

What About the Society? Comments on Virgil Henry Storr and Ginny Seung Choi's *Do Markets Corrupt Our Morals?*

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During the last twenty years or so the pressure in academia to generate research grants has increased strongly. The art of money generation has become a critical skill of academics. Is that a sign of more market in academia? It is doubtful as there is no selling and buying going on. It surely has got my colleagues and me more focused on the art of grant acquisition. Some colleagues appear to be good at it. They get promotion because of it. The competition is tough—chances of success are often less than ten percent. I am not good at it, but fortunately I'd earned my professorial chair before the practice set in. The question is whether we have become better academics because of this practice. Is our research better because of it? Are we happier, better people now? I am not sure about the answers to these questions, but I have a suspicion. Based on my experience I certainly would not conclude that the practice has made us nicer, more generous, more upright people. I rather would say that there is more envy, more strife, less sharing, and more selfish behavior.

If grant getting is not really a market activity, what if university administrators started to apply the market logic for real? They could cancel our contracts and make our income dependent on the number of students we teach and graduate. They would allow us to vary our price to attract more students. Wouldn't that be great for the students? They would be free to choose! They would become our customers. They would become king (as true consumers), just as we, economists, preach. Some of us would do great, too, and increase their income. Others, the less popular teachers, would lose out. They could apply themselves to the art of grant acquisition. Or become entrepreneurial somehow, offering tutoring or assistance in the writing of essays. *Viva la mercado!*

Think again, I would advise.

With this sketch of the market in the academic world, I do not wish to undermine the convincing case that Storr and Choi make for the moralizing effects of market practices. With their exploration of a massive amount of literature and their empirical research they demonstrate that market societies generate happier, wealthier, healthier, less corrupt, better connected, and more generous people than nonmarket societies. Their argument, combined with the argument of McCloskey (2006), Lane (1991), and others, has persuaded me to change my mind on the demoralizing effects of market practices. Even though I would still argue that market practices can have demoralizing effects in some circumstances, as in the sketch above, I recognize the positive effects of a free market setting in which people are more or less free to start businesses, are free to trade and enjoy a stable regulatory setting, and where firm adherence to property rights should provide the conditions for happy, healthy, and rewarding lives, just as Storr, Choi and others argue.

However, Storr and Choi's account also gives occasion for some doubts. For the sake of the argument, I will stress these doubts in my comments.

One of the doubts concerns the approach of Storr and Choi. They assume a bird eye's view of the economy. All their data are general, concerning all people. They hardly focus on particular situations as the one I sketched above. One wonders whether the privatization of, say, the railroads in the UK, or the introduction of market practices in the healthcare sector and in education, have contributed to the specific and concrete happiness, health, and wealth of people.

Another doubt precedes this one, though. This concerns the consequences of the one-sided picture they presume of the economy. In this picture, market transactions are writ large, while all kinds of social interactions appear in the background, along with the phenomena of culture. Admittedly, their picture is more encompassing than the picture of most economists, which shows even less of the context in which people realize transactions. In this regard, they betray their Austrian background. Even so, the picture remains one-sided.

With a broader picture we gain a better perspective on the relationship between moral life and market practices, and it will allow me to motivate my doubts.

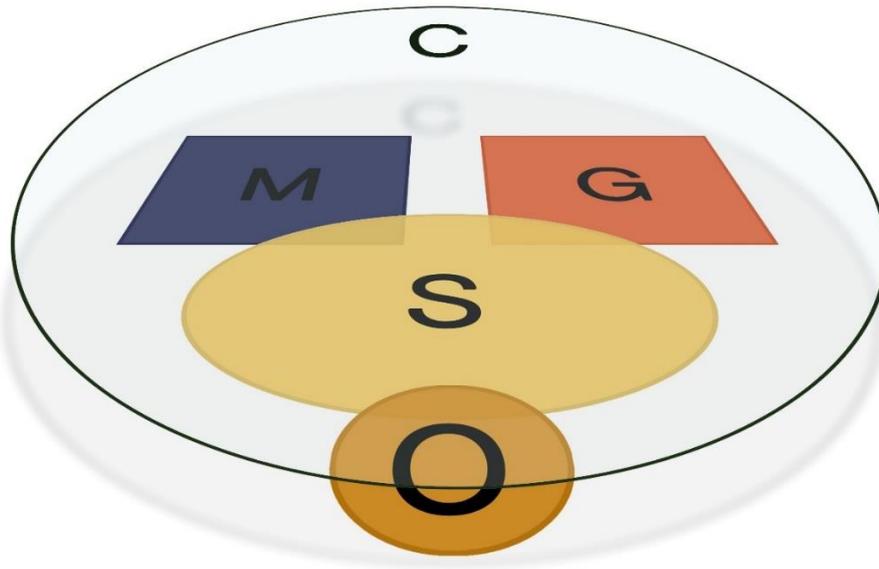


Figure 1: The model of five spheres: the oikos (*O*), the social (*S*), the market (*M*), the governmental (*G*) and the cultural (*C*) spheres.

A BROADER PICTURE

I developed the picture in Figure 1 in *Doing the Right Thing: A Value Based Economy* (Klamer 2017). The idea is to depict people as moving and operating in different spheres while realizing their lives, their work, their ambitions, and their values.

An important part of our lives takes place in the personal sphere, called the oikos (*O*). As economists will know, *oikos* is Greek for household, or home. Home has its own particular logic that informs what we do. When shared with other people (a partner, children, friends, or parents maybe), we tend to distribute tasks (‘when you take the kids to soccer practice, I will vacuum the house’), share dinner, care for each other, have vacations together, and develop common memories—usually this is accomplished without the intervention of money as unit of account or means of exchange, and without a governmental logic. The logic is based on loyalty, as Alfred Hirschman (1970) pointed out, or voice. Kids do what the father has ordered them to do, and when they do not appreciate the orders, they can express their discontent, cry, scream, or walk away. The oikos is also the site of dependency, abuse, suppression and indoctrination, the shadow sides of a logic of (inter-)dependency. When living by themselves, people relax, put on comfortable clothes, and do their thing disregarding what other people may think of that. All that is behavior typical for the oikos.

In the social sphere (*S*), people socialize, form relationships with people outside their *oikos*, for example, at school, on the street, at work, in clubs, in church, or wherever. The social sphere is the sphere of the social logic, the logic of reciprocity, of sharing, of participating, of giving and contributing. Like the *oikos*, there is a shadow side to social life: it excludes others and is a site of violence, discrimination, racism and sexism.

An important characteristic of the social sphere is the so-called “shared practice” (cf. Klammer 2017, chap. 6). Friendship is a good example. Friendship is a shared practice in the sense that two people share the friendship and practice it. Friends jointly ‘own’ their friendship although they derive no rights from such ownership. In this regard a ‘friendship’ is different from, say, a refrigerator. It is a good, as is a refrigerator, as it resists ownership (both goods are costly to acquire) and is good for all kinds of things (companionship, shared memories, assistance when moving). The big difference is, of course, that refrigerators are for sale and friendships are not. Refrigerators do well in the market economy, friendships do not.

The behavior that is required or expected from us in the social sphere is different from what is required and expected in markets (*M*). In order to share a practice, you need to contribute somehow. You gain a friendship by contributing to it. The same is true for communities, art, knowledge, religion, science: you need to participate and contribute to share ownership. We scientists speak, therefore, of a paper as a contribution. The principle of willingness to pay, so prominent in the market, is replaced by the principle of willingness to contribute. Note that this principle is absent in the economic picture that stresses transactions.

But scientists do not only socialize; they also write, talk, develop theories, conduct empirical tests. Those practices constitute the cultural sphere, together with all other sense-making practices. Whether people try to make sense of their cultural identity, watch a movie, read a book, make and look at advertisements, they are working with the cultural logic. It is the lifework of us, scientists.

Our moral life takes place to a great extent in this sphere, insofar as we try to make sense of good and bad, of ethical and unethical behavior, of what constitutes corruption, and why many people consider the mafia bad, while Mafiosi will insist that they uphold family values. When we scientists negotiate what is right and what is wrong, we operate in this sphere. Just consider your response to a colleague who is seeking wealth by giving up his research in order to write textbooks. And what to think

of the economist who speaks on camera on subjects beyond his expertise? Or, of the brilliant graduate student who forsakes his ideals to meet the requirements of success in academia.

And yes, we make transactions. We do so in the market sphere, the sphere of buying and selling, of pricing things, of quantifying our income and wealth. In this sphere we do business with people we may not know and buy stuff of which we do not know the origin or who produced it. When we buy a fish, we usually have no clue who caught the fish and where, who processed the fish and cooked it to our order. We do not need to know all that because, as economists are keen to point out, the price is doing the work for us.

The market sphere is a rich sphere, as economists know all too well. It has a remarkable dynamic, with prices moving all the time and fortunes alternating continuously. The pricing of things has a profound effect on our lives. It has a disciplinary effect, for one, but also enables us to plan, budget, and evaluate. It is the basis of all accounting. As McCloskey and I (1992) have argued, accounting is the root metaphor of economics.

Finally, we enter the governmental sphere (*G*), the sphere of organizations, of firms, profit and non-profit, churches, museums, and governments of course. This is the sphere of administration, functions, contracts, management, organizational structures, rules, regulations, hierarchies, laws, courts, ethical committees, supervision, accounting and so on.

When you have *G* clearly in the picture, its prevalence becomes apparent. Most of us spend a great deal of our working life in this sphere. We academics do. We do as we are told, teach classes that are assigned to us, and dutifully participate in the practice of grant-getting (because that is expected of us), we fill in our annual reviews, and heed exam requirements. We meet deadlines, or at least try to do so, because that is what the governmental logic stipulates us to do. We agreed to the terms of our employment in a contract and get our monthly pay. Part of the agreement is the rule that determines what happens with the additional income we earn. All this is organizational, belonging to *G*, not *M*. This is the reality of all employees, including CEOs.

If we are not working within organizations, we deal with organizations all the time. We deal with governments, of course, when paying taxes, getting permits, receiving benefits, or using public infrastructure. When we break our leg because of a hole in the pavement, we end up in hospitals (large organizations) and we might sue the government. But we also deal with organizations when we use Google or Facebook, or go shopping.

Most people with whom we complete a purchase are employees themselves, obeying organizational logic.

Given the strong role of *G* in our lives, it is somewhat strange how subdued its presence is in the economic picture. Storr and Choi, too, submerge most governmental logic in their market sphere. Even if we would concede that activities within an organization that is focused on making transactions, a commercial firm that is, are market activities, this still would leave us academics in *G*, and, with us, all people working for non-profits and for government agencies. That is quite a large number to overlook.

The oversight of *G* is even more curious when we consider the point that Coase (1937) already made a long time ago, and it is that firms exist in order to eliminate market transactions. People organize to avoid the dealing and wheeling of the marketplace. The organization allows them to agree on a distribution of tasks, for example, of the remuneration, of a hierarchy in responsibilities and functions, of a chain of command, of clear criteria of performance. Firms, therefore, keep the logic of *M* at bay. Consequently, almost half of what is reported as international trade occurs within firms; an intra firm transaction is administrative and follows the logic of *G* rather than that of *M* (considering tax regimes).

QUICK RETURNS OF INVESTING IN THIS PICTURE

Identifying the reach of *G* in our lives is only one of the returns of investing in the broader picture that I just sketched. There are others.

Consider the label ‘neo-liberal’. Storr and Choi avoid the term, but it might embolden their case. The label ‘liberal’ is usually associated with people who advocate the logic of *M* and see great things happening when the *M* sphere is left to its own devices, such as the realization of the freedoms to choose and to trade. The term ‘neo-liberal’—as coined by Michel Foucault (2008)—applies to the *G* sphere, the sphere of governmentality as Foucault called it. Neo-liberals apply or seek to apply *M* logic in the *G* sphere. They are trying to realize the *M* within the *G*, and so undo part of the de-marketization that is inherent in organizing practices.

The question here is whether the introduction of *M* logic in organizations, including practices of governments, has contributed to higher moral standards and increased the satisfaction of workers and customers, welfare recipients, and inhabitants. We may wonder, for example, whether the introduction of bonuses has improved collegiality on the work floor, or whether an increase in competitive atmosphere has made

employees happier, more generous, and more trustworthy. The answer is far from obvious.

Another quick return concerns the concept of consumption. We usually read 'consumption' as the purchases of consumers in markets. It is the amount that people spend in transactions to meet private wants. Now go to the picture and see for yourself: is that what people do? Surely, we all go to shops and market squares to purchase all kinds of stuff and services as well. Let's say we buy a ticket for a museum. Is that ticket consumption? According to the national income account, it is. Yet, all it gets us is access. Leaving aside that the museum is an organization and operates to a great extent outside *M*, we for sure must go to work in the social sphere. When we visit with family or a friend, we engage in a shared practice and even if we do not, we participate in a common practice that the collection of the museum constitutes. We share our interests with a limited group of others involved, somehow, in what the collection of the museum stands for. When we try to make sense of what we see, we are operating in the cultural sphere *C*, along with many others, including the curators who have tried to attribute various meanings and interpretations to the exhibited collection. Note that the values revolving around the purchase—'no, it is not right to sneak in without paying'—are quite unlike the values and qualities that are in play when trying to appreciate the exhibition—'how in the hell can they call a urinal art'. 'Please, give it a chance; as a matter of fact, this urinal signaled a break in the history of art.' 'Really. Tell me more!'

The first question to ask is: what constitutes our consumption? Is it the purchase of our ticket, or what we do afterwards? Yet, the efforts we make socializing with our companions and trying to make sense of what we witness have more the character of production. By walking around in that museum, we are realizing values, qualities that are important to us, like friendship and art.

It is the same with the eggplant that I buy at the market. I do not consume it right there, but I bring it home where my wife and I will quarrel some about the best way to prepare *melanzale parmigiano* for a dinner with friends. The eggplant is an ingredient for what is quite an elaborate production of a dinner and the conversations we plan to have while eating the eggplant. Who was arguing again that buying the eggplant is our consumption?

The other question to ask Storr and Choi is: what contributes more to our happiness and moral character? The purchase of the ticket and the

eggplant, or what follows? If we agree that the major impact is in what follows, we have concluded that the constitution of our moral character takes place in *O*, *S* and *G*, the spheres that are largely absent from the picture of Storr and Choi.

THE DOUBTS

With this broader picture in front of us, we are justified to question the characterizations of Storr and Choi and their attribution of causal effects. Is the Netherlands a market society or a well-organized society, with a strong government, a relatively good cooperation between business organizations and organizations of employees (the unions), a strong judicial system and police organization, and a well-organized educational and health system? How important is it that the Dutch have side-lined the *M* logic in so much that they organize? Surely, the Dutch are traders: selling flowers, meat, and dairy products all over the world. They are very good at it; but they do so with strong organizations, an unbelievably well-organized logistical system (just go to a flower auction in Aalsmeer at five in the morning to witness a well-oiled trading machine), and with a strong *S* (as shows in tight families, strong communities, active church life and fanatic supporters of the local sports).

We may wonder, therefore, to what extent organizational life is responsible for the health, wealth, and happiness of people, and what effect good organizations have on the moralizing in *C*. When we observe a high level of trust in so-called market societies, the real cause might be the qualities of organizational life, the disciplined way in which laws are upheld, and the trustworthy leadership (partly thanks to strong anti-corruption practices). Likewise, we may expect poorly functioning markets with bad moral qualities when organizations malfunction and civil society is disorganized.

When the quality of moral life is at issue, as it is in the study of Storr and Choi, we need to consider how the *C* logic works. How do people moralize? How do we negotiate about what is the right thing to do, and what is wrong? When considering these issues, we cannot avoid the spheres of the *oikos* and social life.

The *oikos* is where Aristotle started his exploration of the good life. His *Ethica Nichomachea* is, for what we know, addressed to his son Nichomacheus, to teach him what he needed to know in order to realize a good life. The instructions are about the virtues, about finding the right means among extremes, about the problems with *chrematistike*, the practice of

trading with strangers, and the importance of friendship (a topic that occupies a significant part of the book). In his *The Theory of Moral Sentiments*, Adam Smith explores mainly social practices, trying to figure out what the effects are of the admiration that people have for opulent others, how they incorporate the voice of others in their impartial spectator. It appears that our moral life is nurtured in our oikos, and then further developed in our social life, in what Adam Smith called the “great school of self-command” ([1759] 1981, III.i.3.25).¹ Some of this comes with age, as Lawrence Kohlberg, to whom Storr and Choi refer, has pointed out. They could have noted that moral development mainly takes place in the spheres of the *O*, *S*, and *C*. Young people do not do much yet in the *M* and the *G*, so the argument that the *M* moralizes young people in the right way seems farfetched. It is of interest to evoke the corrections of Carol Gilligan (1982) to the stages of development that Kohlberg has specified. She pointed out that the development of girls may be different as they develop a more relational moral logic because of the way they interact socially, being less competitive overall than boys. Again, this happens mainly in the social sphere. The market sphere is still out of sight as far as boys and girls are concerned. Storr, Choi, and McCloskey must tell us what impact the market has on our moral development when we are confronted with its logic and practice at a later age, when presumably our moral development is more or less completed. It could add discipline, spur entrepreneurial qualities, broaden networks, and increase socialization. But what will all this do to our sense of right and wrong, to our generosity, and to our willingness to respect the laws of the country?

And how about trust? Storr and Choi point to markets for the generation of trust with the argument that market societies do overall better on trust. But could the source be the oikos, as Francis Fukuyama has argued? According to Fukuyama (1995), social trust is lacking when the oikos is too strong. When Sicilian families require commitments to the *pater familias* over and above anyone else—God excepted, of course—social, legal, and organizational life get easily compromised. It serves an open society when the oikos is focused on preparing and supporting its young members for a life outside the oikos, for working under the authority of others and to respect the laws of the country.

¹ The reference to *The Theory of Moral Sentiments* in the Glasgow edition includes, in this order, part (in upper case Roman numerals), section (in lower case Roman numerals), chapter, and paragraph (in Arabic numerals).

Such support of the oikos will also contribute to the strength of social and public institutions like schools, sport clubs, churches, and libraries. Much of the moralizing takes place in the practices of such institutions. Just consider the influence of the school yard, the practices of the street, the practices of churches, of scouting, and of sports.

CONCLUSIONS

Storr and Choi have given a compelling demonstration that market societies perform better than other societies on all kinds of scores and inhabit healthier, happier, more generous, less corrupt, and more trusting people. Their case becomes less convincing when they attribute these positive outcomes to the functioning of markets. When we take a broader picture of these societies, we distinguish other spheres that just as well may account for at least some of these outcomes. More likely even, it is the interplay between the market, governmental, oikos, social and cultural spheres that bring about happy and moral people.

The narrative of Storr and Choi calls for a sequel.

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