented immigrants in California who had been smuggled into the United States and were working eighteen-hour days behind barbed-wire fences. They were warned that if they tried to escape, their relatives back home would be injured or killed. They had truly sold themselves into slavery.

I know a number of young college graduates in America who work for large law firms or investment banks, eighteen-hour days, six or seven days a week. Have they not sold themselves into a different form of slavery? Professional work was once thought of as a "calling." It had meaning beyond what it earned. Now, increasingly, professional work is just another commodity for sale. Capital markets are so efficient that investors everywhere are looking for the highest returns, thus putting every major employer under great pressure to show the highest possible profits. A journalist friend told me that, three decades ago when she entered her profession, America's great newspapers made money in order to publish the news. Now they publish the news in order to make money, and her profession is far less satisfying. The same reversion can be observed in many professions. But must this be the case? Isn't losing our callings a very high price to pay?

## 2.

Answers to questions like these cannot be found in logic or analysis alone. Framing them in terms of a grand choice between market, on the one side, and political and social relationships, on the other, doesn't help because questions about how we organize our market must be decided in the first instance by legislators and judges. And where do they look for guidance? They will be influenced by constituents, by competing interest groups, of course. But ultimately, if their decisions are to be considered legitimate, they will have to be grounded in common morality. By common morality I mean a sense of what is fair and decent, what people owe one another as citizens of the same society.

In sum, the great transformation Polanyi chronicled, from political and social relationships to market relationships, is a useful historical construct, but it overlooks the central importance of political and social relationships in defining markets.

That task is never finished. In fact, such market-defining questions are arising with increasing frequency. New technologies allow ever more intrusions into what we had assumed to be our

own private spheres. They also allow buyers and sellers the world over to find one another with extraordinarily efficiency, regardless of what they want to buy or sell -- including, most frighteningly, weapons of mass destruction.

Yet, ironically, as the pace of technology and global capitalism quicken, it becomes ever more difficult to locate a common morality as a reference point for deciding what should be tradable, and under what terms. Market rules that reflect common morality in one place may have very different social meanings elsewhere. This is a recipe for escalating tensions, disputes, and unhappiness over what may come to seem like a global capitalism out of control. The most dramatic and tragic example of this is found in the clash between Western modernity and Islamic fundamentalism. Western movies, music, fashion, dress, drugs, cigarettes, alcohol, sexual depictions, and so on have been spreading into places where some people find them deeply offensive.

But there are countless other flash-points around the world, less dramatic or dangerous but also surrounded by uncertainty and anxiety. Look, for example, at the conflict over patent protections granted to life-saving pharmaceuticals developed in rich nations but desperately needed in poorer ones. Unless rich-nation investors can receive a fair return on their research into new drugs, they will cease to make such investments; but poor nations cannot afford to pay the full price of patented drugs.

Consider the contrasting positions over whether European and American farmers should continue to receive generous government subsidies -- a practice that makes it difficult if not impossible for poor nations to export their agricultural produce. The question here is not simply one of economic efficiency, of how global consumers can obtain food at the lowest possible price. It is also a matter of moral responsibilities, both to our own farmers and to the world's poor.

Indeed, some of the most difficult emerging disputes concern, broadly, whether workers in advanced economies must compete with workers in developing nations who are willing to work for far less money. For years, manufacturing jobs have been moving from Europe and North America to Latin America and Asia. Now millions of service jobs are being outsourced as well, to people like Stacy, in Calcutta.

Some of these disputes are being decided in international forums. But in order to be considered legitimate around the world, their resolutions cannot depend simply on which nation or combination of nations has the power to impose its will on others. If global capitalism is to flourish, it must be based, to the extent possible, on laws and rules that reflect universal standards of decency and fairness. But where are such standards to be found?

### 3.

The world is now in a second great transformation, if you will. Technological advances are vastly extending possibilities for global exchanges of virtually anything for which there are willing buyers and sellers. Yet these possibilities seem to be expanding at a faster pace than the rate at which the world is able to agree to appropriate market rules to guide such exchanges.

Is it possible that technologies will eventually connect people around the world sufficiently tightly that a common global morality will emerge, or at least enough of one to enable us to agree on basic principles? Information, sounds, and images already flow from one nation to another at the speed of electronic impulses, allowing an unprecedented degree of human interaction. Human beings can also travel more quickly and easily than ever before, facilitating direct interaction. Common morality is the product of such interactions, repeated often enough that suspicions are replaced by familiarity, and familiarity gives rise to understanding, and understanding to empathy. Will the two trend lines eventually cross, such that the expanding possibilities for exchange are outpaced by the rate at which citizens of the world come to understand and empathize with one other, thereby laying the groundwork for a global market perceived to be in everyone's best interest?

I don't know the answer, obviously. But I don't believe we should be unduly pessimistic. Agreements are indeed being reached -- agreements which seem to be based, or at least motivated, by common moral concerns. For example, reproductive cloning (not therapeutic, but reproductive) has recently been banned under the Universal Declaration on the Human Genome and Human Rights, and endorsed by the United Nations general assembly. To take another example, rich and poor nations seem to have reached an agreement on drug patents, an agreement that provides a fair return to rich-country investors who develop the drugs while at the same time accommodating the world's profound humanitarian interest in getting life-saving medicines to the world's poor.

If we are sufficiently empathic and imaginative, we may be able to resolve harder cases, such as the accelerating competition for jobs between workers in poorer and richer nations. Rather than view the question as what sorts of restrictions on free trade are warranted -- that is, what tariffs and subsidies can be used to protect which jobs -- we would do better to understand it in terms of how workers in different nations can best adapt to changing circumstances. The economic value of work is, after all, the result of many political and social decisions, including, for example, the quality and availability of public education, health care, transportation, and child care. These help determine how productive and flexible a nation's workers can be, how easily they can adapt

to changing circumstances by finding new employment that pays at least as well. As we move toward a global market, such adaptation is critically important. After all, the global labor market need not be a zero-sum game. There is no necessary limit to the number of jobs in the world, or to the human needs that can be met through our work.

In all these respects, the fundamental issue isn't about the extent to which government should "intervene" or "regulate" or "intrude upon" an otherwise free market. These verbs give a false impression of a market already in existence. The question that must be continually addressed is how the market should be defined and organized, for the well-being of all. Envisioning it as a choice between market relationships, on the one hand, and political and social relationships on the other, limits our thinking at a time in world history when we need to be especially imaginative.