Do Markets Corrupt Our Morals?
Virgil Henry Storr and Ginny Seung Choi
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There is a growing interest in questions concerning economics and ethics. The field is, however, far from being saturated and many issues remain to be carefully investigated. *Do Markets Corrupt Our Morals?* by Virgil Storr and Ginny Choi (both of George Mason University) provides an impassioned defense of the view that there is a strong positive correlation—even a causal connection—between market economics and morality. The strength of the book is the clarity and openness of its claim. Its weakness is its superficially and the artificially simplistic framing of the analysis. Nevertheless, there is much that one can learn.

Do Markets Corrupt Our Morals? proceeds as follows. Chapter 1 ("Can Markets Be Moral?") explains the question and purpose of the book. It starts with Adam Smith's classic concern for the potentially corrupting effect of markets on our morals. It cites other thinkers, past and present, to the same effect: Aristotle, Aquinas, Marx, and recent works like Michael Sandel's *What Money Can't Buy: The Moral Limits of Markets* (2012). The authors also discuss the meaning of markets, making important clarifications, for example pointing out that some countries (such as the Nordic countries) have significant welfare states but are nevertheless market societies in other respects.

Chapters 2 and 3 go deeper in the review of earlier discussion. Chapter 2 ("Markets as Monsters") provides further evidence of criticism, whereas chapter 3 ("Markets as Unintentionally Moral Wealth Creators") reviews some of the traditional and modern defenses of markets. Importantly, the authors point out that these defenses often do not address the moral issue or fail to do so satisfactorily. Thus, there is a genuine gap in the discussion.

Chapter 4 ("People Can Improve Their Lives Through Markets") offers the authors' own initial defense of markets, taking a number of variables in terms of which market societies seem much better than their nonmarket counterparts. Chapter 5 ("Markets Are Moral Spaces") goes more explicitly to the main issue of the book. It names some virtues (beginning with prudence) and argues that market societies seem to favor them. Using their empirical research (which I will evaluate shortly), the authors argue that market societies are more altruistic, less likely to be materialistic, less likely to be corrupt, more likely to be cosmopolitan, and more trusting than nonmarket societies.

Chapter 6 ("Markets Are Moral Training Grounds") addresses the question by discussing theories of moral development. The authors argue that markets are not merely not harmful for our morals, but actually beneficial for true virtue. The final chapter ("What If Markets Are Really Moral?") addresses a range of related issues, such as so-called noxious markets, the importance of democracy, and so on.

Now, my personal evaluation of the book is as follows. I deeply appreciate the authors' attempt, and I find it an important contribution to a crucial debate. I also sympathize with their overall views, even if I am also sympathetic to some of the critics. But perhaps it is precisely in my high expectations for the book that I found it wanting.

The main problem of the book is this: The analysis is framed in a simple *yes* or *no* manner. Either markets corrupt our morals, or they do not. The problem is, of course, that the competing market-critical view becomes something of a straw man. In other words, what the authors end up showing is that markets certainly have at least some beneficial effects on morals (an important truth but hardly a surprising one), and that at least those who advocate a strict nonmarket society (e.g., Karl Marx and his followers) cannot defend their position on moral grounds.

However, when one goes back to chapter 1, which supposedly defined the question of the book, one looks at figures such as Adam Smith—who clearly did *not* advocate a nonmarket society—and Michael Sandel, who expressed doubts about the potentially harmful effect of markets on *some* aspects of human morality. As far as I can tell, it is *this* concern that is a genuinely interesting question for research. But this question is not addressed by Storr and Choi's methodology. Their empirical analysis completely avoids this question, which means that the bulk of their discussion is unable to address it.

To understand this criticism, it is necessary to take a closer look at the empirical research upon which Storr and Choi base their analysis. The background research is, thankfully, explained in detail in the appendix, and as far as it goes, it is a genuinely important contribution to the discussion, even if I found it insufficient. The way the empirical research is designed means that it is unable to provide reliable evidence regarding the more-subtle question that authors such as Sandel address. The entire discussion revolves around data obtained from the comparative analysis of "market societies" and "nonmarket societies." What are those nonmarket societies? Let us look at them more closely.

The appendix explains that the categorization is made using five indices measuring economic freedom (e.g., Fraser Institute's famous *Economic Freedom of the World* index, and a few others). Since economic freedom is a complex notion, these indices measure variables such as the size of government, legal structure and the security of property rights, access to sound money, freedom to trade internationally, regulation of business and labor, rule of law, absence of corruption, and so on. The authors define as "market societies" countries that have scores in the top two-fifths of the range of possible scores. The rest are "nonmarket societies."

Forty countries ended up being market societies, including most of more developed countries in the world, from the United States to the Nordic countries as well as some predictable Asian countries (Japan, South Korea, Taiwan, Singapore, Hong Kong, Macau). Obviously, Australia and New Zealand are market societies, as are also several tax havens like Antigua and Barbuda, Dominica, the Bahamas, Brunei, and Fiji.

One hundred and fifty were classified as nonmarket societies, including all of Africa, most of Asia, and the majority of the Arabic countries (with exceptions such as Saudi Arabia and Oman). Notably, almost all of Latin America (apart from some tax havens in the Caribbean) is also nonmarket, with the sole exception of Chile. And very importantly for the current discussion, almost all ex-Soviet countries are nonmarket societies, except Estonia and Slovakia.

It would, by the way, have been interesting to see how the dividing line would have changed if the criterion were moved down to, say half of the score or three-fifths. The authors must have speculated and tried some variants, because the chosen criterion of two-fifths is completely arbitrary. Unfortunately, they do not explain further.

Now, in principle, the methodology adopted by Storr and Choi may sound reasonable: It is objective and based on extensive research. In fact, though, there are major problems with it. For one thing, some of the categorizations are quite counterintuitive. In many cases, "nonmarket societies" are countries with very liberal economic policies presently, but which perhaps given their previous history have a heavy culture of corruption (this applies to many ex-Soviet countries).

But more generally, the problem is the spurious regression that results from the analysis. Many of the variables that are used to classify countries as market vs. nonmarket societies are not questions of economic policy but other outcomes such as corruption and weak rule of law—which of course means that morally weak societies end up being classified as "nonmarket" even if they are countries with low taxation and fewer regulations. What follows is a huge problem of causality. The notion of "market societies"—as it is defined in the background research—actually *presumes* a certain (relatively high) level of private and civic virtues. But then this empirical research cannot tell how market versus nonmarket factors *influence* those virtues because the categorization has already determined *ex ante* that nonmarket societies will obtain lower scores, regardless of their economic policies.

And, coming back to the concerns of people like Michael Sandel, it is not clear to me what the book's analysis could possibly say about the relative moral merits not of market economics as opposed to failed states and outright socialism, but of, say, the so-called American model of capitalism as opposed to the Scandinavian or European welfare state. Granted, such terms and notions are problematic in their own way, but countries like Sweden, Finland, and Denmark are *all* market societies according to the index, so the research sheds no light whatsoever on this question.

There are also issues with the way the authors define morality in empirical terms. They do, however, explicitly discuss the problem, and it is a useful attempt to provide something in literature that is still almost nonexistent. So it is a real contribution, even if it is insufficient. Another merit of the authors is that, in principle, they define morality in terms of *virtues* (which they define as dispositions "to act or feel the right way for the right reasons"), which I think is a very fruitful approach.

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