Journal of Markets & Morality
Volume 15, Number 2 (Fall 2012): 347–362

The Moral Meanings of Markets

Ryan Langrill
PhD candidate
Department of Economics
George Mason University

Virgil Henry Storr
Research Associate Professor of Economics
George Mason University

Market supporters have consistently emphasized that markets make it so that self-interested or even greedy individuals can only help themselves by serving their fellow men and women. This channeling of self-interest away from predation and toward profit seeking explains why market economies tend to be materially prosperous. Yet if markets only succeed in providing a wealth of goods and services at the cost of turning people into myopic hedonists, then it might very well be reasonable to despise them. The moral meanings of markets, however, are not suspect. This article offers a critique of the traditional defenses of the morality of markets and explains how markets depend on and promote virtue.

Introduction

The market has all too often been defended on material grounds. Market supporters have consistently emphasized that markets make it so that self-interested or even greedy individuals can only help themselves by serving their fellow men and women; markets transform private vice into public benefit.[1] This is, of course, correct. This channeling of self-interest away from predation and toward profit seeking explains why market economies tend to be materially prosperous. This defense of the market, though, leaves many unsatisfied. If markets succeed in providing a wealth of goods and services at the cost of turning people into myopic hedonists who only interact with other people in order to satisfy their selfish desires, then it might very well be reasonable to despise markets. If markets transform people into a narrowly conceived version of *homo economicus*, people who have no room for love, hope, faith, courage, temperance, or justice, then perhaps we ought to abandon the market order as much as we can afford. If the moral meanings of markets are suspect, then markets are understandably indicted.

Unfortunately, traditional defenses of the morality of the market tend to inadequately articulate the moral meanings of markets. Rather than focusing on how markets require and reward morality, they tend to either sidestep the morality question (by describing markets as amoral) or they tend to focus on how markets promote morality indirectly (by focusing on how markets promote social cooperation).

The moral meanings of markets, however, are not suspect. It is possible to defend the market on moral grounds. Indeed, markets actually function better when participants possess virtues beyond prudence. Moreover, markets actually reward participants who possess virtues beyond prudence.[2] As McCloskey argues, the expansion of the market has made us "ethically better people.… Capitalism has not corrupted our souls. It has improved them."[3] Similarly Zak writes,

> [O]ur research revealed that most economic exchange, whether with strangers or known individuals, relies on character values such as honesty, trust, reliability, and fairness.… Moral behavior is necessary for exchange in moderately regulated markets.… Market exchange itself can also lead to an understanding of fair exchange and in this way build social capital in non-market settings.[4]

Furthermore, as Storr writes,

> the market, of course, is no panacea. However, if they are given a chance to flourish, we will grow wealthier, healthier, better connected with far flung relatives and friends, better educated, better behaved, more generous, more compassionate, more tolerant, more trusting, and more just. The market will deliver cures for cancer and new, post-crude oil energy sources. If allowed to flourish, the market will also make us better connected and more virtuous.[5]

This article offers a critique of the traditional defenses of the morality of markets and explains how markets depend on and promote virtue. We take for granted in this article that the market is superior in supplying goods and services. The second section, thus, begins with a discussion of the traditional defenses of the morality of markets. Although these traditional defenses are correct, they do not adequately speak to the moral aspects of markets. The third section argues that though markets can function without virtuous beings, contrary to some market critics and supporters, they function better when participants are virtuous. Then, in the fourth section, we will argue that markets reward and thereby encourage virtuous behavior. The last section offers concluding remarks.

Traditional Defenses of the Morality of the Market

Defenses of the market on moral grounds tend to follow one of three tracks: (1) markets are moral orders because they promote social cooperation; (2) markets are moral orders because they promote distributive justice; and (3) markets have no moral content whatsoever. Adam Smith, for instance, has argued that individuals pursuing their self-interest in the market are guided as if by an invisible hand to satisfy the needs and desires of their fellowmen. "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner," he famously argued, "but from their regard to their own self-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."[6] The moral strengths or failings of individuals as well as their intentions are irrelevant. Whether the market is populated by the most beneficent of saints or the worst of sinners, the market (so long as individuals obey the law) will generate positive social results.

According to this view, the market is a moral order not because market participants purposely pursue moral purposes (though there is no reason that they are unable to should they wish) but because the market unintentionally leads to morally desirable results. As Arrow and Hahn summarize,

> [T]here is by now a long and fairly imposing line of economists from Adam Smith to the present who have sought to show that a decentralized economy motivated by self-interest and guided by price signals would be compatible with a coherent disposition of economic resources that could be regarded, in a well-defined sense, as superior to a large class of possible alternative dispositions.[7]

Admittedly, the conclusion that the market delivers socially beneficial results says nothing about whether the distribution of income that results is likely to be just or unjust. The butcher, baker, and brewer might well be benefiting inappropriately from their market dealings. They may be receiving more than they deserve. Kirzner has argued, to the contrary, that this view is mistaken; he believes that the returns that profit seekers receive are deserved.[8] Although the profits that entrepreneurs obtain in the market are not like the returns from production (which no one would begrudge the producer), Kirzner explains that they are very different from the fruits of luck (which many might begrudge the recipient).[9] Instead, the acts of discovering pure profit opportunities are in a different category, a category between production and luck. "An act of discovery," Kirzner explains, "even though it is not an act of deliberate production, is the expression of human motivation and human alertness. That which has been discovered might *never* have been discovered but for this motivation and alertness; it is quite wrong to see the discovery as merely the product of blind chance."[10] When the market process is viewed as a discovery process and discovery is viewed as a creative act (i.e., the thing that was discovered did not exist in an economically meaningful sense prior to its being discovered), then it is possible to hold that the discoverer "deserves" the fruits of his discovery.

Interestingly, Hayek, who like Kirzner viewed the market as a discovery process, did not believe that defenses of the justness of profits or even ordinary returns on investments were warranted. Discussions of whether workers deserved more or less than their marginal product or whether entrepreneurs deserved more or less than the profits they were able to capture, Hayek believed, missed the point. He argued against concluding that markets treat individuals justly or unjustly by giving some more than they deserve and others less. Although it is appropriate to discuss justice at the level of individuals, Hayek writes, it is inappropriate to demand that the results of the market process or any other game be just. This, he argued, anthropomorphized the market. "Justice," Hayek contends, "clearly has no application to the manner in which the impersonal process of the market allocates command over goods and services to particular people: this can be neither just nor unjust, because the results are not intended or foreseen, and depend on a multitude of circumstances not known in their totality to anybody."[11]

Ironically, as Hayek discusses, although the distributions that result from the market are immune to ethical judgments, the distributions that result from the alternatives to the market are vulnerable to criticisms along ethical lines. As Hayek notes, "it has of course to be admitted that the manner in which the benefits and burdens are apportioned by the market mechanism would in many instances be regarded as very unjust if the result of deliberate allocation to particular people."[12] The market is not morally responsible for the allocation of benefits and burdens anymore than weather is ethically responsible for a dry season. Anthropomorphizing complex processes allows people to make moral judgments upon them, but doing so is inappropriate.

However, as Hayek argues, the centrally planned alternatives to the market are vulnerable to distributional criticisms along ethical lines.[13] Under heavily and centrally planned economic systems, people in government actually decide the rewards that different members of the society obtain. As such, it makes sense to demand that these officials allocate those rewards according to some agreed upon standard of justice. Unlike in the market where discussions of the justice of results are inappropriate because no one intends the result, discussions of social or distributive justice are quite appropriate under heavily and centrally planned economies where someone or some group determined the allocations of different individuals.

Boettke synthesizes these three defenses of the morality of markets.[14] Agreeing with Hayek that "markets themselves are neither moral nor immoral,"[15] and with Kirzner that profits are deserved because "in a truly contractual society one cannot do well unless by doing good,"[16] Boettke proposes social cooperation as a standard for deciding on the morality of markets.[17] Where markets promote social cooperation, we should judge them as morally good. Where markets fail to promote social cooperation, we should judge them as morally bad; the alternative to social cooperation is exploitation, violence, and oppression. According to Boettke, the type of markets that emerge, be they liberal markets that promote social cooperation or illicit markets that may not, depends on the social rules that govern market activity. As Boettke writes,

> [T]he rules which enhance social cooperation and as such allow the simultaneous achievement of liberty, prosperity, and peace are moral rules. Moral rules which promise justice, but deliver reduced liberty, lower levels of prosperity, and the breakdown of peaceful harmony do not deserve to be described by terms such as "just" and "moral."

The social rules that promote cooperation such as private property and the rule of law, Boettke explains, allow individuals to live a good and moral life. "When markets are embedded in a private property order governed by the rule of law," Boettke writes, "then they can be reasonably relied on to allocate resources effectively and to channel behavior in a manner consistent with the values of individual liberty, personal responsibility, honesty in dealing, respect for the property of others, etc."[19]

Lavoie and Chamlee-Wright, however, have characterized these as minimalist moral defenses of the market.[20] It is not enough, they assert, to say that markets are amoral or to deflect our moral judgment away from the market order as such and to redirect it toward the behavior of individuals within the market (e.g., are they law abiding or not) and the nature of the social rules governing markets (e.g., do they promote social cooperation or not). Our moral capacities and our social responsibility are not exhausted when legally seeking profits in the market, they explain, because there are multiple ways to successfully capture profits in real-world markets. Moral aspirations and our economic rationality are only at odds in a closed model of the economy. Similarly, as Lavoie and Chamlee-Wright explain, unintended social cooperation does not exhaust the moral significance of the market: "Rather than representing the market as a place where conservative forces with society are always reproduced … we have to acknowledge that sometimes the market is the most effective vehicle by which to initiate social transformation."[21]

It is possible, we believe, to offer more than a minimalist defense of the market. We can do more than defend profit making against charges that it is ethically suspect and defend markets on the grounds that they promote unintentional social cooperation. The market order is a moral order not simply because we can simultaneously be moral beings and participate in markets but because the market both benefits from and promotes morality. The next sections examine how markets function better with ethical beings and how they reward ethical beings.

Markets Depend on Virtues in Addition to Prudence

Rather than thinking of our capacity to live a moral life as a happy side effect of the material wealth and the social cooperation engendered by markets or as the unintended result of our self-interested, selfish, and immoral tendencies channeled in socially beneficial ways, we should consider that morality plays a greater significance in markets than is sometimes acknowledged. If markets are to function well, they must be peopled by virtuous beings. Of course, markets can exist even if market participants are not virtuous. Thriving markets, however, depend on market participants exhibiting certain virtues.[22] First, virtues such as honesty lower the cost of market transactions. Dishonesty, if rampant, might sharply curtail the capacity of markets to promote social cooperation. Second, virtues such as courage are necessary if entrepreneurs are to create and/or discover and exploit profit opportunities in a world where knowledge is necessarily dispersed and the future is unknown and unknowable. If everyone were paralyzed by the ignorance and uncertainty that characterizes the real world, then social progress would not occur. Third, virtues such as justice and even love are necessary if individuals are to respect the market process and not attempt to subvert it with political processes. Many calls for market intervention are supposedly motivated by a desire to help others but are in reality an unwillingness to tolerate the choices of others or to deal with others justly.

In “Rational Fools,” Sen has similarly questioned whether a market comprised entirely of egoistic individuals, who always made decisions on the basis of their self-interest (even broadly construed to contain sympathy) would really generate socially beneficial results.[23] He has, for instance, convincingly argued that commitment (making a choice where the expected return is negative) plays an important role in people’s decisions in a variety of economic contexts. Speaking of the role that commitment plays in motivating workers, he explains, “it is certainly costly and may be impossible to devise a system of supervision with rewards and punishment such that everyone has the incentive to exert himself. Every economic system has, therefore, tended to rely on the existence of attitudes toward work which supersedes the calculation of net gain from each unit of exertion."[24] If workers were to be purely egoistic (i.e., motivated only by the prospects of reaping a reward or the fear of being punished) joint production would be extremely costly to engage in.

Stated another way, while proper contracting and the enforcement of those contracts may seem to be an alternative to relying on the parties to the contract being trustworthy, writing contracts that provide adequate protection when parties are likely to be dishonest is very costly. As Mueller points out, "it is impossible, or nearly so, to create a perfect written contract … in its day to day dealings, business requires, and inspires, integrity, honesty, trustworthiness, and reliability in order to achieve its vaunted efficiency and growth."[25] Ensuring that there is little or no room for parties to a contract to engage in bad faith without facing some penalty requires that one meticulously works through the details of contracts. Additionally, contracting parties in a low trust environment must frequently rely on an outside enforcer who, in a low trust environment, is also unlikely to be trusted by contractors. As Fukuyama has argued, "while contract and self-interest are important sources of association, the most effective organizations are based on communities of shared ethical values. These communities do not require extensive contract and legal regulation of their relations because prior moral consensus gives members of the group a basis for mutual trust."[26] Any community that operates on trust thus has an instant advantage in coordinating activity. It is, simply, cheaper to coordinate activities. "By contrast," Fukuyama continues,

> people who do not trust one another will end up cooperating only under a system of formal rules and regulations, which have to be negotiated, agreed to, litigated, and enforced, sometimes by coercive means.… Widespread distrust in a society, in other words, imposes a kind of tax on all forms of economic activity, a tax that high-trust societies do not have to pay.[27]

While trust and, therefore, honesty are certainly important, they are not the only virtues necessary for a market to thrive. McCloskey has argued, for instance, that the material progress the world has experienced over the last two hundred years was caused by a change in the way market life was conceived of and talked about; a change away from considering commerce as being disrespectable to considering it as being legitimate and even moral. She has also argued that thriving markets depend on virtue; the classical virtues of courage, justice, prudence, and temperance and the Christian virtues of hope, faith, and love, as formulated by Thomas Aquinas. McCloskey writes that markets need people with "the courage to venture on new ways of business. But it is also the courage to overcome the fear of change, to bear defeat unto bankruptcy, to be courteous to new ideas, to wake up the next morning and face fresh work with cheer, resisting the despairing pessimism of the clerisy."[28] Moreover, markets need people with "the hope to imagine a better machine. But … also the hope to see the future as something other than stagnation or eternal recurrence, to infuse the day's work with a purpose, seeing one's labor as a glorious calling." Entrepreneurs are the driving force of the market. If entrepreneurs are to be successful, they must have courage and hope if they are to deal with the multiperiod, multicommodity market process where not only ignorance but also uncertainty is endemic. As Kirzner concedes, "entrepreneurial alertness, in this essentially uncertain, open-ended, multi-period world must unavoidably express itself in the qualities of boldness, self-confidence, creativity and innovative ability."[29]

Additionally, as McCloskey has argued, bourgeois society, that is, a thriving market-based society, also depends on the virtues of justice and even love. Justice here refers "to insist[ing] on private property honestly acquired.… It is also the justice to pay willingly for good work, to honor labor, to break down privilege, to value people for what they can do rather than for who they are, to view success without envy."[30] The market could not thrive if businessmen were too often engaged in political rather than commercial entrepreneurship (i.e., rent seeking rather than profit seeking) or did not respect the rule of law (i.e., were comfortable with skirting or circumventing the rules of the game). Similarly, Ratnapala has argued that market participants must possess moral capital, including justice, beneficence, and temperance, if they are to succeed. As Ratnapala states, "There is no tension between morality and commerce when morality is understood as pertaining to the conduct of human agents as distinguished from end states."[31] Justice, he notes, "is a necessary condition for commerce."

Moreover, McCloskey argues that bourgeois markets depend on the love "to take care of one's own … [and] also the bourgeois love to care for employees and partners and colleagues and customers and fellow citizens, to wish well of humankind, to seek God, finding human and transcendent connection in the marketplace."[32] As she notes, more than half of the retail purchases are on behalf of loved ones. "Love," she contends, "runs consumption."[33]

The market, then, should be conceived of as a moral space that depends on virtue. Put simply, a virtuous society is one where mutually beneficial exchange can occur at a lower cost. Markets do not depend on egoism. Instead, markets thrive when peopled by virtuous people.

Still, market society might contain the seeds of its own destruction. Market exchange might benefit from the existence of virtuous people but market exchange might transform these formerly virtuous people into atomistic individuals concerned with only their narrow self-interest. Far from discouraging virtues, however, markets can actually reinforce them. As Mueller comments, "people who are naturally virtuous will tend to do best in business … so there is likely to be a kind of reinforcement of virtuous behavior. There may also be a process of habituation or spillover."[34] The next section examines how markets reward virtues.

Markets Reward Virtues besides Prudence

Rather than seeing markets as merely being compatible with our morality or worse, encouraging us to be immoral, the market actually supports and even rewards virtue. There are positive returns to not only seeming to be virtuous but also to being authentically virtuous and there are penalties for being immoral. Instead of harming those who act ethically, the market process has the capacity to reinforce authentically virtuous behavior. First, as suggested above, courage and tenacity are rewarded by extraordinary profits, and imprudence is punished with monetary losses. The bold and creative entrepreneur can reap huge rewards while the foolhardy businessman can lose his entire endowment. Second, consumers are often willing to pay a premium and workers are often willing to work at a discount in order to interact with honest, trustworthy, faithful, and even loving (i.e., charitable) brokers and merchants. Recognizing this, companies make considerable investments to position their brands as "the one you can trust," or "the one you can count on," or "a pillar of the community since inception." Third, prejudices are costly to maintain in markets. The business that refuses to hire the most productive workers or serve potential customers who are most willing and able to pay because of race, ethnicity, or gender will lose out to its competitors.

Ger and Belk, for instance, found that neither wealth nor living in Western, market-based economies can explain cross-country differences in materialism—meaning consumption-based orientations.[35] They write that "neither consumers from the affluent Western countries or the less affluent countries were uniformly more or less materialistic."[36]

Similarly, in *Capitalism, Democracy, and Ralph's Pretty Good Grocery*, Mueller looks at some of the attributes the market encourages, in particular fairness, civility, compassion, and "heroism." Surveying the management literature, Mueller finds that one of the most important aspects of a manager is his or her ability to handle people. The workplace is an environment that is most productive when it fosters cooperation and camaraderie. Mueller cites management advisor

Mark McCormick, who advises that "people often agree to do things and then for reasons beyond their control are unable to do them. If you let them off the hook, are you being a nice guy or a fool? Obviously, if you intend to do business with them again," McCormick contends, "the choice is not that tough."[37] Even if you do not intend to do business with them again, he explains, that person is likely to tell other people whether you are a fair dealer or not. Empirically, as the market became a much larger place in Britain and Germany, Mueller argues, "[B]usiness behavior … became noticeably more honest during the course of the nineteenth century."[38]

Mueller begins his study of virtue and capitalism by observing that capitalism "is commonly maligned for the deceit, unfairness, dishonesty, and discourtesy that are widely taken to be the inevitable consequences of its apparent celebration of greed."[39] Successful businessmen are thought to be greedy individuals who are in the business of lying, cheating, and even stealing from customers and employees rather than being virtuous individuals who serve their customers and care for their employees. "But," Mueller explains, "capitalism actually tends, all other things being equal, systematically, though not uniformly, to reward business behavior that is honest, fair, civil, and compassionate, and it inspires a form of risk taking behavior that can often be credibly characterized as heroic.… Under capitalism, as it happens, virtue is considerably more than its own reward."[40]

Markets not only encourage individuals to be trustworthy but also encourage them to be nice. As Mueller points out, "cutting a deal with a nice guy will usually generate some pleasure and so one might be quite rationally willing to give in a bit more in a deal with a nice guy than in one with a non-nice guy."[41] It makes sense for profit-seeking businessmen to invest in goodwill and good customer service. The entrepreneur outside of competitive market settings, however, does not face the same incentives. Enterprises outside the competitive market process do not have to compete with others on the basis of price and service and must rely on mechanisms other than prices to ration goods and services. As Mueller says, "since enterprises like these cannot ration by price, they are inclined to ration by rudeness."[42]

Of course, no human institution, not our churches, governments, schools, or families, can inspire perfectly virtuous agents. Under a capitalist system, however, the market tends to do a pretty good job at rewarding—and thus inspiring—virtue. As Mueller continues, "people who are genuinely honest, fair, civil, and compassionate are more likely to succeed in business than those who simply fake it."[43] Inauthentic people can sometimes, though rarely, pass for people who are authentically good, but these do not survive in business. The oft-reported business scandals where corrupt executives are exposed and held up to ridicule are actually proof that the market punishes dishonesty rather than proof of the contrary as is often supposed. While these businessmen gain personal wealth while being corrupt, the exposure of that corruption ends their careers and can cost them much of their riches. As Max Weber suggests, "the universal reign of absolute unscrupulousness in the pursuit of selfish interests by the making of money has been a specific characteristic of precisely those countries whose bourgeois-capitalistic development … has remained backwards."[44]

The literature supports Mueller and Weber's general observations about reputations. The folk theorem, for instance, shows that repeated interactions, which are common and valuable to market participants, make cooperative outcomes more likely.[45] Cooperation is never guaranteed, of course, and the increasing likelihood of cooperation may not necessarily be for commendable goals.[46] One's reputation with consumers, however, is a valuable asset, and studies show that companies that have a good reputation receive higher prices for their goods.[47]

Markets and competition also punish arbitrary discrimination. The profit-and-loss signals that the market provides strongly discourage ignoring huge profit opportunities. As Friedman argues, "the preserves of discrimination in any society are the areas that are most monopolistic in character, whereas discrimination against groups of particular color or religion is least in those areas where there is the greatest freedom of competition."[48] Similarly, as Landsburg shows, when there is discrimination within an industry, there is such a huge incentive for hiring a full work force of the discriminated class of workers that, given free entry, there would likely be at least *one* employer willing to do so.[49] Greenspan *qua* entrepreneur recounts how his firm got ahead in the market. "Townsend-Greenspan," he explains,

> was unusual for an economics firm in that the men worked for the women.… My hiring of women economists was not motivated by women's liberation. It just made great business sense. I valued men and women equally, and found that because other employers did not, good women economists were less expensive than men. Hiring women did two things: it gave Townsend-Greenspan higher-quality work for the same money, and it marginally raised the market value of women.[50]

Ultimately, markets increase the benefit of being virtuous and lower the costs of doing so. As we would expect, there is more virtue than there otherwise would be. Storr writes,

> The market is simply not the amoral space that many of its critics and even some of its friends pretend that it is. And it is far from being the immoral space that its critics imagine. Instead, the market is a moral space. The virtuous succeed

> in the market and the market makes actors virtuous. As such, the market is a moral training ground where participants are encouraged to love one another, to have faith, to be of good courage, to hope for a brighter tomorrow, to follow just rules of conduct, to exercise restraint and to be prudent.[51]

Conclusion

Although it is important to pay more attention to the interaction between and mutual reliance on social life and the market economy, we do not believe—as many do—that the market economy undermines social life. While greed is transformed into a public virtue in the context of the market, it is neither a requirement within a market economy nor is it the way to prosperity under capitalism. The market is a moral space where virtue is rewarded and, thus, encouraged. Admittedly, markets do support some virtues more than others, and the virtues manifest themselves in specific ways. For instance, entrepreneurs who leverage their family's assets to support their ventures are exhibiting a different kind of courage than the kind that soldiers exhibit on the battlefield. The narrative in our public discourse that markets are somehow morally inferior to other forms of social coordination, however, should be reversed. Rather than treating virtuous businesspeople as exceptions or contradictions, unethical behavior in the context of the market process should be seen as the exception. Celebrating the selfish does not help the cause of the market, and it undermines the mechanisms that drive prosperity. Condemning business as inherently unethical removes any duty a business person might feel in conducting business in an ethical way. Both routes are inherently unstable—the only sustainable path is to recognize the market as a process that is inseparable from the ethical foundations of society.

Notes

1. See Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, vol. 1 (1776; repr., Indianapolis: Liberty Fund, 1981), 456, for the classic presentation of this argument. As Smith argued, by pursuing their own interests, individuals frequently, as if led by "an invisible hand," promote the interests of society.
2. Our definition of the market is the process that emerges through interpersonal exchange, signified by the division of labor, increased specialization, and largely impersonal transactions within a system of private property and rule of law with little central direction. The market process is universal, existing in present day societies as well as in ancient Chinese, Greek, and Mayan societies.
3. Deirdre McCloskey, *The Bourgeois Virtues: Ethics for an Age of Commerce* (Chicago: University of Chicago Press, 2006), 23.
4. Paul J. Zak, *Moral Markets: The Critical Role of Values in the Economy* (Princeton: Princeton University Press, 2008), xvii.
5. Virgil H. Storr, "Why the Market? Markets as Social and Moral Spaces," *Journal of Markets & Morality* 12, no. 2 (Fall 2009): 291.
6. Smith, *Wealth of Nations*, 27. As noted above, this does not really constitute a moral defense of markets. Instead, it argues that markets promote morality indirectly if at all and that markets make it unnecessary for us to worry about the morality of others. We are grateful to one of the reviewers for encouraging us to clarify this point.
7. Kenneth Arrow and Frank Hahn, *General Competitive Analysis* (Oxford: North Holland, 1971): vi.
8. Israel Kirzner, *Discovery, Capitalism, and Distributive Justice* (Oxford: Blackwell Publishers, 1989).
9. Kirzner, *Discovery, Capitalism, and Distributive Justice*.
10. Israel Kirzner, "Discovery, Private Property and the Theory of Justice in Capitalist Society," in *Morality of Markets*, ed. Parth J. Shah (New Delhi: Academic Foundation, 2004), 165.
11. Friedrich A. Hayek, *Law, Legislation and Liberty*, vol. 2, *The Mirage of Social Justice* (Chicago: University of Chicago Press, 1976), 70.
12. Hayek, *Law, Legislation and Liberty*, 64.
13. Hayek, *Law, Legislation and Liberty*, 80–84.
14. Peter Boettke, "Morality as Cooperation," in *Morality of Markets*, 43–50. Also see Andrew M. Yuengert, "Free Markets and Character," *Catholic Social Science*

Review 1 (1996): 99–110. Yuengert suggests that it is a mistake to look to markets to promote virtue. It is enough, he suggests, that markets promote incomes and are consistent with morality.

15. Boettke, "Morality as Cooperation," 49.
16. Boettke, "Morality as Cooperation," 47.
17. Boettke, "Morality as Cooperation," 44.
18. Boettke, "Morality as Cooperation," 48.
19. Boettke, "Morality as Cooperation," 49.
20. Don Lavoie and Emily Chamlee-Wright, *Culture and Enterprise: The Development, Representation, and Morality of Business* (London: Routledge, 2001).
21. Lavoie and Chamlee-Wright, *Culture and Enterprise*, 126.
22. Note, we are not suggesting here that good people are both necessary and sufficient for markets to thrive. Rather, our claim is that individuals with a certain set of virtues (what McCloskey called the "bourgeois virtues") are necessary though not sufficient for markets to thrive. There are, of course, individuals we might describe as being virtuous or moral who exhibit a different set of virtues (e.g., priestly virtues) who we do not suggest must exist in markets if they are to thrive. Additionally, markets need more than individuals with bourgeois virtues if they are thrive. For instance, private property and the rule of law are undoubtedly as, if not more, important.
23. Amartya Sen, "Rational Fools: A Critique of the Behavioral Foundations of Economic Theory," *Philosophy and Public Affairs* 6, no. 4 (1977): 317–44. O'Boyle has, similarly, criticized the narrow view of economics within mainstream economics that ignores the role of morality. See, for instance, Edward J. O'Boyle, "The Acting Person and Personalist Capital," *Journal of Markets & Morality* 15, no. 1 (Spring 2012): 89–102. See also Edward J. O'Boyle, *Personalist Economics: Moral Convictions, Economic Realities, and Social Action* (London: Springer, 1998).
24. Sen, "Rational Fools," 333.
25. John Mueller, *Capitalism, Democracy, and Ralph's Pretty Good Grocery* (Princeton: Princeton University Press, 1999), 23.
26. Francis Fukuyama, *Trust: The Social Virtues and the Creation of Prosperity* (New York: Free Press, 1996), 26.
27. Fukuyama, *Trust*, 27–28.
28. McCloskey, *The Bourgeois Virtues*, 508.
29. Israel Kirzner, "Creativity and/or Alertness: A Reconsideration of the Schumpeterian Entrepreneur," *Review of Austrian Economics* 11, nos. 1–2 (1999): 5–17, 12.

30. McCloskey, *The Bourgeois Virtues*, 508.

31. Suri Ratnapala, "Moral Capital and Commercial Society," in *The Challenge of Liberty: Classical Liberalism Today*, ed. R. Higgs and C. P. Close (Oakland: Independent Institute, 2006): 230.

32. McCloskey, *The Bourgeois Virtues*, 508.

33. McCloskey, *The Bourgeois Virtues*, 57. This is not to suggest that love is used unsparingly, or that individuals always and at all times substitute love for interests where possible when dealing with others. Moreover, it is also not to suggest that markets depend on everyone's being beneficent. As Robertson suggested, "We [economists] can … contribute mightily to the economizing, that is to the full but thrifty utilization, of that scarce resource Love—which we know, just as well as anybody else, to be the most precious thing in the world." See Dennis Robertson, "What Does the Economist Economize?" in *Economic Commentaries* (London: Staples Press, 1956), 154. On the challenge of presenting moral arguments for the market economy in economic education more particularly, see Dwight R. Lee and Mark C. Schug, "The Political Economy of Economic Education: The Moral Dimensions," *Journal of Markets & Morality* 14, no. 1 (Spring 2011): 71–84. Stated another way, we are not suggesting that thriving markets depend on everyone to exhibit magnanimous morality all the time. As Clark and Lee explain, "magnanimous morality can best be defined in terms of helping others in ways that satisfy three characteristics—helping intentionally, doing so at a personal sacrifice, and providing the help to identifiable beneficiaries." See J. R. Clark and Dwight R. Lee, "Markets and Morality," *Cato Journal* 31, no. 1 (Winter 2011): 1–26. Although we are not suggesting that markets depend on everyone's being beneficent or exhibiting magnanimous morality at all times, we do suggest that love does contribute to a society's economic well-being and that we would be not only morally but also materially worse off in the absence of love. Moreover, societies are materially better off because employers sometimes do engage in magnanimous morality. We are grateful to an anonymous referee for pushing us to clarify this point.

34. Mueller, *Capitalism, Democracy, and Ralph's Pretty Good Grocery*, 43.

35. Güliz Ger and Russell W. Belk, "Cross-cultural Differences in Materialism," *Journal of Economic Psychology* 17, no. 1 (1996): 55–77.

36. Ger and Belk, "Cross-cultural Differences in Materialism," 72.

37. Mueller, *Capitalism, Democracy, and Ralph's Pretty Good Grocery*, 29.

38. Mueller, *Capitalism, Democracy, and Ralph's Pretty Good Grocery*, 44.

39. Mueller, *Capitalism, Democracy, and Ralph's Pretty Good Grocery*, 5.

40. Mueller, *Capitalism, Democracy, and Ralph's Pretty Good Grocery*, 5.

41. Mueller, *Capitalism, Democracy, and Ralph's Pretty Good Grocery*, 42.
42. Mueller, *Capitalism, Democracy, and Ralph's Pretty Good Grocery*, 33.
43. Mueller, *Capitalism, Democracy, and Ralph's Pretty Good Grocery*, 21.
44. Max Weber, *The Protestant Ethic and the Spirit of Capitalism* (Mineola, NY: Dover Publications, 2003 [1905]), 53.
45. See, for instance, Drew Fudenberg and Eric Maskin, "The Folk Theorem in Repeated Games with Discounting or with Imperfect Public Information," *Econometrica* 54, no. 3 (1986): 533–56.
46. Alejandro Portes, "Social Capital: Its Origins and Applications in Modern Sociology," *Annual Review of Sociology* 24 (1998): 1–24.
47. See Carl Shapiro, "Premiums for High Quality Products as Rents to Reputation," *Quarterly Journal of Economics* 98, no. 4 (1983): 659–80, for an overview, and Avner Greif, "Reputation and Coalitions in Medieval Trade: Evidence on the Maghribi Traders," *Journal of Economic History* 49, no. 4 (1989): 857–82, for a historical study on the use of reputation to enhance coordination. Douglas W. Allen, *The Institutional Revolution: Measurement and the Economic Emergence of the Modern World* (Chicago: University of Chicago Press, 2011) studies several institutions that evolved to use reputation to enhance coordination.
48. Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 2002), 109.
49. Stephen Landsburg, *Fair Play* (New York: Free Press, 1997), 185.
50. Alan Greenspan, *Age of Turbulence: Adventures in a New World* (New York: Penguin, 2008), 74.
51. Storr, "Why the Market?" 289.