DO MARKETS CORRUPT OUR MORAL$?

VIRGIL HENRY STORR
GINNY SEUNG CHOI

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"Storr and Choi ask: Do markets corrupt our morals? Their answer supports two propositions: (1) If there is no morality there can be no markets; (2) Markets enable liberalism and people to flourish."

—Vernon L. Smith, *Professor of Economics and Law, Chapman University; 2002 Nobel Laureate in Economics*

"Even self-proclaimed socialists grudgingly concede that economic markets are productive. However, they set participants against each other, rely entirely on self-interest rather than community, reward greed, and generally elevate money over virtue. About the best that can be said for them is that they can serve as the cash cow allowing massive redistribution.

If this is the common wisdom, then Storr and Choi offer an uncommon corrective. They argue along several pathways that markets buttress virtue, promote sociability, bring out the brighter lights of our nature. That is, economic society isn't just instrumentally worth holding on to but makes us better people. With carefully curated evidence and lucid explanation, *Do Markets Corrupt Our Morals?* demonstrates that neither economic society nor economics deserves its reputation as dismal."

—Loren E. Lomasky, *Cory Professor of Political Philosophy, Policy & Law, University of Virginia; author of* Persons, Rights and the Moral Community

"The collapse of Lehman Brothers in 2008 was a catastrophe in itself, and a symptom of something bigger. We came to see our financial markets as an orgy of greed. But why 2008? It is not as if that was the year when greed was invented. So, what transformed an omnipresent germ of greed into 2008's flesh-eating superbug? What new policy goals and new financial instruments taught people to think that the aim of investing is to "get rich quick" rather than to build a long-term portfolio of cautiously balanced risk? Storr and Choi understand that 2008 was not humanity's first crisis; neither will it be the last. But why do some economies recover, while chaos and poverty seem endemic in other economies? What establishes and sustains the moral foundations of thriving market societies?"

—David Schmidtz, *Kendrick Professor of Philosophy, University of Arizona; author of* The Elements on Justice

"Virgil Storr and Ginny Choi jump with both feet into a centuries old debate on whether the market economy while delivering us material progress does so at the cost of corrupting our moral sense. *Do Markets Corrupt Our Morals?* sets out to weigh the various sides of the arguments and in this carefully reasoned book they bring conceptual clarity and empirical analysis to a topic too often marred by conceptual confusion and empirical vacuousness. It is an engaging read from start to finish, and a work vitally needed for our times. Storr and Choi have produced a must-read book for scholars across the social sciences and the humanities and provide us with the necessary starting point for a productive conversation on markets and morality."

—Peter J. Boettke, *University Professor of Economics and Philosophy, George Mason University; author of* Living Economics: Yesterday, Today, and Tomorrow

"This is a lively, original and timely book. Turning the standard arguments against markets on their head, Storr and Choi stress the educational function of markets. Where democracy relies upon the idea of "ruling and being ruled in turn," markets encourage the ideal of "serving others and being served in turn." Markets thus are mutually beneficial not only in a material sense. Markets are also morally mutually beneficial, encouraging virtue on the part of individuals and strengthening cooperative bonds across communities as a whole. This is a deeply humane study of markets. May it be widely read!"

—John Tomasi, *Romeo Elton Professor of Natural Philosophy, Brown University; author of* Free Market Fairness

"The common sentiment regarding markets is that they bring out the worst in people by rewarding and reinforcing selfish if not corrupt behavior. As Storr and Choi argue in this insightful, important, and timely book, not only does the market coexist with morality, it actively promotes it, supporting and enhancing our participation in our communities and creating a more prosperous society in terms of virtue as well as wealth."

—Mark D. White, *Chair of the Department of Philosophy, College of Staten Island/ CUNY; editor* The Oxford Handbook of Ethics and Economics

"Storr and Choi have brought economics and politics back to ethics, which should never have been left. Of course values matter. Of course markets smooth off the rough sides of humans. Of course 'sweet commerce' reigns, and should. Of course. But it took a brilliant book like this one to show it."

—Deirdre N. McCloskey, *author of* The Bourgeois Virtues: Ethics for an Age of Commerce

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palgrave
macmillan

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ISBN 978-3-030-18415-5 ISBN 978-3-030-18416-2 (eBook)
https://doi.org/10.1007/978-3-030-18416-2

This Palgrave Macmillan imprint is published by the registered company Springer Nature Switzerland AG
The registered company address is: Gewerbestrasse 11, 6330 Cham, Switzerland

Preface and Acknowledgments

On September 15, 2008, Lehman Brothers filed for bankruptcy protection. Although people who paid attention to these kinds of things were aware that something was wrong with global financial markets long before Lehman collapsed, it became clear on that day to even the casual observer (and became even more apparent in the weeks and months that followed) that markets simply were not working as they had worked in the past. There was a global financial crisis underway. This was followed by the Great Recession. In countries around the world, wealth seemed to evaporate overnight, incomes fell dramatically, and unemployment rose precipitously. While there is still some debate over what caused the crisis and the recession that followed, many people have singled out acquisitiveness as one of the chief culprits. That the market system seemed to have encouraged consumers (especially home buyers) to want more than they could afford and seemed to have encouraged businesses (especially financial firms) to put profits over principles appeared to be key reasons behind the global downturn. For many, the economic downtown, and the greed that seemed to be behind it, proved that there was just something wrong with the market system.

On the night of September 17, 2011, a few hundred activists set up camp in Zuccotti Park in the financial district in Lower Manhattan, New York. Originally, the Occupy Wall Street protestors slept in sleeping bags and under blankets. Within a few weeks, however, they had set up tents, a kitchen, a library, and even wireless internet and had inspired Occupy protests in cities around the globe. Some of the protestors were unhappy with the inequality, exploitation, and corruption that seemed to be endemic in market economies. Some were annoyed with how little the wealthiest in their communities seemed to have been affected by the financial crisis of 2008 and how much ordinary citizens were still suffering from the economic downtown. Some were self-described “anti-capitalists.” Others had specific goals like raising taxes on the wealthy or forgiving consumer debt. Although no single issue united the hundreds who encamped in Zuccotti Park or the hundreds of thousands who participated in the various Occupy protests in cities around the globe, an overwhelming majority of the protesters would have agreed that there was just something wrong with the market economy.

On May 26, 2015, Vermont Senator Bernie Sanders launched his campaign for the Democratic Party’s presidential nomination. A few weeks later, on June 16, 2015, then-businessman Donald Trump launched his campaign for the Republican Party’s presidential nomination. Although there were considerable policy differences between the two presidential candidates, aspects of their campaigns were quite similar. For instance, both candidates argued that the economic and political systems in the United States no longer worked for the average American and were rigged in favor of the rich and the politically connected. American corporations, they argued, had simply betrayed the American worker. This message resonated with voters. Both political figures attracted considerably large and energized crowds throughout their campaigns. Sanders, Trump, and their respective supporters disagreed on everything from immigration to various social policies, but they seemed to agree that there was just something wrong with the market economy.

What, if anything, is wrong with the market economy? One common answer to that question is that markets corrupt our morals. *Do Markets Corrupt Our Morals?* is an attempt to assess this claim. Specifically, we rely on what we believe to be the most convincing theories about how markets can work and the best available evidence regarding how markets have worked to explore the relationship between markets and morality. Admittedly, the arguments and evidence we present are suggestive rather than conclusive. That said, we find that markets are not morally corrupting. In fact, we argue that there are compelling reasons to believe that the reverse is true, that is, that markets are moral training grounds that support moral improvement.

Of course, *Do Markets Corrupt Our Morals?* could not have been written without a lot of help. In fact, we owe thanks to a number of people who aided in the development of this project. We owe a tremendous debt to our mentor and grand-mentor, the late Donald C. Lavoie. Our shared research project, which focuses on the sociality and morality of markets, is directly inspired by, and draws considerably on, Don’s work. We also owe a huge debt to our colleague and friend Peter J. Boettke. Among the many hats that he wears, Pete is the director of the F.A. Hayek Program for Advanced Study in Philosophy, Politics, and Economics at the Mercatus Center, George Mason University. Pete’s guidance has been critical as we pursued this project. Additionally, with the Hayek Program, he has created an amazingly supportive research environment.

We would also like to thank Paul Aligica, Neera Badhwar, Jennifer Baker, Don Boudreaux, Chris Coyne, Rosemarie Fike, Laura Grube, Stefanie Haeffele, Dan Houser, Arielle John, Cate Johnson, Jayme Lemke, Paul Lewis, Loren Lomasky, Deirdre McCloskey, John Pascarella, Dan Russell, Dave Schmidtz, Chad Van Schoelandt, Solomon Stein, Megan Teague, and Mark White for very helpful discussions and comments on earlier drafts of the arguments presented here. The usual caveat applies. We would also like to thank Alice Calder, Jessica Carges, Logan Hansen, Marcus Shera and Linden Chamlee Wright for helpful research support. Special thanks are owed to Elizabeth Graber (Commissioning Editor), Sophia Siegler (Editorial Assistant), and everyone else at Palgrave Macmillan who helped to guide this book from development through to production. We would also like to thank all of the scholars, colleagues, and students at George Mason University, Saint Vincent College, and elsewhere not listed above who have offered helpful comments on this subject since we started talking about it several years ago. A special thanks is owed to the faculty, staff, and students at the Universidad Francisco Marroquín for helpful feedback during the early stages of this project.

We would like to thank Beloit College Press for allowing us to reuse portions of our article "Markets as Moral Training Grounds." We would also like to thank the *Journal of Markets and Morality* for allowing us to reuse portions of our articles "Why the Market? Markets as Social and Moral Spaces" and "The Moral Meanings of Markets" (that Virgil co-authored with Ryan Langrill).

This book could not have been written without the financial support of the Mercatus Center at George Mason University. Nor could it have been written had Daniel Rothschild not built and maintained a vibrant intellectual environment at Mercatus.

Finally, we would like to thank our family and friends for their love, patience, and support while we developed this book. Virgil would especially like to thank his wife Nona for her understanding and her feedback on multiple drafts of this book. And, he would like to thank his daughter Winnie for being the perfect research assistant. Ginny would like to thank her cats, Ody and Jasper, for being the cutest distractions.

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March 2019

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Can Markets Be Moral?

Even people who are typically sanguine about markets worry that we risk losing our souls when we engage in market activities. Specifically, the concern is that the more we engage in market activity, the more likely we are to become, at best, selfish and corrupt, and, at worst, rapacious and debased.

The same Adam Smith who famously celebrated the potential of markets to deliver material wealth believed that there were moral costs associated with life in market societies. Smith thought that markets could be alienating and corrupting of our morals. In *The Wealth of Nations* ([1776] 1981: 782), for instance, Smith argued that the typical laborer in market societies, because of the division of labor, spends his life performing a "few very simple operations" and, as a result, has "no occasion to exert his understanding, or to exercise his invention in finding out expedients for removing difficulties which never occur." Because most of our jobs are a monotonous drudgery, Smith (Ibid.) believed that the typical worker in a market society,

> generally becomes as stupid and ignorant as it is possible for a human creature to become. The torpor of his mind renders him, not only incapable of relishing or bearing a part in any rational conversation, but of conceiving any generous, noble, or tender sentiment, and consequently of forming any just judgment concerning many even of the ordinary duties of private life.

While the act of repeating the same task over and over leads a worker to develop dexterity in his appointed task, it "renders him incapable of exerting his strength with vigor and perseverance, in any other employment than that to which he has been bred. His dexterity at his own particular trade seems, in this manner, to be acquired at the expense of his intellectual, social, and martial

V. H. Storr, G. S. Choi, *Do Markets Corrupt Our Morals?*,
https://doi.org/10.1007/978-3-030-18416-2_1

virtues" (Ibid.). Life in market economies, according to Smith, can corrupt our morals.

Similarly, in *The Theory of Moral Sentiments*, Smith ([1759] 1982: 181) offered an account of the moral poverty that occasioned the poor man's son's pursuit of material prosperity and described how commercial society actually benefits from the poor man's son's moral degradation. The poor man's son, Smith explained, is ambitious and envies the comforts enjoyed by the rich. He fools himself into believing that if he had more money he would be more content. So, he devotes "himself forever to the pursuit of wealth and greatness" (Ibid.). The irony, Smith described, is that in order to attain the tranquility and comfort that only money can buy, the poor man's son disturbs the tranquility and comfort that he might have enjoyed all his life had he lacked ambition and not pursued wealth so doggedly. It is not until the end of his life that the poor man's son realizes that his ambition misled him. "It is then, in the last dregs of life, his body wasted with toil and disease," Smith (Ibid.) wrote, "that he begins at last to find that wealth and greatness are mere trinkets of frivolous utility, … more troublesome to the person who carries them with him than all the advantages they can afford him are commodious." The poor man's son's envy and the efforts it inspired proved to be in vain.

While a personal tragedy of sorts, Smith explained that society benefits from the poor man's son's act of self-deception. The poor man's son is not an enviable person. But, his turpitude inspires his labors which ultimately benefit society as a whole. In fact, Smith explained, many of us engage in this kind of useful self-deception, perhaps for different reasons than the poor man's son. "The pleasures of wealth and greatness," Smith (Ibid.: 183) explained, can "strike the imagination as something grand and beautiful and noble, of which the attainment is well worth all the toil and anxiety which we are so apt to bestow upon it." According to Smith (Ibid.: 183),

> It is this deception which rouses and keeps in continuous motion the industry of mankind. It is this which first prompted them to cultivate the ground, to build houses, to found cities and commonwealths, and to invent and improve all the sciences and arts, which ennoble and embellish human life.

The industry, ingenuity, and innovation that drive economic progress would seem to depend on ambition, envy, and ultimately self-deception.

While concluding that the benefits associated with markets outweigh the moral costs of engaging in market activity, even Adam Smith believed that there were potentially real moral costs associated with engaging in market activity. This concern is at the center of all serious criticisms of markets on moral grounds.

Is There Something Wrong with Markets?

Concerns about the potentially negative moral effects of engaging in market activity have a long history. Aristotle, for instance, argued that there were two types of wealth acquisition: one moral and the other immoral. According to Aristotle (*Pol.* I.10, 1258a38–1258b2), "There are two sorts of wealth-getting … one is a part of household management, the other is retail trade: the former necessary and honorable, while that which consists in exchange is justly censured; for it is unnatural, and a mode by which men gain from one another." Household management is the practice of using household resources efficiently. It might involve increasing your wealth by working harder on the farm, or adopting new strategies for husbanding resources, or simply doing more than you have in the past while using less than you used in the past. It might also involve barter and potentially selling surplus produce. But, household management, which Aristotle thought was necessary, honorable, and natural, did not involve selling that surplus produce for a profit. Pursuing profit, for Aristotle, was unnatural and illegitimate because he believed it necessarily involved taking advantage of others. Aristotle (*Pol.* I.8, 1256b27–31) was particularly concerned with wealth-getting that went beyond providing "such things necessary to life, and useful for the community of the family or state." And, he was especially critical of usury because it involved using money to make money rather than to facilitate exchange which is its natural function. For Aristotle, then, retail trade and usury, which arguably drive market economies, were justly censored.

St. Thomas Aquinas essentially shared Aristotle's concerns about unchecked wealth acquisition through retail exchange. Although Aquinas (ST II-II, q. 77, a. 4) was not opposed to market exchange, he viewed it as neither virtuous nor opposed to virtue, and nonetheless worried that there was something illegitimate about gains from trade beyond a certain level. Aquinas (ST II-II, q. 77, a. 1) believed that there was a "just price" that sellers should charge buyers. According to Aquinas (Ibid.), "if someone would be greatly helped by something belonging to someone else, and the seller not similarly harmed by losing it, the seller must not sell for a higher price: because the usefulness that goes to the buyer comes not from the seller, but from the buyer's needy condition." Aquinas believed that this "just price" should not be determined by the buyer's willingness to pay, as it typically is in market economies, but by the costs the seller incurred in producing the good (Ibid.).

Karl Marx was particularly concerned with the dehumanizing effects of markets. Most notably, he argued that money exchange and the division of labor necessarily led to exploitation and alienation. Workers in market economies are necessarily parties to inequitable wage-for-labor relationships where they typically receive less than their fair share of what they produce (i.e. their labor time is stolen by others). Workers in market economies also become estranged from themselves, their labor, the product of their labor, and one another. Workers in market societies are, thus, spiritually and physically transformed in negative ways by their market experiences. According to Marx ([1821] 1994: 49), the greater the scope of market exchange relations, "the more *egoistic* and asocial man becomes."

Several contemporary scholars from several disciplines and from a variety of perspectives have echoed this concern that the greater our exposure to markets the more likely we are to lose our souls (e.g. Anderson 1995; Bowles 2016; Falk and Szech 2013; MacIntyre 1981, 1999; Roth 2007; Shleifer 2004). Michael Sandel in *What Money Can't Buy: The Moral Limits of Markets* (2012), for instance, argued that markets undermine morality. Sandel (Ibid.: 7) was particularly worried about the expansion of markets and market values that has occurred over the last 30 or so years. Although he believed that an increase in greed has undoubtedly accompanied this "market triumphalism," the most worrisome consequences of this growth of markets have been "the expansion of markets, and of market values, into spheres of life where they don't belong" (Ibid.). There are perverse moral consequences, he said (Ibid.: 15), associated with becoming a world "where everything is up for sale." Specifically, Sandel (Ibid.: 64) explained, "markets leave their mark on social norms. Often, market incentives erode or crowd out nonmarket incentives."

Additionally, Sandel (Ibid.: 111) argued that markets in certain goods and services under certain scenarios are likely to be unfair; "the fairness objection points to the injustice that can arise when people buy and sell things under conditions of inequality or dire economic necessity." This suggests that market exchanges are not always voluntary and that desperation can force people to buy or sell goods and services that they would not buy or sell if they were in less dire economic circumstances.[1] In addition to his fairness concerns, Sandel also stressed that market relationships can be corrupting in some circumstances. "[T]he corruption objection … points to the degrading effect of market valuation and exchange on certain goods and practices. According to this objection, certain moral and civic goods are diminished or corrupted if bought and sold" (Ibid.). This implies that giving away certain goods and services can be morally neutral or even virtuous while exchanging the same goods and services for

[1] Notice that this echoes Aquinas' concern about a "just price."

money can be morally problematic. This also suggests that introducing money matters into certain relationships can pervert or poison those relationships.

These claims that markets corrupt our morals should be taken seriously. Since markets clearly make us materially better off, one reason to not embrace markets enthusiastically would be if in doing so we invite an alarming level of moral risk.

Does It Matter if Markets Are Morally Corrupting?

Markets do make us wealthier. The United States, Western Europe, and parts of Asia, Africa, Latin America, and Eurasia where markets thrive (i.e. where property rights are secure and contracts are enforced) are richer than the parts of the world where markets are constrained. The wealth-creating capacity of markets can be confirmed with conventional measures of wealth like gross domestic product (GDP) per capita. In 2015, for instance, GDP per capita was over $35,000 in the richest commercial countries like Hong Kong, Singapore, New Zealand, and Switzerland while it was well below $3500 in noncommercial societies like Zimbabwe and Chad (The World Bank 2016). The wealth-creating capacity of markets can also be shown using other measures. People in commercial societies tend to live longer than people in noncommercial societies. In 2015, for instance, life expectancy at birth was 84 years in Hong Kong, 82 years in Singapore, 81 years in New Zealand, and 83 years in Switzerland. Compare that to life expectancies of less than 60 years in Zimbabwe and 52 years in Chad (Ibid.). People living in market societies also tend to be better educated, healthier, and enjoy a higher standard of living than people living in nonmarket societies. Perhaps most conclusively, immigration tends to flow from less commercial societies to more commercial societies.

Exposure to markets has also dramatically improved the material well-being of societies over time. In his 1755 paper, Adam Smith (quoted in Stewart [1795] 1829: 64) made the claim that “little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice; all the rest being brought about by the natural course of things.” Smith’s recipe of simply allowing markets to work has proven to be effective at raising incomes around the globe over the last few centuries. Deirdre McCloskey (2010) referred to the amazing increase in wealth since the Industrial Revolution as the “great fact.” As

McCloskey (Ibid.) detailed, for most of human history the average person survived on \$3 a day. In the last 250 years, average income has grown to \$30 a day; average income is over \$100 a day in the richest countries. McCloskey (Ibid.) argued that this dramatic upturn in average incomes occurred when pursuing success through market activity came to be viewed as dignified and honorable. Ascribing dignity to market activity led to an expansion of markets and an explosion of innovation.

While market economies have undoubtedly made people better off, other economic systems have proven to be unworkable and even disastrous. For instance, socialism—a system of economic organization where the means of production are collectivized and economic activity is centrally planned—has repeatedly failed to deliver prosperity. When they were actively pursuing socialist policies, average income levels in the former Soviet Union, China, and Cuba were dramatically lower than those in the market societies of the West. Most starkly, in 2015, average income in the market economy of South Korea was 21 times higher than income per capita in the command economy of North Korea (Central Intelligence Agency 2018).

Additionally, planned economic systems in socialist countries are often accompanied by repressive political systems. For example, the Cuban government restricts freedom of expression and the Cuban Criminal Code permits the government to imprison individuals who act in ways that contradict socialist norms and values. Recently, the Cuban Commission for Human Rights and National Reconciliation received reports of thousands of "arbitrary detentions" during 2016 (Human Rights Watch 2017). Although the Vietnamese and Chinese governments have introduced market reforms in the last few decades, they still maintain restrictions on freedom of association, speech, movement, and the press. Similarly, a 2014 U.N. Human Rights Council Commission of Inquiry found that "systematic, widespread and gross human rights violations have been and are being committed by the Democratic People's Republic of Korea" (Human Rights Watch 2015).

Market economies are, of course, not without their issues. Inequality, for instance, is arguably a problem in many market societies. The literature on the relationship between economic freedom and inequality, however, is somewhat mixed. A cross-country study on the relationship between economic freedom and income equality by Berggren (1999) reported that while positive *changes* in economic freedom between 1975 and 1985 resulted in lower income inequality, a country's *level* of economic freedom in 1985 correlated positively with income inequality. Contrarily, Scully (2002) found that higher *levels* of economic freedom correlated negatively with income inequality. Still, the gap between the rich and the poor in some market economies is particularly wide.

Gini coefficients, which measure the degree of income inequality, can be as high in both market and nonmarket economies.[2] For example, the United States (45.0) has a higher degree of income inequality than Venezuela (39.0) and Cambodia (37.9) and ranks as the 39th (out of 157 countries) most unequal society according to the CIA World Factbook (Central Intelligence Agency 2018).

Although markets contribute a great deal to our material well-being, it still matters to many critics, defenders, and students of commercial life whether or not there are moral costs associated with engaging in market activity. Unfortunately, most defenses of the morality of markets do not address the core concerns of the critics. Again, regardless of the specifics of any particular critique, a central component of the strongest moral criticisms of markets is that we risk losing our souls when we engage in market activities. In response to the belief that engaging in the market necessarily comes at a tremendous moral cost, the defenses are oftentimes what Lavoie and Chamlee-Wright (2000) have convincingly described as *minimalist defenses* of the morality of the market. These minimalist defenses either try to sidestep the issue or affirm but seek to downplay the potential moral harms associated with engagement in market activity.

One type of minimalist defense stresses that markets are merely tools. The markets-as-mere-tools defense claims that individuals can utilize markets to purchase Bibles as well as pornography, to purchase lifesaving medication as well as illicit and dangerous drugs, to purchase an airline ticket that takes them home to visit their families as well as to purchase airline tickets that they can use to abandon their families. Markets are, thus, like knives, or automobiles, or any other tool that can be used for good or bad purposes but are neither good nor bad in and of themselves. They cannot be fairly described as being moral or immoral.

The other type of minimalist defense of the morality of markets that is typically offered either implicitly or explicitly enlists the arguments advanced by Mandeville in his *Fable of the Bees* ([1714, 1729] 1988). In that fable, Mandeville asserted two key points: first, markets transform private vice into public virtue and, second, attempts to eliminate private vice like greed could undermine markets. An albeit weaker version of this defense invokes Smith's famous claim that interests, not benevolence, drive market activity and lead to

[2] It might be argued that the more important worry relates to the quality of life of the poorest in these countries, that the gap between the rich and the poor in a particular country is an irrelevant consideration, and that mobility rather than inequality should be the principal consideration. Additionally, as we discuss in Chap. 4, economic inequality is more of an issue in nonmarket societies. Still, it would be wrong to dismiss economic inequality as a legitimate concern or to say that economic inequality is not a phenomenon that we observe in market societies.

the positive social outcomes that we observe in markets. Recall, Smith ([1776] 1981: 26–27) argued that "it is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages." Although Smith intended to highlight the limits of benevolence in this and the surrounding passages, the arguments that he advanced in this section of *The Wealth of Nations* are sometimes recounted as if they are a celebration of selfishness.

Rather than constituting a defense of the market, these responses arguably constitute an indictment of the market. If the charge is that the market is morally corrupting, neither protesting that this kind of allegation is irrelevant and/or invalid nor expressing agreement with the charge while highlighting the resultant material benefits constitutes a convincing defense against that charge.

Resolving the debate between the critics and defenders of markets on moral grounds is to answer the following questions both theoretically and empirically: Are markets moral? Are there moral costs associated with engaging in market activity? Do markets corrupt our morals? The belief that markets often deliver the material goods but rarely deliver the social or the moral goods appears to be mistaken. The evidence suggests that, rather than necessarily destroying social bonds, markets can and often do encourage their development (Storr 2008). Furthermore, the evidence also suggests that, rather than making us selfish and corrupt, markets both work better when peopled by virtuous people and encourage virtuous behavior.

This is admittedly not a unique observation. Others have argued that we do not tend to lose our souls in markets (see especially McCloskey 2006, 2010, 2016). This book builds on these efforts and argues that markets are not morally corrupting.

What Are These Things Called Markets?

At this stage, please permit us a short note on terms. A market is a space where the buying and selling of goods and services takes place. In markets, sellers compete with one another to attract buyers and buyers compete with one another to secure the goods and services that they desire. In markets, people also cooperate with one another to produce and purchase goods and services. The term "market" could refer to an actual space like a local flea or farmers' market. It could also describe a conceptual market like the labor market or the housing market. Markets work well when market participants can effectively exchange with one another. Well-functioning markets, thus, depend on clear and respected property rights, reliable contract enforcement, and mechanisms for resolving disputes. Markets depend on clear and respected distinctions between *mine and thine* and a clear sense of what can be done with one's own property (including one's own person). Similarly, contract enforcement is necessary if trading partners are to engage in any trades where the payment for goods and services and the delivery of goods and services do not occur simultaneously or there is a need to establish long-term trading relationships. Should disputes materialize, trading partners need a forum for resolving disputes and a belief that they will be dealt with fairly in that forum. Markets, then, are social arenas that are characterized by buying and selling, and that are made possible by certain institutions which facilitate buying and selling. Markets are also spaces where entrepreneurship and innovation thrive. Of course, markets can and do still operate when these institutions are weak or weakly enforced. But people are less able to use markets to coordinate their activities with others, to satisfy their desires, and to earn a living when property rights are not widely respected, when contracts are not routinely enforced, and where the rule of law does not exist.

Market societies, market economies, market-based societies, and commercial societies will be used interchangeably to describe areas, countries, or regions where markets are permitted to thrive, that is, spaces where property rights are respected, contracts are enforced, and the rule of law exists. Stated another way, market societies are spaces where the market system not only operates but operates without significant interference.

Capitalism is often used to describe this type of economic system. We will, however, generally avoid using capitalism to describe a market system because it is somewhat misleading. Market economies, of course, do facilitate the acquisition of capital goods (meaning here the accumulation of useful stuff) as well as the growth and development of a community's capital stock. But market societies do not depend solely or even primarily on capital acquisition. Market economies also require innovation. Globalization has been used to describe the spread of markets around the world. We will, however, not use this term because globalization not only refers to the spread of markets but also describes the spread of ideas and institutions. Neoliberalism has also been used to describe an ideology that supports market economies. That term will not be enlisted here because it is unclear to our minds exactly how supportive many so-called neoliberals truly are of market economies. Many people who are described as neoliberals are quite comfortable with weakening market institutions.

It should also be noted that market economies both have much in common and vary tremendously. The size of the welfare state, for instance, can differ significantly in different market societies. Take the Nordic countries—Sweden, Norway, Finland, Iceland, and Denmark—all of which are known for their generous welfare systems that include elaborate social safety nets, publicly provided healthcare and education, public pensions, and high tax burdens. Despite having larger governments than other market societies, these countries have strong property rights, reliable contract enforcement, and low barriers to trade and so are still characterized as market societies. The type of political systems that accompany market economies can also differ significantly. Market economies flourish within democratic political systems, like the United Kingdom, as well as more autocratic political systems, like Singapore. As long as the political systems in these countries secure property rights, enforce contracts, and safeguard a rule of law, we will describe them as market societies.

We will refer to all other societies as nonmarket societies.[3] Admittedly, our label for nonmarket societies might appear misleading to some readers. We acknowledge that one interpretation of the label paints nonmarket societies as primitive societies where there is no buying and selling and where there is no respect for property rights, contracts, or the rule of law. That is not what we mean here. By nonmarket societies, we simply mean societies whose institutional environments significantly impinge on the operation of markets. For instance, we describe Indonesia as a nonmarket society. It had a dictatorship under Suharto until 1998 and continues to suffer from cronyism and nepotism. While to a lesser degree since the fall of Suharto, the state continues to exercise its power to restrict genuine competition in the market and distributes special privileges to the socioeconomic and political elite. In other words, although markets definitely exist in Indonesia, they are not allowed to operate freely in Indonesia. Another example of a nonmarket society is Spain. Spain underwent a peaceful transition from a dictatorship to a democracy after the death of its dictator, Francisco Franco, in 1975. Since Spain's induction into the European Union in 1986, it has experienced rapid economic modernization and achieved vast improvements in freedom and human rights. However, it lags behind many other European countries in its economic competitiveness (Schwab et al. 2017: 272). In particular, an inefficient government bureaucracy and restrictive labor regulations are some of the top issues that prevent Spain from being more competitive economically (Ibid.). While markets exist and even flourish in Spain, its institutional shortcomings, highlighted above, are why we describe it as a nonmarket society.

[3] See Appendix for the list of market and nonmarket societies.

If engagement in market life comes at a moral cost, then we should expect those moral costs to be higher in market societies since market life is more prevalent in market societies. Thus, we should also expect qualitative evidence of these negative moral consequences to be more readily available in market societies. Similarly, we should expect quantitative measures of morality to be lower in market societies than in nonmarket societies. This book will examine both the qualitative and quantitative evidence. The evidence suggests that market societies outperform nonmarket societies on material as well as moral grounds.[4]

How Is This Book Structured?

Most scholars accept that people are materially better off in market societies, and that people are materially worse off in nonmarket societies. There is, however, a debate among the critics, defenders, and students of commercial life concerning whether the wealth that societies gain by embracing markets comes at too high a moral cost.

This book, thus, attempts to answer the questions: Are markets moral? Do markets depend on and encourage vices like greed and envy? Or do they rely on and encourage virtues like trust? Is engaging in market activity morally problematic? Do markets corrupt our morals? We find that rather than corrupting our morals that the opposite is true. The evidence suggests that the market actually improves our morals. There are two main arguments that we advance in support of this claim. First, we argue that people can improve their lives through markets. People in market societies are wealthier, healthier, happier, and better connected than people in nonmarket societies. This material fact, we contend, is morally significant. Second, we argue that the market is a moral space that both depends on its participants being virtuous and also rewards them for being virtuous. Without principled participants both the market and society can deteriorate into general despair and disorder. Moreover, rather than harming individuals ethically, the market is an arena where

[4] This, of course, will not be fully satisfying to anyone who worries that markets are morally corrupting. A critic of markets concerned about the potential of moral corruption as a result of market activity could always complain (a) that they are not committed to the view that nonmarket societies are less morally corrupting than market societies, or (b) that our approach does not account for all of the complexity involved in linking market activity to moral outcomes. However, the arguments and evidence that we offer are reasons to be skeptical of the claim that markets are morally corrupting. At the very least, we advance a response to the question, “Do markets corrupt our morals?,” that directly engages that question. If we inspire others to look for more compelling ways to assess whether or not market activity is morally corrupting, we would have surpassed our ambition.

individuals are encouraged to be their best selves. More provocatively, successful markets not only require but also produce principled participants.

The next two chapters explore one of the central moral criticisms of markets (i.e. that markets are morally corrupting) and the way that scholars who disagree with this proposition have defended the market against that charge. Chapter 2 reviews and critically engages a variety of moral criticisms of the market including those by St. Thomas Aquinas, by Rousseau, and by Marx. This chapter will also review and critically engage some of the more recent criticisms of the moral aspects of markets. We argue that a common thread running through all of these arguments is the notion that markets are morally corrupting. Although this claim is often discussed in the language of moral philosophy, and the most damning critiques along these lines are deontological claims that do not allow for the possibility that market exchange can be moral, what we are calling the common central concern of the moral critics of markets (i.e. that markets are morally corrupting) is at root an empirical, rather than a philosophical, claim. As such, we can evaluate whether or not it is true that markets are likely to be morally corrupting using our theoretical understanding of how markets can and should work, and on the basis of evidence regarding how markets do in fact work.

Unfortunately, traditional moral defenses of the market do not really address the central moral criticism leveled against markets by their critics. Rather than (theoretically or empirically) evaluating the claim that markets are morally corrupting, the traditional defenses either avoid or (implicitly or explicitly) endorse the view that markets are potentially corrupting. In Chap. 3, we review and discuss the way that the market is traditionally defended on moral grounds. Specifically, we argue that both claims that the market neither promotes nor suppresses morality and claims that the market transforms private vice into public virtue are inadequate responses to the central moral criticism of markets. If the moral critics of markets are worried that markets promote vice, a response that says that markets are amoral or that highlights the material benefits that result from engaging in market activities does not constitute a strong defense nor does it speak to whether or not markets corrupt our morals.

If the central moral concern of market critics is to be evaluated, the question of whether or not engaging in market activities is morally corrupting has to be answered directly. The remaining chapters ask and answer the question: Do markets corrupt our morals? Are markets moral spaces that depend on and cultivate our morality or are markets immoral spaces where vice thrives and is encouraged? Is virtue endogenous to markets?[5] Chapter 4 demonstrates

[5] Munger and Russell (2018) asked a similar question about profit seekers.

that the market is an arena where individuals can work to improve their lives. People who live in market societies are wealthier, healthier, happier, and better connected than people who live in nonmarket societies. Additionally, these benefits are not only enjoyed by the privileged few in these communities. The least advantaged in market societies are better off than the least advantaged in nonmarket societies and may be better off than the most well-off in some nonmarket societies. This material fact, we argue, is of moral significance.

We then argue in Chap. 5 that markets function better when participants are virtuous, although markets *could* function without especially virtuous beings. Additionally, we show that market participants tend to be virtuous. McCloskey (2006, 2010, 2016) has forcefully and convincingly made the same point that markets are compatible with and depend on virtuous behavior. The bourgeois virtues are both bourgeois (i.e. born of markets) and virtuous (i.e. exhibiting the very virtues we have long admired). Beyond exhibiting the seven virtues that McCloskey highlighted (love, faith, hope, courage, temperance, prudence, and justice), we show that people in market societies tend to be more altruistic, are less likely to be materialistic and corrupt, and are more likely to be cosmopolitan as well as trusting and trustworthy.

In Chap. 6, we argue that markets actually have the ability to make us more virtuous. We show how market participants respond to trustworthy and untrustworthy trading partners and highlight the mechanisms through which moral development occurs in markets. Rather than being morally corrupting, markets are spaces of moral development because they offer us opportunities to discover others who have the moral qualities that we admire as well as because virtuous behavior is rewarded, and immoral behavior is punished in markets.

Finally, Chap. 7 teases out the implications of our conclusion that markets are moral spaces that depend on and encourage morality. It is important to note that saying that markets are not morally corrupting is not to say that markets should exist in everything. It is possible to accept that we are correct that markets are moral and still maintain that certain markets in certain goods and services are noxious and should be limited. Our arguments do imply, however, that, rather than there being moral costs associated with engaging in market activity, there are moral costs that will result from curtailing market activity. The moral critics of markets seem to have it exactly wrong. As such, implementing policies that attempt to respond to their moral concerns about markets might very well lead to the immoral outcomes that they themselves want to avoid.

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2

Markets as Monsters

In Kenyan author Ngugi wa Thiong'o's (1982) mythical novel *Devil on the Cross,* the devil ("Satan, the King of Hell") hosts a competition between Kenyan businessmen to see which one of them is the biggest thief and robber. Businessman after businessman takes the stage to brag about their wealth and their women, to tell of their conquests, and to share their philosophies on business. "He will tell us how he first came to steal and rob and where he has stolen and robbed," the master of ceremonies announced, "and then he will tell us briefly his thoughts on how to perfect our skills in theft and robbery" (Ibid.: 87).

Before the proceedings got underway, however, the master of ceremonies invited the head of the foreign delegation of entrepreneurs that was there to witness the competition to offer opening remarks. The remarks by the head of the delegation were a celebration of the corruption that undergirds economic life in the more developed world. The leader (Ibid.: 89) remarked,

> I think there is no one who does not know that theft and robbery are the cornerstones of American and Western civilization. Money is the heart that beats to keep the Western world on the move. If people want to build a great civilization like ours, then kneel down before the god of money. … It's far better to drink the blood of your people and to eat their flesh than to retreat a step.

Embracing the pursuit of money over everything else, the leader told the assembly, was the reason that the developed world had grown wealthy and was the surest path to wealth in the developing world.

Each contestant in this peculiar competition offered similar explanations for why they were able to succeed. In every case, greed and dishonesty were at

V. H. Storr, G. S. Choi, *Do Markets Corrupt Our Morals?*,
https://doi.org/10.1007/978-3-030-18416-2_2

the root of their economic successes, and at the heart of the capitalist system. For instance, one of the competitors, Gĩtutu, explained that he believed in "the catechism of the lord … Reap where you never planted, eat that for which you never shed a drop of sweat and drink that which has been fetched by others" (Ibid.: 101). Also, as Gĩtutu asked, "How do think you think Grogan and Delamere became rich? I would sleep with my mother before I believed that it was their own sweat that made them so wealthy. … Who has ever become rich by his own sweat? Who has ever become rich through his salary alone?" (Ibid.: 102). Similarly, Mwireri, another "entrepreneur" in the competition, explains that he has "studied thoroughly the system based on the theft of the sweat and blood of workers and peasants – what in English we call *capitalism.* The system is this: the masses cultivate; a select few (those with talents) harvest" (Ibid.: 166). In Ngugi's tale, entrepreneurs are parasites, not producers. The system that empowers them is a devil who would make a hell for us on earth and so should be crucified.

Ngugi's fanciful tale resonates because it captures a common concern about capitalism, that is, that it is a corrupt system that corrupts us. While Ngugi's portrayal of capitalism as a devil that must be destroyed seems rather extreme, capitalism and capitalists are nonetheless often portrayed as monsters within popular literature and in the scholarly debate over the morality of capitalism. Vampire capitalism sucks the blood of workers, further enrichening the wealthy and impoverishing the disadvantaged. Demon capitalism possesses us all, turning us into slavish, soulless creatures who produce only what we are told to produce, and consume only what we are told to consume. Zombie capitalism is lumbering around the landscape, hungry for human flesh, eating human brains, transforming us into mindless, withered things who are empty inside and act on our urges rather than because of any higher motives.

These monster metaphors seem to get to the heart of what so many feel as they experience commercial society and what so many moral critics of markets seem to find when they examine market societies. Medley and Carroll (2004), for instance, argued that global capital is not a godsend, traveling around the globe, improving lives whenever and wherever it lands. Rather, it is a hostile force; in their words, "a hungry ghost." "Capitalist institutions," they claimed, "interpolate individual workers into factory regimes that will consume not only their labor, but also their whole being, body and spirit" (Ibid.: 146). Likewise, Harman (2010: 12) argued that "21st century capitalism as a whole is a zombie system, seemingly dead when it comes to achieving human goals and responding to human feelings, but capable of sudden spurts