The Erasmus Journal for Philosophy and Economics (EJPE) is a peer-reviewed bi-annual academic journal supported by the Erasmus Institute for Philosophy and Economics, Erasmus School of Philosophy, Erasmus University Rotterdam. EJPE publishes research on the methodology of economics, history of economic thought, ethics and economics, and the conceptual analysis of inter-disciplinary work relating economics to other fields. EJPE is an open-access journal. For additional information, see our website: <http://ejpe.org>.

EDITORS
Måns Abrahamson
Lennart Ackermans
Annalisa Costella
Erwin Dekker
Akshath Jitendranath
Vaios Koliofotis
Marina Uzunova

ADVISORY BOARD
**BOOK SYMPOSIUM on Do Markets Corrupt Our Morals?**

Markets and Morality: Complements or Substitutes?  
*María Pía Paganelli*  
[pp. 1–7]

What About the Society? Comments on Virgil Henry Storr and Ginny Seung Choi’s *Do Markets Corrupt Our Morals?*  
*Arjo Klamer*  
[pp. 8–18]

Virtues, Consequences, and the Market  
*Benjamin Ferguson*  
[pp. 19–29]

Markets, Morals, and Virtues: Evidential and Conceptual Issues  
*Riccardo Fumagalli*  
[pp. 30–41]

Measuring Markets and Morality  
*Ginny Seung Choi and Virgil Henry Storr*  
[pp. 42–60]

**INTERVIEW**

The Community of Advantage: An Interview with *Robert Sugden*  
[pp. 61–78]

**SPECIAL CONTRIBUTION**

Reflections on the 2019 Nobel Memorial Prize Awarded to Banerjee, Duflo, and Kremer  
*Chiara Lisciantra*  
[pp. 79–92]
BOOK REVIEWS

Ivan Moscati’s *Measuring Utility: From the Marginal Revolution to Behavioral Economics*
*AnnaLisa Costella and Enrico Mattia Saladini* [pp. 93–101]

Ernesto Screpanti’s *Labour and Value: Rethinking Marx’s Theory of Exploitation*
*Nicholas Vrousalis* [pp. 102–109]

Ola Innset’s *Reinventing Liberalism. The Politics, Philosophy and Economics of Early Neoliberalism (1920–1947)*
*Bram Mellink* [pp. 110–114]

Matthew D. Adler’s *Measuring Social Welfare: An Introduction*
*Noel Semple* [pp. 115–121]

Joost Hengstmengel’s *Divine Providence in Early Modern Economic Thought*
*Paul Oslington* [pp. 122–126]

Anthony B. Atkinson’s *Measuring Poverty Around the World*
*Brian Colgan* [pp. 127–132]

Rutger Claassen’s *Capabilities in a Just Society: A Theory of Navigational Agency*
*Henry S. Richardson* [pp. 133–138]

PHD THESIS SUMMARIES

Redefining Universal Development from and at the Margins: Indian Economics’ Contribution to Development Discourse, 1870–1905
*Maria Bach* [pp. 139–147]

Dreaming of Unity: Essays on the History of New Political Economy
*Rafael Galvão de Almeida* [pp. 148–151]
Virgil Storr and Ginny Choi (2019) ask if markets corrupt our morals. This is a question dear to me as much of my work on Adam Smith addresses versions of this question (Paganelli 2008, 2009, 2010, 2017b; Al-Ubaydli et al. 2013).

Storr and Choi’s answer is a resounding no: markets do not corrupt our morals. To the contrary, markets have a symbiotic relationship with morality. Markets need morality to survive and thrive, and at the same time, markets make us more moral. The authors support this claim with empirical and theoretical evidence. Despite my affinity to their positions, and my agreement that markets need morality to function, given my work on Adam Smith, I fear they may have posed the question in a misleading way. This may compromise their answer. They ask: do markets corrupt our morals? But to whom do they refer? Whose is ‘our’ in this inquiry? Twenty-first-century intellectuals of western countries? All of humanity? Could ‘our’ apply to medieval monks? Or to Spartan warriors?

Claims such as “markets make us better people” (194) or “on average, people who live in market societies exhibit more virtue and less vice than people who live in nonmarket societies” (234) are present throughout the book. But, what if we consider the converse of these claims? For example, that ‘nonmarket (societies) make us worse people’, or that ‘on average, people who live in nonmarket societies exhibit more vice and less virtue than people who live in market societies’. Do Storr and Choi really want to claim that people in, say, Italy, Spain, Costa Rica, Guatemala, Kenya, or Mozambique, i.e. countries which qualify as nonmarket societies, are on average less moral than people in the United States or the Bahamas, countries which qualify as market societies? And, assuming that such claims are not limited to contemporary society, could we say that, on average, medieval monks are immoral? What about Spartan warriors? Or Native Americans at the time of Columbus?
I fear the way Storr and Choi present their argument might imply the claim that I (or, on average, someone), by living in North America today, am a more virtuous and more moral person than a refugee from Syria (on average). If this is the claim they are indeed making, I strongly and categorically distance myself from their perspective. If, on the other hand, they are trying to respond to accusations that markets corrupt us, then I think they could have posed the question in a different way. Adam Smith may help us to understand this distinction. And in this, I will offer a different reading of Smith than Storr and Choi offer.

In my reading of Adam Smith, yes, markets do corrupt our morals, and no, markets do not corrupt our morals: markets make us more vicious and markets also make us more virtuous. The problem lies in the interpretation of who constitutes ‘our’. Markets do corrupt a set of morals present in non-commercial societies. But markets replace those morals with a different set of morals. So, it is not that markets crowd out virtues, leaving a vacuum, but that markets substitute a set of virtues with another set of different virtues. In this sense, markets both corrupt morals and help us become moral. Both statements are correct, because ‘our morals’ may not be a fixed set of morals, but different sets of morals.

In my understanding of Adam Smith, he presents us with a theory of endogenous preference formation, which translates into a theory of endogenous virtues/vices formation (Paganelli 2018). Given the constancy of human nature, we behave differently given different constraints; and the constraints we face will determine what is appropriate and what is not appropriate, what deserves approbation and what deserve disapprobation. Different constraints will thus generate the appropriate set of virtues and/or moral behaviors, and they will vary with the variations of the constraints.

Smith is explicit in both The Theory of Moral Sentiments and Wealth of Nations that different systems of morals are appropriate in different circumstances. In my reading of Smith, he does not suggest that there is a univocal set of virtues, but argues that what is considered a virtuous

---

1 This and all subsequent references to The Theory of Moral Sentiments, abbreviated as ‘TMS’, are to the Glasgow edition (Smith [1759] 1981a). References include, in this order, part (in upper case Roman numerals), section (where applicable, in lower case Roman numerals), chapter, and paragraph (in Arabic numerals). Similarly, references to the Wealth of Nations, abbreviated as ‘WN’, are also to the Glasgow edition (Smith [1776] 1981b). References include, in this order, book (in upper case Roman numerals), chapter (in lower case Roman numerals), part (where applicable, in lower case Roman letters), and paragraph (in Arabic numerals).
behavior depends on circumstances (Bee and Paganelli 2019; Paganelli 2017a).

In *TMS*, he tells us that if a military general starts crying uncontrollably in front of all his soldiers when he receives the news of the death of his child, he would not be considered virtuous. He should keep a stiff upper lip when in command. But once home, if he keeps a straight face and expresses indifference to the news in the intimacy of his family, he would be considered a monster and not a virtuous person (*TMS*, V.2.5). Virtue is circumstantial.

Smith continues (*TMS*, III.3.37), under a “boisterous and stormy sky”, we value the virtue of self-command. In a boisterous storm, we suppress the expression of our emotions. Openly panicking or showing how much we suffer will not do any good. To the contrary, it will jeopardize our lives and the lives of the people around us. We are better off suppressing the expression of our emotions. Our lack of expression of emotions, which for Smith is the essence of self-command, is valued in situations in which life, and the lives of those around us, is in constant danger. War is thus the best school for self-command. Hunter-gatherers, who also face constant threats of death, value self-command as the most important virtue.

But complete self-command, which for Smith implies a lack of expression of emotions, is not something we value in the “mild sunshine” (*TMS*, III.3.37). In a boisterous storm, yes; in mild sunshine, no. In mild sunshine, when we live in comfort, when we do not have to worry constantly about our survival, then the ‘masculine’ virtue of self-command is replaced with the ‘feminine’ virtue of humanity (on masculine and feminine virtues in Smith see, for example, Montes 2004; and Sebastiani 2013). Humanity is the opposite of self-command. It is the (appropriate) expression of emotions that generates the joy of mutual sympathy. Humanity on the battlefield is not a virtue. It is a dangerous thing and it should be avoided. Self-command is the appropriate virtue to display there. But the same virtuous self-command on a battlefield becomes a monstrous thing in the warm intimacy of friends and family. Humanity substitutes self-command given the different set of constraints (see also *TMS*, V.2.8; and Bee and Paganelli 2019; cf. Carrasco 2012).

Similarly, Smith explicitly claims in the *Wealth of Nations* (V.i.g.10) that we have two systems of morality, which run parallel to one another. One is not better than the other; rather, one is more appropriate than the other given the circumstances. For Smith, there is an “austere system” of morality adopted by and appropriate for the poor, and a “loose system”
of morality adopted by and appropriate for the rich (WN, V.i.g.10). The rich, being rich, can afford luxuries and extravagances. A life of excesses will have little impact on their wealth. A loose system of morality is thus appropriate for them. The poor would ruin themselves and their families quickly if they engaged in the same behavior. So, an austere system of morality is what is appropriate and virtuous for them.

Differently from Deirdre McCloskey (2006), who, as cited in Storr and Choi, claims that the increase in wealth in the West was caused by a change in attitude toward merchants (without telling us what caused that change in attitude), Smith claims that this change in attitude came from a change in constraints. The accumulation of capital caused profit rates to decrease. Holland accumulated so much capital, in Smith’s account, that living on the returns of it became impossible. People needed to work, to be actively involved in commercial activities to make a living. And since so many had to do it, it became fashionable (WN, Lix.20). Here again, it is the change in constraints that originally caused the change in attitude and the change in what was deemed worthy of approbation.

The examples of different sets of virtues being appropriate under different circumstances abound in Smith. And this is why I am reluctant to answer Storr and Choi’s question in the same way they have done. They read Smith as supporting markets for their material betterment but criticizing markets for their potential corruption of our morals. For example, for them, markets corrupted the “poor man’s son” (TMS, IV.1.8), who, cursed with ambition, worked all his life to accumulate wealth and then, sick and old, realized that wealth did not give him the happiness he hoped for. Yet, his delusions made us all better off as his work improved society. Distancing themselves from Smith, Storr and Choi claim that markets do not need to corrupt our morals, but rather, that they improve our morals.

First, I am not sure the morals of the poor man’s son were corrupted. He did nothing wrong—he did not elbow anybody aside or cheat his competitors (TMS, II.ii.2.1). He did not steal and did not hurt anyone. He may (or may not) have been wrong about what brings happiness, but that does not make him immoral or vicious. Merchants and manufacturers, on the other hand, when they collude to keep the wage of workers low, or when they successfully lobby to obtain privileges that enrich themselves with the “blood and treasure” (WN, IV.vii.c.63) of others, have corrupted morals. Is that corruption caused by the market? Maybe. But the corruption happens only when the market is pushed into the hands of the privilege-
granting power of the state. That is where morals are unquestionably compromised, not when one works in an honest way.

For Smith, markets do corrupt our morals, if our morals are the morals of a feudal system. Markets make us undisciplined and cowardly in war, weaken hospitality, feed our vanity, and challenge austerity. But they do not create moral monsters unless we are able to access the monopoly power of the state. Markets substitute the more typical masculine virtues of pre-commercial societies with the more feminine virtues of commercial society. We may weep like babies over a small fine (a corruption of morality from the pre-commercial/masculine perspective), but we offer the comfort of a shoulder to cry on to our friends (a moral act from the feminine/commercial perspective). Those living in a commercial society tend to be more cowardly in wars but tend to be more punctual in the fulfillment of their contracts (Paganelli forthcoming). Hence, markets create different constraints. What is appropriate and worthy of approbation will vary from constraint to constraint.

In Smith’s account, asking for women’s independence in a hunter-gathering society is close to impossible. It is virtuous for a woman to stay ‘home’ and let the hunting to the physically stronger man. An independent woman would be a dead woman in that society. But in a society where bread is earned not by physical strength but through manufacturing or some other form of non-physical skills, family values are not as important since a woman can earn her living on her own. Women’s emancipation becomes feasible and virtuous. So, in a sense it is true that markets destroy the family; but they replace one set of values with a different one, more appropriate to the new circumstances. For example, cosmopolitanism is a virtue only when a stranger does not kill you. In hunter-gatherer or pastoral societies, when strangers come to kill you and steal the little you have, welcoming them is not a virtue, it is reckless. The virtue in that context is to defend yourself and your possessions, to fight strangers and torture them to death so that their clan members will not try to do the same. Torturing a stranger in the twenty-first-century western world is abhorrent. Welcoming a stranger in a hunter-gather society, in a Smithian framework, is similarly abhorrent (on different institutions in different stages of development in Smith, see, among others, Berry 1997; Smith 2006). The constraints are different, so the system of morals is also different.

In response to Storr and Choi, I would rather say: markets do corrupt our morals and replace them with a different set of morals that are more
appropriate to the new constraints that markets create. Markets are indeed *doux*, not because they make better people or more virtuous people, but because they soften our spirit, substituting one set of virtues with another. One is not better than the other—one is more appropriate to the specific circumstances than the other.

That said, the book is pleasantly written and worth reading. The topic is both actual and it engages centuries long debates. It will offer the reader many excellent foods for thought.

**REFERENCES**


**Maria Pia Paganelli** is a Professor of Economics at Trinity University. She works on Adam Smith, David Hume, and 18th-century monetary theories. She wrote *The Routledge Guidebook to Smith’s “Wealth of Nations”* (Routledge, 2020), and co-edited the *Oxford Handbook of Adam Smith* (Oxford University Press, 2013) and *Adam Smith and Rousseau: Ethics, Politics, Economics* (Edinburgh University Press, 2018). She served as the Vice President of the History of Economics Society and as the book review editor for the *Journal of the History of Economic Thought*. She is the current President of the International Adam Smith Society.

Contact e-mail: <mpaganel@trinity.edu>
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.
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.

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

REFERENCES
Arjo Klamer is Professor of Cultural Economics emeritus at the Erasmus University. His most recent book is *Doing the Right Thing: A Value Based Economy* (2017) with which he concludes twenty five years of research into the relationship between culture and economy. The outcome is a reevaluation of economics as a moral science.

Contact e-mail: <klamer@eshcc.eur.nl>
I thank Marina Uzunova for helpful comments and suggestions. Funding was provided by Nederlandse Organisatie voor Wetenschappelijk Onderzoek (NL) (Grant No. 275-20-063).

Virtues, Consequences, and the Market

BENJAMIN FERGUSON
University of Warwick
Vrije University Amsterdam

I. INTRODUCTION
A traditional—but increasingly unconvincing—critique of markets challenges their superiority in terms of generating welfare. After all, markets can be alienating, they can generate inequality, and, arguably, allow for the exchange of goods that ought not to be traded. If these effects collectively made people who live in market societies worse off than those who do not, the implementation of markets would be unacceptable. However, while markets do have some of these negative effects, the welfare and material benefits they provide are massive. In Do Markets Corrupt our Morals? Virgil Storr and Ginny Choi provide substantial evidence for the conclusion that not only are “people who live in market societies [...] wealthier, healthier, happier, and better connected than people who live in nonmarket societies” but these benefits are available to the rich and poor alike: “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” (13).

However, responding to this traditional critique is not Storr and Choi’s primary aim. Instead, they focus on a more nuanced critique. This critique accepts that markets produce the aforementioned material benefits, but counters that the real problem with markets is that they come at the cost of our ethical integrity. Call this the virtue-based critique (VC). The VC claims that

VC1 “Vice is more prevalent in market societies than in nonmarket societies and virtue is less prevalent in market societies than in non-market societies.”
VC2  “As a society becomes more market-oriented and as the scope of
the market in a society expands, more vice and less virtue will exist
in that society.”

VC3  “The more a person engages in market activity, the less virtuous
they are likely to be.” (44)

Storr and Choi note that both classical and contemporary defenses of
markets respond to the traditional critique, but “none of these defenses
[…] respond to the [VC] […] argument that engaging in market activity can
corrupt our morals” (65). Some classical responses, like those offered by
Bernard Mandeville and Adam Smith, grant VC3 that markets may allow
private vice, but they argue that this private vice leads to public virtue
and so they reject VC1 and VC2. Other market defenders, such as Philip
Wicksteed and Milton Friedman, argue that markets are morally neutral
and “are essentially tools that individuals use to further their ends, re-
gardless of their ends” (62). Finally, some defenders argue that markets
are moral spaces to a certain degree, but at the same time they accept
that markets can also corrupt. This group, which includes Henry Hazlitt,
claims that markets are on balance better than the available alternatives.
Storr and Choi think these responses are inadequate and concede too
much to the VC. They argue:

the claim that markets are morally corrupting is simply wrong.
Markets do not work in theory or in practice the way the moral
critics and some of the moral defenders of markets contend. (77)

Furthermore, contra VC3, “the more a person engages in market activity,
the more virtuous they are likely to be” and, contra VC1 and VC2, “as a
society becomes more market-oriented […] more virtue and less vice will
exist in that society” (77).

II. THREE CONCERNS
A widely accepted claim about virtue ethics is that virtues are disposi-
tions. According to contemporary analyses of dispositions, they are best
understood in counterfactual terms (Quine 1960). One way to cash out
this claim about dispositions is to say that A is disposed to φ under con-
ditions C if and only if A would φ in some suitable proportion of possible
worlds where these conditions obtain (Manley and Wasserman 2008; Fara
And since virtues are dispositions, by substitution we can say that \( A \) has virtue \( V \) just in case \( A \) would \( \phi \) in some suitable proportion of possible worlds where certain conditions obtain. More succinctly, we can say \( A \) has virtue \( V \) just in case \( A \)'s \( \phi \)-ing is robust.\(^1\) This claim is a claim about the \textit{structure} of virtues.

A second widely accepted claim about virtue ethics is that there are \textit{many} virtues: justice, honesty, compassion, courage, kindness, prudence, faith, hope, and love are amongst the most commonly cited virtues. Since these are all different virtues, they are associated with different actions. For example, honesty is robust truth-telling and, more controversially, love is the robust provision of care (Pettit 2015; Ferguson 2018). This claim is a claim about the \textit{content} of virtues.

Third, although there is a broad consensus that virtues are dispositions and that there are many of them, there is \textit{no} consensus about how (or whether) virtues aggregate. So, there is no common agreement about when it is correct to say someone is, on the whole, a virtuous \textit{person} (apart from the trivial claim that virtuous people are those who, broadly speaking, have virtuous characters). This claim is a (negative) claim about how the \textit{aggregation} of specific virtues leads to an all-things-considered virtuous character.

I mention these three facts about virtue ethics because I think that despite their claim to directly engage with virtue-based critiques of markets, Storr and Choi have, by and large, provided an \textit{indirect} response to the VC that ultimately requires rejecting some standard accounts of virtue. And my reasons for thinking that this is the case are related to each of these three facts about virtues. The first, and most minor, concern I have relates to the last point I made about aggregation.

\textbf{II.I. Aggregation}

Claims VC1–VC3, and Storr and Choi’s counterclaims, are aggregate claims, all-things-considered judgements about the quality of an individual’s (VC3) or society’s (VC1 and VC2) behaviour. If the weights that Storr and Choi place on certain virtues differ from those of their critics, then they may reach different conclusions. For example, a nonmarket society may perform better with respect to kindness, and a market society may perform better with respect to prudence. If Storr and Choi think prudence

\(^1\) There are, of course, different ways to exhibit a virtue—we can be kind, generous, or friendly in a variety of ways. So, strictly speaking, to be virtuous is to perform a certain action \textit{type} robustly (not a specific token action).
carries more weight in determining whether an individual or a society is all-things-considered virtuous than their critics think, then the two will come to different conclusions about which society is more virtuous. Now, neither Storr and Choi, nor their critics (as far as I know) endorse weights or hierarchies of virtues and so this remains primarily a theoretical concern.

One response to this potential problem is to appeal to dominance reasoning. If a market society outperforms a nonmarket society across all virtues, then, regardless of how various virtues are weighed, the market society must be all-things-considered more virtuous. Storr and Choi could argue that this is precisely what they have shown. After all, they show that market societies fare better than nonmarket societies across a wide range of indicators that proxy for virtues. They provide empirical comparisons of market and nonmarket societies with respect to the following virtues and vices: prudence (156), altruism (164), tolerance (172), trust (177), materialism (168), and corruption (170) and they cite McCloskey’s (2006) argument that in order to function, markets require certain levels of courage, justice, temperance, prudence, faith, hope, and love. Of course, McCloskey’s arguments don’t address the comparative challenge in VC2, but they do allay fears in VC1 that market participation erodes certain virtues.

However, I do not think proponents of the VC will be convinced by this dominance reasoning response. First, they may argue that the virtues markets corrupt are not those listed by Storr and Choi, but rather virtues like empathy or being other-regarding. Relatedly, they may challenge whether the empirical evidence Storr and Choi cite is a good proxy for the virtues in question. This brings me to my second concern.

II.II. The Content of Virtue
An example of the worry about proxies is the evidence that Storr and Choi provide that individuals in market societies are less likely to be materialistic. Here they show that “people in market societies are less likely to view being rich and successful as being important” (168). Furthermore, they argue that attitudes about wealth and success are not explained by a positive attitude towards competition since more people in nonmarket societies think competition is good. They conclude from these results that “the evidence (weakly) suggests that people in market societies are less likely to be materialistic than people in nonmarket societies” (169).
One factor that may drive this result is the decreasing marginal utility of wealth and success. If, as Storr and Choi argue, people in nonmarket societies are significantly poorer, less healthy, and less happy than those in market societies, they will likely have good reason to care more about being wealthy and successful. Importantly, on Aristotle’s account, to be virtuous is not to lack a particular feeling, it is about “having these feelings at the right times, about the right things, toward the right people, for the right end, and in the right way [...] it is a mean between two vices, one of excess and one of deficiency” (Aristotle 1999, 1106b21–1107a3, 24–25). With this in mind, it is not clear that the stronger feeling of desire for wealth and success experienced by those in nonmarket societies is a vice.

More fundamentally, it is not clear that attitudes towards wealth and success are even appropriate proxies for materialism. Materialism is defined as “a tendency to consider material possessions and physical comfort as more important than spiritual values” (Stevenson 2010). Wealth and success can be variously interpreted, and variously employed. The most charitable interpretation of what animates proponents of the VC is that people in market societies pursue the wrong kinds of wealth and success, rather than focusing on values of the kind that Mill ([1863] 2001) would have called the ‘higher pleasures’. Arguably, the pursuit of goods, such as consumer electronics, or fast fashion is more problematic than the pursuit of safe and comfortable housing, or flavourful and nutritious foods. In other words, the VC is concerned with the content of ends that people in markets pursue. It seems that a more appropriate proxy for the vice that proponents of the VC have in mind would be a per capita measure of advertising expenditures, where market societies will arguably outperform nonmarket societies and thus would rank as more materialistic.

Markets are, on Storr and Choi’s definition, “space[s] where the buying and selling of goods and services takes place” and in which people both “compete with one another to secure the goods and services that they desire” and “cooperate with one another to produce and purchase goods and services” (8). As such, markets do not themselves place any constraints on the goods that people trade in them. This fact gives rise to the concern that markets can become noxious when they include certain things that ought not to be for sale (Satz 2010; Sandel 2012). But the materialism concern is importantly different from the problem of noxious markets, for it does not claim that certain goods should not be for sale. Rather, the core of the concern about materialism is that the market’s agnosticism allows (and encourages, via advertising) individuals to
disproportionately pursue the wrong kinds of goods. At root, the problem is that markets require only a commitment to the relatively thin theory of good known as classical liberalism (Mill [1863] 2001; Steiner 1984, 1994; Nozick 1974), which, as Hillel Steiner puts it, “eschew[s] any conception of objective value or human needs, [is] agnostic as between different tastes and preferences, [...] [and] commits itself only to the primacy of personal rights and liberties and to individual choice” (1984, 225). Yet, on the most charitable reading, the VC proponents’ concerns about materialism are motivated by perfectionism, which is a theory of the good that specifies particular objective values (Aristotle 1999; Hurka 1993).

One response to this challenge is to argue that properly specified, liberalism is a more plausible theory of value than perfectionism. After all, it imposes few substantive constraints on the ends that individuals may pursue, and thus allows for a high degree of individual liberty. Furthermore, this agnosticism about value allows for a high degree of ecumenism, which allows liberal market societies to be more cosmopolitan in practice.

However, this response is at odds with Storr and Choi’s argument. What they want to show is that those values that proponents of the VC are concerned with are actually better instantiated in market societies, and, consequently, if you are moved by the moral considerations that motivate the VC, then you actually have moral reasons to support markets. The response I have sketched above, however, requires a substantive critique of the perfectionist considerations that motivate materialist objections to market societies.

II.III. The Structure of Virtues
Finally, my third concern relates to the first fact I mentioned: that structurally speaking, virtues are dispositions; robust patterns of behaviour. As Pettit puts it, “You will not count as treating me with honesty [...] just because you tell me the truth under a suitable trigger here and now. After all, you might be happy to do that just because it suits your current purposes for me to know how you take things to be”; rather, to say you have the virtue of honesty means “your telling me the truth must not be dependent on that sort of contingency. It must be the case that you would tell me the truth, for example, even if it was inconvenient for you to do so: even if it thwarted rather than furthered your personal ends” (Pettit 2015, 46). Virtue requires more than the performance of an action in the
actual world, it requires that one would also perform the action if things happened to be different, that is, across a *range* of counterfactual worlds. An important question is: what is the range of these worlds? It is not infinite, for as Pettit also points out, “I could hardly regard you as dishonest [...] when you [actually] tell me the truth about someone’s whereabouts, on the ground that you would not tell me the truth in a variant on actual circumstances in which I want to kill that person, innocent though the person is” (Pettit 2015, 49). So, virtue must be robust to certain changes in actual circumstance, but not to others. Now, specifying the range of virtue's demands is a complicated issue that requires more space than I have available here. What I do want to argue, however, is that many virtues require that actions are robust across changes in circumstance such as profitability. Yet, since markets incentivise responsiveness to profitability considerations, they are, in many cases, incompatible with virtuous behaviour, given the dispositional structure of virtues.

Consider two Aristotelian virtues that Terence Irwin translates as ‘individual virtues of character’: generosity, and friendliness (Aristotle 1999). Suppose that in the actual world person A performs a friendly act for B but that A wouldn’t act in this way if it became unprofitable for him to do so. Surely, though A acts *as if* he is B’s friend, he is not truly a friend (fair weather friends, as the saying goes, are no friends at all). Friendship requires you to treat your friends in friendly ways “not just as a contingent matter: not just as luck or chance or a spasm of good will would have it” (Pettit 2015, 2). Similarly, actual charitable donations do not signify the virtue of charity if they are contingent on, for example, the availability of tax deductions. These considerations generalise to many of the virtues that Storr and Choi consider: altruism, trust, corruption, and tolerance.

Storr and Choi do include the following caveat: “While we would want to assess the reasons why individuals act or feel the way that they do, we do not have direct access to people’s motivations” and they point out that “being virtuous and behaving virtuously are not disconnected” (250). Yet, we do not need *direct* access to agents’ internal states to assess the robustness of their behaviour. Both natural and lab-based experiments can examine how and whether variations in incentive structures can lead agents to modify their behaviour. More importantly though, I think Storr and Choi have a substantive disagreement with standard virtue ethical assumptions about the scope of robustness. In their comments on entrepreneurialism and the discussion of the virtue of prudence, they suggest that sensitivity to the profit motive is morally commendable:
Prudent entrepreneurs, for instance, will notice and exploit opportunities to earn a profit by buying a good at a lower price and selling that good at a higher price. That the same good is selling at different prices is an error in need of correction; the price discrepancy means that some producer is selling her wares for too low a price and some consumer is buying the goods he wants at too high a price. Prudent entrepreneurs will be alert to the existence of these errors and will exploit these arbitrage opportunities because of their desire for profits. (155)

Here they are at odds with not only those who advance the VC, but also deontological ethicists, such as Kant, who famously argued that while charging a fair price is in accord with one’s duty (that is, behaving virtuously), “this is not nearly enough for making us believe that the merchant has acted this way from duty and from principles of honesty; his own advantage required him to do it [...] the action was done neither from duty nor from immediate inclination, but merely for a selfish purpose” (Kant [1785] 1993, 10; emphasis added).

To be clear, I am not claiming that Storr and Choi’s position about robustness is incorrect or indefensible. Market signals like prices and profitability can be important for generating good outcomes. For example, suppose merchants raise their prices on the anticipation of a hurricane. Though sometimes described as price gouging, this behaviour can lead to better outcomes than if they hadn’t increased prices. First, it incentivises more traders to enter the market, supplying more goods at a crucial time. Second, higher prices mean that consumers will need to think more carefully about whether they really need the goods in question. So, without formally restricting individual choices, these price increases nevertheless lead to an outcome where more goods are available and where these goods are directed to those who need them most. Sure, the best case scenario might be one in which individuals enter the market without a profit incentive and where individuals voluntarily refrain from frivolous purchases in disasters, but unfortunately human behaviour is far from perfect. Price increases offer a second best solution to the problem, which, given the feasibility constraints that flawed human behaviour imposes, ends up generating the best outcome.

Thus, there are very good reasons for thinking that agents’ behaviour should be responsive to profit motives. Storr and Choi think that responsiveness to the profit motive is commendable; proponents of the VC will argue that in many cases it signals that an action is not, in fact, virtuous,
at least if agents would change their behaviour when the profit motive changes. Thus, it is not the case that those who are moved by the VC are mistaken in their opposition to markets because the values that they care about are actually better instantiated in market societies. Rather, there is a real and deep disagreement between VC proponents and Storr and Choi about what is of most ethical importance: individual motives and the robustness of these motives, or the social outcomes that markets facilitate.

To recap then, I have raised three concerns with Storr and Choi’s response to the VC. I think that they have not clearly explained which virtues are most important in determining whether a person is all-things-considered virtuous and thus there is room for disagreement between VC proponents and Storr and Choi about the weights attached to various virtues. I have argued that their interpretation of the content of the virtue of materialism differs from the kinds of concerns that VC proponents have about materialism in markets. And, finally, I have argued that Storr and Choi break with standard accounts of the robustness of virtues by allowing agents to change their behaviour based on the profit motive.

III. VIRTUES VERSUS CONSEQUENCES

Early in their book, Storr and Choi acknowledge that

the most damning critiques [of markets] [...] 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 [...] 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. (12)

But the problem is that the target phenomenon that they seek to empirically assess is defined differently by different ethical theories. Deontologists, like Kant, are sensitive to the motives on which agents act. Since virtues are dispositions, virtue ethicists are sensitive to something similar: the robustness of actions. And the problem for Storr and Choi is that the most plausible accounts of both the content and structure of virtues suggests that in many cases markets do crowd out virtuous behaviour.

Although Storr and Choi explicitly argue that markets promote both individual and social virtue, the implicit thrust of their arguments is

2 Though similar, robustness and motives are distinct. See Ferguson (2018) for a discussion.
consequentialist in nature. In chapter 4 they provide extensive evidence that people “in market societies are wealthier, healthier, happier, and better connected than people who live in nonmarket societies” and that these benefits accrue to the poor and rich alike (13). They then claim that “this material fact [...] is of moral significance” (13). And while they are correct that it is of moral significance, they are reporting on the good consequences of markets. Similarly, the virtuous behaviour that they focus on—and support with empirical studies—in chapters 5 and 6 is also a consequence. It seems to me that the arguments they really want to make are consequentialist in nature.

SC1 Morally good consequences are more prevalent in market societies than in nonmarket societies.

SC2 As a society becomes more market-oriented and as the scope of the market in a society expands, morally good consequences increase.

SC3 The more a person engages in market activity, the more likely they are to enjoy morally good consequences.

SC4 These consequences are, ultimately, morally more important than considerations like robustness or motives.

And apart from my quibble over their interpretation of materialism, I think Storr and Choi have provided pretty convincing evidence for the truth of these first three claims. But the reason that they do not directly respond to those motivated by the VC is that they offer no defence of their implicit, but substantial, assumption SC4. I think there are good reasons to think that SC4 is true, at least in most ordinary cases, and so there is good reason to resist VC at this deep ethical level. But contrary to Storr and Choi’s caveats, the debate about this crucial claim, and by extension, an adequate response to the VC depends on the defence of a normative ethical claim that cannot be settled by appeals to empirical evidence.

REFERENCES

**Benjamin Ferguson** is an Associate Professor in the department of Philosophy at the University of Warwick and an Assistant Professor of Ethics at VU Amsterdam. His research focuses on Moral and Political Philosophy, especially on the ethics of market-based interactions like exploitation and fraud. He has also published articles on Kant, moral reasons, and love.

Contact e-mail: <benjamin.ferguson@warwick.ac.uk>
Website: <benjaminferguson.org>
In their interesting book, *Do Markets Corrupt our Morals?*, Virgil Henry Storr and Ginny Seung Choi provide a timely and stimulating contribution to the long-lasting debate concerning the effects of markets on the morality of individuals’ behaviour. The authors build on what they regard as “the most convincing theories about how markets can work and the best available evidence regarding how markets have worked” to argue that—contrary to widespread opinion—markets “are not morally corrupting” and are, in fact, “moral training grounds that support moral improvement” (vi). The authors advance two main arguments to substantiate this central thesis. First, “people in market societies are wealthier, healthier, happier, and better connected than people in nonmarket societies”, and “this material fact [...] is morally significant” (11). And second, “the market is a moral space that both depends on its participants being virtuous and also rewards them for being virtuous” (11). The idea is that “rather than making us selfish and corrupt, markets both work better when peopled by virtuous people and encourage virtuous behavior” (8).

The book is divided into seven chapters and an appendix. Chapter 1 briefly contextualizes the debate concerning the effects of markets on the morality of individuals’ behaviour and summarizes the contents of the other chapters. Chapters 2 and 3 respectively examine distinct versions of the often-made criticism that markets are morally corrupting and various traditional responses to such criticism. Chapter 4 aims to substantiate the authors’ first main argument that “people who live in market societies are wealthier, healthier, happier, and better connected than people who live in nonmarket societies” and that “this material fact [...] is of moral significance” (13). Chapter 5 aims to substantiate the authors’ second main argument that “markets function better when participants are virtuous” and that “market participants tend to be virtuous” (13). Chapter 6 aims to demonstrate that markets “make us more virtuous” and
highlights various mechanisms through which markets allegedly promote virtue (13). Chapter 7 explicated the implications of the previous chapters for the ongoing debate concerning market interventions and argues that “moral costs [...] result from curtailing market activity” (13). Finally, the appendix outlines the authors’ measures of the morality of individuals’ behaviour, their classification of market and nonmarket societies, and the statistical/econometric analyses underlying their comparisons “of how market societies and nonmarket societies [respectively] perform on various measures of morality” (249).

I lack the space here to offer a more detailed summary of the book’s contents and discuss the many interesting issues examined by the authors. In what follows, I briefly explicate what I regard as the main strengths of the book and provide a critical evaluation of the book’s central thesis, focusing on the two main arguments that the authors put forward to substantiate such a thesis.

Storr and Choi collect a wide range of empirical findings to substantiate their central thesis that markets are “moral training grounds that support moral improvement” (vi). The authors carefully demarcate the intended scope of their evaluation, making clear both that their review “of the most trenchant critiques of the market [is not] comprehensive” (34) and that they do not discuss important issues, such as income inequality and the problem of noxious markets. The exposition is commendably clear and (apart from some chapters’ wordy beginnings) properly streamlined. The authors provide insightful discussions of earlier debates concerning the effects of markets on the morality of individuals’ behaviour, and they correctly note that to address the “central moral concern” of market critics, “the question of whether or not engaging in market activities is morally corrupting has to be answered directly” (12; see also 77). In doing so, they scrupulously acknowledge the limitations affecting many traditional defences of markets (see, for example, 12 for the claim that “traditional moral defenses of the market do not really address the central moral criticism leveled against markets by their critics”; see also 51–52).

That said, let me expand on the reservations I have concerning the two main arguments that the authors provide to substantiate their central thesis that markets are “moral training grounds that support moral improvement” (vi). I shall critically examine these two arguments in points I–II below. In doing so, I shall focus on the authors’ claims concerning individuals’ virtues (rather than deontological or consequentialist issues)
since the authors’ two arguments predominantly focus on the aretaic evaluation of markets. Moreover, I shall devote greater attention to the authors’ second argument, since (as I illustrate below) this argument addresses the market critics’ concern that markets are morally corrupting more directly than the authors’ first argument.

Before proceeding, let me briefly address one methodological issue that importantly bears on the evaluation of markets’ effects on the morality of individuals’ behaviour. At the beginning of the book, Storr and Choi contend that the claim that markets are morally corrupting—while “often discussed in the language of moral philosophy”—“is at root an empirical, rather than a philosophical, claim” (13). However, I do not think that empirical and philosophical considerations concerning markets’ effects on the morality of individuals’ behaviour are plausibly juxtaposed in this way. To be clear, I agree with the authors that claims as to whether markets are morally corrupting are (or at least ought to be) amenable to empirical analysis. Still, I think that the issue whether markets are morally corrupting crucially rests on empirical and philosophical presuppositions, and that adequately addressing this issue requires one to draw on both empirical and philosophical considerations. In fact, below I shall attempt to demonstrate that the issue whether markets are morally corrupting is not easily resolved on purely empirical grounds and that philosophical considerations play a crucial role in adequately addressing such an issue.

I. FIRST ARGUMENT
According to Storr and Choi’s first main argument, “people in market societies are wealthier, healthier, happier, and better connected than people in nonmarket societies” (11). Moreover, “this material fact […] is morally significant” (11; see also 87 and 95). This first main argument is predicated on a putatively sharp dichotomy between market societies and non-market societies. Storr and Choi define market (as opposed to nonmarket) societies as “areas, countries, or regions where markets are permitted to thrive […] without significant interference”, that is, “spaces where property rights are respected, contracts are enforced, and the rule of law exists” (9). More specifically, the authors demarcate market and nonmarket societies on the basis of five indices, and define a country as a market society only if it scores “in the top two-fifths of the range of possible scores in each of the indices for which a score was available for that particular country” (252).
Storr and Choi anticipate some concerns with their decision to classify as market societies only those countries that fall in the top two-fifths of the range of possible scores for each of their indices. However, they dismiss these concerns on the alleged ground that such concerns “would apply to any and all choices of cutoffs” (253). This latter point is not without merit, but does not eliminate concerns regarding the putative arbitrariness of the authors’ choice of indices and the specific cutoffs for each index. One way to alleviate these concerns would have been to provide some data regarding the robustness of their statistical/econometric results to variations in the chosen indices and/or cutoffs for each index. Such data, in turn, could have also helped the authors to better support and contextualize their classification of specific countries as market/nonmarket societies (see, for example, 10 on the classification of Spain as a nonmarket society).

More generally, the point remains that the authors’ dichotomous classification of countries into market and nonmarket societies tends to superimpose a somewhat arbitrary degree of sharpness and precision on an evaluative issue whose treatment should allow for more graded and nuanced distinctions. To be sure, I agree that “in determining whether or not market activity is morally corrupting, it is important to know which countries allow the greatest scope and support for market activities” (252). I am also aware that a graded (rather than dichotomous) indicator of marketness might have not suited well the authors’ aim to “determine whether or not market and nonmarket societies perform differently on various measures” (253). Still, as the authors note, a graded (rather than dichotomous) indicator of marketness would have enabled them to illuminate other relevant issues (see, for example, the book’s appendix on how marginal changes in marketness affect various measures of morality). And in any case, the authors’ dichotomous classification of countries into market and nonmarket societies seems insufficiently fine-grained to capture many of the graded and nuanced distinctions involved in their evidential comparisons.

Now, let us suppose—for the sake of argument—that the authors were able to overcome these classificatory concerns. Assume further that they were able to demonstrate that, in general, “market societies outperform nonmarket societies in numerous indicators of material well-being” (97). Even so, additional questions would remain as to how exactly the material prosperity yielded by markets bears on the issue whether markets are morally corrupting. After all, one may consistently grant that markets
yield material prosperity, yet doubt that this prosperity makes individual market participants more virtuous. To address this concern, the authors claim that the material prosperity yielded by markets enables individual market participants to “avoid many difficult moral dilemmas” and makes them “better positioned to actually improve the lives of others [and] more willing to focus on the well-being of others” (126). However, the authors do not convincingly support the claim that the material prosperity yielded by markets makes individual market participants “more willing to focus on the well-being of others” (126; for example, the functioning of markets does not generally require that their individual participants intend to enhance the actual well-being of their trading partners). And the alleged fact that the material prosperity yielded by markets enables individual market participants to “avoid many difficult moral dilemmas” and makes them “better positioned to actually improve the lives of others” (126) does not *per se* make individual market participants more virtuous. In these respects, the authors’ first argument fails to convincingly address the market critics’ concern that markets are morally corrupting and does not seem to significantly improve over the traditional (and avowedly deficient) defences of markets cited by the authors.

II. SECOND ARGUMENT

According to Storr and Choi’s second main argument, “the market is a moral space that both depends on its participants being virtuous and also rewards them for being virtuous” (11). The idea is that “rather than making us selfish and corrupt, markets both work better when peopled by virtuous people and encourage virtuous behavior” (8). I have two main reservations concerning this second argument. My first reservation targets the *evidential base* on which this argument is grounded. My second reservation targets the putative *mechanisms* through which such an argument takes markets to make their individual participants more virtuous. Let me expand on these two reservations in turn.

Storr and Choi build on the working hypothesis that “if markets are morally corrupting, [then] we should observe market societies displaying lower levels of virtue and higher levels of vice compared to nonmarket societies” (249). To be sure, Storr and Choi aptly acknowledge that various factors besides differences in marketness “might explain any observed differences in measures of virtue and vice” across societies (44). However, they take evidence concerning the degree to which individuals display virtues in market (versus nonmarket) societies to provide reliable
indications concerning the effects of markets on individuals’ virtues. Moreover, they claim that as a matter of empirical fact, “on average, people who live in market societies exhibit more virtue and less vice than people who live in nonmarket societies” (234). In their view, the available empirical evidence reliably indicates that people in market (versus nonmarket) 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” (13).

Let us grant, for the sake of argument, Storr and Choi’s working hypothesis that “if markets are morally corrupting, [then] we should observe market societies displaying lower levels of virtue and higher levels of vice compared to nonmarket societies” (249). Do Storr and Choi provide convincing evidence that “on average, people who live in market societies exhibit more virtue and less vice than people who live in nonmarket societies” (234)? Do they substantiate their claims that people in market (versus nonmarket) 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” (13)? Some of these claims do not come across as very convincing. For instance, the claim that “people living in market societies appear to have stronger communities than people living in nonmarket societies” (106) trades on the ambiguity inherent in the term ‘community’ and is not supported by plausible illustrations (for example, the remarks at 109 on how “social networking applications and websites allow individuals to [...] form new connections with people [...] who share similar attitudes” seem to markedly underestimate social networks’ polarization effects on our social and political life). Other claims need further specifications. For instance, the claim that “people in market societies are more altruistic than people in nonmarket societies” (166) should be supplemented with subtler distinctions between different types of altruism and their respective etiology and moral significance. Still other claims appear to be more plausible, but do not directly support the authors’ thesis that markets make their participants more virtuous. For instance, consider the authors’ claim that markets promote various so-called bourgeois virtues (see, for example, McCloskey 2006). The hypothesized fact that markets promote various bourgeois virtues does not per se show that markets prevalently promote (rather than hamper) aretically valuable character traits unless one provides convincing evidence that bourgeois virtues and traditional (such as Aristotelian) virtues significantly overlap (see, for example, Fumagalli 2020). Regrettably, the
authors do not provide convincing evidence that bourgeois virtues and traditional (such as Aristotelian) virtues significantly overlap. In fact, the authors explicitly concede that they “do not engage” the arguments that leading virtue ethicists (such as MacIntyre [1981] 1984) develop to show that “the values of the market are at odds with traditional virtues” (34). This partial lack of engagement, however, greatly constrains the authors’ ability to substantiate their thesis that markets prevalently promote (rather than hamper) aretaically valuable character traits.

My second reservation about Storr and Choi’s second main argument targets the putative mechanisms through which this argument takes markets to make their individual participants more virtuous. According to Storr and Choi, “markets are spaces of moral development because [...] virtuous behavior is rewarded, and immoral behavior is punished in markets” (13). In particular, the authors infer that “we become more moral the more that we engage in market activity” on the alleged ground that markets “reward virtue and punish vice” (45). In their view, market interactions make their individual participants more virtuous through at least two mechanisms. First, “every market transaction serves as an opportunity [...] to discover those market participants who have the moral qualities that we [appreciate]” (195; see also 212). And second, “markets allow us to reward market participants with the ethical qualities we appreciate and to punish those [we take to] behave immorally” (195; see also 212).

Suppose, for the sake of argument, that these two mechanisms can be reliably presumed to operate in several market contexts. Even so, it is an open empirical question how much time and resources individual market participants are willing to invest to discover and reward those market participants with the ethical qualities they appreciate. To be sure, I agree with Storr and Choi that people frequently “want to do business with people who are virtuous” (235) and are “often willing to pay a premium to deal with businesses that they believe to be ethical” (165). Yet, people’s decisions as to whether to engage in specific market transactions typically depend more on the perceived quality and price of the traded goods and services than on their evaluation of the aretaic qualities of their potential trading partners. In fact, many traditional calls in favour of markets build on the alleged fact that market transactions allow their participants to efficiently trade without having to evaluate the aretaic qualities of other participants to such transactions (see, for example, Bruni and Sugden 2013). Moreover, whether “markets will tend to reward virtuous behavior and punish immoral behavior” (235) will crucially depend on a vast range
of contingent situational factors (see, for example, Fumagalli 2020), including how many of one’s trading partners exhibit virtuous (rather than aretaically defective) behaviour, how frequently one interacts with virtuous (rather than aretaically defective) trading partners, and how reliably one can discern the aretaic qualities of her potential trading partners (for example, do brand reputations and rating systems enable individuals to reliably and rapidly discern the aretaic qualities of their potential trading partners? How effectively can aretaically defective market participants mimic the behaviour and the attitudes of more virtuous market participants?).

In this context, it would be of limited import to respond that “market participants must be virtuous […] if they are to succeed (in the long term)” (182). For this response fails to provide precise and testable specifications of how success is defined and measured in the targeted contexts, how long the envisioned ‘long term’ is, and what level of aretaic achievement market participants must attain in order to ‘succeed’. Similarly, more evidence would be needed to support the claim that “disingenuous individuals are rarely successful at impersonating authentically good people for a long time [since] people seem to have an uncanny ability to detect the authentically virtuous from the inauthentically virtuous” (218). In fact, one can think of numerous market transactions where market participants who act in aretaically defective ways can secure benefits that make it prudentially rational for them to act in such ways (see, for example, Allhoff 2003; Satz 2010; and Sunstein 1991 for illustrations). To be clear, I do grant that “markets and morality are not inconsistent” (182) and that “a successful commercial life […] can be a virtuous life” (157; see also chapters 4–5 for several studies supporting these claims). Still, the available empirical evidence concerning the effects of markets on individuals’ virtues appears to be mixed at best, and does not demonstrate that individuals in societies with high levels of market integration tend to be more virtuous because of market participation rather than because of factors that correlate with (but are distinct from) market participation (see, for example, Bowles 2016; Copp and Sobel 2004; and Frank 2011 on social norms and reputation).

More generally, the point remains that even if Storr and Choi were able to show that “virtuous behavior is rewarded, and immoral behavior is punished in markets” (13), this would not suffice to demonstrate that markets “have the capacity to make us authentically virtuous” (224). To illustrate this, let me draw on the distinction between the notion of acting
merely *in accordance with* virtue and the notion of acting *from* virtue. This distinction, which figures prominently in the virtue ethics literature, can be explicated as follows (see, for example, Aristotle 1954, 1105a1–1105b18; see also Audi 1995). Acting in accordance with virtue only requires one to perform particular virtuous actions, that is, actions that accord with what virtues demand in one’s circumstances (such as generous actions). Acting from virtue, instead, requires one not only to perform particular virtuous actions, but also to satisfy additional aretaic requirements. More specifically, an action in accordance with virtue can be plausibly regarded as an action from virtue only if the individual who performs such action: (i) has adequate reasons and evidence to infer that the examined action is in accordance with virtue; (ii) performs this action mainly because such action is in accordance with virtue rather than because of factors (such as purely self-regarding motives) that do not directly pertain to the aretaic merits of such action; and (iii) is disposed to perform this action under various changes in factors that do not directly pertain to the aretaic merits of such action (see, for example, Fumagalli 2020).

To be sure, acting from virtue does not require that one be motivated *only* by the relevant aretaic considerations (see, for example, Annas 2007). Moreover, acting from virtue can be a source of *benefits* for an individual, and if performing a virtuous action provides one with some benefit, then this benefit does not *per se* make the action any less virtuous than it would be in the absence of such benefit (see, for example, Solomon 1992). Still, acting in accordance with virtue is insufficient for acting from virtue and is not by itself “a reliable indication of [virtuous] character” (Audi 1995, 465). For whether one’s actions are from virtue (rather than merely in accordance with virtue) crucially depends on the reasons why one performs such actions, and not all reasons have the aretaic significance required to make actions in accordance with virtue qualify as actions from virtue.

The distinction between acting merely in accordance with virtue and acting from virtue importantly bears on the debate concerning the effects of markets on individuals’ virtues. For as this distinction indicates, showing that markets promote individuals’ propensity to act in accordance with virtue falls short of demonstrating that markets promote individuals’ propensity to act from virtue. Storr and Choi are not oblivious to this distinction (see, for example, their claim at 250 that “a virtue is a disposition to act or feel the right way for the right reasons”). Still, they do not
seem to pay sufficient attention to the implications of such a distinction for the debate concerning the effects of markets on individuals’ virtues. To be clear, Storr and Choi grant that it is “unlikely” that their “quantitative measures of moral outcomes [and] cross-country surveys of morally relevant attitudes [...] can really ‘get at’ virtue” (251). However, they maintain that their analysis “necessarily [focuses on] behaviors, and expressions of values” rather than motivations because “we do not have direct access to people’s motivations” (250). And in chapters 5–7 they repeatedly take evidence that individual market participants act in accordance with virtue to reliably indicate that individual market participants act from virtue.

In this context, one may agree with the authors that “genuinely virtuous people (i.e. people who do the right things for the right reasons) are likely to consistently act virtuously and to consistently express values [...] consistent with various virtues” (250). Even so, there are reasons to question whether evidence that individual market participants act in accordance with virtue can be taken to reliably indicate that individual market participants act from virtue. To give one example, market incentives often tend to render individuals’ propensity to perform actions in accordance with virtue *conditional* on the presence of suitable rewards or penalties (see, for example, Bowles 2016; and Sunstein 1991 on monetary rewards and penalties). This tendency, in turn, hampers (rather than promotes) individuals’ propensity to act from virtue. For if one performs actions in accordance with virtue only conditional on the presence of suitable rewards or penalties, then such actions are more plausibly regarded as actions merely in accordance with virtue rather than actions from virtue. As to the authors’ claim that “we do not have direct access to people’s motivations” (250), one may point to various cases where individuals’ behaviour in market transactions fails to reliably disclosed their own motivations and reasons for action (see, for example, Brennan and Jaworski 2015, chap. 9–12). Still, experimenters are often able to test specific empirical hypotheses concerning markets’ effects on individuals’ motivations and reasons for action, and the available empirical evidence gives reason to doubt that markets prevalently promote (rather than hamper) individuals’ propensity to act from virtue (see, for example, Bartling, Weber, and Yao 2015 on cases where market transactions erode individuals’ sense of social responsibility; Graafland 2010 on cases where market transactions crowd out generosity; Hargreaves Heap, Tan, and Zizzo 2013 on cases
where market transactions impair individuals’ sensitivity to relative income differentials).

In sum, Storr and Choi examine a range of pressing and important issues, probably more issues than their interesting book can adequately address. This, however, may be seen as a strength (rather than a weakness) of a book which aims to spark discussion about themes of profound relevance to our economic, social, and political life. In my view, this book provides a helpful springboard for further empirical and philosophical discussions concerning the relationship between markets and morals. In particular, it constitutes a fine read for all those who aim to gain a deeper understanding of the effects of markets on the morality of individuals’ behaviour.

REFERENCES


**Roberto Fumagalli** is Lecturer and Director of the Philosophy, Politics & Economics Program at King’s College London. His research interests cover a wide range of areas, including philosophy of economics, philosophy of science, moral and political philosophy, philosophy and public policy. He has published articles in several international journals, including *Philosophical Studies, Philosophy of Science, Economics and Philosophy, Biology and Philosophy, Erkenntnis, Social Choice & Welfare, Philosophy of the Social Sciences*, the *Journal of Social Philosophy, Bioethics, Synthese, Studia Leibnitiana, Studies in History and Philosophy of Science* and the *Journal of Economic Methodology*.

Contact e-mail: <roberto.fumagalli@kcl.ac.uk>
We are extremely thankful to the Erasmus Journal for Philosophy and Economics, Volume 13, Issue 1, Spring 2020, pp. 42–60. https://doi.org/10.23941/ejpe.v13i1.471

Measuring Markets and Morality

GINNY SEUNG CHOI
Mercatus Center, George Mason University

VIRGIL HENRY STORR
Mercatus Center, George Mason University

INTRODUCTION
We wrote Do Markets Corrupt Our Morals? (DMCOM?) because there appeared to be a largely undisputed agreement amongst scholars and lay people that markets can and do generate material wealth and improve overall welfare but that they do so at the expense of our morality. There is, in fact, a long-standing critique of markets, i.e. that markets corrupt our morals. Engaging in market activity, says this view, places us in a kind of moral jeopardy; there is a grave and inevitable moral risk in engaging in the buying and selling of goods and services in the marketplace because the market rewards our worst traits. As a result, the repeated interactions in and with the market and its expansion crowd out and erode our morality and foster vice. As Marx (quoted on 19) vividly described it, the market transforms man into “an abstract being, an automaton, and [...] a spiritual and physical monster”. In response, with a few exceptions, those who would defend markets tended to advance one of three sorts of argument: (1) private (market) vices generate public benefits; (2) markets are mere tools of coordination and/or distribution and thus are neither moral nor immoral; and (3) markets achieve superior moral outcomes than other economic settings/systems and so the overall benefits outweigh the moral cost (that is, nonmarket systems put us into even worse moral situations). In our perspective, these defenses sidestepped the moral corruption critique or, more alarmingly, implicitly or explicitly embraced it; these defenses, we felt, inadequately addressed the central moral criticism leveled by critics of the market.

AUTHORS’ NOTE: We are extremely thankful to the Erasmus Journal for Philosophy and Economics and especially to Erwin Dekker, for organizing this symposium on our book, Do Markets Corrupt Our Morals? (2019). We are equally grateful to those who participated in the symposium—Ben Ferguson, Roberto Fumagalli, Arjo Klamer, and Maria Pia Paganelli.
Our strategy in *DMCOM?* was to attempt to answer theoretically and empirically a question that almost everyone, many critics of markets and defenders of markets alike, assumed already had a settled answer. We wondered if the most plausible theories about how markets do work and the convincing empirical evidence about how markets have worked would support or cast doubt on the view that markets corrupt our morals.

Admittedly, the answer we found, while countering the dominant view, was not an altogether surprising one. Indeed, our everyday commercial interactions (with large companies such as Amazon, Target, Starbucks, and Whole Foods, and local companies such as Clare and Don’s Beach Shack, Bangkok Golden Thai Restaurant, and Northside Social in Northern Virginia in the United States) seemed to be at odds with the belief that markets corrupt our morals. The people we encountered in market spaces tended to be honest not dishonest, tolerant not intolerant, giving not greedy. The empirical evidence we discuss in *DMCOM?* suggests that markets are not associated with more vice and less virtue. In fact, the reverse is true. This casts considerable doubt on the claim that markets corrupt our morals. If markets do in fact corrupt our morals, we should have found the opposite pattern of the one we did. Additionally, the empirical evidence suggests (1) that market participants can learn virtue and vice in the market and (2) that there are mechanisms within markets that encourage virtue and discourage vice. Markets, the evidence suggests, are moral training grounds where we can learn to be better people.

Although we believe that there is a compelling case that markets do not corrupt our morals, we did not expect that *DMCOM?* would be the final word on the subject. In fact, we hoped it would inspire criticism. With *DMCOM?*, we hoped to re-ignite what we thought was a much-needed conversation in the academy as well as in contemporary political discourse about the morality of markets and to learn from that conversation.¹ We are thrilled by the responses in this symposium, as we think they demonstrate that we have been successful in this endeavor.

While all of the contributors to this symposium said kind things about *DMCOM?*, they all advanced important questions and criticisms. Ferguson, for instance, expressed concerns about our justification for elevating

---

¹ It is, of course, an exaggeration to say that no one had taken up the question of whether or not markets corrupt our morals before we did. See, of course, McCloskey (2006). But, we maintain that our approach to answering this question is a unique one. And, to our knowledge, we are the first to attempt to answer this particular question head-on using the most plausible economic theories about how markets do work and the most compelling evidence about how markets have worked.
certain virtues and not others. He also pointed to several instances where the way we think about and discuss virtues is at odds with the way virtue ethicists think about and discuss virtues. Similarly, Fumagalli argued that whether or not markets were morally corrupting was “not easily resolved on purely empirical grounds and that philosophical considerations play a crucial role in adequately addressing such an issue” (32). Additionally, Klamer worried that in focusing on aggregate measures of morality in market and nonmarket societies we ended up with a one-sided picture of the economy that largely ignored culture as well as the social interactions that are always occurring within an economy. As such, he questioned how much of the positive outcomes on various measures of morality that we found in market societies can really be attributed to the functioning of markets. Also, Paganelli suggested an alternative reading of Smith—different from the one we deployed—to support her argument that markets corrupt some of the morals in nonmarket societies but replace them with different morals. According to Paganelli, “it is not that markets crowd out virtues, leaving a vacuum, but that markets substitute a set of virtues with another set of different virtues” (2).

There is a sense in which each of the contributors is exactly right and that the only response we should offer is a mea culpa. The careful attention and engagement with DMCOM? offered by the contributors, however, deserve a more extensive response. Although the comments from each contributor highlighted different themes, we see three common threads in their comments. Interestingly, each of these threads relates to how we chose to measure markets and morality. The first thread relates to how we formed our market society variable, i.e. how we decided whether a country is a market society or a nonmarket society. The second thread relates to how we defined and measured morality (including our collection of individual moral traits/virtues). The third thread relates to why we deployed correlations of aggregates. We address these threads in turn.

**Determining What is a Market Society**

There seems to be a general concern about how we categorized countries into market and nonmarket societies. Indeed, one of the first challenges that we encountered in writing DMCOM? was coming up with a strategy for deciding whether or not a society is a market society which did not rely in any way on our personal judgements/opinions about which countries are market societies and which are nonmarket societies. Additionally, we wanted to avoid any strategy for classifying market and
nonmarket societies that relied on market outcomes. For example, we did not want to divide countries into market and nonmarket societies based on how wealthy they are, or how well they did on various measures of economic wellbeing.

To avoid these potential pitfalls, we first defined a market society as a space that offers the greatest scope for market activities. In many ways, our project fails if our readers are not convinced that we can meaningfully distinguish between market societies and nonmarket societies. As we explained, “in determining whether or not market activity is morally corrupting, it is important to know which countries allow for the greatest scope and support for market activities, and which countries do not” (252). Features of a well-functioning market include “clear and respected property rights, reliable contract enforcement, and mechanisms for resolving disputes” (9). As such, we described market societies as “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” (ibid.). Using this definition of markets, we identified indices that said something about the scope and support for market activities in different countries. For instance, we chose the Fraser Institute’s Economic Freedom of the World (EFW) index, which assesses economic freedom across various countries, because greater economic freedom tends to denote greater scope for market activity. Likewise, we chose a subset of the measures in the World Justice Project’s Rule of Law index that looks at constraints on government powers, fundamental rights and regulatory enforcement because of how these features are likely to impact the scope for market activities. Similar rationales informed our choice of the other three indices we selected. We chose to utilize multiple indices because we worried about giving a single index too much weight/power in deciding whether a country is a market society. Once we assessed these indices for appropriateness, we used them to classify countries as market or nonmarket societies with the help of a threshold value. Specifically, we defined a country as a market society if its score was in the top two-fifths of the range of possible scores in each of the indices for which a score was available for that country.

As we wrote in the Appendix to *DMCOM*:

Our strategy for classifying market and nonmarket societies was chosen because we wanted a basis for sorting countries into their respective categories before looking at how they performed materially and morally. Stated another way, we wanted to know whether a society
was a market or nonmarket society before looking at the wealth or virtuousness of its members. (251–252; emphasis added)

Our formulation of the market society variable, and hence the list of market and nonmarket societies, is independent from the empirical results and comparisons that we reported on throughout the book.

To reiterate, we were careful to not describe (both theoretically and empirically) the market or a market society by the outcomes it produces or its tendencies. For example, market societies tend to be wealthier than nonmarket societies. But we avoided using wealth as a proxy for how market oriented a society is. Market societies also tend to be democracies (not authoritarian states) and tend to have good criminal justice systems. But the democratic nature of a country or the state of its criminal justice system likely only has an indirect, tangential effect (if not no effect) on the extent to which the country permits markets to thrive and operate freely. We deliberately took care to define markets and market societies (and, subsequently, our market society variable) by only those features that enhance or hinder the operation of market mechanisms (that is, buying, selling, profit and loss, entrepreneurship, etc.).

Despite our justification above, one may continue to have concerns about the validity of our market society variable, which would deem our specific combination of five indices unsuitable. Table 1 presents results on how market and nonmarket societies compare for a number of virtues and vices we investigated in DMCOM across different combinations of indices that make up our market society variable. In particular, for Table 1, we used different combinations of four out of five indices we used in the book to classify countries as market and nonmarket societies. This generated a total of 15 different combinations of indices. As the heat table shows, our results and conclusions would have remained robust across any combination of indices that we may have used to form our market society variable.

Had our results in fact been sensitive to how we formulated our market society variable, we should have observed—across various combinations of indices—more sign reversals of the differences in sample means between market and nonmarket societies (for example, a lot more switches from green to red and vice versa), not merely some loss or gain in statistical significance as depicted in Table 1. That our results would still hold even if we were to vary how we determine which countries are market societies and which are nonmarket societies explains our confidence in the conclusions we drew from the empirical evidence. It is clear
Table 1: How market and nonmarket societies compare on a number of virtues across different combinations of indices.

| Combination of indices | High life satisfaction | Average life satisfaction | Religion organization | Social capital (Legatum Prosperity Index) | Corruption Perception Index (Transparency International) | Materialism (Being rich is important) | Materialism (Being successful is important) | Accepting of violence | Discrimination as neighbors | Justifiable unethical actions | Justifiable unethical actions | Justifiable unethical actions | Accepting of homosexuality | Accepting of discrimination as neighbors | Accepting of violence | Trust | Corresponding figure in DMCOM? |
|------------------------|------------------------|--------------------------|-----------------------|------------------------------------------|----------------------------------------------------------|----------------------------------------|------------------------------------------|------------------------|-------------------------------|--------------------------------|--------------------------------|--------------------------------|-------------------------------|--------------------------------|-----------------|------------------------|
| Results as reported in DMCOM? |                        |                          |                       |                                           |                                                          |                                        |                                          |                        |                               |                                  |                                |                                |                                |                                |                 |                        |
| F, H, D, R             |                        |                          |                       |                                           |                                                          |                                        |                                          |                        |                               |                                  |                                |                                |                                |                                |                 |                        |
| F                     |                        |                          |                       |                                           |                                                          |                                        |                                          |                        |                               |                                  |                                |                                |                                |                                |                 |                        |
| H                     |                        |                          |                       |                                           |                                                          |                                        |                                          |                        |                               |                                  |                                |                                |                                |                                |                 |                        |
| D                     |                        |                          |                       |                                           |                                                          |                                        |                                          |                        |                               |                                  |                                |                                |                                |                                |                 |                        |
| R                     |                        |                          |                       |                                           |                                                          |                                        |                                          |                        |                               |                                  |                                |                                |                                |                                |                 |                        |
| F, H                  |                        |                          |                       |                                           |                                                          |                                        |                                          |                        |                               |                                  |                                |                                |                                |                                |                 |                        |
| F, D                  |                        |                          |                       |                                           |                                                          |                                        |                                          |                        |                               |                                  |                                |                                |                                |                                |                 |                        |
| F, R                  |                        |                          |                       |                                           |                                                          |                                        |                                          |                        |                               |                                  |                                |                                |                                |                                |                 |                        |
| H, R                  |                        |                          |                       |                                           |                                                          |                                        |                                          |                        |                               |                                  |                                |                                |                                |                                |                 |                        |
| H, D                  |                        |                          |                       |                                           |                                                          |                                        |                                          |                        |                               |                                  |                                |                                |                                |                                |                 |                        |
| R, W                  |                        |                          |                       |                                           |                                                          |                                        |                                          |                        |                               |                                  |                                |                                |                                |                                |                 |                        |
| F, H, D               |                        |                          |                       |                                           |                                                          |                                        |                                          |                        |                               |                                  |                                |                                |                                |                                |                 |                        |
| F, H, R               |                        |                          |                       |                                           |                                                          |                                        |                                          |                        |                               |                                  |                                |                                |                                |                                |                 |                        |
| F, D, R               |                        |                          |                       |                                           |                                                          |                                        |                                          |                        |                               |                                  |                                |                                |                                |                                |                 |                        |
| H, D, R               |                        |                          |                       |                                           |                                                          |                                        |                                          |                        |                               |                                  |                                |                                |                                |                                |                 |                        |
| Corresponding figure in DMCOM? | Fig. 4.11 | Fig. 4.12 | Fig. 4.13 | Fig. 4.14 | Fig. 4.15 | Fig. 4.16 | Fig. 5.1 | Fig. 5.2 | Fig. 5.3 | Fig. 5.4 | Fig. 5.5 | Fig. 5.6 | Fig. 5.7 | Fig. 5.8 | Fig. 5.9 | Fig. 5.10 | Fig. 5.11 |

Legend:

- **F** denotes Fraser Institute’s 2011 Economic Freedom of the World.
- **D** denotes World Bank’s Doing Business project’s 2011 Distance to Frontier.
- **R** denotes our modified World Justice Project’s 2012–2013 Rule of Law index.

**Green** cells denote comparisons where sample mean or median of market societies is greater than that of nonmarket societies and $p \leq 0.10$.

**Red** cells denote comparisons where sample mean or median of market societies is less than that of nonmarket societies and $p \leq 0.10$.

**Yellow** cells denote comparisons where the sample means or medians of market and nonmarket societies were statistically no different (i.e. where sample mean or median of market societies is larger than that of nonmarket societies and $p > 0.10$).
that market societies are not associated with moral corruption across a range of ways of measuring moral corruption. And so, given the greater scope for markets in market societies compared to that in nonmarket societies, on this evidence, it appears unlikely that markets are morally corrupting. Of course, as several of the contributors to this symposium highlight, our measures of morality and immorality are imperfect at best and fatally flawed at worse.

**Defining and Measuring Morality**

There is a sense in which morality cannot be measured at an individual or societal level. If being moral means doing the right things at the right time for the right reasons, it would seem impossible to assess whether any particular person in some particular situation and some particular time is behaving morally, and hopelessly impossible to determine if people in a particular context are more or less likely to behave morally or not. Stated another way, it would seem to be impossible to assess the robustness of virtues, or the true motives behind virtuous-seeming behavior, in specific individuals or within specific societies. If we wish to look at morality empirically, we are forced to look at consequences and are left with simply looking at artefacts. These artefacts (for example, whether or not someone gives money to charity), we hope, can serve as proxies for true morality. This is not to privilege consequences over other considerations in some substantive sense but to acknowledge that social science is about consequences. As we discussed in our Appendix, our empirical strategy “necessarily relies on assessing the existence of various virtue-like traits, the prevalence of various virtue-like behaviors, and expressions of values and beliefs that are consistent with various virtues” (250); our empirical strategy forces us to necessarily rely on people’s past actions (or their demonstrated preferences, as Austrian economists would say, or their revealed preferences, as neoclassical economists would say).

Arguably, when critics and defenders of markets argue that markets are morally corrupting, they sometimes do not limit themselves to deontological claims or to, say, assessments of how robust virtues remain in market settings versus nonmarket settings. Instead, they often have certain particular negative moral consequences in mind. It is those consequences that we explored in *DMCOM*. Moreover, while we can never know with absolute certainty, we do not find it extremely controversial to claim
that being genuinely virtuous and appearing to behave virtuously are connected; “genuinely virtuous people […] are likely to consistently act virtuously and to consistently express values and beliefs that are consistent with various virtues” (250).

In any event, we hoped that, if all the empirical indications point in one direction, we might be able to say something about the underlying phenomenon. Every measure of virtue that we reported in DMCOM is higher, on average, in market societies than it is in nonmarket societies. On the other hand, every measure of vice that we reported in DMCOM is lower, on average, in market societies than it is in nonmarket societies. This may, of course, say nothing about the relationship between the actual levels of true virtue and true vice in market societies. But (1) if it is true that there is some relationship between measures of virtue and vice and actual levels of virtue and vice, and (2) if the question of how markets and morality are related is in fact a question that might be assessed empirically, then the questions become: did we select the right measures of morality? Should we have selected better proxies?

In DMCOM, we emphasized the relationship between markets and a series of virtues and vices. In particular, our list includes the four classical virtues (courage, justice, prudence, and temperance), the three Christian virtues (faith, hope, and love), altruism, materialism/corruption (that is, material greed), cosmopolitanism, and trust. In all these cases, we found at least weak and almost always strong indications that levels of those virtues were higher in market societies. We argue that, if Hayek (1945, 1976, 1948), Kirzner (1973) and Lavoie (1986) were correct about the market being an entrepreneurial process for the discovery of local, tacit, and inarticulate knowledge concerning goods and services as well as available but undiscovered profit opportunities, the market would likely also help people discover the morality of their potential trading partners. Additionally, the market offers people a mechanism for rewarding virtue and punishing vice, as people tend to prefer exchanging and interacting with genuinely moral trading partners. Knowing this, people would adopt some habits of genuinely moral individuals and, at least some of them, would likely internalize these habits sufficiently enough to grow as moral individuals. As such, we claim, the market can teach people through the profit and loss mechanism to not only behave morally but also to become moral beings. Societies where there are restrictions on the free operation of markets are missing out on opportunities for their members to learn virtues and to grow morally.
Of the virtues we discussed, trust got a particularly huge emphasis in *DMCOM*? After all, not only does trust share a well-established (positive) relationship with economic development, trust also seems to be quickly emerging as an essential ingredient for the development of a successful market economy. Furthermore, trust is important for business as it reduces all sorts of transaction costs. Writing contracts, for example, that protect contractors from all sorts of potential fraud and wrongdoing by their contracting partners is very (if not prohibitively) costly. In addition, trust can facilitate cooperation (e.g. Fukuyama 1995; Putnam 1995) and hence ease an exchange of confidential or proprietary information and ideas. Indeed, trust is ubiquitous in almost all market interactions. And, in fact, the relationship between trust and markets is such an important question for us that it is the subject of our next major project. (See chapter 5 in *DMCOM*?, and Choi and Storr 2020 for references to various texts in the broader trust literature.)

Our empirical investigation of trust corroborated what the existing literature on trust and economic development has already showed—people in market societies display more trust than those in nonmarket societies. However, our investigation revealed a deeper nuance to this result. Our data revealed that people in both market and nonmarket societies appear to equally trust others at a short social distance (that is, interpersonal trust in the family and among neighbors). Although (interpersonal) trust deteriorates as the social distance grows in both market and nonmarket societies (that is, trust in known associates/acquaintances and people met for the first time), trust deteriorates at a faster rate in nonmarket societies than in market societies. Moreover, generalized trust (that is, trust in strangers) is higher in market societies than in nonmarket societies. In short, “people around the world seem to have equally strong core networks, but those living in market societies seem to have stronger periphery networks” (179).

The economic experiment in *DMCOM*? employed a version of a personal market game followed by a trust game.² Our experiment

² For those who are unfamiliar with the trust game, the trust game, designed by Berg, Dickhaut, and McCabe (1995), is the most popular tool in experimental economics for measuring trust. It is a two-player economic game where the players make decisions sequentially (i.e. one by one). The game simplistically portrays a situation where a person must take a risk in trusting a partner without knowing with certainty whether or not the partner would repay the trust she was shown and whether or not she is worthy of said trust. This game quantifies trust and repaid trust (commonly interpreted as trustworthiness and reciprocity in experimental economics) using monetary exchanges or transfers. It is said that the trustor (i.e. the person making the decision to trust) and the trustee
demonstrated that subjects treated those with whom they shared good (i.e. positive) relationships significantly better than those with whom they did not share good relationships. (In the context of our experiment, by better treatment we mean showing more trust and trustworthiness.) More specifically, in the trust game, both the trustor and the trustees tended to send larger transfers to those partners with whom they developed positive relationships in the previous market game than to those with whom they developed negative relationships. The difference is rather stark: trustors, on average, transferred over 50% more tokens to their positive relationships than to their negative relationships and trustees, on average, transferred about 33% more tokens to their positive relationships than to their negative relationships. Moreover, only those trustors who shared positive relationships with their respective trustees received, on average, more tokens than the number of tokens they transferred to the said trustees; in other words, only those relationships in which the trustors and the trustees shared positive relationships ever achieved gains from trade (i.e. profited) in the trust game. Our experimental results showed (1) that people are capable of learning something about their trading partners through the market, and (2) that people may be rewarding market friends and punishing market enemies.

At this point, please permit us a tangent. The personal market game we employed in our experiment in *DMCOM*? (henceforth called the control market) differed from popularly used experimental markets (like the double auction) on two major margins. First, unlike many markets in experimental economics where, for example, the computer randomly or automatically matches buyers with sellers, our buyers and sellers had the autonomy to choose with whom they would like to negotiate and trade in the market. Our subjects, subsequently, could express (albeit in a limited way) their preference in trading partners in the control market. Second, our market allowed those who entered into an agreement to defect on the said agreement, thereby allowing subjects to discover with certainty who

---

3 While we never reported on the information we collected in the post-experiment survey in any of our published work (that is, information beyond subjects’ demographic information), we asked subjects to provide some details on how they made their decisions in the market and trust games. Here, a number of subjects explained that they came to trust or not to trust certain trading partners based on the latter’s executions of and defections from agreements in the market game. These subjects further explained that they used this information (about executions and defections) to make decisions in the trust game.
defected (i.e. cheated) on agreements. Further experimental investigation suggested that these two market features may be critical in permitting individuals to learn about their trading partners in a market setting.

At this point, we turn to Choi and Storr (2018, 2020) which built on the experimental design described in our book (chapter 6). These two studies tested experimentally whether or not the market continues to permit subjects to learn about whom to trust in the absence of one of these market features. Our results indicated that the market may only function as a discovery process for trust and as a learning process for whom to trust only when these two features are present in the market (Figure 1). Choi and Storr (2020) reported that past market dealings (that is, defections from and executions of agreements) may only affect the trusting and reciprocating behavior of subjects who participated in a market where exchanges were personal, but not the trusting and reciprocating behavior of subjects who participated in an experimental market where exchanges were impersonal. Specifically, in our control market where exchanges are personal, people exhibited higher levels of trust and trustworthiness in trading partners with whom they shared positive

![Figure 1: Did people learn about whom to trust in this market?](image)

Note: In order to assess whether people learn whom to trust, we examined how trust game transfers in positive relationships compared to those in negative relationships. The control market refers to the economic experiment described in Storr and Choi (2019, chap. 6). Treatment markets refer to variations of the control market described in Choi and Storr (2018, 2020).
relationships than in those with whom they shared negative relationships. In contrast, we found that, in the market treatment where exchanges are more impersonal, people exhibited the same levels of trust and trustworthiness in trading partners regardless of the nature of their relationships (see Choi and Storr 2020 for details). Likewise, Choi and Storr (2018) revealed that people cannot learn to differentiate between the trustworthy and untrustworthy trading partners without the ability to defect on agreements in the market (that is, an opportunity for people to demonstrate their character or the type of person they are). In addition to our control market, we also employed a market treatment where the market fully and automatically enforced all agreements the moment these agreements were reached. We found that a type of culture where people treated one another more or less equally and indiscriminately emerged in the market treatment, while a culture where people differentiated between the trustworthy partners and the untrustworthy partners emerged in the control market. More specifically, while generalized trust (i.e. trust in strangers) remained the same across both markets, interpersonal trust emerged only in the treatment market where agreements were not being automatically enforced (see Choi and Storr 2018 for more details).

Taking these experiments together, our results suggest that the type of learning we saw in our control market (where people learnt whom to trust) may only occur in markets where (1) exchanges are more personal (and not in markets where exchanges are more impersonal), and (2) there are distinct opportunities for trading partners to exhibit what types of people they are. Our experimental results seem to lend further support to a claim we made in *DMCOM*: restrictions on the free operation of markets represent missed opportunities for people to learn virtues and to grow morally (244).

Admittedly, trust, altruism, the absence of greed, and other virtues we emphasize in *DMCOM* are bourgeois sentiments (that is, sentiments that were historically exercised and valued in commercial societies). In fact, we stopped short of saying that ‘markets make us more moral’ in some generic sense precisely because we recognized that people in market societies are more moral than people in nonmarket societies, but only on a particular definition of morality. As such, we preferred to stress the potential for moral development within markets and to highlight the relationship between markets and a particular range of virtues and vices. We do not deny that we may not have observed such strong associations between markets and virtue/vice had we emphasized other virtues and
vices. And, it is very possible that market societies undermine, not promote, these other virtues that we might have highlighted. For instance, had we chosen instead to investigate the compatibility of the market with Ancient Roman virtues we might not have found the strong associations between markets and morality that we found. The Ancient Romans distinguished between the private and the public spheres of life, and consequently assigned different virtues to the private sphere (i.e. family life) and to the public sphere (i.e. citizen’s or soldier’s life). It is possible that market societies would undermine the virtues related to the good military habits/traits such as *constantia* (perseverance) and *disciplina* (discipline). *Pietas*, one of the chief virtues for the Ancient Romans, extended beyond mere religious piety and captured the sense of duty a Roman owes his country, his family, and his fellow men. Like the militaristic virtues, it is unclear whether the market would promote or undermine *pietas*. But if we were to evaluate whether the market promotes or undermines *pietas*, we could compare, say, annual religious service attendance, the number of those who enlist in the military, emigration from market and nonmarket societies, and the number of those who are primary caretakers of their elderly family members in market and nonmarket societies. On these measures of morality, we might expect that the market’s track record would be more mixed compared to what we reported in *DMCOM*?

But the critics and defenders of the morality of markets that we engage in *DMCOM*? seem to have in mind the very virtues and vices that we discuss. While they sometimes point to the ways that markets make us less courageous in the martial sense, or undermine traditional (parochial) values, when they claim that markets corrupt our virtues, they more often seem to expect that markets would make us untrustworthy, or greedy, or materialistic, or uncharitable, or intolerant. They would likely have been surprised if people in market societies proved to be more altruistic, less likely to be materialistic or corrupt, and more likely to be cosmopolitan as well as trusting and trustworthy. They are likely surprised that the proxies we chose for the various virtues and vices we discussed turned out to be related to markets in the ways that the evidence suggests. And, they are likely surprised that markets have mechanisms that encourage moral development, meaning here the development of these particular dispositions.
ON CORRELATIONS OF AGGREGATES

We spend a great deal of space in *DMCOM?* describing the micro foundations that underpin our discussion of the relationship between markets and morality. Indeed, much of the latter half of the book describes how individual actors might become more virtuous by engaging in market activity; the discussion of the possibility of moral development within markets, the market experiment concerning the possibility of discovering whom to trust and of rewarding trustworthiness, and the market mechanisms that promote the discovery and rewarding of moral behavior are all micro phenomena. That said, it is understandable how one might read *DMCOM?* as relying largely on correlations of aggregate measures of morality.

Throughout *DMCOM?*, we focused on empirical evidence that speaks in favour of the correlation between markets and measures of virtues and vices. To understand why we did this, it is important to keep in mind (1) what (empirical) propositions would have to be true if markets did in fact corrupt our morals, and (2) what correlations reveal about causations. Recall, if markets corrupt our morals then the following propositions must hold (44):

**Proposition 1:** “Vice is more prevalent in market societies than in nonmarket societies and virtue is less prevalent in market societies than in nonmarket societies.”

**Proposition 2:** “As a society becomes more market-oriented and as the scope of the market in a society expands, more vice and less virtue will exist in that society.”

**Proposition 3:** “The more a person engages in market activity, the less virtuous they are likely to be.”

Note how Proposition 1 proposes a *correlation* between market societies and various measures of virtue and vice, while Propositions 2 and 3 put forth a *causal relationship* between market societies (or participation in market activities) and various measures of virtue and vice. Correlations, however, have implications for the presence and the direction/sign of causal relationships. For example, suppose we hypothesized that a decrease in daily temperature causes an increase in book sales. This hypothesis makes two claims about the relationship between temperature and
book sales: (1) there exists a negative correlation between temperature and book sales; and (2) a decrease in temperature causes an increase in book sales. If someone were to provide evidence showing that there is no correlation (or a positive correlation) between temperature and book sales, then there would be good reasons to doubt that decreases in temperature cause increases in book sales. This is the empirical approach we chose to adopt to evaluate the three propositions.

The evidence suggests that Proposition 1 does not hold (Figure 2). Instead, we found that people living in market societies are wealthier, healthier, happier, and better connected than people living in nonmarket societies. We also found that people living in market societies are more likely to be moral, on a certain definition of morality. Admittedly, this last point could have been stated differently. We could have stressed that people in market societies are not more moral than people in nonmarket societies, on a certain definition of morality. Rather, we could have said that people in market societies have a different morality from that of people in nonmarket societies. It is hard to see what this rhetorical move would have added, and it is possible that it might have obscured the extent to which multiple moral systems valorize the range of virtues that we discussed (for example, self-restraint is important in Platonic, Christian and Hindu ethical systems).

WHAT DO MARKETS CORRUPT OUR MORALS? IS NOT ABOUT

The central moral criticism of markets (i.e. that markets corrupt our morals) is not correct. If markets are really morally corrupting, then we should expect the social scientific models and concepts which (best) explain how markets function to allow for the likelihood of moral corruption. If markets really do crowd out virtue and corrupt the virtuous, this should be borne out in the evidence. Our theoretical understanding of how markets can and should work, however, points in the opposite direction. Moreover, the evidence suggests that markets are not the immoralizing spaces that some

---

4 Since, as those with familiarity with statistics and econometrics know, causations/causal relationships can also affect correlations, we could have alternatively attempted to develop a continuous measure/variable of the ‘market-society-ness’ of a country instead of using a binary variable as our main variable of interest. See also Teague, Storr, and Fike (2020) who found that countries with more economic freedom (i.e. those countries that embrace markets to a greater extent) and countries with a higher GDP per capita are correlated with less materialism, and that countries with higher GDP per capita are correlated with less materialism.
Figure 2: Markets are positively associated with things we value and negatively associated with things we do not.

In assessing the charge against markets that markets are morally corrupting, we found that markets are not only compatible with morality but also support moral development. The arguments that we advanced in *DMCOM?*, consequently, are silent on the problem of noxious markets and the role of governments and government programs in promoting morality. We also did not attribute all the good stuff that we observe in market societies to the market mechanism. To say that markets do not

have imagined them to be. People who live in market societies tend to be wealthier, healthier, happier, and better connected than people who live in nonmarket societies. Additionally, on average, people who live in market societies exhibit more virtue and less vice than people who live in nonmarket societies.

Markets, in fact, are *moralizing* spaces.

— Storr and Choi (2019, 234)
undermine but instead promote morality (of a certain sort) is not to say that only markets promote morality or that the market sphere does a better job at promoting morality than other spheres.

Indeed, we explicitly highlight the importance of other institutions, spheres, and factors in supporting and promoting a vibrant, wealthy, healthy, happy, better connected, and moral society. In particular, taking democracy as an example, we agree with Sen (1999) that political participation (in the form of democracy) plays a central role in living a flourishing life and in cultivating the values of citizenship, and that democracies give citizens the opportunity to express and pursue their political goals. We cannot discount the role a well-functioning democracy may have played in generating the ‘good things’ about market societies. But note how our argument that markets are not corrupting spaces in no way challenges democracy as an important source of economic, social, or moral development. In fact, we believe that a well-functioning, vibrant, and happy society requires the cooperation of its economic, political, and societal institutions. Had the market/capitalism and democracy (or any pairing of economic and political institutions) inherently been at odds, we highly doubt that those societies that are both market societies and democratic would have thrived. Relatedly (and perhaps unsurprisingly given our discussion about democracy), we do not attempt to single out which institution or factor caused the great leaps and bounds in economic development we have observed, or all the ‘good things’ we witness in developed countries.

To reiterate, our conclusion that markets do not corrupt our morals and that markets are moralizing spaces does not mean that we believe that nonmarket spaces are likely to be morally corrupting. Nor do we believe that markets are the most moralizing spaces that we might imagine. Instead, we simply maintain that markets should be viewed as moralizing spaces like other moralizing spaces (for example, religious spaces, or families, or civic organizations, or schools). Additionally, our conclusion that markets are moral training grounds does not mean that we believe that everyone in market societies is virtuous or that everyone in nonmarket societies is vicious. There are surely saints in nonmarket societies and there are surely monsters in market societies. But we do maintain that markets offer individuals an opportunity for moral development that would be closed off/inaccessible if markets were closed off.

Given the currently available data, DMCOMP represents our best attempt at empirically and theoretically assessing the central moral
criticism of markets—that is, that markets are morally corrupting. We hope our book invites scholars who are serious about the morality or immorality of markets to engage in open, critical conversation. We would have considered our endeavor a great success if we had inspired scholars to embark on empirical, philosophical, or theoretical projects on the market and morality that took up or challenged the approach we adopted. We are thrilled and very happy with this symposium, as the contributions exemplify the type of success we hoped to achieve. We are both very grateful to each of the contributors for their comments and the time they spent carefully reading and thoughtfully engaging our book. We are looking forward to continuing this conversation about the morality and immorality of markets with them and with others.

REFERENCES
**Ginny Seung Choi** is a Senior Fellow in the F. A. Hayek Program in Philosophy, Politics and Economics, Mercatus Center, George Mason University. Her research focuses on the moral and social aspects of markets. Contact e-mail: <gchoi@mercatus.gmu.edu>

**Virgil Henry Storr** is an Associate Professor of Economics in the Department of Economics, George Mason University, and the Don C. Lavoie Senior Fellow in the F. A. Hayek Program in Philosophy, Politics and Economics, Mercatus Center, George Mason University. Contact e-mail: <vstorr@gmu.edu>
The Community of Advantage: An Interview With Robert Sugden

ROBERT SUGDEN is professor of Economics at the University of East Anglia. He was born in 1949 (Morley, near Leeds), and obtained a degree in history, with economics as a subsidiary, at the University of York. He started out his career working on welfare economics and cost-benefit analysis. In 1977 he wrote a paper criticizing Amartya Sen's characterization of liberty, which got him an invitation from James Buchanan to spend a summer at Virginia Tech. Buchanan remained a significant influence on his work. He obtained a readership position at the University of Newcastle in 1978. At Newcastle he started working on the topics that would occupy him most of his professional career, such as the measurement of opportunity, and the relationship between behavioral economics and rational choice theory. At Newcastle, Sugden developed regret theory with Graham Loomes.

By 1982, he had met Robert Nozick and John Rawls, and had started working on a book on social contract theory, which included a theory of rational bargaining on which to ground social contract theory. This subject got him interested in evolutionary game theory, which at the time was unexplored territory in economics. In 1986, building on the theory of coordination and focal points by Thomas Schelling, he published The Economics of Rights, Cooperation and Welfare, which he would have preferred to call “Spontaneous Order”. Because the book treated morality as conventional, it attracted a lot of attention from philosophers.

In 1987, Sugden became a professor at the University of East Anglia. At the time, the University of East Anglia was organized around several interdisciplinary schools; economics was part of a school that contained politics, sociology, and philosophy. In the late 1980s and 1990s, a group of scholars from this school, including Shaun Hargreaves Heap, Albert Weale, Chris Starmer, Robin Cubitt, Alistair Munro, Judith Mehta, Nick Bardsley, and Yanis Varoufakis, came together and became interested in the philosophy of rational choice, social choice, and game theory.

During the 1990s, Sugden continued his work on rational choice theory and game theory. Since then he has made important contributions to the way we think about economic models (as ‘credible worlds’), team
reasoning, the moral philosophy of David Hume and Adam Smith and virtue ethics in economics (with Luigino Bruni). Sugden has sought to transcend traditional welfare economics and to develop an alternative normative economics which incorporates the insights from behavioral economics and contractarian theory. Many of his contributions are synthesized in his book *The Community of Advantage*, which came out in 2018.

**EJPE: How did you start your career?**

ROBERT SUGDEN: Well, I started off doing an undergraduate degree in history and economics, but really mostly history. And I really intended to work in the civil service. I actually got a job in the administrative civil service and I was going to become an advisor to the politicians. I thought, at the time, that it would be quite useful to know a bit more economics before starting work as a civil servant. So, I did a master's degree in economics at Cardiff. And then I did not have any deep thoughts about it, but just believed that it would be nice to work in a university with short hours and long holidays, and generally a pleasant life. And so, I applied to York where I had done my undergraduate degree, and I had been a kind of star student there, but it was still very surprising even then that I was given a job with only my master's degree. And as I started there, my mentor was Alan Williams, who at the time was very much interested in health economics and cost-benefit analysis.¹ And I quite liked cost-benefit analysis. He wanted to write a book about it, and so we worked together writing a book on cost-benefit analysis. And this was the 70s, and at the time a lot of people moved to the right politically, and so did I; I became more interested in pro-market views and it was about then that I got interested in the work of Amartya Sen. Especially his ‘Paretian liberal’. I think that's probably when I got started in economics and philosophy.

**Was it a conscious decision on your part to combine economics and philosophy? Or was it more of a coincidence?**

No, I don’t think it was a conscious decision. I was just interested in Amartya Sen, and I didn’t think that his position in his ‘impossibility of a Paretian liberal’ paper was representative of what it is to be a liberal.² So, I was working on a critique of his work, and quite an important moment

¹ Where useful we will refer in the footnotes to the relevant articles; here, Sugden and Williams (1978).
² Sugden (1978).
in my life was that I sent a copy of this paper on Sen to Jim Buchanan. At the time the department of economics at York was regarded as very right wing. By modern standards, it would probably be mildly social-democratic, but at the time we stood out. The department at that moment included Alan Peacock and Jack Wiseman, who were very friendly with Jim Buchanan. So, they advised me to send the paper to Jim Buchanan. And by a great stroke of luck, Jim Buchanan had just had a very similar sort of idea about what was wrong with Sen. He had given this talk at a lunchtime seminar, and everybody had criticized his paper, suggesting he did not understand social choice theory. And so he was quite annoyed about it, and then in the post he gets this message with a paper by me, and he obviously agreed with it. So, he then invited me to go out to spend a summer in Blacksburg (Virginia Tech, USA). And there, I attended a conference which also included Robert Nozick and Jim Buchanan as speakers, and that is how I became a sort of Buchanan disciple.

Around that time, in 1978 to be exact, I moved to the University of Newcastle. There, I joined a philosophy reading group, and I began to pick up some philosophy there. And then, when I went to the University of East Anglia in 1985, the head of the philosophy department was Martin Hollis. His specialty was philosophy of the social sciences. His approach, his methodology, was that he didn’t believe in reading papers particularly. He just read the classics and then hosted discussions on them. So, when he had an interesting topic, he would just get a group together. He, Shaun Hargreaves Heap, and I then formed a group that was interested in rational choice theory. At the time, this was a big area, and a lot of people, from both philosophy and economics, were researching the foundations of rational choice: are they valid and adequate?

Our little group was discussing this a lot, and Shaun and I were kind of educating Martin Hollis on the subject. He was interested in economics, but he was very much anti-neoclassical, he had inclinations toward classical Marxian economics. Nonetheless, when we started teaching him about rational choice theory, he became very much interested in the paradoxes within the theory. He still didn’t believe in it, but was fascinated with the paradoxes. In exchange, he was teaching me philosophy. Anyhow, that’s how I learned philosophy.

*Your work is very comprehensive and covers lots of areas in political theory, economic theory and philosophy. Do you ever feel restricted in trying to publish in disciplinary journals?*
No, I don’t think so. If you think about the two areas I worked in, the first one was the foundations of rational choice theory. It was a very big topic in economics, what are the foundations, and trying to understand the refinement program, and what common knowledge of rationality means. These were issues that were fundamental to economics, and philosophers were interested in them. And then, when I started doing experiments, the big question was whether people choose in accordance with rational choice theory. Again, this was a fundamental issue. So, I would say that the topics I was initially working on, really genuinely were of interest to both economists and philosophers.

You recently wrote and published The Community of Advantage.³ Can you tell us a little bit about how the book came about? Is it an attempt to integrate your life’s work?

Well, it certainly is an attempt to integrate, and I must admit, I think it is highly likely that it’s my final book, since I worked on it for about ten years or so. I was involved in behavioral economics, and before that I was a kind of liberal economist and a disciple of Jim Buchanan, back in the late 1970s. So, I thought of myself as being a liberal economist trying to develop behavioral economics in a liberal direction, for me that was a work in normative economics. And ever since I met Buchanan, I had been quite persuaded by his contractarian approach, as an alternative to the idea of the social planner. And then I met Graham Loomes around the time that Kahneman and Tversky’s ‘prospect theory’ paper was published. Graham Loomes, who was a young colleague at Newcastle where I was working at the time, had listened to the radio and heard them talk about their work. This must have been just before their paper came out. He was instantly interested in their work. He approached me as a rational choice theorist. And he asked, well, why do rational choice theorists believe in transitivity? I replied, well, I don’t think we should. That type of philosophical critique of rational choice theory had really been my trade up until then. At the time, I was evaluating the axioms of rational choice theory to try to see whether they were really justified or not, and generally I wanted to say, I don’t think they are. And so, I said to Graham, well, it does not seem as though you could possibly produce a coherent philosophical justification of the transitivity axiom.

Because way back in the 1950s, Savage had produced his theory of the minimax regret criterion. It was a sort of well-known result, perhaps a

kind of minority taste, but still recognized. The result showed that using minimax regret you could produce non-transitive choices, which seem perfectly rational at the same time. So, Graham goes back and thinks about this, and when I saw him again, he said that he had the basis of a theory, which was able to explain Kahneman and Tversky’s results, and that became known as ‘regret theory’. When I looked at it, I thought it was fantastic. So then, we continued to work on it.

Graham was thinking about regret theory as a descriptive theory, but I was thinking much more philosophically about consistency. I was thinking, here is a practical theory which shows that rational choice theory axioms can’t really be required because here is a perfectly coherent alternative theory and it violates the axioms. It violates transitivity, it violates stochastic dominance, and it violates the independence axiom. It really violates everything, and I really liked it for that reason.

Then we met a psychologist who came to visit us, Sarah Lichtenstein. She said that she was interested in our regret theory, but it was obviously wrong. “But you will never find that out, because you economists never do experiments”. So that’s how we started doing experiments. And that’s how we got into, what is now called, behavioral economics, we called it experimental economics. So, we got into it very early, and the aim was to try to see whether our regret theory worked or not, so we started testing. At that point in time I was an empirical behavioral economist and at the same time a kind of philosophical critic of rational choice theory.

Was rational choice theory important to being a liberal economist at that point? Or was there something in Buchanan’s work or something that made you think well, rational choice theory is, in some sense, in fact, might be used against a liberal defense of the market?

Well, I thought rational choice theory was orthogonal to liberalism. I didn’t see that as anything that had much to do with the sort of liberal ideas that I was thinking about. About what it means to be free to choose what you want. I think the relationship between rational choice theory and liberalism came up in the debate about Sen. Sen was trying to represent what it means to have a respect for liberty as a relationship between individual and social preferences. And the Buchanan critique of that was that social preferences were not a valid concept. In order to get Sen’s paradox to work you have to assume that there is some degree of consistency in social preferences, and Buchanan’s critique was that there is no reason

4 Loomes and Sugden (1982).
to expect that if individuals are independent agents, the social aggregate of their preferences will be rational. So initially the critique was of social rationality. And people would typically assume that when I was producing counterexamples to social choice theory, I was assuming that individuals have consistent preferences. Yet I was even skeptical of that notion. But in my mind that was not directly related to liberty.

**Welfare economics was the center of your attention?**
What I believe now is that rational choice theory is just a model, which for lots of purposes is quite convenient. If you want to do microeconomics, then you couldn’t just throw away the whole notion of preferences and so on. So as a model, it’s highly useful. It’s only when you start using it in normative economics that the problems really start to appear. I was always suspicious of the welfare economics structure. Of both the idea of the social planner, and the idea of coherent aggregation of preferences. I was always keen on the notion of opportunities. In philosophy I found that a lot of the normative theories were based on opportunity rather than preference, I think for Rawls too. And so, from quite early on I was trying to come up with measures of opportunity. So, I suppose what I would constantly be trying to do was not to think of social choice in terms of individual preferences and social preferences, but rather in terms of contractarianism and opportunity. Right from the beginning.

**You actually had the essence of the ‘community of advantage’ book way back then?**
Oh yes, the roots of the book... Until about 2000 I don't think anyone really thought very seriously about what would be the normative version of behavioral economics. And so, I thought this was a real gap in the market, an intellectual gap that needed to be filled. But how were we going to fill it, can we fill it at all?

What would be the way of creating valid normative economics without having rational preferences? I immediately thought the opportunity criterion must be the way. But if we want to measure opportunity, we should not measure it relative to preference, a point that goes back to my criticism of Sen. Because the whole point of opportunity is that to have a lot of opportunity means you can satisfy *whatever* preferences you might happen to have. So somehow it has got to range over all the possible preferences. And I was from early on trying to work with different methods
of trying to represent the extent of opportunity, construed as the ability to satisfy preferences.

Initially I was working on this with Peter Jones, who was a colleague of mine at Newcastle. We started from the idea of a person who has a lot of possible preferences, so there’s a whole range of preferences they might have. And what it means to have a lot of opportunities is when a person has the ability to satisfy the whole range of preferences he might have. If you are judging how much opportunity a person has, you should not ask what their preferences actually are, because they’re entitled to have whatever preferences they like. But in some sense, you do have to constrain the sort of preferences that are ‘reasonable’ or ‘normal’. It seemed that this was the way to go in normative behavioral economics. We have given up the idea that a person has a clear set of preferences, but we still have the concept of opportunities. I thought that was the natural way to go, so I started working on that approach.

Simultaneously, Camerer et al, and Sunstein and Thaler had taken a totally different route to normative behavioral economics. And their route is to say we think of people making mistakes, and we want to identify their true preferences. That really came as shock to me when it came out. It seemed to me contrary to the spirit of behavioral economics, because one of the things that people like me and Graham Loomes had argued in the 1980s was precisely that individuals don’t behave according to the axioms of rational choice theory. We’ve assembled lots of evidence that individuals don’t behave according to the axioms. Initially people were saying experimental economics is not really valid, or the designs you are using are not properly controlled. So, we kept re-running them in different forms and saying to the critics, if you can suggest alternative designs in a constructive way, we’ll try and run them. We operated according to the maxim that if you can’t propose a better design, we don’t accept your objections. And so, we spent all this time trying to convince them, and for them a kind of last line of defense, the ultimate retreat, was saying that people really are rational and these are just mistakes. Kahneman actually criticized this argument in a paper back in the 1990s. He said this is not a valid argument, it is just an escape route to rescue theory. And now for Camerer and Sunstein it is the basis for normative behavioral economics.

---

5 Jones and Sugden (1982).
So, you had the idea that the concept of preferences should have been discarded earlier?

That’s right. The idea that people are normally rational, and sometimes making mistakes was the neoclassical line of defense. But if you’re genuine about your empirical research based on psychology, then where is this concept of error coming from? Error only makes sense relative to truth, and our point was precisely that rational choice theory was not the truth. You find this idea in people like Kahneman back in the 1980s. It seems as though this was backtracking. So, I was thinking, how can we create a normative economics that recognizes that people don’t behave according to rationality axioms, since that is just the way that their psychology is. A method for normative economics has to accept this reality.

And what do you make of the claim by some philosophers such as Daniel Hausman who would say that preferences, at least sometimes, are good indicators of well-being? For them, researchers should aim to identify under what conditions preferences are good indicators of well-being.

I think one of the dividing lines is whether you have a concept of well-being that is ultimately independent of people’s preferences. Take happiness. You could say that you theorize about well-being and that this, happiness, is my criterion. And in so far as that coincides with people’s preferences that’s all to the good. If not, then that’s just their problem. I feel that’s a coherent view. But it’s not my view and I don’t have anything to say to criticize it. My critique is always that that position would be a minority view, since it’s not a subjective approach. The informed desire theory you asked about, you could think of it as being ultimately subjective, that we are going to retrieve this subjective judgment as economists. I sort of feel as though... I am just not convinced...

... so it is no longer subjective.

Yes, it’s no longer subjective. I always go back to Kahneman, one of his slogans is really good. He says: ‘nothing in life matters as much as you think it does, when you’re thinking about it’. And what he means by that is that if you ask somebody how much they value something, the answer is context-dependent. If you start asking people about their well-being, you’ll find that answers depend very much on the context. One of Kahneman’s examples is: if you’re ill, and you’re thinking about the illness, it seems to be a more serious problem than when you are not thinking about
We know that evidence shows that everything in human psychology is context-dependent. Given that, I don’t really see why you should assume that deep down each person has a true sense of what their well-being is, that just seems to be another version of the myth of the inner rational agent. I think it is the philosophical equivalent of the economists’ idea that deep down people have true preferences. I think the philosophers have a sense that deep down people have an underlying sense of a true objective in life.

One of the things that I’m indebted to Jim Buchanan for is that he said early on, you must read David Hume. You would really like David Hume, which is quite true. And I think that the kind of Humean philosophy properly understood, his theory of mind, would tell you that there’s no reason to think that people have true preferences, or that a person has a clear sense of what the good life is.

Let’s explore that further because it really alters how we view the individual. Let me present two alternatives that have been attractive to others. There are quite a few people who are keen on a particular passage in Adam Smith that talks about the philosopher and the street porter ultimately coming from very similar starting points in life. And others point to the fact that in Buchanan there is an emphasis on becoming, an individual becoming themselves, so to say. Is any of these two views more in line with the view of the individual as having lots of opportunities open to them and so they can become anything they like? Well yes, I like that bit in Smith. Do you know Malte Dold? Well he and I have got this long-running argument about Buchanan. He is one of the modern disciples of Buchanan, and he really likes his paper on becoming, and I don’t. So, I wrote this paper back to him which is coming out in the volume on Buchanan edited by Richard Wagner at Palgrave. My chapter in there is saying that Buchanan took the wrong route there, that was a mistake on his part. At the time Buchanan had been reading Shackle, perhaps too much Shackle. But some people like that essay, Malte is one, Shaun Hargreaves Heap as well, and Christian Schubert is saying something similar.

But it’s different from Adam Smith’s idea. Adam Smith is saying that the porter might have well ended up as the philosopher if he had the right parents and gone to the right schools and everything, and vice versa for the philosopher. Buchanan suggests that life is about creating yourself.

Sugden (2019).
had this discussion with Christian the other day, and we were completely at cross purposes. We understood each other, but I was sort of shocked, because I was saying that I’ve never felt this desire to change myself. Buchanan’s picture is of people wanting to change themselves and you are going to go through programs of transformation. My picture has always been, which I surely think is more liberal, that we are getting exposed to different things. His picture of university is that you go there to become a better person. I did think it would be an exciting place to go, because at home and school and with your parents you are limited to a small set of experiences, that’s a restricted environment, and an environment that you’ve got used to. So, it would be great to go to a new environment away from parents and teachers, so you can get lots of new experiences.

It’s one thing to think, well, it will be nice to expose myself to lots of things and see what happens. It’s a different thing to say I want to become something, that just doesn’t resonate with me. To me that’s really peculiar. And so, this comes up a lot in behavioral welfare economics. When people find apparent irrationalities, one of the standard moves is to say, oh that’s a self-control problem. People deep down want something else. I think that is the inner rational agent trap. If you assume that each person has an inner rational agent but their choices are context-dependent, some of those choices must be wrong. But why are they making those choices? Why aren’t they doing what this inner rational agent wants to do? It must be a self-control problem. It’s this picture of the inner rational self that is trying to break out from psychological forces. I just think this is such an alienated view, as if you are alienated by your psychology from your own self.

As a liberal I would say you should want to delegate choices. Let people choose for themselves. Even as a parent, you should give your children opportunities and let them choose. In a sense, I think I am saying that you should give yourself opportunity to let yourself choose, and wait and see what happens. So, this whole idea of ‘making yourself’, I don’t know, is just not the way I feel. My hunch is that most people don’t feel like that. But people like Christian Schubert want to believe that everyone sort of has desires to be better.

... so then a good way of summarizing your view is that it is an opportunity-centered view of how individuals develop but with less influence of path-dependence than Adam Smith’s or James Buchanan’s? In Buchanan’s version, people may have a very wide opportunity set at the
That's true. The key question is whether you feel that you need to constrain yourself. I see why Buchanan gets to this. It is because he wants to justify ‘constitutional constraints’. Consider a tax constitution, for instance. Collectively, people are tempted to spend too much, to build up public debt, and so Buchanan thought, we should agree to balance our budget at the constitutional level. Now, I think we can see how we move from that to the individual level. As an individual, you may think ‘I don’t trust my future self, so I need to constrain myself. For instance, I want my future self to appreciate music, and so I need to constrain myself to take my piano lessons’. It is then your parents’ job to constrain you to take piano lessons... And that’s something that never occurred to me at all, to be honest. As parents, my wife and I may think about what our children are interested in and encourage them to follow their interests but, though we might expect them do their ordinary homework, we don’t try to plan their lives. Such a thought just seems really strange to me. Life is path-dependent, but it’s the idea of ‘self-constraint’ that I find hard to take. Why would you want to impose constraints on yourself? That just sounds very peculiar to me.

Robert, there is another strand of ethical thinking which you have contributed to, or perhaps flirted with, in your work with Luigino Bruni. That is the tradition of virtue ethics, which offers yet another way of thinking about individual flourishing and goals in life. How would you connect that strand of thinking to what we have just talked about?

That is an interesting question. I don’t think that what I was doing was serious virtue ethics. Certainly, Hume has a concept of virtue. If you say ‘a concept of virtue is just a set of character traits that are approved...', then it seems as though anybody would agree with that concept. Luigi is a much more genuine virtue ethicist than I am, but my thinking was mainly a response to the philosophers like Sandel who say that the market lacks virtue. But if you take virtue ethics seriously, and you have a genuine account of what a virtue is, it seems as though it ought to come out—at least in a Humean account—as a psychologically grounded concept of

---

7 Bruni and Sugden (2013).
virtue. It then ought to be that any social activity will have its virtues. ‘Crime’ quite likely has its own virtues. A mafia would expect from its members to carry certain virtues.

... *such as loyalty?*
Yes. I’m obviously an amateur in virtue ethics but it does still seem to me that the Bruni-Sugden paper was an entirely coherent sort of picture of what counts as a virtue in a sphere of life: a virtue is the totality of those traits, which, if you have them, enable you to do well in what that sphere of life is all about. In the case of crime, for instance, doing well would mean not getting caught and making a lot of money, and there are virtues that fit with that. So then, there is a sense in which the market would have its own virtues. Recently, I am working with my colleague, Bruce Lyons, and we are trying to do business ethics. One of the things that the regulators in Britain are very concerned about is fairness in pricing: what counts as fair pricing, what counts as unfair pricing. Bruce and I have tried to develop the idea in the book *The Community of Advantage* that the virtue of the market is facilitating mutually beneficial transactions. Based on that assumption we think about what counts as fair pricing and we generate principles. I think what I do in that project is genuine virtue ethics, not in the Aristotelian but in the Humean sense.

*One reason to be not very dismissive about control in markets would be that markets may generate unfair results and inequalities. How would you react to the egalitarian critiques of markets in relation to what we have discussed?*
This was what I tried to address in the chapter on psychological stability in the book. The idea that markets are mutually beneficial does not really have anything to say about these kinds of worries. That is to say, relative to whatever endowments people have got, the market creates mutual benefit. This kind of argument is parallel to standard welfare economics. But, how would you justify the market to citizens as a contractarian? There is a tension here. On the one hand, the contractarian has to be able to show everyone that they all benefit from it. On the other hand, it is fundamental to the way the markets work that they cannot be fair. Each person’s opportunities are opportunities to interact with other people. Whether they want to interact with you is part of their opportunities. A complete equality of opportunity conflicts with markets. But it feels to me as though there’s got to be some redistribution. If you think of the period from the
Second World War to 1970, especially in the United States and Western Europe, there was pretty wide acceptance of the market. It was grounded in the fact that basically everyone was getting better off: there was a fairly steady rate of growth. In that period, people were willing to tolerate the inequalities of the market partly because income inequality was not so extreme. They could see, by looking at East Germany, Czechoslovakia, that the market system was creating wealth that they were all enjoying, and there was also a redistribution mechanism in place. Don’t rock the boat. But this argument is not based on fairness. It is just based on general acceptability. Yet, it seems to me that various changes happened in the last twenty years, which seem as though the market is no longer as successful at producing wealth that gets redistributed. The answer really is that the main part of my arguments is all about mutual benefit, and distribution is not really what I’m writing about. But if you are going to justify the market, you have to have redistribution. And at the same time, people have to realize that the market does create wealth for everybody and they should accept certain limitations. After all, one cannot demand too much fairness from markets. Fairness is not a realistic demand.

**So, to continue a little bit on the current situation, what is the role of the contractarian economist at this moment? Is it to suggest ways in which we can alter the market mechanism or to speak up for redistribution or to create a new sort of justification?**

One thing I have to say is that this is not my area, which I really would claim expertise in. What you need first and foremost is to understand why the distribution of income is becoming much more unequal. One explanation might be that it is an internal problem with the market. The market is changing in a way that makes it possible for the higher skilled people to be more productive because of the way technology is developing...

**Technology is creating a winner-takes-it-all problem?**

Yes, it could be a winner-takes-it-all feature of the market. Alternatively, it could be a market imperfection: the people at the top of the business organizations are able to pay themselves too much. Now, if the problem is intrinsic to the way the market works, then I do think that it has to offer some system of redistribution. If, on the other hand, the market is not working properly... I am not sure I feel fit to answer that question.
As we were discussing The Community of Advantage in a reading group, we thought that your book could be a sort of countervailing force in the current literature that is critical of the market, saying, well, we need to really re-appreciate what the market is. One side-effect of behavioral economics, but also of the other scholars writing critically about markets such as Piketty, could be that economists are doing a disservice to the functioning of the market by undercutting the general acceptance of the market in society, which in turn might actually lead to poorer functioning of the market, because we will get a lot of intervention or we get a kind of crony capitalism as a result.

That is correct, and the book certainly has a flavor of it. If you think the market is on the whole a good institution, then part of the job is to persuade people that there are certain things the market cannot provide. There are some kinds of fairness demands that the market cannot satisfy. When the pricing practices of firms are clearly unfair, it is very important for regulators to remove them because that is feeding the thought that the markets are unfair. So, my suggestion is the combination of these two thoughts. First, we need to educate people to realize what markets can and can’t do... And hence to say 'look, you shouldn’t think of this as a critique of the market, you should think of it as part of the way the market has to work'. Second, if we can produce a concept of what counts as fair and define what counts as ethical behavior in markets, then we need to enforce these norms—not only in response to fairness considerations but also to protect the market against the thought that it is unfair. You might indeed think that the sense that people are losing faith in the market is definitely part of the motivation of the book.

I still have two questions that I would really be keen to get a brief reaction on. Let’s start with a very specific question. In the book, you clearly come out as a contractarian. Today, and also in the book, you have emphasized your liking for Hume. In the past, you have also written on conventions and spontaneous order. And, there is the famous Buchanan–Hayek debate about the evolution of rules versus the sort of constitutional design of rules. Have your thoughts evolved on that issue? Your earlier work has focused more on conventions, and now you are thinking more in terms of design. Is this a part of the Buchanan legacy that you are not particularly keen on?

I think the answer is the second. Hume is officially an anti-social-contract theorist. In this sense, he’s anti-design, too. But, nevertheless, his concept of convention is a spontaneously evolved notion but at the same time it’s
Robert Sugden / Interview

a mutually beneficial one. And it is the ‘mutually beneficial’ thought that I am drawing on in the book. What I am saying as a contractarian is that there is a difference between mutual benefit and welfare maximization, and the way to justify something is to show people that it is mutually beneficial.

I think even in Rawls there is a tension between those two thoughts... Rawls is constructivist in some sense. But Rawls also emphasizes the concepts of mutual advantage and psychological stability. I always side with that latter part of Rawls. I think of this as contractarian but not as contractarian designing.

In The Community of Advantage, you argue from the principle of mutual benefit. There is also an emphasis in the book on reciprocity. Have you ever thought about the relative position of the market in society? Because obviously these two principles, ‘mutual benefit’ and ‘reciprocity’, one can also find in other sorts of social institutions, say clubs, or perhaps people would think of churches, or more generally civil society, or perhaps even the state...

That is what underlies Luigi Bruni’s work on the civil economy. According to John Stuart Mill, the guiding principles for civil society are reciprocity and mutual benefit. And that’s why I quite like reading Mill’s On the Subjection of Women, where he says that the family really ought to be a system of mutual benefit. The argument is to say that civil society is a network of cooperation, and the market is a part of civil society. If you see the market as part of the civil society, you make the market more attractive. This is the right way to think about the market.

We could perhaps end with a piece of advice from you! In another interview, you have suggested that “economics is very fashion-driven, with a short life-cycle for new approaches”. So, how should ambitious scholars interested in age-old problems cope with the fashion-driven state of economics? What lessons would you draw from your own intellectual history for future philosophical economists? For instance, you may tell us about the sort of intellectual communities that you benefit most from. We are wondering, in Erwin’s words, ‘how can we make sure the community of economists remains a community of advantage’?

I must confess I think it has got worse over the years. I think that the academic profession is becoming too concerned about relative positions

---

8 Agbonlahor and van den Akker (2019).
and rankings. It doesn't work based on mutual benefit. The idea of it being a zero-sum game is very dangerous. Is the aim to win prizes and to get papers published in the top journals? The whole concept of its being a competition is very bad.

On the whole, I do still think it does pay to see the world in terms of mutual benefit. And so I advise students in college, for example, do try to seek alliances... Another lesson is that if you really want to do something that’s really important and original, then it is not a good idea to think of the world in terms of a zero-sum game and ask, well, 'how can I get people to like my ideas?' That is not really the recipe for having some really, really important idea. So, if you had an idea that was really good, then most economists wouldn’t like it. You have to not worry too much about that. Given that economics is fashion-driven, you should ask yourself do you want to follow the fashion or do you want to try and make the new fashion?

Also, you should be able to sense problems that need to be addressed and are kind of officially on the agenda. Obviously, if you tackle a question that is completely off the agenda, then you can’t be surprised if no one likes it. Let’s go back to the case of early behavioral economics. People ask me ‘was it very difficult to publish papers?’ It was actually easy because not many people were working on that subject. But the reason for that was because although economists were all committed to rational choice theory, there were many things about the theory they were concerned about. One of them was that rational choice theory was supposed to be valid in all domains. So, there was no area of the world where rational choice theory was not supposed to apply. They then couldn’t really object to experiments because if rational choice theory applies to everything, it was supposed to apply in the lab, too (particularly when you pay people in the experiments). Also, everybody in those days, was more or less Popperian in terms of methodology. The practice of economics was in fact driven by its reliance on rational choice theory, but the official methodology was Popperian.

To test!
Yes. So, if you say, 'look, here are your theories, we've found a place where they ought to apply and we have run the tests and they don’t work’, then it is a legitimate item on the agenda. And so, although the community may not like the results, I think you kind of force your way in. I think it is a matter of entrepreneurship, really. You have to look for issues that,
according to the kind of implicit rules of the discipline, ought to be investigated, but people either haven't investigated them or alternatively some error has crept in and needs to be corrected. That way, people can't really ignore your research. When you have done it, they have to accept it. Maybe it would be easier to get papers published by just developing existing ideas a little further... But I still have faith that good ideas win in the end. You have to back your hunches.

**Final question: what is next on your research agenda?**

New questions arise in the book. One is what counts as fairness in markets. Another loose end is the fact that the opportunity criterion, as it is stated, is an on-off/either-or criterion. I need to define what counts as more opportunity, less opportunity.

A separate project is on models and moral theorizing. Philosophers don't think about moral theories as models. Take an example: Nozick's original theory of rights and liberty. In a sense, it's a mad theory. Nobody could really take it seriously. On the other hand, it was actually a really good book because it tells you that if you take rights to the extreme, this is what it would look like. And then later, he writes more books on the subject and sort of tries to backtrack. This is more sensible, but not so interesting or so useful. This thought applies to my book too. You have a position that deep down you feel sympathy for. At the same time, your job as a theorist is to kind of put it in a clear, concise, coherent way. You put it forward in good faith, but you can't put in all the qualifications, people should read it as a model. And so, my thought is whether my 'credible worlds' account of scientific models could also be applied to moral theorizing. There might be scope for the argument that moral theory is modelling.

---

**REFERENCES**


---

*Sugden (2000).*


Reflections on the 2019 Nobel Memorial Prize Awarded to Banerjee, Duflo, and Kremer

Chiara Lisciandra
University of Groningen

Introduction
The Royal Swedish Academy of Sciences awarded the 2019 Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel to Abhijit Banerjee, Esther Duflo, and Michael Kremer for their “experimental approach to alleviating global poverty” (Royal Swedish Academy of Sciences 2019a). As soon as the news was released, it sparked a debate among economists, international development scholars and academics in general, which has been covered in the media in the following weeks.¹

Even before this year’s Nobel Prize, important points concerning the research program in development economics had already been raised. The debate dates back roughly two decades, when randomized field experiments started gaining momentum. Topics range from the different levels of analysis of poverty (Cohen and Easterly 2009), to methodological and ethical issues in randomized field experiments (Deaton 2009; Rodrik 2009), to the relation between economic research and policy (Duflo 2019). The debate is broad and has prompted economists to take a stance on foundational issues regarding the methods and purpose of research in development economics. It gives all of us interested in economic methodology a wonderful opportunity to plumb economists’ motivations underlying their approach to the subject. This year’s award has revived previous discussion and has also added to it the question of the significance of this Nobel Prize, or rather, which particular aspects of this research program made it deserve a Nobel Prize. Given that this article is a reflection on the Nobel award, let me start from some considerations about the Nobel Prize in economics more broadly and then move to the features of this year’s award.

¹ See, for example, Ingrid Harvold Kvangraven (2019), and Sanjay Reddy (2019).

Author’s Note: I would like to thank Judith Favereau, Uskali Mäki, and Michiru Nagatsu for their comments on earlier versions of the paper.
CRITERIA FOR A NOBEL

Broadly speaking, what are the criteria that make a piece of research in economics worth a Nobel Prize? The Nobel committee does not have a list of criteria set in stone, but Assar Lindbeck—the chairman of the Prize Committee from 1980 to 1994—provided some indications in an overview article first published on the thirtieth anniversary of the Nobel Prize in economics:

When considering what should be regarded as a ‘worthy’ contribution, it is probably correct to say that the selection committee has looked, in particular, at the originality of the contribution, its scientific and practical importance, and its impact on scientific work. [...] To some extent, the committee has also considered the impact on society at large, including the impact on public policy. (Lindbeck 2007; italics added)

In the following sections, I will assess the laureates’ contributions against the criteria given by Lindbeck. Does the laureates’ work meet the requirement for a Nobel Prize? Do the critics contend that they don’t? As it will become clearer as this paper unfolds, while there is a general consensus that at least some criteria have been met by the awardees, critics are divided on whether the laureates are deserving of the award.

THE DEBATE

That this Nobel Prize has generated controversy has struck many as surprising. There are, in fact, some clear reasons for being in favour of the committee’s decision. First, the laureates work on the economics of poverty and this year’s Prize directs attention to the persistence of poverty in the world. The awardees’ research focuses on topics including education, health, micro-credit, gender, and policy effectiveness in developing countries. It is estimated that, in less than two decades, the Poverty Action Lab—which supports most of the laureates’ development projects—reached up to 400 million people worldwide. Moreover, this Nobel award has a symbolic significance: Banerjee is one of the few laureates from a non-Western country to receive a Nobel Prize in economics, and Duflo is the second female and the youngest laureate in economics since the award was established 50 years ago. Note that, in economics, the average age for being considered for a Nobel prize is around 65. The average age of this year’s awardees is 53 (Royal Swedish Academy of Sciences 2020).
As Uskali Mäki pointed out (2019), there is something striking about the Nobel being assigned to young scholars and to a field that is so recent in terms of research time.\(^2\) Kremer started writing on education in the nineties and, soon thereafter, Duflo and Banerjee followed. On the one hand, it is remarkable that the work of young scholars has been recognized very early in time. The laureates must have been courageous enough to start a new line of research that probably was not aligned with the standards of their discipline and their scientific community.

On the other hand, it is precisely because so little time has passed since the first studies were published that it might be too early to clearly assess the reliability and generalizability of the results. It was exactly on this point that Lindbeck wrote in the same article quoted above:

> When deciding who should be regarded as worthy of a Prize, the scrutiny of time has helped the committee considerably. […] [I]t usually takes a longer time in economics (and social sciences in general) than in the natural sciences to find out if a new contribution is solid or if it is just a fad. […] The reason is not only that economic behavior, like human behavior in general, is complex but also that it varies over time and place. […] Thus, new results may turn out to be relevant only to a transient conjuncture of circumstances, having much less generality than was supposed at first. (Lindbeck 2007; italics added)

These words couldn't be more at odds with this year's award.\(^3\) The committee's decision for an 'early Prize' might indicate that these days the pace of scientific research—or at least of certain research programs—is faster as compared to when Lindbeck wrote his article. Even so, a shift towards young researchers may come with some drawbacks. It might reinforce an increasing tendency to push scholars to establish themselves at a very young stage of their career, to publish quickly, to present their results as novel and ground-breaking, and, more generally, to make bold claims about their findings and outputs (Mäki 2019). As we will see in section 5, it is this critical attitude towards the possibilities of micro-development economics that the critics of the laureates often advocate,

---

\(^2\) Note that there are awards in economics that are specifically targeted to young scientists. The John Bates Clark Medal, for instance, is awarded to economists under the age of 40. This medal is usually considered to be the antechamber of a Nobel Prize, something which clearly suggests that the Nobel is usually meant for later contributions (Cherrier and Svorenčík 2020).

\(^3\) Note, however, that Lindbeck also adds that early Prizes can be given to particularly important contributions.
as well as the need to put randomized control trials (RCTs) into their proper perspective.

**ORIGINALITY OF THE CONTRIBUTION AND IMPACT ON SCIENTIFIC WORK**

What about originality and impact? The Nobel committee report states that: “the empirical microeconomic approach pioneered by Banerjee, Duflo and Kremer has changed how development economists conduct their research” (Royal Swedish Academy of Sciences 2019b, 34). They started a revolution—a quiet revolution in their own words—in the field of development economics by pioneering the use of randomized field experiments. Even though there is previous work in labor economics that uses RCTs, the ‘randomistas’—as Angus Deaton has called the laureates—made RCTs the standard of this research program.

How have RCTs revolutionized development economics? First, they introduced the possibility to run experiments with participants in their everyday settings. Field experiments with real subjects were not in the toolkit of economic analysis before. The first steps towards experimental analysis were taken before the advent of RCTs, when laboratory experiments entered economics. Field experiments moved the stage from the laboratory to the field. Moreover, the new method brought with it novel research questions. This is also because the core issues of macro-development economics—such as trade, monetary and fiscal policy, industrialization—cannot be tackled via RCTs. With a new method, the focus of development economics has also shifted to original questions that weren’t systematically addressed before.

Concerning the impact on scientific work, it is attested that over the last years, there has been a significant increase in publications based on RCTs. Between 2000 to 2015, five top economic journals (*American Economic Review, The Quarterly Journal of Economics, Econometrica, The Review of Economic Studies, and Journal of Political Economy*) have increased publications of papers in development economics that are based on RCTs (Banerjee, Duflo, and Kremer 2016). In a review of impact evaluation studies in international development between 1981 and 2012, Cameron and collaborators (2016) show that the majority are based on RCTs. In development economics journals, the impression is that the relevance of RCTs is such that it might be a prerequisite for a publication

---

4 For a comparison between randomized field experiments and laboratory experiments in economics, see Nagatsu and Favereau (2020).
(Lensink 2019). Finally, new generations of economists have been inspired by the randomistas and are enthusiastic about the promises of the field. The laureates acknowledge the collaborative nature of their projects and each of them has stressed this feature in their Nobel lecture. Esther Duflo began her speech saying, “this is a prize for a movement” (2019). Banerjee thanked the “entire community of randomistas” (2019), and Kremer (2019) talked about the next questions that the movement will address. The echo of this research program has been indeed quite remarkable. At the same time, the dark side of this result is that RCTs are becoming so dominant that they risk to mask other methodological approaches that could rather complement them. This is, in fact, one of the worries that has been raised by, among others, macro-development economists (Deaton 2009, 2010; Rodrik 2009); a worry that has been vocally expressed before and after the Nobel award. In the next section, I will briefly present this critique and the arguments supporting it.

**Scientific and Practical Importance, and Impact on Public Policy: What is an RCT?**

The main point of the methodological debate on micro-development economics concerns the potential and limitations of RCTs. Very briefly, field experiments in economics predominantly use randomized controlled trials. RCTs are based on the simple idea of testing an intervention over a randomly chosen treatment group and a control group. The aim of randomization is to compare two (or more) groups that are statistically interchangeable with each other—in other words, where the factors that might affect the intervention have the same probability distribution. This way, if the intervention produces a certain effect in the treatment group, but not in the control group, we can infer that the effect was caused by the treatment and not by other differences between the groups. In doing so, RCTs prevent possible selection biases that might otherwise undermine the result.

RCTs are commonly used in medicine for testing drugs. Banerjee, Duflo, and Kremer have transferred this methodology from the medical sciences to the social sciences, and use them to address questions in a variety of domains. In the context of education, for instance, RCTs analyze the impact of infrastructures on school quality, of students’

---

5 For a comparison between randomized control trials in the medical sciences and in the social sciences, see Favereau (2016).
absenteeism and teachers’ effort on test scores; in the context of health, the laureates have conducted experiments on—among other things—immunization, deworming, and the effect of subsidies on health products (see, for example, Banerjee et al. 2007; Duflo, Dupas, and Kremer 2011; Glewwe, Kremer, and Moulin 2009; Kremer 2003; and Miguel and Kremer 2004).

The rise of RCTs has determined an increased focus on identification strategies for inferring causal effects. Yet, the results of RCTs are often cautionary tales rather than success stories. They show that, contrary to what it might be thought, providing more resources to schools—such as textbooks or flip charts—has limited positive impact on school quality. They also show that reducing student absenteeism does not necessarily improve test scores; and, that providing free access to health products does not reduce their use, as even low fees can significantly reduce uptake.

**Some Limitations of RCTs**

RCTs are a powerful method of tackling questions such as those listed above and many more. But, as with all research methods, they also come with their limitations. The contention of most critics is that RCTs are not the gold standard that provides hard evidence for the hypothesis under study (Deaton 2010; Rodrik 2009). At times, however, the randomistas tend to assign a privileged status to RCTs over other empirical methods of analysis, such as macro-studies based on cross-country regressions or panel data. According to Banerjee:

> When we talk of hard evidence, we will therefore have in mind evidence from a randomized experiment, or, failing that, evidence from a true natural experiment, in which an accident of history creates a setting that mimics a randomized trial. (2007, 12)

According to other scholars, however, RCTs are not on a better footing than other methods of scientific inquiry. For instance, Dani Rodrik wrote:

---

6 In fact, most of the times, RCTs give null results, which also explains why RCTs—contrary to what is commonly held, even by the Nobel committee—are not very popular among policy-makers, who are rather after positive effects that might justify government funding.

7 Deaton is quite direct on this point: “Randomization is not a gold standard because ‘there is no gold standard’ [...]. Randomized controlled trials cannot automatically trump other evidence, they do not occupy any special place in some hierarchy of evidence, nor does it make sense to refer to them as ‘hard’ while other methods are ‘soft’” (2010, 426).
Randomized evaluations do pretty well when they are targeted closely at the policy change under consideration, but less so when they require considerable extrapolation. In the latter case, evidence from randomized field experiments need not be more informative than other types of evidence which may have less airtight causal identification but are stronger on external validity (because of broader geographical or temporal coverage). (2009, 27)

What are some of the main issues that RCTs face, beyond those that Rodrik mentions? To start with, one of the problems is the assumption that randomization creates groups that are statistically identical. It is true that, if the number of individuals in the experimental groups goes to infinity, then the probability of confounding factors is indeed equally distributed. However, groups have a potentially small, finite number of members, depending on the experiment in question and the budget available. It is thus possible that, even via randomization, we get groups that differ from each other for features that affect the experiment. Expert judgment may then be useful to recognize possible flaws in the experimental procedure. Expert judgment, however, can at most intervene when confounding factors are manifest, but not on unknown factors. However, the point of randomization is to allow experimenters to control indirectly for both observable and unobservable variables. In other words, expert judgment is precisely what would deny RCTs the pretense of scientific rigour, for which their use was first advocated (Reiss 2013; Rodrik 2009).

A further criticism is that, even though RCTs provide evidence of effectiveness, they do not provide evidence of causal mechanisms (Deaton 2010; Labrousse 2016). This is the sense in which they have been compared to the black boxes of experimental analysis: they typically lack an underlying theory or model that provides an explanation of the phenomenon under study. By means of an RCT we might get to know that something works (or not), but we do not know why and how.

In the context of policy, knowledge of mechanisms is often crucial insofar as it gives policy-makers an indication of where to intervene to achieve the desired outcome. As a matter of fact, the same policy might have different implications, depending on the mechanism that brings about a certain behavior. To illustrate this: suppose that, upon running an RCT, we find out that people take bed nets when they are given for free but not if there is a small fee to pay.8 Suppose also that we had two

---

8 The example is taken from Cohen and Easterly (2009).
(or more) hypotheses for why people do not buy bed nets, even at a low price: either because of present bias or because they lack information about how bed nets work and what they are for. The same policy of giving bed nets for free to prevent malaria would work under the first hypothesis, but not under the second. In the latter scenario, it would be no use to give bed nets for free, since people might use them for other things than preventing malaria, such as—as anecdotal evidence reports—for fishing or as wedding veils.

A further issue concerns the problem of external validity of RCTs (Deaton 2009; Rodrik 2009). Even though field experiments are conducted in the wild, this does not mean that they are immune from problems of extrapolation. Knowing that something works in a specific country at a given time does not allow one to infer that it will work somewhere else in the future. As Nagatsu and Favereau (2020) note, it is misleading to think that RCTs are better suited to address problems of external validity than laboratory experiments. RCTs have a different genealogy than laboratory experiments, they were introduced in economics to assess development policy aids, not to address external validity problems. As compared to the laboratory, RCTs may be less artificial, but making something less artificial does not necessarily make it more generalizable.

Overall, the controversy over RCTs reflects a more general tension between macro-approaches and micro-approaches to development economics, a difference that is often expressed in terms of ‘thinking big versus thinking small’. The approach of the laureates is to tackle poverty by breaking it down into a number of smaller, specific questions about health, education, micro-credit, etc. It has been asked whether, by doing so, they are shifting the focus away from the big questions that concern the broad economic system that perpetuates global poverty.

Thinking small has recently been used in a negative fashion, often together with labels such as impoverished economics or the poverty of poor economics, to convey the idea that the laureates ‘aim too low on global poverty’. Originally, however, the idea of ‘thinking small’ had a more constructive connotation. It derived from a turn in development economics following a widespread skepticism about macroeconomic solutions to development problems. Cohen and Easterly talk about “the collapse of ‘thinking big’” (2009, 2) to refer to a series of uncertain results in the application of macroeconomic policy in developing countries. One standard example is the ‘Washington Consensus’, a set of policy prescriptions for developing countries, whose results turned out to be
either not as successful as it was hoped or anyway difficult to evaluate (Ravallion 2009).

As a reaction to this ‘crisis’, ‘thinking small’ indicated a more pragmatic, effective and goal-oriented approach to development problems. Advocates of this approach claim that this is the strategy to follow as there are no definite answers to big questions such as: What is the cause of poverty, of growth and development? Economics makes progress little by little, step by step, as any other science does.

This clearly does not mean that the macro-development approach has been neglected—although its relevance has at times been downplayed by the opposite camp. Issues such as the role of structural transformations, international economic integration, and the role of distorted markets are still central (Inklaar 2019). For instance, one of the main goals of the current research agenda concerns the outline of a theoretical framework for measurement purposes. Such a framework would allow us to measure, among other things, world poverty; to construct a global poverty line; and to establish how to update it (Deaton 2010).

These goals are clearly related to the research of this year’s laureates. But the challenges behind such goals make it clear that, at the moment, our understanding of poverty, growth and development is riddled with uncertainty. We do not yet know what is the best way of defining world poverty and we do not yet know what has determined a sustained decrease in world poverty, however we define it, over the last decades. In light of this, the motivation behind this year’s Nobel Prize, which is that the laureates’ findings reduce or mitigate global poverty, seems to be unwarranted.

That said, a more charitable interpretation of the Nobel committee’s statement is possible. The laureates ask questions such as, how can we make sure that pregnant mothers sleep under bed nets? Or, how can we make sure that farmers use improved seeds or fertilizer? If we take a broader interpretation of the determinants of wealth, which include factors such as health, nutrition and education, then it appears clear that the work of the laureates has contributed to an increase of human and social capital by helping children and people worldwide, for instance, by reducing worming in affected regions or by devising successful school programs.
THE ETHICS OF RCTs
An overview of the main topics of debate around micro-development economics cannot neglect to mention ethical considerations. One set of ethical issues that have been raised in relation to RCTs concerns experimentation with human subjects. A thorough analysis of the ethical implications of RCTs falls beyond the scope of this article, but in order to give a flavour of just some of the facets of this debate, it is helpful to start from a comparison between the research protocols that are used in economics and in medicine (Nardini 2014).

Medical doctors have strict research protocols to follow with human experimentation. These protocols provide guidelines that, among other things, help doctors to mediate between opposing professional goals, such as helping current patients versus testing new drugs in view of medical progress, or deciding who should receive a treatment at the expense of others, also in light of possible drawbacks. Similar ethical dilemmas clearly emerge in the context of development economics, but it seems that they have not been as strictly addressed in economics as in medicine so far.

One clear example is informed consent. Informed consent is a basic requirement for clinical RCTs: it requires that subjects have expressed their consent to participate in the experiment, that they are competent subjects and express their consent voluntarily; it also requires that they have been adequately informed about the purpose of the research and about the risks and benefits involved.9

In a recent paper, Hoffmann (2020) draws on a set of RCTs papers that have been published in top economic journals between 2009 and 2014. According to her analysis, informed consent tends to be discussed in the majority of the studies that took place in Europe and the United States. However, only 10% of those that were conducted in Africa, Asia, and Latin America indicated informed consent. This clearly shows that there are differences in ethical standards depending on the country where the study takes place.

Another example is equipoise, which refers to the situation where medical doctors are genuinely uncertain about the potential and drawbacks of the treatment they administer. This is considered to be a

9 Clearly, both in medicine and in development economics, it is far from trivial what constitutes an adequate level of information, i.e. at what level of detail the research project should be presented, something which is particularly problematic in case of vulnerable subjects such as the ill or the poor.
requirement in clinical trials. The reason is that, if both the control group and the treatment group face the same probability of a positive outcome, then the medical doctor is not favouring one group over the other, nor denying the participants the possibility of, in principle, receiving the best possible care available. But as Abramowicz and Szafarz (2020) show, equipoise is typically ignored in development economics and there is an entire debate about whether the scarcity of resources justifies this practice. Overall, difficult ethical questions arise in the context of human experimentation. In the same way as bioethicists work together with medical doctors to define their operating guidelines, ethicists might equip development economists with tools that could help them make difficult decisions in experimental contexts.

Beyond the specific issues related to RCTs, ethics comes into play when considering the impact of the laureates' work on societal and policy issues. The matter is also intricate, partly because it is not always completely clear how to position the role of the awardees in relation to policy: on the one hand, they describe themselves as genuine scientists, or ‘plumbers’—to follow Duflo’s metaphor—who run RCTs according to rigorous standards of experimentation. This way, they would remain outside of the domain of ethics and all of the intricacies that it entails. On the other hand, they also claim to pursue goals—such as fighting global poverty—that are political in nature and that, as such, open up a whole set of ethical issues.

At first sight, it might even be thought that there are not many ethical implications to discuss here, because health and primary education are basic universal human rights. But beyond that, a large part of micro-development economics is about running RCTs to find out how to stimulate the economy in a certain region or for a group of people. Microfinance, for instance, studies financial tools, such as loans to poor borrowers who wouldn’t normally fulfil the eligibility criteria that banks typically require. Other programs basically inject cash in an economy to stimulate economic growth to increase investments and productivity. Is enhancing economic productivity an ethical goal in itself? What changes in social structures should be instantiated for economic policies to be successful? And what is the normative framework that justifies such interventions? Though controversial, these are important issues for scientists working in political contexts to consider.
CONCLUSION
What can we conclude about the research program in micro-development economics with respect to the criteria for a Nobel Prize? This year, the Nobel Prize has been awarded to a research program in economics that is strongly experimentally driven, draws heavily on statistics, and is far away from a rigorous theoretical framework. At the opposite end of the spectrum we find, for instance, contributions to general equilibrium theory, which have also attracted several Nobel Prizes before, such as Paul Samuelson (in 1970), Kenneth Arrow (1972), Gérard Debreu (1983), among others. The empirical approach in economics has been prompted by the so-called “credibility revolution”, which, as the Nobel report of this year’s award says, “pushed economic research in several areas towards a stronger focus on estimating causal effects” (Royal Swedish Academy of Sciences 2019b, 2). Other Nobel Prizes that reflect similar considerations are, for instance, Richard Thaler (in 2017), Robert Schiller (2013), Daniel Kahneman (2002), Vernon L. Smith (2002), and Herbert Simon (1978). Even more so than in previous years, the work of Banerjee, Duflo, and Kremer is strongly inductive and pursues research beyond academic boundaries, collaborating with governments, NGOs, local collaborators, business partners, and policy-makers.

In this article, I have suggested that the laureates’ work fits the bill with respect to originality, impact on scientific work and, at least in part, public policy. On the other hand, however, there are no compelling reasons to endorse the motivation the committee provided to describe the scientific achievements of the laureates. But it might be too early for a conclusive answer: as the committee already pointed out, the scrutiny of time might be required to let science run its course.

REFERENCES


**Chiara Lisciandra** is Assistant Professor at the University of Groningen, Faculty of Economics and Business. She is a board member of the Centre for Philosophy, Politics and Economics at the University of Groningen, and an elected board member of the International Network for Economic Method. Her primary research interests are in general philosophy of science, philosophy of economics, and social philosophy.

Contact e-mail: <c.lisciandra@rug.nl>

Website: <www.chiaralisciandra.com>
In the eighteenth century, Adam Smith and David Ricardo maintained that the exchange value of a good depends on the quantity of labor necessary to produce it. Later, during the so-called ‘Marginal Revolution’ in economics, it was argued that the exchange value of a good depends on the marginal utility enjoyed by an individual in the economy. This latter idea subsequently became the cornerstone of most microeconomic and, more recently, macroeconomic analyses. However, as Ivan Moscati reminds us in *Measuring Utility: From the Marginal Revolution to Behavioral Economics*, the main problem at the heart of the history of marginal utility, and utility more broadly, is that it cannot be observed and measured in a straightforward way. This has been the source of heated debates on the correct method to measure utility.

In *Measuring Utility*, Ivan Moscati sets out to reconstruct the history of these discussions from the 1870s, the years of the ‘Marginal Revolution’, to 1985, the year that allegedly marks the birth of behavioral economics. Moscati’s ambitious project dovetails his prolific work in a series of prior papers with his most recent research on the topic. The result is a historical analysis of utility measurement placed within a reconstruction of the debate on general scientific measurement that took place at the same time (1870–1985).

The book’s goal is fourfold. Firstly, it illuminates the extent to which discussions on general scientific measurement shaped how economists have conceived the measurement of utility over time. Secondly, it offers an alternative account to the dominant historical reconstruction of the

---

1 See Moscati (2007, 2013a, 2013b, 2016a, 2016b, 2016c, 2017) for a selection of his most prominent work on utility over the years. The interested reader may further consult the complete references to Moscati’s work listed in *Measuring Utility*.

**AUTHORS’ NOTE:** We would like to thank Conrad Heilmann and three anonymous referees for their constructive and extensive feedback.
dichotomy between cardinal and ordinal utility. Thirdly, it analyses the interplay between the history of scientific measurement in general and that in economics, psychology and other disciplines in order to provide a better framework for understanding the development of utility measurement. Lastly, it presents a thorough discussion of the epistemological problems inherent to utility measurement.

BACKGROUND
Before we address the book, it is useful to recall some basic concepts from the foundations of contemporary microeconomic theory. These concepts are key to grasping Moscati’s arguments and how they fit together throughout the text. In his analysis, Moscati underlines how debates about general scientific measurement influenced the prevalent utility functional forms that were adopted in every period. Every form of utility function entails an assumption about how utility itself can be measured. What follows is a summary of the main utility functional forms used in contemporary research, with explicit links between these forms and the notion of measurement that underlies them.

A utility function, which represents how an individual ranks all options $x$ in the set of possible alternatives $X$ (the individual’s preferences, in economic terms), can be either ordinal or cardinal. It is ordinal if it is unique up to any monotonic increasing transformation. This means that if $U(\cdot)$ represents the preferences of an individual over a set $X$, then $U'(\cdot) = f(U(\cdot))$, where $f$ is a strictly increasing function, also represents the exact same preferences. Ordinal utility is measurable on an ordinal scale of measurement. The only meaningful information on such a scale is the order between the utility numbers (or other non-numerical measures) assigned to the alternatives.

On the other hand, a utility function is cardinal if it is unique only up to linear increasing transformations. This means that $U(\cdot)$ is a cardinal utility function if and only if every linear affine transformation $U'(\cdot) = \alpha U(\cdot) + \beta$ (with $\alpha > 0$) represents the same preferences that $U(\cdot)$ does. Cardinal utility is, instead, measurable on an interval scale of measurement. An interval scale of measurement carries meaningful information not only about the ranking of the utility numbers assigned to the respective alternatives but also about the differences between these numerical values.

---

2 See, for example, the classical book by Mas-Colell, Whinston, and Green (1995).
The reader should notice that this is a richer notion of measurement than the ordinal one, as ordinal utility scales do not preserve utility differences.

Moscati introduces a third form of utility which he refers to as *ratio-scale* utility. This latter class of utility functions constitutes a subset of cardinal utility functions. A utility function $U(\cdot)$ is ratio-scale if it is unique only up to a subset of affine linear transformations: that is, the set of proportional transformations $U'(\cdot) = aU(\cdot)$ (with $\alpha > 0$). As the reader may notice, the parameter $\beta$ of cardinal utility functions is equal to zero. Ratio-scale utility is associated with ratio-scale measurement. In addition to the ranking and the differences between numerical measures, ratio-scale utility also preserves the ratios between these measures. Hence, it is a notion of measurement richer than the ordinal and the cardinal one. With this technical background in mind, we can now turn to the arguments in the book.

**Summary of the Argument**

*Measuring Utility* is organized into four parts ordered chronologically and addressing distinct periods. The first part (1870–1910) reconstructs the debates on utility theory among the first and second generation of marginalists such as William S. Jevons, Carl Menger, Léon Walras, Alfred Marshall, and Francis Y. Edgeworth. Here, Moscati argues for the novel thesis that the common notion of utility at that time was not, as it is nowadays often believed, cardinal utility. Rather, it was ratio-scale utility. To provide evidence for this, he gives a broad overview of how measurement was understood in the intellectual environment of the time. Specifically, he draws on the discussions on measurement that took place in four fields: philosophy, psychology, physics, and mathematics. In each of these fields, Moscati argues, the prevailing conception of measurement was the *unit-based* one. He writes that a magnitude is measurable in the unit-based sense if there is a unit of measurement that can be summed numerically. The discussions by the early marginalists were focused on what could constitute a unit of utility and on assessing utility ratios rather than utility differences. Therefore, these authors were not cardinals in the current sense of the term. Instead, they adhered to a shared view of utility

---

3 This means that, in addition to the condition that must be respected by ordinal measurement, cardinal measurement must respect $U(x) - U(y) \geq U(w) - U(z)$ if and only if $U'(x) - U'(y) \geq U'(w) - U'(z)$ where $U'(v) = aU(v) + \beta$ for all alternatives $v$.

4 Formally, $U(x)/U(y) = aU(x)/aU(y)$. 
as ratio-scale utility. In fact, the utility form they had in mind did not allow for general affine transformations and, Moscati argues, this constituted a significant obstacle to the development of economic theory. The reason for this is that some of these authors, such as Walras, thought that measuring utility is necessary for performing economic analysis. However, they failed to identify what the unit of utility was and therefore believed that it was impossible to measure utility. Moscati’s discussion of the solutions later developed to tackle this problem occupies the second part of the book covering the Ordinal Revolution (1910–1945).

The Ordinal Revolution is so-called because it was during that period that the Italian economist Vilfredo Pareto developed the new notion of ordinal utility, as opposed to ratio-scale utility. Pareto’s claim that it is possible to rank utility ordinally was welcomed by the economic academic environment of the time. Both the first generation of Austrians, such as Ludwig von Mises and Franz Čuhel, and, later, leading economists gathered at the LSE, such as Roy G. D. Allen, Friedrich von Hayek, John Hicks, Nicholas Kaldor, and Lionel Robbins, worked on and fostered the thesis. The possibility of ranking utility indices ordinally was novel. However, how measurement was conceived in that period was still captive to past conceptions. In fact, all of the economists mentioned above, Moscati argues, still shared a unit-based understanding of measurement. Hence, there were no relevant differences between economists during the Ordinal Revolution and their predecessors—with one exception: the former abandoned the idea that the possibility of measuring utility is a necessary condition for performing economic analysis, as Walras believed.

It was only from 1945 onwards that the situation changed abruptly. This turn marks the beginning of the third part of Moscati’s book, in which he analyses a brief but exciting period in economics (1945–1955). The debate that followed the 1944 publication of Theory of Games and Economic Behavior, in which John von Neumann and Oskar Morgenstern ([1944] 2007) developed a now-standard conception of expected utility, led to a profound revision of the prevalent understanding of utility measurement. The leading actors in these discussions were the economists Maurice Allais, William Baumol, Milton Friedman, Jacob Marschak, Paul Samuelson, and Leonard J. Savage. Moscati divides their debates into

---

5 Recall from the previous paragraph that cardinal utility preserves only utility differences. Ratio-scale utility, instead, preserves also utility ratios.
three time-spans. The first two are characterized by one underlying question: what does the von Neumann-Morgenstern expected utility function measure?

In the first period (1947–1950), there was a shared understanding of expected utility as a linear transformation of the risk-less (or Bernoulli) utility function introduced by the early marginalists. In the second phase (1950–1952), the interpretation of expected utility among the leading scholars at the time changed significantly. This was prompted by a rich exchange of letters initiated by Samuelson’s request for feedback on an article (Samuelson 1950) in which he harshly criticized both the axioms underlying von Neumann and Morgenstern’s expected utility theory and its empirical implications. The letter led to a heated epistolary discussion on what it is, exactly, that expected utility measures. In the end, all parties, apart from Allais, gradually came to accept the interpretation of expected utility advanced by Friedman in his correspondence with Baumol in the summer of 1950 (176). According to Friedman, expected utility is a monotonic transformation but not necessarily a linear transformation of risk-less (or Bernoulli) utility. Thus, while the two functions preserve ordinal information—they order alternatives in the same way—they need not preserve additional information, such as utility differences.

This common understanding of expected utility opened the third phase of the debate (1952–1955), which focused on the meaning of measuring utility per se. In that phase, numerous protagonists from the two previous phases (Friedman, Savage, Baumol) and new ones, such as Robert H. Strotz, Daniel Ellsberg, and Armen A. Alchian, wrote several articles proposing a novel notion of utility measurement. In these articles, they argued that measuring utility simply means assigning numbers to objects on the basis of a specific set of (non-mathematical or psychological) operations. They all stressed the conventional character of any method of measurement and clarified that the adoption of a specific measurement method depends, by and large, on its convenience for the purpose at hand. In the case of measuring utility, Moscati contends, the purpose, in those years, was perceived as describing and predicting behavior.

---

6 The theorem by von Neumann and Morgenstern ([1944] 2007) states that if preferences over lotteries satisfy specific assumptions, then they can be represented by an expected utility function. An expected utility function represents the expected value of a lottery, where probabilities constitute a weight of the risk-less (or Bernoulli) utility function. A risk-less (or Bernoulli) utility function is defined on sure amounts. It carries the name of Daniel Bernoulli since he was the first to use a version of such a function. See, for example, Mas-Colell, Whinston, and Green (1995, 184).
The fourth and final part of the book (1950–1985) differs slightly from the previous three. Indeed, it concentrates on the empirical attempts to measure utility rather than on its theoretical understanding. It offers a historical reconstruction of the laboratory experiments on measuring utility and the growing skepticism among economists about the possibility and significance of this endeavor. The reason for concentrating on the different empirical attempts to measure utility is that, after 1955, the discussion on the meaning of utility measurement was settled by widespread agreement on its interpretation. Indeed, as Moscati makes clear in the third part of the book (208–211), all economists who were working on the topic at that time (Friedman, Savage, Ellsberg, and others) finally converged on what measuring utility means. They all shared the view that measuring the utility of a specific option or object simply means assigning a number to that object according to a specific set of operations. Those numbers are, in fact, utilities and are assigned in a way that is arbitrary and conventional. This allowed economists to shift their attention to developing empirical techniques to estimate utility.

This last portion of the book is structured into two conceptually and historically distinct phases. The first (1950–1965) is mainly concerned with what Moscati labels the “age of confidence” (218). The phrase refers to the fact that, in those years, experiments performed to test expected utility theory were interpreted favorably, both by the experimenters and the wider economic academic community. This means that these experimental results were understood both as confirming the descriptive adequacy of expected utility theory and the possibility of empirically measuring expected utility. The second section considers the time when confidence in the possibility of measuring expected utility was replaced by skepticism (1965–1985). This skepticism was fueled by experiments showing that people tend to have choice patterns that resemble both the Allais and the Ellsberg Paradox. Those two ‘paradoxes’ were independently constructed by Maurice Allais and Daniel Ellsberg to describe choice situations in which people often make decisions that violate the predictions of expected utility theory. From the mid-1960s onwards, an increasing number of experiments have empirically demonstrated that people often do exhibit such ‘paradoxical’ behavior. These results, in turn, have undermined economists’ confidence in the descriptive adequacy of expected utility theory.

Moscati ends part four, and the book itself, with the description of one specific experiment set up by economists John C. Hershey and Paul
J. H. Schoemaker in 1985 (Hershey and Schoemaker 1985). In Moscati’s view, this experiment, which provided empirical evidence that people display choice patterns that *systematically* violate expected utility theory, marks the birth of what later came to be known as ‘behavioral economics’. With behavioral economics, a whole new historical chapter begins: the starting assumption is that experimental measurements of utility based on expected utility theory are flawed. This new turn in utility theory, Moscati concludes, generates many lines of research that would need a book all of its own.

**Critical Appraisal**

Moscati has written an engaging narrative of the history of utility theory using a wide variety of debates, descriptions of exchanged letters, and biographical reconstructions. All these together have allowed Moscati to write an encompassing historical reconstruction of utility measurement—this constitutes one of the book’s distinctive strengths. We thus find the text to be an indispensable companion to any researcher who is interested in utility theory.

In the remainder of this text, we want to reflect a bit more on an underlying idea that plays a key role in Moscati’s historical analysis. Namely, the idea of a *shared intellectual environment* (as we label it)—both within the discipline of economics, which is Moscati’s primary interest, and across disciplines, such as economics, psychology, and philosophy.

To start with, Moscati’s reconstruction of the communication among economists deserves to be praised. He provides many descriptions of such communications, at least among some economists (see as an example the epistolary discussion at 176). For instance, as Moscati recognizes, there is a rich documented correspondence between Jevons and Walras, which would speak in favor of a shared conception of utility measurement, at least at a later stage of the development of their theories. Similarly, Moscati lays out in great detail how the acquaintance with the work of the first generation of marginalists influenced the work of the second generation.

We are, however, less persuaded by the idea of a shared intellectual environment *across* disciplines. To wit, a discussion of conceptions of measurement in fields outside economics is itself useful to the extent that economists were informed by the work carried out in those fields. Consider, for instance, the reference that Moscati makes to the “broad intellectual context” (24) within which discussions on measurement took place.
and his claim that it is “hardly surprising” that early marginalists conceived of measurement in the unit-based sense, given such an intellectual environment (24). While it is not necessary to demonstrate that the first and second generation of marginalists were well aware of the work that physicists, psychologists, and mathematicians were carrying out, Moscati’s case would be buttressed by an explicit presentation of how specific ideas (in physics, psychology, etc.) came to be known in economics. However, this idea is not fully substantiated. For instance, the entire first chapter is dedicated to notions of measurement in different sciences, while in the second chapter there is a paragraph devoted to Jevons’ work on measurement beyond utility (28); but, there is no explanation of how notions in other sciences influenced Jevons. The reader is left wondering whether Moscati assumes or has evidence for assuming that Jevons became acquainted with them thanks to his friendship with Edgeworth (53), who knew the mathematical work on measurement carried out by Voigt (23). However, Moscati does not provide a substantive clarification for his claim. Another example is the lack of documented evidence that the second generation of marginalists was exposed to the ideas of scholars working in other fields. These omissions leave the reader pondering whether the shared conception of measurement in a specific period was the result of a fortunate coincidence or of a deep—and conscious—shared intellectual understanding.

In conclusion, Measuring Utility is to be commended for its detailed reconstruction of the intellectual atmospheres during the history of utility measurement covered in the book. By recounting the years during which utility theory and the building blocks of modern economic analysis were developed, it improves greatly our understanding of what utility itself is and how it can be used, both from a descriptive and a normative point of view. This makes the book a recommended reading for all researchers who broadly deal with the concept of utility. Indeed, the turn that economics is taking nowadays, with the development of several different sub-branches, cannot be fully appreciated without a comprehensive picture of the different attempts at, and understandings of, utility measurement.

REFERENCES


**Annalisa Costella** is a first-year PhD student at the Erasmus School of Philosophy. Her research interests include decision theory, axiomatic approaches to freedom of choice, and the welfare implications of behavioral economics.

Contact e-mail: <costella@esphil.eur.nl>

**Enrico Mattia Salonia** is enrolled in the first year of the doctoral track at the Toulouse School of Economics. His research interests are mainly in economic theory, in particular game and microeconomic theory.

Contact e-mail: <enrico-mattia.salonia@ut-capitole.fr>

NICHOLAS VROUSALIS
Erasmus University Rotterdam

In this succinct, lucid, and well-argued book, Ernesto Screpanti sets out to reconsider Marx’s categorial framework of value and exploitation.

Screpanti argues for the following claims. First, labour under capitalism is coextensive with the subsumption of labour to capital. By implication, Marx’s categories of value and ‘abstract labour’ represent the exercise of the workers’ set of productive capacities, subsumed under the capitalist firm as its own. According to Screpanti, it follows that abstract labour is not a substance or ‘natural abstraction’, as some Marxists maintain. It is, rather, a social relation of subordination: “the price of [the worker’s] freedom” (44), sold to the owner of the means of production for a wage. Second, capitalist exploitation presupposes this subordination of the worker to the capitalist through the capitalist’s control over the surplus product. This product, says Screpanti, is a measure of ‘overwork’, that is, a measure of how much longer workers must work to produce their own subsistence, compared to the counterfactual in which they organize their own production. Third, according to Screpanti, Marx’s critique of capitalist exploitation is not a moral or ethical critique; it is, rather, a critique of overwork from the point of view of the oppressed, “an interpretation of the workers’ sentiments” (98).

Screpanti offers cogent arguments for the first two claims. I will argue that the second claim is substantively correct: capitalist exploitation presupposes capitalist control over the labour process and is expressed in capital’s extraction of a surplus product. However, Screpanti’s defence of the first claim is not, as it stands, acceptable. For the capitalist mode of exploitation does not require wage-labour or the existence of the capitalist factory. All it requires is that capital has enough control over the labour process to allow surplus extraction. Screpanti, in other words, misidentifies capital’s mode of exploitation with its mode of production. Moreover, Screpanti’s third claim is false, indeed incoherent. If capitalist exploitation expresses the subordination of the worker, as Screpanti argues, then
the term ‘subordination’ in that conditional must have a moral, and not purely descriptive, meaning.

I. VALUE AND ABSTRACT LABOUR
Marx begins volume one of *Capital* by introducing Adam Smith’s distinction between use- and exchange-value. By way of an explanation of the latter, he introduces a further distinction between concrete and abstract labour: the useful, creative, object-directed labour of “the joiner, the mason or the spinner” (Marx 1976, 128), versus that labour that has lost its determinate, content-driven character and is exclusively directed towards the production of commodities. As values, commodities only express “human labour in the abstract” (ibid.). This conceptual manoeuvre has baffled commentators. Some of them have been tempted by the idea that abstract labour is a trans-historical, ‘natural’ category that would feature in any commodity-producing society, both pre- and post-capitalism.

Screpanti spends chapter 1 of his book criticizing this theory. Chapter 2 provides an alternative interpretation of abstract labour. According to Screpanti, the employment contract is an agreement whereby workers take on an obligation to obey their employers. […] With the employment contract, a worker renounces his decision-making freedom in the labour process by entering into a relationship of subordination to the capitalist. This enables capital to subsume workers’ capacities and use them to secure surplus value. […] Here, abstract labour is no longer a natural object. Rather, it emerges from a historically determined social relationship. By virtue of this characteristic, it turns out to coincide with the time spent by the wageworker in the production process. (31)

This alternative interpretation undermines the naturalistic account of abstract labour—a hangover from Hegel’s notion of a “contract for services” (32)—which takes worker productivity to be exogenously determined. Consider, for example, this characteristic passage from *Capital*:

In order to be able to extract value from the consumption of a commodity, our friend, Moneybags, must be so lucky as to find, within the sphere of circulation, in the market, a commodity, whose use value possesses the peculiar property of being a source of value, whose actual consumption, therefore, is itself an embodiment of labour, and, consequently, a creation of value. The possessor of money does find on the market such a special commodity in capacity for labour or labour power. (Marx and Engels 2010, 177)
Passages like this make the worker look like the proverbial golden-egg-laying goose: the capitalist purchases the commodity labour power, a natural capacity of the worker to produce value-added greater than what she receives as remuneration. The exercise of that capacity is the source of profit and of surplus value. Screpanti argues that this fundamentally mis-describes the nature of the relationship between capital and labour (31ff.).

Screpanti is right: workers are not golden-egg-laying geese, whose productivity remains constant wherever you put them. Rather, what enables the capitalist to extract surplus value from the worker is that productivity is endogenously determined, such that the capitalist can increase the duration and intensity of work to levels that will, in general competitive equilibrium, avail her of surplus value. So abstract labour is not a natural or monadic substance that will tend to manifest itself under any set of commodity-producing arrangements, but a relational property co-extensive with the subordination of labour to capital. This makes the wage “the price of freedom, a payment for obedience, and not the value of a commodity” (44).

II. THE NATURE OF SUBSUMPION

Screpanti’s claim that labour becomes abstract—losing its determinate content—just when its performance becomes the exercise of capital’s own capacity is plausible. In chapter 3 of his book, Screpanti makes a strong case for the claim that capitalist exploitation is the extraction of surplus labour based on that control, such that abstract labour and capitalist exploitation are coextensive. But what does it mean for capital to ‘control’ labour and the labour process? Screpanti thinks ‘control’ presupposes the capitalist mode of production, that is, the capitalist wage-labour-employing factory. Yet, by Screpanti’s own admission, this characterization is too strong. There are cases, he says, where

capitalist exploitation takes place through homeworking or subcontracting to formally self-employed workers. In many of these cases, the main contractor or the contracting administrator maintains a certain power in determining the labour process and controlling the contractors. Benetton, a company that makes wide use of a modern form of the putting-out system, provides a typical example. [...] In yet other cases, the workers are exploited by means of contracts for services in

---

1 Marx discusses the ‘subsumption’ of labour to capital and the worker’s concomitant ‘subordination’ to her capitalist boss in Marx (1976, 411ff.), and in Marx and Engels (1962, 199, 377, 533; 2010, 302, 314, 422, 426).
which the service buyer uses market power to appropriate surplus value. In some such cases, exploitation takes place through a mix of labour subsumption and capitalist market power. (52)

But then capitalist exploitation does not presuppose capitalist production: capital can exploit labour without wage-labour. To borrow from Marx’s own discussion of usury capital, Screpanti’s examples have “capital’s mode of exploitation without its mode of production” (Marx 1981, 732). In response, Screpanti distinguishes between the appropriation and the production of surplus value. He contends that “subordination, as established by an employment contract, is a necessary condition for the production of surplus value” (52). Marx denies this. In chapter 36 of volume three of Capital, for example, he distinguishes between two forms of usury: lending money to “extravagant magnates” for the consumption of luxuries and lending to “small producers who possess their own conditions of labour” (1981, 729). The latter form of usurer’s interest, he suggests, represents new surplus value.²

Consider this schematic reconstruction of Screpanti’s argument:

1. Abstract labour entails capitalist control over the labour process.
2. Capitalist control over the labour process entails the subsumption of labour to capital.
3. The subsumption of labour to capital entails wage-labour.

If all of (1)–(3) hold, then it follows that abstract labour entails wage-labour—the labour market. Screpanti thinks this is both a reasonable interpretation of Marx and a sound argument in its own right. I will discuss the interpretation of Marx, first, and the soundness of the argument, second.

In previous work, I have argued that Marx vacillates about (2) (Vrousalis 2018; see also Skillman 2007, which inspired that argument). In volume one of Capital, Marx affirms (2), construing subsumption exhaustively as either ‘formal’ or ‘real’. However, in volume three, he introduces the idea of ‘hybrid’ subsumption to deal with antediluvian forms

² Screpanti also cites Gilbert L. Skillman as providing evidence that supports the necessity of wage-labour for the production of surplus value. But Skillman does nothing of the sort; indeed, he explicitly contradicts Screpanti’s contention: “Marx is careful to distinguish cases such as this, in which circuits [of interest-bearing and merchants’ capital] served only to redistribute existing values, from cases in which these circuits financed new commodity production” (Skillman 2019, 13ff.).
of capital—usury and merchant capital. Construed inclusively, (2) accommodates these circuits of capital as forms of subsumption proper. But then (3) is false, for hybrid subsumption excludes wage-labour.

Now, whatever Marx thought, (2) must be inclusively construed. That is, there is no reason to assume that antediluvian forms of capital cannot help produce new commodities, new value, and new surplus value; Marx’s own examples show that these forms can produce new value, not merely redistribute existing value. But then capital can control the labour process without subsuming it, whether ‘formally’ or ‘really’, under the capitalist factory. It follows that (3) is false and the deduction of wage-labour from abstract labour is invalid.

Note that this conclusion is compatible with (1): the capitalists might, for example, control labour indirectly, by lending their capital only to those worker-owned firms that engage in production that the capitalists are willing to finance. This is another way one gets capitalist exploitation without capitalist production. Indeed, this is all that Screpanti needs to vindicate his anti-naturalist conception of abstract labour as labour subsumed under capital and therefore ostensibly performed as an exercise of capital’s own capacity.

III. FREEDOM AND EXPLOITATION

The weakest part of the book is Screpanti’s discussion of the ethics of exploitation, especially in the introductory and concluding chapters. His book is replete with references to ‘freedom’, ‘free associated labour’, ‘freedom of choice’, ‘control over surplus and labour process’, ‘labour subjection’, ‘worker subordination’, and ‘capital’s despotism’. This is, for example, Screpanti’s interpretation of Marx’s famous ‘tanning of the hide’ passage:

> Behind the ideological construal of the circulation process, a worker turns out to be ‘like someone who has brought his own hide to market and now has nothing else to expect but a tanning’. ‘The tanning of a hide’ is a metaphor hinting at what happens in the production process, where workers are compelled to work hard under the capitalist’s command. In this way, the labour exchange is unmasked as the legal and ideological institution by which capital coaxes workers to accept

3 The hiring of capital by labour preserves the fetishistic fissure between the capitalist appearance (of free and equal transactors) and the reality (of worker subordination). It follows that worker control over the workplace does not guarantee that the workers are calling the shots (see, among others, Cohen 1989; and Vrousalis 2019).
the subordination relationship as if it were a commodity exchange. (94)

So far, so good. But then Screpanti adds that this is merely a “descriptive” proposition (95), one that “brings to the fore an alternative class viewpoint” (94), and which is “an interpretation of the workers’ sentiments” (98). These suggestions are inconsistent both with the tenor and the content of Screpanti’s arguments. In terms of the general tenor of his argument, the Screpantian ‘subordination’ of the worker cannot be generically equivalent to, say, the ‘subordination’ of the buttress to the wall or the ‘subordination’ of the spindle to the wheel. For if it were, then the workers would have no reason to resist it, indeed there would be no normative fact of the matter justifying a revolution to overthrow subordination altogether. The workers’ claim to revolution would be as nought—as strong as the claim of the bourgeoisie to suppress it.

I will not pursue these thoughts further: they have received extensive defence elsewhere (see Cohen 2000; and Geras 1986). There is, however, an important truth in Screpanti’s critique of justice (6, 7, 78). Although Marx grounds his critique of capitalism on an account of freedom, he does criticize Pierre-Joseph Proudhon and other socialists of his time for their theories of distributive justice. Marx’s suggestion, influentially reconstructed by Allen Wood (1972), is that distribution is a necessary consequence of the mode of production, which mobilizes, in addition, a set of putative justifications for that distribution. Wood’s thesis, if true, would suffice to indict some of these putative justifications as ideological.

But it does not follow, and it is false, that Marx does not need a set of objective moral standards by which to criticize capitalist exploitation. If those features of capitalist production that make it appear as a system of equality and freedom “prove to be inequality and unfreedom” (Marx 1973, 249), then one had better have a theory of such inequality and unfreedom.

---

4 Things get worse. John Roemer (1994) has argued that the economic logic of exploitation allows for inputs other than labour (for example, corn, or oil) to be exploited. Which raises the question: why be interested in the exploitation of human by human? The answer can only appeal to something in the vicinity of moral value.

5 Pace Allen Wood, Screpanti, and others, freedom is a moral good, one capable of justifying revolutionary action and not merely of explaining it. Communism, Screpanti says, represents the “workers’ sentiments” and expresses their “aspiration in the form of a goal of political struggle” (98). What if there are no such sentiments? Does Screpanti think that, in the absence of revolutionary sentiment, revolution is unjustified or that capitalist exploitation is unobjectionable? No socialist can consistently sustain these apparent implications of Screpanti’s views, widespread though they are.

6 I am here in agreement with Screpanti. See Vrousalis (2020) where I enlist these ideas to criticize John Roemer’s distributive critique of capitalism.
If Screpanti is right, on the other hand, then the *Critique of Political Economy* amounts to no critique at all.

Sometimes Screpanti suggests that mere prudential considerations suffice to buttress his critique of capitalist exploitation. For example, he argues that capitalist private property evinces ‘overwork’, as workers only get access to the means of production after producing gratis surplus labour for the capitalists who own them. But, once again, ‘overwork’ entails a value judgment about acceptable levels of work. Crucially, according to Screpanti, the problem with capitalism is not that workers work too long or too hard, but rather that they cannot, *themselves*, determine that duration and intensity: “What really matters is the identification of the social subject who controls surplus labour” (11). Barring some argument for why alien control over the labour of others is unjustified, it remains a mystery why that *really* matters.

Despite these problems, Screpanti’s book contains a lucid and succinct elaboration of Marx’s theory of subsumption, to go along with a novel critical synthesis of Marx’s theory of value. Screpanti’s exegetical instincts are also right: a neglected but central aspect of Marx’s critique of political economy has to do with the diverse ways in which capital comes to control, and therefore dominate, the labour of others.

**REFERENCES**


Nicholas Vrousalis is Associate Professor in Practical Philosophy at Erasmus University Rotterdam. His main research areas are distributive ethics, theories of freedom, and Marxism. Vrousalis' work has appeared in Philosophy & Public Affairs, The Journal of Ethics, Politics, Philosophy & Economics, The Southern Journal of Philosophy, and Economics and Philosophy. His monograph The Political Philosophy of G. A. Cohen was published by Bloomsbury in 2015.

Contact e-mail: <vrousalis@esphil.eur.nl>
Since the financial crisis of 2008, ‘neoliberalism’ has become a buzzword and academic research of the topic has exploded. Whereas the term became a catch-all concept in public debate, encompassing virtually all socio-economic developments disliked by the left, academics have mostly worked in the opposite direction. By retracing the steps of self-proclaimed neoliberals, they have detected an international network of neoliberal think-tanks of which the Mont Pèlerin Society, named after the Swiss Alpine village where it was established, is generally regarded as the central hub. In *Reinventing Liberalism*, a book based on his doctoral dissertation, the Norwegian historian Ola Innset provides a detailed analysis of the society's inaugural meeting in 1947.

From a methodological viewpoint, this may seem an easy task: the minutes of the first meeting have been well-preserved and many of its forty attendants kept archives of their own. Innset, however, faced a different challenge. Existing research regarding the neoliberal movement has demonstrated time and again that early self-proclaimed neoliberals refrained from establishing parliamentary parties of their own, and instead preferred to disseminate their market-oriented ideas within existing parties. They did so by means of a network of think-tanks, and according to most scholars the Mont Pèlerin Society was the cornerstone of this international network. Where better to look then than at the society’s inaugural conference, which lasted a full two weeks? However, as Innset himself observes, “anyone who has been to a meeting or conference with more than a couple of people who are perfectly in tune with each other knows that these sorts of events are almost always somewhat disappointing” (170). This is Innset’s challenge: the central importance attributed to the Mont Pèlerin Society justifies his study, but the author is well aware of the fact that conferences (especially those without tangible outcomes) are of limited importance in themselves.
Innset tackles this issue in the first part of his book by linking the first meeting of the Mont Pèlerin Society to a longer historical trajectory. Its three chapters outline the establishment of what Innset calls ‘the dual argument’: the simultaneous stance of the neoliberals against socialism and classical liberalism. Chapters 2 and 3 are mostly concerned with the former. As Innset reminds us, socialism was relatively new as a large-scale political practice in the early inter-war years, with the recently established Soviet Union as its most prominent signpost. But although the Soviet Union led to uneasiness among liberal elites in the West, to say the least, market-oriented liberals, such as a certain Ludwig von Mises from the Austrian Chamber of Commerce, were even more appalled by socialist experiments taking place in their immediate surroundings. Experiments with ‘Red Vienna’ at the time fostered their fear that socialist ideas might take root in the heart of Europe which, according to Mises, would lead to the abolishment of liberty and the free economy as they knew it. In defense of liberalism, Mises set out to demonstrate the impossibility of ‘socialist calculation’: without free market prices, commensurability (weighing different means up against each other) would become impossible, which would turn socialist planning into an illusion.

It was only in the 1930s, Innset argues, that self-proclaimed liberals combined this ‘knowledge argument’ against planning with a devastating critique of the relation between socialism and totalitarianism. It was the American journalist Walter Lippmann who provided this ammunition against socialism in his book *The Good Society*, published in 1937. In this study, Lippmann criticized the rapid rise of state power under Roosevelt’s New Deal and argued that the planning of production currently taking place also implied the planning of consumption, resulting in an expansion of economic planning, collectivism, and state power—a slippery slope towards totalitarianism. By employing the term ‘totalitarianism’, Innset points out, Lippmann adopted a term of socialist origin (developed to criticize the Soviet Union) and used it against the socialists. His analysis was taken up by the Austrian economist Friedrich Hayek, who had belonged to Mises’ circles but who had recently fled to London. Hayek organized the so-called Lippmann Colloquium in 1938 to discuss Lippmann’s central thesis regarding the intimate link between socialism and totalitarianism. This was the first occasion on which many central actors of the neoliberal movement from Europe and the United States met in real life, and adopted the term ‘neoliberalism’ to communicate their position.
So far, *Reinventing Liberalism* mirrors the dominant storyline of current studies on early neoliberalism, and its first chapters rely heavily on Erwin Dekker’s (2016) research on Austrian economics, and Serge Audier’s (2008) work on the Lippmann Colloquium. *Reinventing Liberalism* takes a different turn when Innset works out ‘the dual argument’: the way in which neoliberals rejected socialism *and* laissez-faire, while embracing markets as ‘mediators of modernity’. At the surface, this analysis seems conventional and it is certainly not as new as Innset implies. Although he rightly points out that historians such as Stedman Jones (2012) and Angus Burgin (2012) interpret neoliberalism as an (eventual) return to laissez-faire, Innset pays far less attention to the vast body of literature in which the neoliberals’ rejection of laissez-faire serves as a vantage point for analyzing the ‘retasking’ of states (Peck 2010), the establishment of a new liberal ‘thought collective’ (Mirowski and Plehwe 2009), the neoliberals’ departure from the ‘fallacy of laissez-faire’ (Slobodian 2018), and so forth. Despite this blind spot, Innset places the neoliberal dual argument in a new context: the neoliberals’ shared skepticism of universal suffrage and mass democracy.

Innset demonstrates that such sentiments were widespread throughout the inter-war years, and were therefore not characteristic of neoliberalism per se. In socialist and social liberal circles, the work of Karl Mannheim captured the attention during the Second World War, due to the Hungarian sociologists’ critique of mass societies and Mannheim’s rather elitist proposal to ‘plan for freedom’. This was what neoliberals hoped to avoid. Rather than domesticating free markets by means of planning (social liberalism) or allowing them to generate welfare for mass democracies without interference (laissez-faire), neoliberals proposed to secure the market *from* democratic decision-making, to put it beyond the control of the masses who had recently obtained universal (male) suffrage. The second part of *Reinventing Liberalism*, which is dedicated to the two-week conference in Mont Pèlerin, demonstrates how most of the Mont Pèlerin Society’s members believed that core liberal principles—free markets, intellectual freedom, individual liberty—could only be upheld by safeguarding the market mechanism from democratically elected politicians and their constituencies. As a result, early neoliberals attempted to set market conditions through the state apparatus (for instance, by prohibiting monopolies and cartels), while deliberately pushing these social-economic policies outside the realm of democratic decision-making.
Motivated by their aversion to socialism and (to a lesser extent) mass democracies, some pre-war neoliberals also explored whether the roads of liberalism and fascism could meet. Ludwig von Mises, for instance, opposed the ‘interventionist’ socio-economic policies of Italy and (Weimar) Germany in 1927, but considered fascism ‘the lesser evil’ in comparison to socialism. “It cannot be denied”, he argued, “that Fascism and similar movements aiming at the establishment of dictatorships are full of the best intentions and that their intervention has, for the moment, saved European civilization. The merit that Fascism has thereby won for itself will live on eternally in history” (Mises [1927] 2005, 30). Such flirtations with fascism lessened as time wore on and a pre-war neoliberal such as Louis Rougier was excluded from the Mont Pèlerin Society due to his overt fascist sympathies. But the neoliberal’s skepticism of mass democracy and its pressure groups—originally inspired by the fascist ideologue Carl Schmitt—would survive the Second World War, and Innset’s most important contribution is that he demonstrates how this skepticism was key to the development of neoliberalism as a separate branch of liberalism.

*Reinventing Liberalism* is, above all, an intellectual history. It provides a well-written, accessible and concise account of the early neoliberals and their struggle—not only to combat socialism, but also to liberate themselves from the creed of laissez-faire and its (looser) ties with fascism. By analyzing this intellectual struggle in detail, Innset demonstrates once more that neoliberals are not the naïve believers in *homo economicus* they are so often made out to be, especially in public debate. Instead, early neoliberals struggled to align (the conditions for) individual liberty with state-fostered free markets. In doing so, they drove wedges, not only between classical liberals and themselves, but also between individual liberty and democratic decision-making.

**REFERENCES**


**Bram Mellink** is assistant professor of Dutch history at the University of Amsterdam and postdoctoral researcher at Utrecht University. His research focuses on the development and dissemination of early neoliberal ideas and policy practices in the Netherlands (1945–1975).

Contact e-mail: <brammellink@uva.nl>
In a famous 1973 article, Horst Rittel and Melvin Webber proposed a distinction between ‘tame’ and ‘wicked’ problems. Tame problems are easy to define even if they are difficult to solve. Winning a game of chess or landing a person on the moon are classic examples of tame problems. Wicked problems cannot easily be defined, and there is often no consensus about the extent to which they have been solved. Public policy questions, according to Rittel and Webber, are almost always wicked:

In a setting in which a plurality of publics is politically pursuing a diversity of goals, how is the larger society to deal with its wicked problems in a planful way? How are goals to be set, when the valuative bases are so diverse? Surely a unitary conception of a unitary ‘public welfare’ is an anachronistic one. (1973, 168)

Nevertheless, some have proposed rational and objective ways to make public policy less ‘wicked’. Social indicators have been proposed, and governments have been instructed to choose the policies that will maximize the quality of life measured in this way (Raworth 2017, reviewed in this journal: Schokkaert 2019). Cost-benefit analysis seeks to mathematically determine whether proposed regulations are justifiable (Sunstein 2018). Cost-effectiveness analysis makes similar promises regarding public spending decisions (Clark et al. 2018).

There is a better way to ‘tame’ public policy, according to Matthew D. Adler’s compelling new book Measuring Social Welfare: An Introduction. A social welfare function (SWF) aggregates the expected individual welfare effects of alternative policies and recommends one of the alternatives. Apart from some use in tax policy-making, the SWF’s impact on real world governments has been limited. This outstanding book may change that by introducing a flexible and powerful tool of normative policy analysis to a broad audience.
There are two foundational ethical commitments in Adler’s SWF approach. The first is *consequentialism*: choices should be based on an impartial ranking of their expected outcomes. The second is *welfarism*: the lifetime well-being of individuals, in a certain state of affairs, is what is morally relevant about that state of affairs. *Welfare–consequentialism* is the combination of these two commitments (23). A welfare-consequentialist government seeks to implement the policies that, overall, can be expected to make individuals’ lives go best.

The book thoroughly analyzes the questions that the social welfare function approach must answer before it can give concrete advice on real-world policy questions. At the core of this book are three ‘modules’, or sets of alternative ways to respond to three key questions.

**Module #1. A Well–Being Measure**

First, on what basis can it be said that one individual has more welfare (a better life) than another individual? Adler endorses *preferentism*, which holds that a person is better off under outcome $x$ than outcome $y$ if that person prefers outcome $x$ (47). What one prefers is not necessarily what one desires, but rather what one *would* choose if one’s preferences were sufficiently well-informed, rational, and self-regarding (Baber 2017). Given sufficient information about an individual’s preferences and the extent to which those preferences are fulfilled, it is possible to quantify lifetime welfare for that individual.

Here, as elsewhere, Adler makes the SWF approach as accommodating as possible to different philosophical views. He shows that it is equally compatible with non-preferentist theories of individual welfare, such as *objective–good* and *experientialist* accounts (68). However, the apparatus does have its limits. Only welfare accounts permitting robust interpersonal and intrapersonal comparability are compatible with the SWF approach. In order to generate normative conclusions about policy using this tool, it must be possible not only to say that (for example) Sunil’s life is better than Sandy’s, but also (i) how much better Sunil’s life is than Sandy’s, and (ii) how much better Sunil’s life is in outcome $A$ versus outcome $B$ (11).

**Module #2: A Rule for Ranking Vectors**

Even if one successfully predicts the lifetime welfare of every affected individual under alternative policies, something more is required before one can recommend one of those policies. There will almost always be
some individuals who do better under policy A and some who do better under policy B. How should one aggregate lifetime welfare values in order to determine which policy is more ethically desirable?

Chapter 3 reviews the “landscape” (104) of social welfare functions. The utilitarian SWF is the simplest: it sums up the lifetime welfare figures for all affected individuals and recommends the policy with the higher expected score. This, however, gives no ethical weight to the existence of welfare-inequalities (86). It violates the Pigou-Dalton axiom, which requires approval of any transfer of resources from a better-off individual to a worse-off one, if that transfer is “pure” (having no effect on the total sum of welfare) (98).

The leading alternative which does satisfy Pigou-Dalton is the continuous-prioritarian social welfare function (117). This transforms individual welfare numbers in order to place extra ethical weight on the welfare of those who have less welfare. It does so not because equality of well-being is inherently valuable, but rather, because the claim of a worse-off individual to a unit of welfare is stronger than the claim of a better-off individual to that unit of welfare (122).

The continuous-prioritarian SWF is not the only social welfare function that is fully sensitive to the distribution of welfare. For example, one alternative—the leximin SWF—ranks states of affairs based on the welfare of the worst-off individuals in each of them. If these individuals have equal welfare, the leximin ranking is based on the welfare of the second-worst-off individuals in each, and so forth (86). However Adler argues that only the continuous-prioritarian SWF satisfies the axioms of continuity and separability, and this confers significant practical advantages.

Under the continuous-prioritarian SWF, the welfare of every affected individual counts in the analysis. The “priority parameter” quantifies how much extra weight is placed on the claims of worse-off individuals, relative to the better-off (155). The larger the priority parameter, the more willing the policy-maker would be (for example) to impose a wealth tax that reduces income growth (and aggregate welfare growth), in order to fund social programs increasing the welfare of the worst-off individuals.

**Module #3: Uncertainty**

The world is not a simple mechanism offering completely predictable responses to our acts. The SWF approach must therefore engage with uncertainty. Is a policy with an 80% chance of increasing aggregate welfare
by 10 units superior to a policy with a 100% chance of increasing it by 3 units?¹

Adler’s “uncertainty module” (19) allows a social welfare function to make policy advice despite uncertainty. The book even-handedly identifies alternative approaches to uncertainty, along with the ethical axioms which allow one to deductively choose between them. He shows that making decisions based on *ex ante* Pareto axioms (which focus on individuals’ *expected* welfare) can lead to surprising results. They may require endorsement of a policy imposing risks of very bad outcomes on some individuals (136), which the continuous-prioritarian SWF would clearly reject.

**A CASE STUDY**

Chapter 5 illustrates the SWF approach with a hypothetical case study. This is a realistic “risk regulation” (161) policy choice: a new regulation is proposed that would save lives, but also reduce incomes. How much cost (in terms of lost income) is acceptable in order to bring about a certain reduction in mortality?

Adler again adopts a preferentist account of individual welfare. It would be ideal to have a list of numbers representing exactly how well each affected individual’s preferences about his or her life would be fulfilled under different policies, but this is impossible. Simplifying assumptions are therefore introduced. Lifetime welfare is estimated using “partially described bundles” of individual attributes—lifespan and income, in this case (163).

Von Neumann/Morgenstern functions are deployed to model preferences under uncertainty. Each individual faces a “lottery” in which the “prizes” (51) are lives of various lengths. If the proposed regulation is introduced, the lottery will offer each individual better odds of living longer, but it will also reduce his or her income (by a flat amount) in each remaining year of the individual’s life.

The case study shows that the “breakeven cost” (188)—the largest income loss the government should be willing to accept before rejecting the proposed regulation—depends greatly on the choice between a utilitarian and prioritarian SWF. Under prioritarianism, the breakeven cost becomes higher if wealthy people bear more of the income loss. This is because a

---

¹ Knightian uncertainty (an absence of well-defined probabilities) is something that, according to Adler, the SWF literature has engaged with. However, he puts this to the side as “beyond the scope of this introductory text” (107).
dollar of lost income has a smaller effect on welfare if the individual is wealthy. It is also because an individual’s wealth is directly correlated with their welfare, under the assumptions of this model. Losses experienced by them therefore have a smaller effect on the aggregate ethical score. The breakeven cost under prioritarianism also becomes higher if the risk reduction benefits are concentrated on young people, and poor people. These individuals have lower lifetime welfare than older and richer people.

Adler then shows how relaxing certain assumptions (for example, the assumption that every individual has the same preferences as between longevity and income) changes the breakeven point. In addition to showing how different versions of the SWF approach lead to different policy recommendations, chapter 5 also supports the argument, running through the book, that the SWF approach is superior to the currently dominant cost-benefit analysis approach for risk regulation policy analysis.²

**PARTING SHOTS**

Chapter 6 elaborates on the role of the SWF approach for the purposes of ethical reasoning within a legal or political system. It also asks what role public opinion should play in fleshing out a social welfare function, and proposes a relatively narrow one. The personal process of reflective equilibrium is the most important tool for making the ethical choices required by the SWF approach, according to Adler (22).

Chapter 7 considers, albeit not comprehensively, two issues arising from the SWF approach. These are (i) policies that change the size of the population, and (ii) whether and how to include information about the extent to which people ‘deserve’ their welfare level. A Technical Appendix offers a more robust mathematical statement of the arguments developed in the book.

**TAMING PUBLIC POLICY?**

Matthew D. Adler did not invent the social welfare function approach. However, over the past decade he has done more than anyone else to establish its ethical foundations and practical utility. In addition to the book under review here, Adler’s scholarship on the SWF approach includes a

² Adler rebuts Louis Kaplow’s argument that cost-benefit analysis should be used for most decisions, with the social-welfare function used only for tax and redistribution decisions.
...more technical and detailed monograph (2012), an oft-cited collection edited with Marc Fleurbaey (2016), and many articles.

Within the tradition of ‘rational-comprehensive’ normative public policy analysis (Lindblom 1959), the Adlerian social welfare function is a major leap forward. It surpasses predecessors in its flexibility, its attentiveness to equity, and its sophisticated treatment of uncertainty. Adler makes bold but convincing claims for its versatility, suggesting that the SWF approach can inform any public policy choice (161).

Rittel and Webber may have too quickly dismissed as anachronistic the idea of a “unitary conception of a unitary ‘public welfare’” (Rittel and Webber 1973, 168). Maximizing aggregate welfare, using a social welfare function, arguably offers just such a conception. This does not mean that public policy will be fully tamed. As the book adroitly demonstrates, even for those who fully accept welfare-consequentialism and the SWF approach, many live philosophical questions remain. Nevertheless, this remarkable work leaves public policy noticeably less wicked than it was before. At a moment of profound political polarization in many countries, Adler’s SWF approach is a ‘big tent’, which can accommodate many who might otherwise not be willing to gather under a single roof and rationally discuss what government should do.

REFERENCES
Noel Semple is Associate Professor at the University of Windsor Faculty of Law. His research interests include welfare-consequentialism, access to justice, and civil procedure.
Contact e-mail: <noel.seemple@uwindsor.ca>
Website: <www.noelsemple.ca>

PAUL OS Ling TON
*Alphacrucis College*

This book is the product of many years of research by Joost Hengstmengel on the role of divine providence in the early modern history of economics, and is based on his doctoral thesis “Divine Oeconomy: The Role of Providence in Early-Modern Economic Thought before Adam Smith” completed at the Erasmus Institute for Philosophy and Economics in 2015.

A brief introductory chapter 1 sets out the aims and scope of the book. The central question is “how ideas about providence were reflected in thinking about the economy” (44). Hengstmengel writes that he will cover the early modern discussions but the contemporary influence of the doctrine of providence (for example, as explored by Thorstein Veblen or the late Robert Nelson) is outside his scope. There is a brief discussion of how providence relates to debates about the secularization of economic thought but resolving this question is also outside the scope of the book. Jacob Viner’s (1977) work on providentialism was a major stimulus for his research program but Hengstmengel does not always follow Viner’s view, and Viner’s focus was the eighteenth century together with the role of providentialism in earlier theories of trade. There has been other work on the eighteenth and nineteenth centuries (for instance, by Anthony Waterman 1991, 2004), including my own work (Oslington 2018), but less on seventeenth-century economic writers, leaving a gap which Hengstmengel fills well.

Chapter 2 is a general overview and history of the idea of divine providence, and the related idea of natural theology. One of the aims of the chapter is to establish a canonical version of the doctrine of providence in sixteenth-century European Christianity, as a fixed point for Hengstmengel to work from in the remainder of the book. The doctrine of providence has the following elements: (1) God not only created the world but also sustains it. (2) Divine providence extends to all beings,
things, and events. (3) Divine providence leaves no room for chance, fortune, and fate. (4) There is both general and special providence, ranging from general care of the world and of mankind to special care of the church. There is also a distinction between ordinary providence in the regular nature of the world and extraordinary providential acts. (5) The workings of God’s providence are partly hidden to man. (6) God sometimes allows evil, but is in no way responsible for it. (7) God’s providence is particularly concerned with the spiritual wellbeing of man (23–25). After establishing this fixed point, Hengstmengel goes on to note several post-Enlightenment transformations of providence discussed by other recent writers, including Charles Taylor (2007) and Stephen Gaukroger (2016). These include the naturalization of providence where a personal architect is replaced by impersonal laws, the related demystification of providence, the tendency towards an optimistic providentialism tied up with ideas of progress, an anthropocentric shift where providence becomes about man’s happiness, and dormant providence where we are yet to see the results of divine planning (27–30).

After this general material, the book moves to consider a succession of topics in economics which relate to providence. Chapter 3 is entitled “International trade: God’s universal economy”; chapter 4 is on “Division of labour: the divine ordering of society”; chapter 5 on “Value and price: a providential abundance of necessities”; chapter 6 on “Self-interest: the invisible hand of God”; and chapter 7 which covers “Poverty and inequality: rich and poor God-willed”. Chapter 8 concludes.

The discussion is detailed, careful, and much of it based on primary sources. An example is on page 57 where the doctrine of universal economy from the secondary literature is traced back to a portion of Jacques Savary’s 1675 work Parfait Négociant on commerce and the plan of God. Hengstmengel quotes a translation of Savary’s work:

> From the manner in which the Providence of God has disposed the goods on the earth, one well sees that he wanted to establish unity and charity among all men, for it imposed on them a kind of necessity to be always in need of others. He did not want everything that is necessary in life to be found in one single place, he scattered his gifts, so that men would trade together, & that the mutual necessity which they have to help one another could sustain the friendship between them: it is this continual exchange of all the convenience of life that constitutes commerce. (57)
And then methodically considers how the ideas in the quotation permeate economic writing over the next century. There is an excursus on classical precursors of the idea, which considers Plato, Seneca, Virgil, and then the fourth-century writer Libanius of Antioch. Viner (1978) also had identified Libanius as a key figure for the universal economy doctrine but was less precise than Hengstmengel about the relevant texts, leading to some confusion in the literature.

Hengstmengel largely confines himself to a selection of topics that have already received attention in the literature. These range from the initial chapter on Viner’s (1937) early interest, international trade; to the chapter on the much-discussed invisible hand which utilises Albert O. Hirschman’s (1977) grid of economists’ responses to Hobbes–Mandeville; and the final topical chapter on the Hume–Tucker rich country/poor country debate which has been extensively covered by István Hont (2005). The overall conclusion of the book is that most of the features of the early modern theological discussion of providence can be found in the economic writings of the period (202). This is not to say though that the lack of topical innovation or grand claims means Hengstmengel’s discussion lacks accuracy or insight.

A limitation of the book is its emphasis on a sixteenth-century Reformed account of providence. It is true that much early economic writing was in this context, preeminently the economic writing of Enlightenment Scots, but a lot was not. The Neapolitan writers, whom Hengstmengel devotes quite a bit of space to, operated in a very different Catholic intellectual environment. As did the many of the English Enlightenment writers. Boisguilbert as a Jansenist is a fascinating borderline case, as previously discussed by Gilbert Faccarello (1999). The point is that the canonical version of divine providence set out in chapter 1 fits some economic writers Hengstmengel considers better than others. Even within Reformed Christian theology there is variation, as standard recent treatments of Mark Elliott (2012, 2015) and David Fergusson (2018) make clear. Taking into account all the variations in the doctrine of providence across traditions over several centuries would make a book like this impossible to write, and I can understand the decision to work from a single portrait of providence to the economic writings. However, a bit more flexibility would have made for a stronger history of the interrelationships between the doctrine of providence and economic thought. It would also have allowed for more consideration of the feedback-influence of economic thinking on theology.
The book succeeds in analysing the content of ideas, but pays less attention to the other levels of analysis that Hengstmengel enumerates in his concluding chapter: the language and style of arguments, and the way that theological ideas functioned politically in the economic writings discussed. The standard for these other levels of analysis remains the history of science work of John Hedley Brooke (1991) and Peter Harrison (2015), admittedly a standard that pretty well all of us in the history of economics fall short of.

Much work remains to be done, as Hengstmengel notes, on the “afterlife of early modern economic providentialism” (206) but this is a valuable book on an important topic, and one that I learnt much from. It will be especially valuable to historians of economics who lack training in theology which is necessary to come to grips with writings that emerged from the theology-soaked intellectual culture of the seventeenth and eighteenth centuries. No other work is as comprehensive and clear on the topics it covers. I look forward to reading the products of the next stages of Hengstmengel’s research program.

REFERENCES

**Paul Oslington** is Professor of Economics and Theology at Alphacrucis College, the national college of the Pentecostal movement in Australia. His PhD in Economics and Master of Economics/Econometrics with Honours were completed at the University of Sydney, and his Bachelor of Divinity and Doctor of Theology through University of Divinity, Melbourne. His books include *The Theory of International Trade and Unemployment, Adam Smith as Theologian, The Oxford Handbook of Economics and Christianity, Political Economy as Natural Theology: Smith Malthus and their Followers* and he is currently working on a monograph commissioned by Harvard University Press, *God and Economic Order*.

Contact e-mail: <paul.oslington@ac.edu.au>
Throughout his prolific career, the economist Anthony Atkinson was pivotal to the conceptualization and measurement of inequality and poverty. In this, his final work, published posthumously, he focusses, as he so often did, on the fundamentals of poverty.¹ This is characteristic of Atkinson’s “‘principled’ approach” to the subject and is succinctly summarized by the book’s editors, John Micklewright and Andrea Brandolini, in the foreword, “there is no measurement without theory, and conversely the theoretical developments are valuable only to the extent that they are liable to being used in practice” (xix). In Measuring Poverty Around the World, Atkinson presents the theoretical underpinnings and data requirements for the measurement of global poverty before applying these lessons to sixty countries across the globe.

Before delving into the substance of the book, it is important and unfortunate to note that at the time of Anthony Atkinson’s death the book was incomplete. It was only through the commendable efforts of John Micklewright and Andrea Brandolini that the book was brought to a place where it was ready for publication. Throughout the book, the editors have provided informative footnotes, indicating the gaps they have filled and, where possible, giving some insight into Atkinson’s likely avenue of investigation. Despite these efforts, chapters 6–10, those addressing poverty estimates in different regions, are largely incomplete. To supplement the gaps in some chapters, two of Anthony Atkinson's long-time co-authors, François Bourguignon and Nicholas Stern, contributed afterwords on the topics of growth, inequality and poverty reduction; and poverty and climate change, respectively.

¹ For a discussion of Anthony Atkinson’s contributions to poverty and inequality research by a host of his leading co-authors, see Aaberge et al. (2017).
In the opening chapter, Atkinson asks why we should be concerned with global poverty and its measurement, and offers two sources of motivation. The first is instrumental—we care about poverty because of its relationship to other outcomes. Atkinson’s example relates poverty in one country to immigration in another. He argues that relying on such motivation has disadvantages as causal relationships between poverty and other outcomes can be hard to establish. However, even where such a relationship cannot be effectively established, Atkinson continues, there should still be a moral dimension to our considerations. This is an important point, worthy of note. If we are motivated instrumentally, then global efforts to alleviate poverty in (migrant) origin countries could be reasonably pursued alongside spending on border controls in migrant receiving countries. While instrumental motivations can be useful in buttressing the value of poverty reduction, I do share the author’s concern that, “if this is the sole driver of our sense of responsibility, then the degree of support is fragile and unpredictable” (11).

Instead, the author advocates that our motivation to tackle poverty should stem from intrinsic concerns. Here, he distinguishes between three positions one could take: an isolationist, a cosmopolitan, and a limited sympathy position. An isolationist position attaches zero weight to poverty outside one’s own nation. A cosmopolitan position is best exemplified by the philosopher Peter Singer who essentially argues that geography should not matter morally. This is also the position taken by the World Bank when measuring global poverty: each poor individual, regardless of the geographical area they are in, is given equal weight. The limited sympathy position accords concern for individuals outside of one’s own nation, but the degree of concern may dissipate along certain lines, such as geographical distance or ideological differences.

It is the limited sympathy position which is the most novel and unexplored position in the poverty literature. Atkinson suggests that this position would require nations to decide upon the weights they place on the importance of poverty in other nations, leading to each nation constructing its own measure of global poverty. Deciding on these weights would be an arduous and controversial task. However, in chapter 7, Atkinson briefly discusses poverty in Africa and the link to colonial legacy. Unfortunately, this chapter is largely incomplete, but it would have been interesting to see if Atkinson would have linked colonial legacy, and perhaps even climate change, to the position of limited sympathy. Many of the
world’s richest nations have colonial pasts and are among the largest present-day, and historic, polluters. If sympathy were linked to responsibility, then nation-specific measures of global poverty among rich countries should place a positive, perhaps greater than unity, weight on poverty in the nations that have suffered from their past actions. This approach is, from one perspective, appealing—richer nations would, in part, be held accountable for the negative externalities of their actions. Unfortunately, the effects of climate change and colonialism are so ubiquitous and international that such an approach is likely to prove too controversial at the national level. Alternatively, supranational measures of global poverty for groups of nations, such as early industrializers, could prove more feasible and may be a worthwhile undertaking.

Having established potential motivations for concern with poverty, in chapters 2 to 4 Atkinson turns to definitions of poverty, the conceptual choices which must be made and the data which is necessary for measuring poverty at both the national and the global level. These chapters are in essence an overview of the theoretical and practical fundamentals of contemporary poverty research. For those newly curious and those long familiar with the topic, these chapters provide a clear, concise and probing discussion of poverty and the choices involved in its measurement. Some of the issues here, among many others, are: the setting of poverty lines, the concept of multi-dimensional poverty, income-sharing within households, persistent poverty, and adjusting for purchasing power parity. While undoubtedly a worthy summary of these issues, for some working in this area these discussions will lack novelty. This is a consequence of Atkinson’s legacy, whereby many of the suggestions and debates initiated over his career have already been implemented and are widely discussed in reports by organisations such as the World Bank.2

The remaining chapters adopt a primarily cosmopolitan view of poverty and focus on the analysis of data and estimates. Chapter 5 provides an analysis of poverty around the globe addressing such questions as: Who are the poor? What is the relationship between monetary and non-monetary poverty measures? And to what degree do poverty estimates using the international poverty line and those using national poverty lines differ? To illustrate this point Atkinson plots the poverty rate as per the international poverty line against the poverty rate as per national poverty

2 In particular, the recommendations of the Atkinson Commission on Global Poverty 2016 (World Bank 2017) have largely been adopted and incorporated into the World Bank’s reporting on poverty.
lines, for a number of Pacific islands—both poverty lines are intended to capture extreme poverty. In Fiji, the World Bank poverty rate is 5 percent while the Pacific Community poverty rate is 35 percent. The tension that exists between national and global measures of poverty indicates that there is scope for improvement in the measurement of global poverty.

Chapters 6 to 9 examine poverty in different regions around the world. The scope of the analysis is broad and ambitious. The author's enthusiasm for data and his knowledge of the workings of many smaller national statistics offices is infectious and inspiring. Though the text is incomplete, it is clear that Atkinson believes nations within the same region and from different regions can learn from one another in order to identify effective poverty reducing policies.

Chapter 9 focuses on measuring poverty in rich countries. In measures of global poverty, rich nations are often found to have very few individuals living in extreme poverty. This is a consequence of the low international poverty line ($1.90 dollars a day in 2011 PPP), which in practice confines poverty to poorer nations of the world. Following the efforts of Ravallion and Chen (2013), Atkinson seeks to redress this by proposing an alternative measure of global poverty. Atkinson’s measure has two components: (1) for countries with mean consumption per person below a certain level, it ascribes a poverty level to the respective country equal to the international poverty line, but (2) for countries above the switching point, it ascribes a poverty level that increases by a certain percentage of the mean consumption in the respective country. The percentage increase and the switching point are related, with Atkinson’s switching point occurring when 30 percent of the mean consumption per person in a country passes the international poverty line. This in essence makes poverty in richer nations relative.

The estimation of this new global poverty line unsurprisingly results in a higher rate of global poverty. However, this new approach gives equal weight to an individual living below an absolute extreme poverty line in one nation, and an individual living above this same poverty line but below a relative poverty line in another nation. Even for global cosmopolitans, this equal weight would likely prove controversial.

From a conceptual perspective, the proposed measure of global poverty may be more accurate, but it comes at the cost of blurring both the purpose of and the responsibility for global poverty. A measure of global poverty should track material progress, but in the context of extreme poverty it has also been a focal point for motivating action from individual
nations and the international community. On Atkinson’s proposed measure, it is thus not clear why relative poverty in rich nations should also motivate the international community. Furthermore, national and regional poverty lines (such as those in the EU) already set the agenda for poverty reduction in richer nations.³ The question then becomes why a new global measure of poverty, with a poverty line far below most national poverty lines in richer nations, should add value to the aim of alleviating poverty. The answer is perhaps to provide greater emphasis on the extreme tail of the income distribution in richer nations, but richer nations typically produce a number of poverty estimates using alternative poverty lines. Unfortunately, this chapter is incomplete and it is likely that Atkinson would have addressed some of these issues.

In terms of a measure of global poverty, I believe the suggestion in chapter 2 of using a dashboard of material deprivation measures is both a more salient and morally defensible approach. Inspired by the capabilities approach developed by Amartya Sen (1985), such dashboards gauge deprivation in terms of access to goods and services deemed vital by society. As Atkinson observes in chapter 3, the weakness of this approach is the value-laden choice of which dimensions to include or exclude—a choice that is not straightforward or uncontroversial.

In Measuring Poverty Around the World, Anthony Atkinson provides a valuable resource for those interested in poverty measurement. When reading this book, it is important to enjoy the lessons of one of the truly great economists of our time rather than lament the incompleteness of the analysis. While this book will not define the legacy of Anthony Atkinson, it does exemplify his wider approach to conducting research. In a rapidly changing world, with ever mounting global problems, researchers would do well to follow Atkinson’s socially conscious, ethically informed, and policy relevant approach to research and problem solving.

REFERENCES

³ For example, the Europe 2020 strategy target for poverty and social exclusion is to lift at least 20 million people out of the risk of poverty or social exclusion by 2020 compared to the year 2008.

**Brian Colgan** is a PhD candidate and junior lecturer at the John Stuart Mill College at VU Amsterdam. His research focuses on poverty, inequality, and income mobility in Europe, with a particular emphasis on the role of parental background.
Contact e-mail: <b.p.colgan@vu.nl>

HENRY S. RICHARDSON  
Georgetown University

Rutger Claassen’s bold, ambitious, and often insightful book vigorously sets out to improve on existing versions of the capability approach. He engages mainly with the version developed by Martha Nussbaum, with its well-known list of central capabilities, threshold levels of which are to be guaranteed by governments as a matter of minimal justice. While he retains a sufficientarian subsistence standard, he offers a more complete account of socio-economic justice. His principal criticism of Nussbaum’s view is that, even in its later versions, it invokes a contentious conception of human flourishing or well-being, thus exhibiting a problematic form of perfectionism. The book’s resourceful effort to avoid this problem motivates its principal departures from Nussbaum and spurs its major novelty: its focus on the concept of “navigational agency”, which is understood as the capacity to step back reflectively from the social practices one is participating in to choose “freely and autonomously” which ones to participate in and to resolve conflicts among one’s practices (61). Definitionally, it stands in contrast to “participational agency”, which we exercise by operating within a practice’s norms.

Claassen accepts that no liberal theory can completely avoid substantive commitments about the content of the good; but he argues that perfectionism becomes problematic under two conditions. To describe the first, Claassen cites Rawls’ unduly neglected discussion of Wicksell’s unanimity criterion, which restricts the government’s use of taxation to pay for things neither mandated by justice nor accepted as good by all citizens (26). Of course, Nussbaum does hold that justice requires governments to guarantee citizens threshold levels of the central capabilities. Yet the issue of how to pay for doing this, Claassen argues, at least raises a question about the legitimacy of the effort. Second, he suggests that

---

perfectionism is problematic also when it disrespects the diversity of citizens' value commitments. Nussbaum's detailed list of central capabilities, he argues, can do this either by what it includes or by what it excludes.

Claassen's proposal for how a liberal view can avoid problematic perfectionism hinges on establishing that navigational agency stands above the fray as no mere value because it grounds “a regulative principle” (42). For Claassen's liberal view, as for Nussbaum’s, autonomy is a central value. Yet it makes all the difference, he claims, whether “autonomous agency is a value on the same plane as other values” (41). If it were, awkward “balancing problems” would arise (42).

Offering what he dubs a “transcendental argument”, Claassen argues that navigational agency does stand above the fray (73). We might also think of this argument as defending a novel sort of agency-based constitutivism to contend with Christine Korsgaard's (2009) or Michael Smith's (2013). Claassen argues that rational agents “will necessarily understand themselves as navigational agents” (86). I will shortly attend to the details of this argument; but, first we should examine what it would deliver, if successful.

Given Claassen's commitment to the capability approach, it delivers an “agency-based capability theory” (48)—an ABC theory, for short. People need many capabilities simply to function as participative agents. Yet the ABC theory naturally stresses the capabilities that are involved in exercising navigational agency. Claassen puts his ABC theory to good use in many ways. To begin with, it frames his general characterization of justice, which, he tells us, is the sole virtue of political institutions (12): “Justice”, Claassen writes, “is normally (and correctly) understood as being about equality in some dimension” (66). Perhaps this oversimplifies the truth about justice. Indeed, Claassen himself has more complicated things to say about justice. Still, it can be important for a theory of justice to indicate what needs to be equalized. The ABC theory holds that “navigational agency, but not participational agency [is] the right equalisandum” (67). Taking a stand against relational egalitarian views such as Elizabeth Anderson's (1999), Claassen argues that productive efficiency can justify hierarchical organization and that arenas in which people compete for status can help develop their participants’ agential skills (123ff.). The

---

2 Amartya K. Sen’s (1980) “Equality of What?” gave this simple thought much momentum; but Sen has himself pulled back from it—for example, in The Idea of Justice (Sen 2009). Rawls (1999, 112), for his part, is happier with the French revolution’s trio, liberty, equality, and fraternity.
ABC theory points us instead to the significance of “avoiding [...] domination, marginalization, or oppression” (124). These interfere with navigational equality by blocking some citizens from exiting or reforming social practices (69).

In the book’s third and final part, Claassen elaborates the ABC theory’s implications for civil rights, socio-economic justice, and political justice. He frames civil rights in terms of the capacities of entering or exiting a given social practice. Navigational agency’s primacy gives priority to the latter. The rights of entering or becoming included in a practice, he argues, are more complicated. An individual’s liberty to associate with whom they please “trumps” the equal standing of autonomous agents (161), thereby reminding us that equality is not all there is to justice. Yet participation in certain social practices—“firms, unions, political parties, media outlets which cover political debates, etc.” (160)—is contingently necessary for developing capacities of navigational agency.

The chapter on socio-economic justice invokes the ABC theory to motivate not only minimal capability thresholds, as in Nussbaum’s theory, but also limits on inequalities of income and wealth. Participational agency undergirds Claassen’s sufficientarian standard for the various capabilities that enable normal functioning within social practices. Because equal navigational agency requires an absence of oppression and domination, we may generalize Rawls’ argument for the fair value of the equal political liberties to explain why inequalities of income and wealth must be kept within narrow bounds.3

Finally, in the chapter on political rule, Claassen amends Kant’s view that people in a state of nature must enter into a civil society in order to see to it that rights are rendered sufficiently determinate that they may be enforced and acted upon. His amendment substitutes individuals’ rights to navigational agency for Kant’s focus on property rights (200). Claassen also adds that, beyond the duty to exit the state of nature, there is also an abiding duty to work to maintain the fabric of rights. Although he pays some lip service to “the will of the people” (207), what matters to him are the rights of navigational agency. To shield them, he comments, “democratic protections may or may not be more robust than the ones offered by benevolent dictatorships” (206). What he calls “the duty of participation” is simply “a duty to cooperate to create and uphold a legal-political system” (208).

---

3 See, for example, Rawls (2001, 161).
I have been able to give only the barest indication of the impressive diversity of ways in which, in these later chapters, the book brings the ABC theory to bear on matters of justice. Having these in mind, it is now time to circle back to the argument that is meant to justify that theory.

A transcendental argument normally starts with a central fact of our experience and lays out (some of the) necessary conditions of its possibility. Instead, Claassen gives us an argument that is closer in form to the agency-based constitutivist views mentioned earlier. These theories do not work from basic facts about our existence. Instead, they work from ideals, such as those of rationality, that somehow attach to our status as agents. For example, it is common to claim that they are embedded in agency’s ‘constitutive aim’. Drawing on an ideal of rationality, Claassen’s core argument is creative and original in that it works disjunctively with both participational and navigational agency. Unlike many constitutivists who appeal only to a priori assumptions, Claassen freely invokes empirical ones. First, he assumes, quite reasonably, that there are social practices and that all human agents with the capacity to reason participate in them. Second, he assumes, again plausibly, that while some are “mere participational agents”, there are also some who are also exercising navigational agency (92). Third, and more contentiously, he assumes that those who are exercising navigational agency enjoy superior social status to those who are not (92). Why must that be so? We must allow that the capabilities definitive of navigational agency are socially supported. This implies that navigational agents will have opportunities to exit, enter, and reform social practices. These capabilities in turn will support a valuable social status; but is it necessarily higher than that of all mere participational agents? Claassen writes that “an inferior agent considers that her practical identity is given by her social role” (93). But take the case of France in the time of the Sun King. Louis XIV and the nobles in his court were born into roles in the monarchy, which afforded them no right of exit. The king’s own powers to induce reforms lower down constituted no reform in his own practice, that of absolute monarchy. There was room in the Bourbon court for navigational agents, functionaries floating in and out like seventeenth-century counterparts of today’s McKinsey MBA’s. Yet, while these navigational agents probably enjoyed decent lives, their status fell well below that of the many mere participational agents who made up the aristocracy. Still, let us allow also this third assumption and consider what follows.
Claassen argues that the ideologies that sustained past inegalitarian societies are rationally indefensible and that, at least once the merely participational agents are given some education—another empirical proviso—they will realize this and, in doing so, will realize that they could become navigational agents. Having reached that point, any mere participational agent “would be irrational if he would not claim a right to [this] potentiality” (97). This conclusion, as Claassen sees it, is “based on a necessary-prudential reason”: becoming a navigational agent will give them a wider range of options, and hence “more benefits” (99). But this pro tanto benefit is apt to be outweighed by countervailing effects. We will need to look more closely to see where it holds all things considered. It is not prudentially irrational to give up a pro tanto good for what is better all things considered. Louis XIV’s nobles could rationally have avoided any rational questioning of the system from which they benefited, especially if doing so would have brought their loyalty into question. Or consider the “emancipated slaves [and] working women” about whom Claassen writes that “if you give [them] access to education, more money and political power, they can change status and become superior agents themselves” (96). Yes; but this is a wishful hypothetical. In the U.S., the newly emancipated well recognized the injustice of their oppression, and so could have entered into navigational agency; but they were not given sufficient resources or power to shelter their attempts to claim navigational freedom against vicious reprisals. For them to demand their rights as equals was to risk being stigmatized as ‘uppity’ by the still-dominant whites, who lynched thousands for such threats to the persisting racist order. In these circumstances, it would have been prudentially rational for most of those released from bondage to lay low and refrain from claiming the rights of navigational agency.

There are, then, reasons to doubt that Claassen has sufficiently established the claim that either navigational agency or autonomy lies on a higher plane than other values. He may perhaps be forgiven for failing where Kant failed before him. Yet even if his ABC theory lacks this special justificatory status, his rich book has made a strong case for considering it as a hypothesis that we might have reason to accept on due reflection. Even without its ‘transcendental’ grounding, this book has given us an original capability theory with a well-elaborated conception of justice.
REFERENCES

**Henry S. Richardson** is Professor of Philosophy at Georgetown University. He was President of the Human Development and Capability Association from 2014–2016 and the Editor of *Ethics* from 2008–2018. His two most recent books are *Moral Entanglements: The Ancillary-Care Obligations of Medical Researchers* (Oxford, 2012) and *Articulating the Moral Community: Toward a Constructive Ethical Pragmatism* (Oxford, 2018). Contact e-mail: <henry.richardson@georgetown.edu>
Website: <henrysrichardson.com>
PHD THESIS SUMMARY:
Redefining Universal Development from and at the Margins: Indian Economics’ Contribution to Development Discourse, 1870–1905

MARIA BACH
Doctorate in International Political Economy, March 2019
King's College London

The East must produce its own thinkers, its own historians, its own economists.¹

— Romesh Chunder Dutt

The economic historian, civil servant, translator, and politician, Romesh Chunder Dutt, uttered these words in 1905. Despite acknowledging that the great political economists of Europe such as Adam Smith, David Ricardo, and John Stuart Mill had “opened out a new world to [him]”, Dutt saw the need for more appropriate theories rooted in Indian experience and history (Gupta 1911, 382–389). Dutt wrote that the European political economists did not sufficiently or effectively study India, “even [J. S.] Mill, who was thirty years in the India Office, [...] does not venture to touch on Indian problems in his ‘Political Economy’” (reprinted in Gupta 1911, 388). European scholarship did not adequately take into consideration Eastern thought and experiences. Even today, Indian economists such as Kaushik Basu and Partha Dasgupta make the same argument. My research shows that Dutt, along with his Indian contemporaries, successfully fulfilled the goal of the East producing its own economists. In the late nineteenth century, a group of Indian intellectuals, political activists, lawyers and civil servants—including Dutt, Mahadev Govind Ranade, Dadabhai Naoroji, Ganesh Vyankatesh Joshi, Ganapathy Dikshitar Subramania Iyer, Prithwis Chandra Ray, Surendranath Banerjea, Kashinath Trimbak Telang, and Gopal Krishna Gokhale—incorporated Indian particulars into what they and many scholars labelled thereafter Indian Economics, attempting

¹ A contribution to the Wednesday Review by Dutt, 23rd August 1905, reprinted in Gupta (1911, 383–389).
to highlight previously undocumented discursive innovation present in the late nineteenth-century Indian Economics’ idea of development.

Since the 1870s, these individuals had growing concerns about existing ideas of development being inapplicable to India. The debate culminated in a lecture by Ranade at the Deccan College, Poona in 1892, which called for the establishment of Indian Economics. The lecture hall would have been filled with Indian students, and probably some officials, as the College’s location was the summer capital of the imperial administration. Deccan College was part of the imperial university system, a prominent place for Indian intellectuals and one of the oldest modern educational institutions in India. The first generation of graduates from the imperial universities, including the intellectuals listed above, had started to publish studies on India's poor socio-economic conditions in the 1870s. Ranade’s inauguration of an Indian Economics placed the increasing number of studies under its intellectual umbrella. The research produced theories, concepts, ideas and solutions for India’s (often distinct) problems.

My thesis analyses and explains how Indian Economists from 1870 to 1905 redefined development. Here are the most significant and innovative ideas that came out of the Indian Economics conception of development. First, Amartya Sen’s well-known famine theory, stipulating that famines are not caused by a lack of food supply but by a lack of access to food is clearly present in Dutt’s work. Dutt is known as the founding economist of agricultural economics in India. He, unlike thinkers before him, went out into the rural areas to gather data and see for himself the pressing issues of the rural populations. His several books and articles on the subject show that the cause of famines was not India’s inability to produce enough food to feed its population, but rather the people’s inability to buy ever more expensive food exacerbated by drought and imperial rule. Dutt predated Sen’s widely known thesis that famines are a socio-political rather than a natural phenomenon.

Second, the late nineteenth-century Indian Economists, especially Ranade and Naoroji, conceptualised a dependent imperial economy. An economy that depended on its foreign rulers for demand, development, politics, infrastructure, and education. The dependence, according to Ranade and Naoroji, had ruralised the Indian economy and drained Indian resources. India had no chance of developing—as promised through the imperial rule’s civilising mission—due increasingly to British domestic tariff barriers discouraging Indian textile exports and the drain of Indian money in the form of tax payments. The Indian economy could and would
not behave like other non-imperial territories. Anyone familiar with mid-twentieth-century dependency theorists will recognise that late nineteenth-century Indian Economics was on to something more than half a century before the now wide-spread South American dependency school.²

Third, the late nineteenth-century Indian Economists reinstated an eighteenth-century theory of regress. Some of the eighteenth-century thinkers, such as Smith, talked of periods of progress and regress as normal fluctuations in the economy. Yet, by the late nineteenth century with industrialisation producing rapid progress across western Europe, economists, to a large degree, assumed constant progress. The Indian experience was different. By the end of the century, the Indian textile industry, which had been traded all over the globe for centuries, was now in ruins. There was much overcrowding and subsequent poverty in the agricultural sector where former textile workers had fled. The concerns and theories associated with this idea of regress will certainly resonate with development economists today critical of the Washington Consensus and free market liberalism practised by the large international organisations—the World Bank and International Monetary Fund—that supposedly mandated to eradicate poverty (Cornia 2016; Cornia, Jolly, and Stewart 1987; Woodward 1992; Stewart 2018, 15).

Fourth, my analysis concludes that Indian Economics redefined the concept of universality in the existing idea of development in the nineteenth century by rejecting the widely accepted international division of labour and the dominant assertion that progress originated in Europe. India, according to Indian Economics, could and should industrialise like all other nations because the idea of universal development in Indian Economics adopted a world view that saw universal progress or positive societal change as beneficial to all rather than as a zero-sum game necessarily involving winners and losers.

² Dependency theory emerged in the mid-twentieth century with Raúl Prebisch, Hans Singer, and Paul Baran. They argued that integrating periphery countries (primarily current or former colonies) into the world market made them poorer due to the dependent nature of these weaker economies in the current global, political and economic framework (e.g. Britain forced free trade onto India) (Prebisch 1950; Singer 1950; Baran 1957). Presbisch, Singer, and Baran were responding to modernization theory according to which societies progress through similar stages. The Singer-Prebisch thesis, one of the main models in dependency theory, rejects that view and instead argues that periphery countries are not just primitive versions of the core (more advanced) countries because the former countries have their own unique structures and history.
Finally, Indian Economics had a unique set of multidiscursive and multispacial contextual determinants that produced a distinct idea of development resembling the much more recent discourse of multiple or alternative modernities (Washbrook 1997; Eisenstadt 2003). Indeed, as both the Indian Economists argued and David Washbrook argues today, India has progressed with its own logics of development, different from those seen in Europe and North America (Washbrook 1997; 2012, 67; Ranade 1906, 1–42). In a current climate of near stagnating progress, Indian Economics could offer an innovative, more localised and simultaneously international perspective on the pressing issues of decreasing poverty, reversing the trend of rising inequality and producing much needed employment.

My thesis complements recent research in social history and history of political and economic thought that attempts to contextualise Indian intellectuals’ conceptualisation of nationalism at the turn of the nineteenth century (Goswami 2004; Chatterjee 1993). My contribution to the field of history of economics is especially novel as few studies have given these Indian Economists the same level of creditability as economic theorists and practitioners as I do in my research. Moreover, although recent International Political Economy (IPE) scholarship has started to encourage a global perspective, historical research in the field is still centred on European and American contributions. My research aims to fill that gap by analysing Indian Economics development discourse that emerged in a period of political conflict and poor socio-economic conditions which brought into question the legitimacy of British imperial rule.

Why have the Indian Economists so rarely been seen or analysed as economists? The answer lies in their position at the margins of discursive space. Indian Economics was and is considered a marginal economic theory. The research was disseminated through lectures at universities and various societies and conferences, as well as in published books and articles largely in English. Yet, the lectures, conferences, and publications were almost exclusively held in India, and if not in India, predominantly consumed by Indian and anti-imperialist audiences in Britain. For instance, a large amount of the articles was published in the journal that Ranade founded in 1870, Quarterly Journal of Poona Sarvajanik Sabha, to create a space for Indian intellectuals to publish their research. The Indian Economists were not getting published in British economic journals or even treated as economists. In the eyes of many imperial officers and British intellectuals, the Indian Economists were political activists.
fighting for Indian self-rule, not economists creating knowledge. As a review of one of Dutt’s texts clearly read: Dutt is said to have written “without ‘any intention to make any new discoveries’” and his book is “saturated with Western ideas.” Much twentieth-century literature agrees with this, see for example Chandra (1966).

As shown in studies on imperial knowledge formation and education, Indians were taught a Western curriculum and blamed for only regurgitating existing ideas from Europe and neglecting to transform ideas into original thought. I therefore label the idea of development within Indian Economics as marginal, both because the Indian Economists were situated at the margins of intellectual circles and because the discourse on development within Indian Economics contributed to the dominant idea of development at the margins. While dominant ideas are more widely accepted and disseminated, marginal ideas still exist. Marginal ideas are often overlooked, ignored, or misunderstood. Studying the marginalisation and margins of development discourse offers a unique perspective from the margins of the overall debate around development.

Dominant narratives, like the European idea of progress and development, minimise other ways of describing and theorising the world. History often only includes accounts of winners and relatively powerful societal groups or individuals. Within the discipline of the history of ideas and more specifically in the history of economics, studies are predominantly about well-known figures such as Smith and Ricardo, while lesser known figures are rarely cited or analysed. I address this gap by unpacking the production and diffusion of alternative discourses on development by focusing on a group of Indian scholars writing from the margins of the British Empire from 1870 to 1905.

My thesis uncovers the largely ignored discursive innovation in Indian Economics at the margins of development discourse. I challenge dominant narratives and interpretations of global societal change and development by focusing on the local debates on development that took place in late-nineteenth-century India. Highlighting the often overlooked and marginal discourses makes it possible to challenge both historical narratives and contemporary conceptions of development. For example, Hobson uncovered what he called the Oriental West—that is, Eastern contributions to the rise of the West (Hobson 2004). Washbrook has come to similar conclusions (Washbrook 2012, 2009). Dominant discourse often

---

1 Max Müller’s assistant’s review of Dutt’s *A History of Civilization in Ancient India* quoted in Gupta (1911, 127).
displaces human agency. As a result, my alternative approach that presumes human agency of all interlocutors can help to deconstruct historical narratives and economic theories (as is also argued by Inden 1990, 264). My study helps to deal more adequately with diversity and better recognise agency of diverse socio-political communities, as well as create conceptual space for other possible development paths.

Nevertheless, finding a new definition of progress and development that is less like an artefact of ideology and more like a contemporary tool that can be used to analyse processes of change, is, to some extent, infeasible. Indeed, my dialogical approach informed by Mikhail Bakhtin helped me understand that all utterances are laden with ideology because they are uttered by people who have their own unique experiences and biases (see, for example, Bakhtin 1986, 1981). No utterance is free of some ideology. Yet, what I show in my thesis is that the position of marginal discourses at the margins of discursive space offers the interlocutors uttering such discourse a unique perspective. The distinctive positioning pushes the interlocutors to critique dominant discourse that contradicts their lived experiences and rework those shared dominant meanings. For instance, India in the late nineteenth century experienced its most severe famines in its then history and seemed to regress rather than progress despite the dominant idea of progress which saw positive change as a given.

Interlocutors at the margins had a different perspective of the world—this is literally the case when we reflect on the fact that the Indian economists were in India and England, and interlocutors associated with the dominant discourse such as List and Ricardo were in Europe and North America. I argue that the physical and social position of interlocutors both constrains and facilitates meaning-making; the Indian economists had Western educational training imposed on them, but their vantage point meant that they could imagine an industrialised West and East. In this way, Indian Economics successfully produced a tool for viewing contemporary countries dealing with societal change that includes both global and local forces.

I do not contend, however, that the definitions of progress and development in the dominant and marginal realms of discourse are always distinguishable. The line between what is dominant and what is marginal, what is European or Western and what is Indian can be blurred and difficult to identify. Yet, I argue that by carefully analysing the discourses be-
between interlocutors across borders and assigning agency to all interlocutors, my analysis shows some Indian originality at the margins of development discourse.

That is not to say that the Indian Economics conception of development clarifies and improves on all issues to do with progress and development. First, the natural analogies found in Indian Economics’ explanation of societal change seem to explain away too many societal practices. Natural analogies can restrict the focus of research and hence the understanding of how society changes. For example, natural analogies compare societal institutions to the functions of human organs. All humans have, more or less, the same organs. Yet, is it also true that all societies have the same institutions? A basic comparison of institutions even across countries that are considered to be in the same stage of progress would make anybody realise that institutions tend to vary from place to place. Thus, comparing how societies change to human growth seems counterproductive. The comparison makes it particularly difficult to explain the kinds of refractions of societal change that Indian Economics wants to theorise in late-nineteenth-century India. Perhaps social science, such as political economy, should move away from using metaphors from the natural sciences. Societies change in a more complex, random, and chaotic way than these natural analogies evoke.

Second, Indian Economics inadequately dealt with global competition. What role would competition play if all countries industrialised? Is it feasible to theorise that when all countries industrialised free trade would bring about development? Finally, how can global industrialisation really be brought about in a world where nationalist leanings coupled with anti-globalisation discourses are increasing? Anti-globalisation leaves little room to imagine the kind of resource circulation and distribution needed to bring about industrialisation in countries like India and continents like Africa. There is more research and theorising to be done in order to build on our conceptualisation of societal change, construction, and implementation of more effective development practices.

Additional discourse analysis on the other Indian economists at this time would also be useful for further research. I chose to focus on three key protagonists who wrote extensively and actively sought to study the Indian economy. However, there are individuals who could be further analysed. I brought some additional interlocutors into my analysis as and when they had conflicting viewpoints and theories not seen in my main protagonists’ discourse—including Joshi, Iyer, Telang, Gokhale. In other
words, my thesis is not intended as a final word. I hope to do and see further research that assigns agency to many more marginalised figures in discursive spaces.

Finally, one might ask, how is my research relevant for modern economics? The crisis has left a vacuum as to how we can deal with the subsequent negative economic trends. The crisis showed us that market solutions may not be the answer, but the world is having a hard time moving away from that tendency towards deregulation. Can looking back in time get some of the ideas we need? The idea of development found within Indian Economics can help us to redefine our modern understanding of how to bring about positive change—for example, how to industrialise and how to lower poverty in India. Development may have a dominant meaning, wrought with eurocentricities and historical, spatial rigidities; but, if the imperialised Indian Economists were able to push at the boundaries of late-nineteenth-century ideas of development, so can we today challenge and shift our modern ways of dealing with economic development.

REFERENCES


**Maria Bach** is an historian of economics interested especially in nineteenth-century Indian Economics. She completed her PhD in International Political Economy at King’s College London in 2019. Maria is currently an Assistant Professor of Economics at the American University of Paris (AUP), and previously taught at the London School of Economics (LSE) and King’s College London. In 2013–2014, she worked at the Organisation for Economic Cooperation and Development (OECD) on a project entitled “New Approaches to Economic Challenges”. She completed her MSc in Development Economics in 2012 at the School of Oriental and African Studies (SOAS) and her BA in International Economics and Applied Mathematics at AUP in 2011.

Contact e-mail: <mbach@aup.edu>
PHD THESIS SUMMARY:
Dreaming of Unity: Essays on the History of New Political Economy

RAFAEL GALVÃO DE ALMEIDA

Doctorate in Economics, December 2019
Federal University of Minas Gerais

This PhD dissertation studies the development and use of economic tools in political research during the period 1950–2000. Many of the scholars examined in this dissertation apply different definitions to the term political economy and its derivatives, as a result of their different research traditions, many of which come into conflict with one another (Almeida 2018). For this reason, I use the label new political economy in this work.

One might say that new political economy arose from the inability of the theory of economic policy to analyze the interests of policymakers, upon ignoring issues of political economy and government failure. This critique was first advanced by public choice theorists and radical political economists; the former used rational choice theory while the latter rejected it. Despite their differences, these groups advocated a return to the approach of classical political economy, where economic and political issues were studied as one. Public choice theorists argue, however, that the classical political economy should be updated with new methods, such as mathematical models and rational choice theory.

Despite recognizing the importance of public choice, one aim of this dissertation is to explore the history of groups that used rational choice theory to study political phenomena without necessarily being affiliated with the public choice movement. Another aim is to understand their relationship with mainstream economics, and, further, to consider the possibilities and challenges for the unification of the social sciences.

The second chapter provides a historical recapitulation of the political business cycle model, one of the most important models of political economy, first formalized by William Nordhaus (1975). Nordhaus’ argument was that the business cycle, one of the most important macroeconomic phenomena, might also have its origins in political practices, i.e. through attempts of politicians to manipulate the economy. The political business cycle model failed to become mainstream due to the lack of decisive
empirical support and a failure to meet the demands of the rational expectations program. Nevertheless, the model continued to be relevant and is still studied and updated due to its simplicity and versatility (Franzese and Jusko 2006).

The third chapter deals with the interdisciplinary approach to macroeconomics and political economy labelled new political macroeconomics, portraying it as a separate tradition of public choice, which first started with the political business cycle model. New political macroeconomics presents itself as a way to understand collective decision-making using insights from macroeconomic theory, and de-emphasizing ideological concerns (Drazen 2000; Persson and Tabellini 2000; Alesina, Persson, and Tabellini 2006). Although there is overlap in research topics, the new political macroeconomists do not consider themselves part of the public choice movement (Sayer 2000), thus they do not participate in the networks of the public choice movement—though, this attitude has been deemed harmful by public choice scholars (Padovano 2004; Blankart, and Koester 2006; Mueller 2015). As such, the chapter tries to understand why new political macroeconomists choose to distance themselves from the public choice movement. I argue that this happens due to (i) fundamental differences in method, and (ii) the regular conflation of public choice theory with the libertarian Virginia tradition. This overlapping of themes, however, allows for new political macroeconomics to be considered a separate tradition of public choice.

The fourth chapter investigates how Douglass North’s ideas about political economy evolved, given that new institutional economics is an important component of the new political economy. From his early contributions to new economic history (North 1961; Sutch 1982), North understood the importance of history in economic analysis. The cliometrics approach did not yield good results, in his opinion, which led him to pursue institutional analysis (North 1981, 1990). He resorted to both Marxism and public choice to inform his views on political economy and claimed to remain in the middle of these two extremes (North 1986). In the 1980s, North worked with political scientists, economists, and other social scientists at the Center in Political Economy at the Washington University in St. Louis, from where he could influence both economics and political science into adopting an interdisciplinary approach with a focus on economic theory.

The fifth chapter studies the work of Albert O. Hirschman in political economy. Though he was not affiliated with any school or tradition, he
was also dissatisfied with how mainstream economics treated political economy, and criticized rational choice theory. At first, he tried to establish a dialogue with them, through the exit-voice-loyalty framework, which distinguished action into two conceptual types: ‘exit’, which concerns the changing of preferences, and ‘voice’, which concerns the struggle to make changes (Hirschman 1970).

While exit-voice-loyalty became one of the most cited frameworks for the analysis of social interaction, it had little influence upon economists. Hirschman saw the incompatibility between his approach and rational choice-based political economy and thus worked on his own version of political economics, through ‘trespassing’ disciplines (Hirschman 1981). In so doing, he focused on the political economy of citizenship, which he envisioned as an alternative to rational choice-based theories (Hirschman 1977, 1991, [1982] 2002).

The sixth and final chapter covers issues of interdisciplinarity and ideology. Regarding interdisciplinarity, I evaluate whether new political economy has the capacity of opening the way to greater cooperation, i.e. to a theory of everything in the social sciences, or if it is rather just another example of economics imperialism. The ideology issue refers to the observation that many of the scholars mentioned here refused to identify with the label ‘public choice’ due to ideological concerns, an aspect denied by the latter movement’s supporters. I argue this is a credible charge, especially due to biased practices in research on the history of public choice. I finish the chapter by discussing the presence of ideology in political economy itself. The dissertation concludes with a reaffirmation of the vastness of new political economy and a reflection on its contributions and ambitions. The new political economy proposes an integrated approach in which the boundaries between disciplines within the social sciences do not stand in the way of a free exchange of ideas, methods, and insights. There are however important obstacles to overcome, and unity remains a dream.

REFERENCES


Rafael Galvão de Almeida holds a PhD degree from the Federal University of Minas Gerais, Brazil. His main research interests are history of economic thought, political economy, economic methodology, and economic sociology.

Contact e-mail: <rga1605@gmail.com>