Why should the devil have all the best tunes?

Reclaiming virtue ethics for economics

Luigino Bruni and Robert Sugden*

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Abstract

Virtue ethics is an important strand of moral philosophy which normative economists have largely neglected. It underpins influential critiques of the market (as a domain in which instrumental motivation corrodes virtue) and of economics (as justifying such motivation). We explain and respond to this critique. Using the methods of virtue ethics and with reference to the writings of major economists, we propose an understanding of the telos of markets as cooperation for mutual benefit, and identify traits that thereby count as virtues for market participants. We conclude that the market need not be seen as a virtue-free zone.

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Anonymity: Except on this cover page, the authors are not identified. The paper includes some references to the work of the authors, but these are written in the third person.

* Bruni: Department of Economics, Università Milano-Bicocca, Piazza dell’Ateneo Nuovo 1, 20126 Milano, Italy; email luigino.bruni@unimib.it. Sugden (corresponding author): School of Economics, University of East Anglia, Norwich NR4 7TJ, United Kingdom; email r.sugden@uea.ac.uk.
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Reclaiming virtue ethics for economics

Virtue ethics – the study of moral character – has been an important strand in moral philosophy for literally thousands of years, but has received little attention from normative economists. That neglect has not been reciprocated. A significant body of current work in virtue ethics is associated with a radical critique of the market economy and of economics – a critique that has resonated in public debate, particularly since the onset of the current financial crisis and recession. Expressed rather crudely, the charge sheet is this: The market depends on instrumental motivations; market interactions therefore fail to express virtue and intrinsic motivation; economics normalises instrumental motivations, not only in markets but also (in economists’ imperialistic ventures into the territories of other social sciences) in social life more generally; therefore economics is complicit in an assault on virtue. We will argue that this vision is problematic: its account of market motivations is at best partial, both as a description of how markets actually work and as a representation of how classical and neoclassical economists have understood the market. We will show how the market and economics can be defended against the critique from virtue ethics.

The invisibility of virtue ethics in normative economics is something of an anomaly. Normative economists have made use of, and have contributed to the development of, many branches of moral theory, including act and rule utilitarianism, social contract theory, maximin and capability theories of justice, and libertarianism. We see no reason why the same should not be true of virtue ethics. Conversely, if virtue ethics is to comment on the moral status of markets, that commentary needs to be based on a sound understanding of how the economy works. We write as philosophically- and historically-inclined economists, hoping to be read both by philosophers and by our fellow-economists. For the benefit of the economists and with apologies to the philosophers, we assume no prior knowledge of virtue ethics.
As our title is intended to suggest,¹ we believe that economics can respond to the critique from virtue ethicists *in the language of virtue ethics*. We will use the methods of virtue ethics to develop a conception of ‘market virtue’ that is consistent with many classical and neoclassical economists’ accounts of how markets work and of what purposes they serve. The character traits that we will present as market virtues can, we will argue, be expressed in markets that function in the ways that economic theory has traditionally described.

We will not claim that all economic agents are virtuous. (The logic of virtue ethics does not require that kind of implausibility: virtue ethicists can, for example, describe bravery as a military virtue without asserting that all soldiers are brave.) But we will claim that economic agents can and often do possess the market virtues, and that in expressing those virtues they make real markets work more like those of classical and neoclassical theory. Thus, in defending the market, one does not have to stand for non-virtue against virtue. Because (as we will argue) the market virtues are grounded on ideas of reciprocity and mutual benefit, they are closely associated with – and sometimes the same as – virtues of civil society more generally. It is therefore a mistake to think that the character traits that best equip individuals to flourish in markets are necessarily corrosive of virtue in other domains of life.

In making mutual benefit central to our account of market virtue, we may seem to be deviating from one of the oldest traditions of economic writing. Generations of economists have pictured the market as a domain in which socially desirable consequences emerge as unintended consequences of individuals’ pursuit of their private interests. Perhaps the most famous expressions of this idea are Adam Smith’s assertion that ‘It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest’, and his description of the merchant who ‘intends only his own gain, [but is] led by an invisible hand to promote an end which was no part of his intention’ (Smith, 1776/ 1976: 26–27, 456). An even earlier expression, which has acquired the status of an economic proverb, is the subtitle of Bernard Mandeville’s *Fable of the Bees*: ‘private vices, publick benefits’ (1732/1988).

¹The rhetorical question in our title was most famously asked by William Booth, the founder of the Salvation Army, in support of setting hymns to popular music-hall tunes. (Booth was not the first religious figure to express this sentiment; it is usually attributed to Rowland Hill.)
It should be said that Smith and other early economists softened Mandeville’s paradox by not treating self-interest, when expressed within the rules of a commercial society, as a *vice*. To the contrary, character traits associated with the pursuit of long-term self-interest, particularly prudence, temperance and self-command, were presented by them as virtues.\(^2\) We take it as given that these traits are indeed virtues of economic life, but our focus will be on how, within a market economy, individuals relate to one another. Our central idea is that the ‘public benefits’ of markets should be understood as the aggregate of the mutual benefits gained by individuals as parties to voluntary transactions, and that the market virtues are dispositions that are directed at this kind of mutual benefit. For a virtuous market participant, mutual benefit is not just a fortunate by-product of her pursuit of self-interest: she *intends* that her transactions with others are mutually beneficial.

In Smith’s account of how we get our dinners, however, there is no suggestion that market participants ought to act with the intention of mutual benefit. That account encapsulates the logic of Smith’s theory of markets, in which the primary motivation for action is self-love, even though *in fact* everyone’s self-interested actions combine to create benefits for all.\(^3\) The idea that economic agents should understand their interactions as mutual assistance is characteristic of an older tradition of natural-law philosophy from which mainstream economic thought turned away in the later eighteenth century.\(^4\) Nevertheless, as we will show, there is a sense in which this idea is implicit in some of Smith’s writing, and in the writings of many other major economists from the eighteenth century to the present day. The traits that we will present as market virtues feature in some of the canonical accounts of the desirable properties of markets. In this sense, our paper attempts to reconstruct a submerged tradition of virtue-ethical thought in economics. We believe that neglect of this tradition has opened up a space for ill-founded critiques both of the market and of economics.

Our approach should not be conflated with one that is now gaining favour in behavioural economics, of using concepts of virtue and intrinsic motivation as components of

\(^2\) For more on this change in the understanding of self-interest, see Albert Hirschman (1997: especially 18–19).

\(^3\) Sympathy and benevolence are central to Smith’s (1759/1976) theory of moral sentiments, but play only minor roles in his economic analysis.

\(^4\) The economics of Smith’s contemporary Antonio Genovesi (1765–67/2005) can be interpreted as an attempt to build a theory of commercial society based on the idea of mutual assistance. On this, see Luigino Bruni and Robert Sugden (2000).
new theories of individual behaviour. Examples of the latter approach include Bruno Frey’s (1997) analysis of the behavioural effects of intrinsic motivation and Herbert Gintis’s (2010) explanation of prosocial behaviour in terms of individuals’ preferences for exhibiting particular ‘character virtues’. Such work tries to show that economic agents sometimes display virtue by acting contrary to conventional neoclassical theory. By pointing to these developments in behavioural economics, it is possible to argue (as does Irene van Staveren, 2008) that the virtue-ethics critique of economics is outdated. To put this another way, that critique can be deflected from economics in general to neoclassical economics. In contrast, we will meet the critique head-on, using arguments that presuppose neither the truth nor the falsity of neoclassical theory.\(^5\)

We begin with a very brief introduction to virtue ethics (Section 1). We then describe some prominent critiques of the market that are grounded in virtue ethics (Section 2) and in the related literature of intrinsic motivation (Section 3). In responding to these critiques, we start from an understanding of how markets work and what purposes they achieve that is traditional to classical and neoclassical economics (Section 4). Given that understanding, we use the methods of virtue ethics to identify the character traits that have the status of virtues within the domain of the market (Sections 5 and 6). Our conclusion (summed up in Section 7) is that the market need not be seen as a virtue-free zone. As participants in markets, individuals can uphold virtues that reflect a conception of civil life as mutually beneficial cooperation.

1. **What is virtue ethics?**

The central concern of virtue ethics, broadly interpreted, is with *moral character* – with what sort of person one is and should be. Virtues are acquired character-traits or dispositions that are judged to be good. Crucially, virtues are not judged to be good *because* they tend to induce actions which, for more fundamental moral reasons, are taken to be good or right. In virtue ethics, it is the other way round. Actions are judged to be good because they are in character for a virtuous person – they are constitutive of living well, of ‘flourishing’. Thus, a

\(^{5}\) In this respect, our approach has more in common with Deidre McCloskey’s (2006) account of the ‘bourgeois virtues’. However, our analysis is more systematic and economics-specific than McCloskey’s imaginative but discursive exploration of the seven virtues of traditional Christian thought and their role in economic life.
morally well-constituted individual cultivates virtues, not as rules of thumb for moral action, but because they are characteristic of the kind of person he or she wants to be.

Aristotle’s *Nicomachean Ethics* (c. 350BC/1980) is traditionally seen as the founding text of virtue ethics. Aristotle’s account of virtue begins from the idea that different activities have their own intrinsic ends or purposes – their *teloi*. Within any activity, goodness is understood in relation to the telos of that activity – ‘that for whose sake everything is done’. For example, Aristotle treats medicine as an activity whose telos is ‘health’, and military strategy as an activity whose telos is ‘victory’ (Book 1, §1). In relation to a given activity, an acquired character trait is a virtue to the extent that a person who possesses it is thereby better able to contribute to that activity’s telos. The underlying idea is that human flourishing (*eudaimonia*) requires that people are orientated towards their various activities in ways that respect the distinct intrinsic ends of those activities. Thus, instrumental motivation – treating an activity as a means to some end that is external to it – is antithetical to virtue. In this respect, there is common ground between Aristotelian virtue ethics and those strands of modern ‘positive psychology’ that emphasise the importance of intrinsic motivation for human happiness, in particular the ‘self-determination theory’ of Edward Deci and Richard Ryan (1985).

Aristotle seems to believe that it is possible to identify the telos of an activity by thinking about the intrinsic properties of that activity as a contribution to human flourishing, understood in terms of an account of universal human nature. Thus, for Aristotle, teloi are natural facts, analogous with the biological properties of organisms. Most modern virtue ethicists have eschewed this philosophically problematic approach. An alternative *communitarian* approach, best exemplified by the work of Alisdair MacIntyre (1984), understands the concept of flourishing as internal to specific communities and cultural traditions. Thus, to identify the telos of an activity, one must discover the meaning of that activity within the community of practitioners. There can be a role for critical reasoning in this discovery process, but a claim about the telos of an activity is not just the expression of a personal preference; it involves some (perhaps creative) interpretation of what is already there (Michael Sandel, 2009: 184–192, 203–207; Elizabeth Anderson, 1993: 143). As Sandel (p. 98) puts it, ‘we identify the norms appropriate to social practices by trying to grasp the characteristic end, or purpose, of those practices’.
Yet another approach is implicit in self-determination theory. The analogue of ‘flourishing’ in this theory is a concept of psychological health or well-being. Since Deci and Ryan are psychologists, this concept is presented as empirical and clinical. The core hypothesis is that individual autonomy is a source of psychological well-being. Thus, human flourishing is linked with authenticity and self-realisation. Character development (the analogue of the cultivation of virtue in Aristotelian and communitarian ethics) is understood in terms of developing one’s individual nature – an idea with the ethical undertones of a tradition of romantic thought that can be traced back to Jean-Jacques Rousseau. In Deci and Ryan’s (2000) taxonomy of motivation, there is a continuum from ‘amotivation’, through increasingly autonomous forms of ‘extrinsic motivation’, to the full autonomy of ‘intrinsic motivation’. When a person is extrinsically motivated, he performs an activity ‘in order to obtain some separable outcome’. Extrinsic motivations are more ‘internal’ (and thereby more autonomous) to the extent that the individual has a sense of having chosen the relevant outcome as his objective and of having endorsed its value. But an intrinsically motivated person performs an activity ‘for its inherent satisfactions rather than for some separable consequence’; he ‘is moved to act for the fun or challenge entailed rather than because of external prods, pressures, or rewards’ (pp. 56–60). Translating these ideas into the language of virtue ethics, one might say that an intrinsically motivated person treats his activities as ends in themselves. They are ends for him because he has chosen to identify with them.

2. The instrumentality of the market: the critique from virtue ethics

In discussions of economics in virtue ethics, a recurring theme is that markets rely on instrumental and thereby non-virtuous motivations. This idea too can be traced back to Aristotle. When Aristotle discusses activities and their teloi, he treats economics as an activity whose telos is wealth: ‘Now, as there are many actions, arts, and sciences, their ends also are many; the end of the medical art is health, that of shipbuilding a vessel, that of strategy victory, that of economics wealth’ (Book 1, §1). The implication, one might have thought, is that economics has its own virtues. But if it does, those virtues have a low rank in Aristotle’s ethical system: ‘The life of money-making is one undertaken under compulsion, and wealth is evidently not the good we are seeking; for it is merely useful and for the sake of something else’ (Book 1, §5).

This sentence makes two claims that are echoed in critiques of economics made by modern virtue ethicists. The first is that when individuals participate in markets (which for
Aristotle is activity directed towards ‘wealth’ or ‘money-making’), they show a lack of autonomy – they act under compulsion. The suggestion seems to be that a truly autonomous person would not need to seek wealth (perhaps because he would already have as much as he needed without having to seek for it). The second claim is that the motivation for economic activity is instrumental and thereby of an inferior kind – the things that economic activity can achieve are merely useful and for the sake of something else. The thought seems to be that, while (say) the shipbuilder can see the vessel as something that is good in itself, the money-maker cannot properly think of money in this way; to seek money as an end in itself is to exhibit the vice of avarice or greed.

Not being classical scholars, we will go no further in trying to elucidate Aristotle’s text. We will focus on what three prominent contemporary virtue ethicists, Anderson, MacIntyre and Sandel, say about economics and the market.

Of these three critics of the market, MacIntyre is the most radical. In After Virtue (1984: 187) he presents an account of morality that is built on the concept of a practice:

By a ‘practice’ I am going to mean any coherent and complex form of socially established cooperative human activity through which goods internal to that form of activity are realized in the course of trying to achieve those standards of excellence which are appropriate to, and partially definitive of, that form of activity, with the result that human powers to achieve excellence, and human conceptions of the ends and goods involved, are systematically extended.

According to this account, a practice has intrinsic ends (it realises ‘goods internal to that form of activity’), and it has internal standards of excellence that make sense in relation to those ends. Associated with the practice are certain acquired character traits that assist in the achievement of excellence, or in recognizing and internalising communal understandings of the meaning of the practice. Such traits are ‘powers’ in MacIntyre’s sense; the practice develops these traits and upholds their value. The traits are virtues of the practice.6

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6 In a witty account of the history of Western intellectuals’ criticisms of capitalism, Alan Kahan (2010: 31) presents the ‘Three Don’ts’ of anti-capitalism. The first is ‘Don’t make money (just have it)’.

7 MacIntyre seems to reserve the term ‘virtue’ for acquired traits that are not practice-specific, but rather equip individuals to achieve the teloi of practices in general; his examples are justice, courage and honesty (p. 191). But if his account of practices is to be consistent, it must allow for acquired traits that are appropriate to, and upheld in, specific practices. We will continue to call such traits virtues.
For MacIntyre, a person who fails to treat an activity as a practice with an internal end is failing to display virtue – either because the activity falls within a practice whose internal ends the person is failing to respect, or because it is of such a morally impoverished and instrumental kind that it is not a practice at all (MacIntyre’s perhaps unfair example is bricklaying [p. 187].) This way of thinking immediately makes markets morally suspect. The characteristic market motivation of creating goods for exchange conflicts with the idea that activities, or the goods that they realise, are ends in themselves. Thus, according to MacIntyre, the exposure of a practice to market forces is liable to corrupt its excellences and virtues.

One of MacIntyre’s examples of a practice is chess (p. 187). He asks us to imagine an ‘immensely skilled chess player who cares only about winning – and, perhaps, the goods contingently attached to winning, goods such as fame, prestige, and money’. This chess player deserves moral criticism because ‘what he cares about and what he achieves as his good is not that kind of excellence which is specific to chess and the kind of enjoyment that supervenes upon such excellence’ (p. 274). Suppose that what the chess player cares about is (in MacIntyre’s sense of the word) money. He seeks out well-paid opportunities to participate in exhibition matches and to earn appearance fees by playing in commercially-sponsored tournaments. Or, to put this another way, he engages in mutually beneficial exchange relationships with others, just as Smith’s brewer does when he supplies the beer for his customers’ dinners. MacIntyre’s account of virtue seems to imply that the brewer’s motivation – the motivation of the representative market agent of classical and neoclassical theory – is morally deficient.

MacIntyre does not go quite so far as to claim that practices can never co-exist with market exchange. For example, he maintains that portrait painting from the time of Giotto to that of Rembrandt was a practice with internal ends and standards of excellence. And he recognises that many excellent painters were able to achieve (and presumably cared about) goods external to the practice of art, including the income they were able to earn from the sale of their services. But he insists on the distinction between the internal good of painting as a practice and the external goods that painters were able to attain through exchange (pp. 189–190). The suggestion is that the great portrait painters, unlike the chess player of his example, did not care only about external goods. In other words, the market does not always
corrupt virtue, but its corrupting tendencies can be contained only to the extent that individuals are partially motivated by the internal ends of practices.

However, as MacIntyre recognises, practices as he understands them have long been ‘removed to the margins of social and cultural life’. They are not, and cannot be, characteristic of ordinary economic life in the world in which we live, because production no longer takes place within the household (p. 227). This thought reflects MacIntyre’s presupposition that production for exchange belongs to the domain of external goods. The implication is that an economy of practices cannot make effective use of comparative advantage and the division of labour. MacIntyre’s ultimate response to economic reality is a romantic yearning for an imagined economy of subsistence or gift exchange, located somewhere in the ancient or medieval world.

Taken literally, the elegant despair of After Virtue has no real point of contact with modern economics. But, precisely because it takes the critique of the instrumentality of markets to its logical conclusion, it remains a useful point of reference. Similar themes, developed in somewhat less unworldly forms, are prominent in the work of Anderson and Sandel. These writers recognise, however reluctantly, that markets are a necessary part of social organisation. But they argue that the instrumental logic of markets is liable to corrupt virtues that are proper to other domains of social life, and that it is therefore morally appropriate for the state to impose limits on the scope of markets.

The first sentence of Anderson’s Value in Ethics and Economics (1993) is: ‘Why not put everything up for sale?’ This rhetorical question signals her position with respect to economics and the market: that to allow all areas of social life to be governed by market relationships would be morally objectionable; that this truth ought to be obvious to a morally aware reader; but there are some opinion-formers who do want to put everything up for sale, and whose arguments need to be countered. The people against whom she thinks she is arguing – theorists of market economics and rational choice, advocates of deregulation and privatisation, cost-benefit analysts – fail to understand ‘the ethical limitations of markets’. More specifically, they fail to understand that there are ‘ways we ought to value people and things that can’t be expressed through market norms’ (pp. xi – xiii).

Anderson proposes a ‘pluralist theory of value’ in which there are different kinds of goods that ought to be valued in different ways (p. 12). She tries to delimit the proper scope
of the market by identifying the norms that are characteristic of market relations, and the corresponding class of goods that are properly valued in terms of those norms.

For Anderson, the ideal type of an economic good is a ‘pure commodity’. The mode of valuation appropriate to pure commodities is ‘use’:

Use is a lower, impersonal, and exclusive mode of valuation. It is contrasted with higher modes of valuation, such as respect. To merely use something is to subordinate it to one’s own ends, without regard for its intrinsic value. (p. 144)

This definition immediately introduces the Aristotelian ranking of intrinsic value over instrumental value. Notice how, from the outset, Anderson is presenting market norms as a kind of second-rate morality: the market’s mode of valuation is lower than that of other domains of social life; it is merely use; it has no regard for intrinsic value.

Anderson’s ideal-typical account of market norms (pp. 144–147) is intended to represent ‘a shared understanding of the point and meaning of market relations recognized by every experienced participant’. In this account, market norms are impersonal and egoistic. Impersonality is the idea that each market participant takes an instrumental attitude towards the others: ‘Each party to a market transaction views his relation to the other as merely a means to the satisfaction of ends defined independent of the relationship and of the other party’s ends’. Egoism is the idea that those ends are defined in terms of self-interest.

Despite the lowly status that she gives to ‘use’ and ‘commodities’, Anderson does recognise that market norms embody a moral ideal – that of ‘economic freedom’. However, this ideal is presented in negative terms – as freedom from the kinds of moral constraints that one would face if one recognised the intrinsic value of goods, the obligations of personal relationships, and the potential validity of other people’s judgements about value (pp. 144–146). Since it is fundamental to Anderson’s argument that one ought to recognise such constraints, economic freedom can be worthy of being valued only in a restricted morality-free zone. Indeed, Anderson seems comfortable with this ideal only in the context of inessential but harmless consumer products. Accepting (if rather condescendingly) that ‘the market ... also has its proper place in human life’, she looks for examples of goods that

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8 As van Staveren (2008) points out, this account often reads more as if it were Anderson’s reconstruction of an ideal type of market that she has found in the canonical texts of economics. In effect, the alleged ethical limitations of markets are also ethical limitations of economics.
properly belong to the domain of economic freedom. Her examples are ‘the conveniences, luxuries, delights, gadgets, and services found in most stores’ (166–167). Revealingly, there is no mention of the role of the market in supplying private goods like food, clothing, fuel and shelter, on which we all depend for our survival.

Anderson develops her critique of the instrumentality of the market by considering the intrinsic value of the goods and services provided by professional workers such as doctors, academics, athletes and artists. Like MacIntyre in his discussion of portrait painters, Anderson recognises that professionals can be intrinsically motivated even though they produce for sale. But there is still a conflict between the norms of the market and the norms of professional practice:

Excellent performance in professional roles is judged by the standards of goods internal to the practice rather than by external instrumental criteria such as profitability. ... When professionals sell their services, they enter into market relations that impose norms on their activities which potentially conflict with the norms of excellence internal to their professional roles. The goods internal to these professions become partially commodified. (p. 147, italics in original)

Anderson does not claim that commodification is wholly undesirable. However, on the occasions when she makes favourable comments about markets in professional services, these are primarily concerned with the contribution of markets to the achievement of the internal ends of the professions themselves. Because achieving excellence in the professions is a full-time activity, professional workers must have some source of income; and the market can at least provide this. Alternative forms of support, such as private or state patronage, or restricting the professions to the independently wealthy, can be even more damaging to professional autonomy. Anderson concludes that the best solution is probably a diversity of sources of funding, and that the state has the legitimate role of ‘supporting institutions that enable [citizens] to govern themselves by the norms internal to the modes of valuation appropriate to different kinds of goods’. The underlying idea is that the internal goals of professional practices must be partially insulated from the instrumental motivations that are fostered by markets (pp. 147–150).
Sandel (2009) develops a different but complementary critique of the market, focusing on the virtue ethics of *justice*. Like MacIntyre, he works with a concept of social practices; each practice has its telos and its associated excellences and virtues. However, Sandel’s concern is less with the cultivation of proper attitudes towards goods and practices, and more on *honouring* and *rewarding* individuals for showing appropriate virtues. Justice, for Sandel, is about ‘giving people what they deserve’. That requires judgements about ‘what virtues are worthy of honor and reward, and what way of life a good society should promote’ (p. 9).

Sandel begins his book by describing some recent issues of public debate in America, intended to support his claim that virtue ethics is alive and well in ordinary political discourse. Two of these issues concern what Sandel sees as the ethical limitations of the market.

The first issue is the morality or immorality of those firms that charged scarcity prices for motel rooms, emergency repairs, bottled water and so in the aftermath of Hurricane Charley in Florida in 2004. At the time, some economists (morally challenged or brave, depending on one’s point of view) argued that market-clearing prices promote efficiency in the use of resources, and that this truth is not invalidated by hurricanes. Sandel sides with the more common opinion that this kind of ‘price gouging’ should be illegal. Why? His reason is a simple application of virtue ethics. The firms that charged scarcity prices were motivated by greed; since greed is ‘a vice, a bad way of being’, the state should discourage it (pp. 7–8).

The second issue is the remuneration of senior executives in the corporate sector. Sandel asks whether the CEOs of large American corporations deserved the payments they received in the years leading up to 2008, when their firms were generating large profits. It turns out that by this he means: Were those payments in due proportion to *effort* and *talent*? We are invited to conclude that effort and talent are qualities that are worthy of reward in business, but that when the market rewards executives for profits that are *not* attributable to effort or talent, a principle of justice is being violated (pp. 12–18). The message from both

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9 In a more recent book, Sandel (2012) presents an argument about the ‘moral limits of markets’. As he acknowledges (208: note 18), this argument is very similar to Anderson’s. Sandel sees economics as complicit in the inappropriate propagation of ‘market values’. He is less precise than Anderson in explaining what those values are, but it is clear that he sees them in opposition to the civic virtues of ‘social solidarity’, ‘shar[ing] in a common life’, and ‘car[ing] for the common good’ (128, 203).
examples, developed over the course of the book, is that the market generates incomes that are not properly aligned with the virtues of the people who receive them.

3. Intrinsic motivation and economics

As we have explained, there is a significant area of common ground between Aristotelian virtue ethics and psychological theories of intrinsic motivation. So it should not be surprising that Anderson’s and Sandel’s conclusions about the importance of insulating non-market norms from contamination by the market are echoed in the economic literature of intrinsic motivation, or that Sandel (2012: 64–65, 113–120) draws on the psychological and economic literature of intrinsic motivation to support his critique of the market.

The concept of intrinsic motivation has come to behavioural economics from positive psychology, and particularly from Deci and Ryan’s self-determination theory. Recall that according to Deci and Ryan’s definition, an intrinsically motivated person does an activity for its inherent satisfactions, rather than for some separable consequence; she is not motivated by external prods, pressures or rewards. Notice how this definition excludes all ordinary market activities, as these have traditionally been understood by economists. It is as if Deci and Ryan’s normative ideal of economic organisation, like MacIntyre’s, is subsistence or gift exchange.

In the behavioural economics literature, the treatment of intrinsic motivation is more qualified; but the idea that the market can corrupt valuable norms is a recurring theme. One of the most important hypotheses in this literature, taken from social psychology, is that external rewards can crowd out intrinsic motivation (Deci, 1971; Mark Lepper and David Greene, 1978). The economic implications of the crowding-out hypothesis are explored by Frey (1994, 1997). Frey does not claim that an economy can be run only on intrinsic motivation, but maintains that it is ‘neither possible nor desirable to build a society solely or even mainly on monetary incentives’; intrinsic motivation has an essential role to play. Using a simplified version of Deci and Ryan’s taxonomy, Frey (1997: 14) distinguishes between intrinsically motivated activities ‘which individuals (mainly) do just because they like them’ and extrinsically motivated ones ‘which they (mainly) do because they are induced to do so by monetary payment or by command’.

Frey then distinguishes between two kinds of external interventions in an individual’s otherwise intrinsically motivated decision-making. An intervention is perceived as
controlling if it appears to substitute external reward for intrinsic motivation; it is perceived as supportive if instead it acknowledges that motivation. For an individual who initially has some degree of intrinsic motivation, controlling interventions have a crowding-out effect. She feels a diminished sense of autonomy; she perceives the intervention as a failure to recognise her intrinsic motivation; and she is unable to reveal her intrinsic motivation to others, because her behaviour can be interpreted by those others as a response to the external reward (pp. 16–18).

If one accepts this dichotomy of extrinsic and intrinsic motivation, it seems inescapable that the primary motivations for most ordinary market transactions must be classified as extrinsic. But then the implication of the crowding-out argument is that market-like institutions are destructive of intrinsic motivation. For example, consider the effect of introducing financial incentives for blood donors. In a regime in which donors are entirely unpaid, there is general recognition that blood donation is motivated by altruism, reciprocity or public spirit. But if there is a prevailing belief that market behaviour is motivated by self-interest, the presence of financial incentives prompts the thought that people who supply blood may be self-interested sellers rather than altruistic donors. This can undermine the would-be donors’ sense that giving blood is a morally significant and socially valued act, and so lead to a reduction in the supply of blood. For a social theorist whose normative criterion is the maximisation of welfare, the implication of this analysis is that socially valuable norms may sometimes need to be insulated from the crowding-out effects of markets. To this extent, the literature of intrinsic motivation parallels that of virtue ethics.

Within economics, there is growing interest in theorising about how intrinsic motivation can be shielded from market forces. One approach is summarised in the slogan ‘getting more by paying less’ (or, in another version, ‘Why is a badly-paid nurse a good nurse?’). Suppose there is some occupation, say nursing, in which workers are better able to provide the services that their employers value if they are intrinsically motivated to pursue the internal ends of that occupation. In the words used by Frey and Deci and Ryan, a person who has these motivations ‘just likes’ nursing, or is attracted by its ‘inherent satisfactions’ and ‘challenges’. Translating this assumption into the standard conceptual framework of

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10 This hypothesis was proposed by Richard Titmuss (1970); see also Frey (1997: 82–85). A similar interpretation can be given for the much-discussed finding that fines for lateness in collecting children from a day-care centre led to an increase in the incidence of lateness – although the authors of that study favour a different explanation (Uri Gneezy and Aldo Rustichini, 2000).
economics, this person’s preferences rank nursing over other relevant occupations as a way of spending her working time – holding constant other factors, including income. By implication, her reservation wage is lower for working as a nurse than for working in other occupations. So employers may be able to separate the better workers from the worse by offering low wages – they can get more by paying less (Geoffrey Brennan, 1996; Eliakim Katz and Femida Handy, 1998; Anthony Heyes, 2005). Further, suppose that this mechanism is generally understood. Then when a person accepts the low wages of an employer who is looking for intrinsic motivation, she signals to herself and to others that she is intrinsically motivated. So there need be no crowding-out effect.

We hope that readers will share our unease about this argument. Julie Nelson (2005) expresses this unease by raising two objections. The first is that low wages may screen out, not only people who lack intrinsic motivation, but also intrinsically motivated individuals who need to support themselves and their families. Thus, access to intrinsically rewarding occupations may be restricted to people with well-off partners or parents. The second objection is that when social norms treat self-sacrifice as a characteristic virtue of ‘caring’ occupations such as nursing, they act as a cover for, and an incitement to, exploitation. These objections draw attention to a questionable assumption of the ‘getting more by paying less’ argument – that a person is virtuous or authentic to the extent that she is willing to sacrifice material rewards in the pursuit of intrinsic ends.

A different approach to the idea of insulating intrinsic motivation from the market is taken by Nancy Folbre and Nelson (2000) in relation to paid care for children and the infirm old. Building on Frey’s analysis of controlling and supporting interventions (and echoing some of Anderson’s ideas about how to limit the commodification of professions), Folbre and Nelson argue that the crowding-out problem can be countered by separating the payment of intrinsically motivated workers from the specific services they provide:

... too direct a pay-for-specific-services approach to the compensation of caring activities could shift the perceived locus of control outside the worker, so that the activities are no longer ‘work’ in the sense of expressing will and agency and building a relational network, but become merely ‘labour’ motivated by pay alone. (p. 133)

The implication seems to be that authentic caring is compromised if carers and cared see their relationship as that of seller and buyer. Again there is the Aristotelian idea that marketplace motivations are instrumental, and that instrumental motivations are morally inferior to intrinsic ones.
But how are service suppliers to be paid, if not through exchange relationships? One model is suggested by Frey’s (1997: 7) opening example of a supportive reward – the child who ‘is given a bicycle by her father because she has been helpful in the house’. This is a gift relationship: the child acts on intrinsic motivation, presumably without thought of receiving anything in return; the parent then acknowledges that motivation by giving a reward that the child is supposed to perceive as non-contingent. As an example of how the same principle might operate in a larger economy, consider the case of restaurant waiters who are paid less than the market wage but with the expectation that their earnings will be supplemented by tips from customers. Perhaps this practice supports dispositions towards friendliness and efficiency that restaurant owners value in their waiters and find costly to monitor, but one might think that it impairs rather than supports the waiter’s sense of autonomy.

A different model is that of a salaried professional. Think of the role of the tenured academic in a well-financed university, as that role used to be (and sometimes still is) understood.11 The academic has been awarded tenure in the expectation that he will have a continuing intrinsic motivation to pursue excellence in teaching and research, but he is subject to only the lightest of monitoring. He is paid a good salary that has no direct relationship to the services he provides, but is seen as expressing a social valuation of the excellence that is expected of him. Actual excellence in teaching will be rewarded by the gratitude of his students, excellence in research by the respect of his peers. This kind of separation of payment from services rendered can give professionals an enviable degree of autonomy; and it can protect whatever intrinsic motivation they have from crowding-out effects. But it also insulates them from pressures to respond to the interests of the people to whom their services are being provided. Just as the waiter has to depend on the good will of the customer, so the client has to depend on the professional’s intrinsic motivation. In other words, the professional’s autonomy may come at the expense of the client’s.

These various examples illustrate the difficulty of shielding intrinsic motivation, as that is understood by Deci and Ryan and Frey, from the supposedly corrosive effects of exchange relationships. These difficulties have a common source: it is inherent in the concept of intrinsic motivation that an individual’s autonomy and authenticity are

11 One of the authors held just such a post in the UK in the early 1970s. University teaching in the UK is now somewhat more market-oriented.
compromised whenever she enters into exchange relationships, but such relationships are fundamental to the workings of any economy that relies on comparative advantage and the division of labour. The literature of intrinsic motivation invites us to aspire to the ideal of an economy in which everyone’s actions are coordinated so as to realise gains from trade, but in which no one is actually motivated to seek those gains. But this ideal is as hopelessly unrealistic as MacIntyre’s lost world of an economy of practices. If we are to reconcile the ideas of virtue and authenticity with real economic life, we need a way of understanding market relationships that acknowledges the plain truth that there are gains from trade. These gains are not realised by accident; they are realised because individuals seek them out.

4. The telos of the market

In the literatures of Aristotelian virtue ethics and intrinsic motivation, the market is seen as opposed to virtue and authenticity because behaviour in markets fails to respect intrinsic value. Intrinsic value is attributed to the practices in which goods are produced (for example, the practices of art, scientific enquiry or nursing) and to non-market practices which transfer goods between individuals (for example, gift-giving, the acknowledgement of appropriate motivations, the honouring of excellence). But there is a curious reluctance to treat the market as a practice in its own right, with its own forms of intrinsic value and authenticity. We suggest that the first step in a virtue ethics of the market is to think of the market in just this way.

It must be said that economists have been partly responsible for the difficulty that virtue ethicists have had in seeing the market as a practice. As we pointed out in the Introduction, economics has propagated the idea that when individuals engage in the market, their characteristic motivation is regard for their own interests; the market’s tendency to promote the common good has been explained as an unintended consequence of that motivation. Viewed through the lens of virtue ethics, this idea can easily be construed as saying that the telos of the market is individual self-interest; and that would limit the market virtues to traits that are useful in achieving that end, such as prudence and self-command.

So can the market be viewed as a practice with its own intrinsic values? In terms of MacIntyre’s definition (see Section 2 above), the market is certainly a coherent and complex form of socially established cooperative human activity. But does it have ‘goods’ that are internal to itself? Does it have internal standards of excellence? From the standpoint of
virtue ethics, the key to answering these questions is to ask whether the market has a telos, and if so, what that telos is.

For many readers (perhaps particularly for those who are economists), some suspension of disbelief will be required at this point; and that is true for us too. Faced with the question, ‘What is the telos of the market?’, it is tempting to reply that the presupposition of the question is either false or meaningless. We ask sceptical readers to set aside such philosophical sophistication, and to translate this question into common-sense terms, such as: How would you describe, in the simplest and most general terms, what markets do that is valuable? Or: What is the characteristic end or purpose or *raison d’être* of the market? Or: If you had to write a mission statement for the market, what would it say? Thoughtful economists have felt able to respond to such questions. For example, James Buchanan, Gordon Tullock and Milton Friedman would not appear on any list of Aristotelian economists. But Buchanan and Tullock (1962: 103) can say: ‘The *raison d’être* of market exchange is the expectation of mutual gains’. And Friedman (1962: 13) can say that, in relation to the problem of coordinating economic activity, ‘the technique of the market place’ is ‘voluntary cooperation of individuals’. To avoid being misunderstood, let us make clear that we are not claiming that Buchanan, Tullock or Friedman is a virtue ethicist *manqué*, who believes that individual market participants should act on intentions for mutual benefit. All we are attributing to them is the idea that markets have a point or purpose, and that that purpose is mutual benefit.

Most economists, faced with our questions, would probably say something fairly similar to what Buchanan and Tullock and Friedman say, invoking in one way or another the idea of mutual benefit or gains from trade through voluntary transactions. In one sense, this idea can be thought of as a definition of the abstract concept of ‘the market’; but in the process of definition, that institution is effectively being attributed a function or purpose.

If economists were asked to nominate one simple diagrammatic representation of a market, the Edgeworth Box would surely be one of the commonest choices, and the point of that diagram is to show how markets realise gains from trade. Francis Edgeworth (1881: 16–17) himself, in a famous passage in which he declares that the first principle of economics is that every agent is activated only by self-interest, distinguishes between two aspects of that principle, respectively ‘war’ and ‘contract’, differentiated by whether ‘the agent acts without, or with, the consent of others affected by his actions’. The analysis encapsulated in the
Edgeworth Box is an idealised model of contract – that is, of the market understood as a network of mutually beneficial voluntary transactions. If instead economists were asked to nominate a theorem to represent the market in its best light, many would opt for the first fundamental theorem of welfare economics, which establishes that competitive equilibrium is Pareto-optimal. This is essentially equivalent to showing that in competitive equilibrium, no opportunities for mutually beneficial transactions, however complex, remain unexploited.

Another strong contender would be David Ricardo’s (1817: Ch. 7) comparative advantage theorem, which shows that in general, there are opportunities for gains from trade between any pair of countries (and by extension, any pair of individuals), whatever their respective endowments and productivity.

How else might one answer our question about the telos of the market? One obvious alternative answer is that the telos of the market is wealth creation: after all, the founding text of economics is called *The Wealth of Nations*. But for Smith, the fundamental mechanism by which the market creates wealth is the division of labour, and the division of labour is ‘the necessary, though very slow and gradual consequence of a certain tendency in human nature which has in view no such extensive utility; the propensity to truck, barter and exchange one thing for another’ (Smith, 1776/1976: 25). Other economists have emphasised how the market creates wealth by exploiting comparative advantage (Ricardo, 1817), the division of knowledge (Friedrich Hayek, 1948), and increasing returns to scale (Kenneth Arrow, 1984: 188); but its contribution to all of these mechanisms is mediated by gains from trade. For many neoclassical economists, the Edgeworth box itself is the paradigm model of how markets create wealth. (Edgeworth’s analysis shows how exchange allows individuals to satisfy their preferences more fully. From a subjectivist viewpoint, wealth is nothing more than the present value of future preference satisfaction.)

Another possible answer is that the telos of the market is economic freedom. Smith (1776/1976: 157, 324, 530) himself uses the term ‘natural liberty’ to describe the absence of preferential or restrictive interventions in the working of the market. The association between the market and freedom is a recurring theme in economics; famous expositors of this idea include John Stuart Mill (1848/1910) and Hayek (1948). Milton Friedman’s *Capitalism and Freedom* (1962), from which we have already quoted, is probably the most influential twentieth-century defence of the market. As his title implies, Friedman sees the market as an essential component of individual freedom and as a necessary condition for political freedom.
But individual freedom, in the sense that it can be said to be advanced by the market, is not
the freedom of each person to get what he wants *tout court*; it is his freedom to use his own
possessions and talents as he sees fit and to trade with whoever is willing to trade with him.
In other words, and as Friedman makes clear in the passage we quoted earlier, the essential
market freedom is the freedom to make mutually beneficial voluntary transactions with
others.

We propose to treat mutual benefit as the telos of the market.

5. Market virtues: the good trader

On the supposition that the telos of the market is mutual benefit, what are the market virtues?
Our interpretation of virtue ethics implies that, in general terms, a market virtue is an
acquired character trait with the following two properties. First, possession of the trait makes
an individual better able to play her part in the creation of mutual benefit through market
transactions. Second, the trait expresses an orientation towards and a respect for mutual
benefit. By ‘orientation’ we mean that the relationship between the trait and the telos is one
of intentionality; it is not just an invisible hand mechanism that transforms private vices into
public benefits without the agent’s needing to be aware of this. If a trait has these two
properties, it can be judged to be good in the sense of virtue ethics – as a trait that is in
character for, or fitting for, a participant in the practice of the market. We stress again that
virtues are defined relative to practices. The traits that make a person good *as a participant
in markets* need not be evaluated positively in all domains of human life. To acknowledge
that there are market virtues is not to claim that the market is the only morally relevant
domain, or that the market virtues are the only virtues there are.

Virtue ethics is a normative enterprise. The market virtues are traits that are *properly*
or *consistently* viewed as praiseworthy within the practice of the market, when that practice is
understood as directed at mutual benefit. Thus, as a check on the plausibility of our account,
it is appropriate to ask whether the traits that we identify as market virtues have been
evaluated favourably in the tradition of economic thought from which we have distilled the
telos of mutual benefit. We will argue that that is the case.

If virtue ethics is to have a useful connection with human life, it is not enough to be
able to produce abstract arguments in support of the character traits that are identified as
virtues; those traits must be capable of being reproduced in real societies. So it is also
relevant to ask how far the market virtues are in fact instantiated in the practice of the market. To repeat what we said in the Introduction, we do not claim that all market participants are virtuous. But we do maintain that the market virtues are broadly descriptive of traits that many people, including people who are successful in business, display when they participate in markets.

It is now time to present our list of market virtues. This list is not intended to be exhaustive, but we will argue that each of the traits we describe has the two defining properties of a market virtue. In this Section, we present virtues that are directly relevant to market transactions. For brevity, we will call all parties to market transactions traders; thus, this class of market virtues are characteristic of good traders.

**Universality.** A good trader is disposed to make mutually beneficial transactions with others on terms of equality, whoever those others may be. If the market is to be viewed as an institution that promotes the widest possible network of mutually beneficial transactions, universality has to be seen as a virtue. Its opposites – favouritism, familialism, patronage, protectionism – are all barriers to the extension of the market.

One of the ways in which universality can be perceived as good is encapsulated in Smith’s account of how we get our dinners. Recall that the contrast is between appealing to another person’s regard to his own interest, as one does in a market economy, and appealing to his benevolence. Rounding off this account, Smith (1776/1976: 27) says: ‘Nobody but a beggar chooses to depend chiefly upon the benevolence of his fellow-citizens’. The implication is that, because the market is based on free horizontal relations between equals, it allows us to satisfy our economic needs with independence and self-respect. Friedman (1962: 108–118) identifies another valuable aspect of universality when he argues that market forces tend to counter racial and religious prejudice. His leading example is the case of the Jews of medieval Europe, who were able to survive in a hostile social environment by working on their own account and trading with non-Jews. For Friedman, it must be said, universality is a desirable but unintended consequence of the pursuit of self-interest, rather than a virtue in our sense; but the customer who chooses where to shop on the basis of price and quality rather than the shopkeeper’s religion can be thought of as exhibiting a market virtue.

It is intrinsic to the virtue of universality that market relations are not based on personal ties of kinship, community, friendship or gratitude – the kind of ties that Anderson
sees as characteristic of ‘higher’ modes of valuation. However, this is not to say that market relations must be *impersonal* in Anderson’s sense – that is, relations in which each party treats the other merely as a means to his own ends. A common theme in many of the market virtues we will describe is that good traders are not egoists whose interactions *happen to be* mutually beneficial. Rather, they *intend* that their transactions with one another are mutually beneficial. When market relations are understood in this way, they can be conducted with the kind of friendliness and goodwill that Bruni and Sugden (2008) describe as ‘fraternity’.

*Enterprise and alertness.* If the telos of the market is mutual benefit, enterprise in seeking out mutual benefit must be a virtue. Discovering what other people want and are willing to pay for – still more, anticipating what they *will* want and *will* be willing to pay for – is a crucial component of entrepreneurship. Anticipation in our sense includes a form of creativity that is revealed in many famous instances of entrepreneurship, but which critics of the market sometimes view with suspicion – the ability to conceive of a new type of product which no one has previously thought either of buying or selling, but which other people will want to buy when it is put in front of them. (Think of Freddie Laker’s pioneering of no-frills aviation, Steve Jobs’s development of graphical user interfaces, or Art Fry’s discovery of the commercial potential of the Post-it.) Successful entrepreneurship requires empathy and imagination, as William Stanley Jevons (1871/1970: 102–103) recognised in one of the founding texts of neoclassical economics: ‘Every manufacturer knows and feels how closely he must anticipate the tastes and needs of his customers: his whole success depends on it’.

The virtue of alertness to mutual benefit cannot be confined to one side of the market. An entrepreneur can put opportunities for mutual benefit in front of people, but mutual benefit will be realised only if those opportunities are taken up: the alertness of a seller has to engage with the alertness of a buyer. So the inclination to shop around, to compare prices, to experiment with new products and new suppliers must be a virtue for consumers. A hint of this idea can be found in Mill’s account of the laws of value. Arguing that the law of one price has more application to wholesale than to retail markets, Mill (1848/1909: 441) says: ‘Either from indolence, or carelessness, or because people think it fine to pay and ask no questions, three-fourths of those who can afford it give much higher prices than necessary for the things they consume’. Notice how the empirical claim that well-off consumers are not inclined to search for the lowest prices is linked with moral criticism. (More specifically, and
consistently with McCloskey’s [2006] concept of ‘bourgeois virtue’, Mill seems to be suggesting that lack of concern about value for money is an aristocratic affectation.)

Respect for the tastes of one’s trading partners. In seeking mutually beneficial transactions, a good trader will respect the preferences of the people with whom he hopes to trade. The spirit of this virtue is encapsulated in the business maxim that the customer is always right – that when it comes to judgements about what your customer wants and is willing to pay for, she is the final authority. This virtue is closely related to the idea that market transactions are made on terms of equality. It is implicitly acknowledged by Sandel (2012: 14) when he says that ‘[p]art of the appeal of markets is that they don’t pass judgment on the preferences they satisfy’ (adding that they don’t ask, as presumably he thinks they should, ‘whether some ways of valuing goods are higher, or worthier, than others’). It is opposed to the paternalistic idea that the relationship of supplier to customer is that of guardian to ward. It is also opposed to McIntyre’s and Anderson’s idea of professional and craft virtues, and to Deci and Ryan’s and Frey’s idea of intrinsic motivation. Recall Anderson’s argument that when professionals and craftspeople sell their services, they are liable to compromise the standards of excellence that are internal to their respective practices. That may be true, but it does not invalidate the proposition that producing what customers do want to buy is an aspect of a practice – the practice of the market – with its own standards of excellence and its own forms of authenticity. It should not be surprising that Smith (1776/1976: 758–764) favoured the payment of university teachers by their students on a fee-for-service basis. This practice (followed in Scotland but not England at the time Smith was writing) expresses the idea that the relationship between professional and client is fundamentally the same as that between shopkeeper and customer – a relationship of mutual benefit between equal partners.

In speaking of respect for the preferences of trading partners, we mean something more than the recognition that satisfying those preferences is a source of profit. To illustrate what we mean, we consider a case in which this virtue is lacking. Gerald Ratner, a (then) successful low-price British jeweller, made a speech in 1991 to the Institute of Directors which he mistakenly thought was off the record. He was reported as saying: ‘We also do cut-glass sherry decanters complete with six glasses on a silver-plated tray that your butler can serve you drinks on, all for £4.95. People say, ‘How can you sell this for such a low price?’ I say, ‘because it’s total crap’’. His business immediately crashed. Notice that Ratner was
not saying, as suppliers of ‘budget’ products often and quite properly do, that what he was selling was cheap and cheerful, or was aimed at those consumers for whom value for money was a priority. But nor, as we understand this story, was he confessing to taking advantage of some lack of information on the part of his customers, and so failing to return their trust: the objective properties of his products were transparent enough. He was expressing contempt for the tastes to which his business catered, and thereby for the idea that the relationship between supplier and customer is one of mutual benefit.

Trust and trustworthiness. Because the monitoring and enforcement of contracts is often difficult or costly, dispositions of trust and trustworthiness facilitate the achievement of mutual benefit in markets. This idea has become increasingly important in economics with the development of theories of asymmetric information. For example, when it is difficult for employers to monitor the efforts made by individual workers, mutually beneficial transactions between employers and workers can be facilitated by trust and trustworthiness: the employer pays more than the minimum wage necessary to attract the required kind of labour, and the workers repay this trust by working harder than self-interest would dictate (George Akerlof, 1982). Similarly, when the seller of some class of products knows more about their characteristics than the buyer does, mutually beneficial transactions can be facilitated if the buyer can trust the seller to be honest in describing products and in giving advice about which products are most likely to meet the buyer’s needs.

If trust is a mechanism by which mutually beneficial transactions are realised, the dispositions that incline people to trust and to be trustworthy must be market virtues. And since the opportunities for mutually beneficial transactions are not restricted to particular communities, the virtues of trust must be similarly unrestricted: trust must be generalised. This is not to say that a good trader is unconditionally trusting. Some degree of willingness to trust unknown others is important in opening up new trading relationships, but caution is necessary too: a trader who is seeking mutual benefit must be on guard against being exploited by people who fail to return his trust.

The idea that markets rely on trust and trustworthiness has a long history in economics. Smith (1763/1978: 538–539) recognises the importance of ‘probity’ for the workings of markets and describes this trait as a ‘virtue’. He claims that this virtue is more prevalent in more commercial societies (in particular, more prevalent in Holland than in England, and in England than in Scotland), and explains this observation by arguing that a
reputation for probity is more valuable, the more one engages in trade. In other words, there is good reason to expect virtues of trust to be reproduced in market economies. Some recent evidence in support of Smith’s hypothesis has come from experimental studies of the Ultimatum, Dictator and Third Party Punishment games, played in diverse small-scale third world societies. Cooperative behaviour in these games is positively associated with a society’s integration into the market economy (Joseph Henrich et al., 2010).

Acceptance of competition. If the telos of the market is mutual benefit, a good trader will not obstruct other people from pursuing mutual benefit in trade with one another, even if he would prefer one or other of them to trade with him instead. That this is a market virtue seems inescapable, given the logic of our approach; but there is no denying that traders often find it hard to live up to. The spirit of the virtue is expressed in the ‘Thank you and goodbye’ messages of some airlines which, before expressing the hope that their customers will use their services again, acknowledge that those customers have a choice of carriers. The suggestion is that the airline making the announcement would not stoop to appealing to brand loyalty; it is confident that its offer is better than those of its competitors and welcomes being put the test of comparison.

So a good trader will not be motivated to maintain barriers to entry to his industry, or to lobby for policies to protect his firm or industry from competition, or to ask potential trading partners to favour him for reasons other than the price and quality of what he is offering for exchange. Nor will he be inclined to make agreements with other traders on the same side of the market to restrict supply or demand, or to partition the market and then not compete. It might be objected that such cartel agreements are mutually beneficial transactions for the firms that are parties to them. But they are not the transactions in goods and services that constitute the market, and with respect to which mutual benefit is understood by those economists who see mutual benefit as the telos of the market. They are meta-transactions – transactions about the terms on which the parties to the transaction will transact with others. In effect, what is being traded in a cartel agreement is the obstruction of mutually beneficial trade. For example, suppose that A and B are sellers and C and D are buyers. A and B agree to partition the market: A promises to deal only with C in return for B’s promise to deal only with D. This is equivalent to saying that A gives up the opportunity to make mutually beneficial transactions with D in return for B’s giving up the opportunity to
make mutually beneficial transactions with C. If obstructing other people’s transactions is non-virtuous, so too is participation in cartels.

Although Smith is confident that the growth of commerce makes trust more prevalent, he famously does not maintain that it promotes the virtue of embracing competition: ‘People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or some contrivance to raise prices’ (1776/1976:145). He claims that, because merchants and manufacturers live closely together in towns and meet in guilds and trade associations, they are particularly susceptible to ‘the wretched spirit of monopoly’ (1776/1976:462–463). Nevertheless, it is obvious from the tone of these remarks that Smith does not approve of this trait. For Smith, price-fixing agreements are not bona fide market transactions; they are conspiracies, contrary to the principle of natural liberty. The idea that cartel agreements are unethical – one might say, are unworthy of good trader – is a recurring theme in the writings of pro-market economists. Even Friedman (1962:131–132), who argues that market power is not a serious problem unless it is positively supported by governments, approves the common law doctrine that combinations in restraint of trade are unenforceable in the courts.

Finally, we must raise the question of whether being concerned about externalities resulting from one’s activities should be included among the market virtues. One way of posing this question is to ask whether the telos of the market is mutual benefit among the parties to market transactions (considered severally), or mutual benefit among everyone in a society. We suggest the former. On this view, the existence of externalities can be a reason for governments to regulate markets, but self-regulation is not part of the internal practice of the market.12

6. Market virtues: attitudes to income and reward

We now extend our list of market virtues by considering how an individual should think about the incomes and rewards that are generated by markets.

12 To this extent, we agree with Friedman (1962:133–136) that ‘social responsibility’ is not a proper role of business. However, Friedman argues that the only responsibility of business is ‘to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud’ (p. 133). Our idea that market virtue involves intentions for mutual benefit is broader than this.
**Self-help.** Within the practice of a market that is structured by mutual benefit, each individual’s wants and aspirations are relevant to others only in so far as they can be satisfied in mutually beneficial transactions. A person who expects his trading partners to take more account than this of his own interests is restricting his own and other people’s opportunities for mutually beneficial transactions. So it is a market virtue to accept without complaint that others will be motivated to satisfy your wants, or to provide you with opportunities for self-realisation, only if you offer something that they are willing to accept in return. Smith’s denigration of the person who chooses to depend on other people’s benevolence upholds this virtue.13

A person who acts on this virtue will not only avoid appealing to other people’s benevolence; she will also avoid asking others to reward her for producing goods that those others do not value. Thus, for example, an artist will not treat the intrinsic value of her work, as judged within the practice of art, as a reason for her to be paid by people who do not recognise that work as beneficial to them. Nor will she treat the self-realisation that she achieves through her work as such a reason. In this respect, the market virtue of self-help conflicts with the positions taken by Aristotelian critics of the market such as Anderson and Sandel. From the perspective of market virtue, the commodification of a practice is nothing more than its orientation towards mutual benefit; expecting others to pay for one’s preferred form of self-realisation is a form of narcissism.

Self-help is also opposed to self-sacrifice, and so to the conception of virtue and intrinsic motivation that underlies the idea of ‘getting more by paying less’. A relationship in which one party incurs a loss so that another person can gain is not a mutually beneficial transaction between equals, and so does not express market virtue on either side. The motivational asymmetry of such a relationship – which might be revealed in the giver’s expectation of gratitude or status recognition, or in either party’s assumption that the recipient’s desires or interests take precedence over the giver’s – contrasts with the symmetry of a normal market transaction. The ‘trade not aid’ slogan of the fair trade movement is an expression of the market virtue of self-help.

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13 ‘Chooses to’ is important here. Smith is not denigrating dependence on others when people have no other means of subsistence. Benevolence is one of the central virtues of Smith’s theory of moral sentiments, but it is not a *market* virtue in our sense.
Non-rivalry. Competition is characterised by rivalry – is positional – when the objective of each competitor is to score more highly than others on some ranking. To say that the telos of the market is mutual benefit is to reject the idea that the market is an arena of positional competition, analogous with a sporting contest. If opportunities for mutual benefit are to be realised, individuals must perceive the market as a domain in which such opportunities exist. Thus, it is a market virtue to see others as potential partners in mutually beneficial transactions, rather than as rivals in a competition for shares of a fixed stock of wealth or status. A disposition to be grudging or envious of other people’s gains is a handicap to the discovery and carrying through of mutually beneficial transactions. The corresponding virtue is that of being able to take pleasure in other people’s gains – particularly those that have been created in transactions from which you have gained too.

So the market is not, as some virtue-ethicist critics think, the archetypal locus of positional competition, in which success is measured by relative wealth. Indeed, positional competition may be more typical of professions that have maintained some insulation from the market and that have developed formal institutions for ranking excellence. Consider, for example, competition for literary, artistic and scientific honours and prizes, or to publish research papers in what some scientific community regards as the leading journals. In these competitions, it really is true that one person can win only because others lose. Perhaps one of the reasons why academic writers (economists included) often find it difficult to understand how markets can be structured by mutual benefit is that competition in the intellectual community is so positional.

From the earliest days of economics, economists have argued against positional understandings of market competition, and have presented non-positional attitudes as virtuous. This has been a recurring theme in arguments against mercantilism. For example, here is a passage from David Hume (1759/ 1985: 327–328):14

Nothing is more usual, among states which have made some advances in commerce, than to look on the progress of their neighbours with a suspicious eye, to consider all trading states their rivals, and to suppose that it is impossible for any of them to flourish, but at their expence. In opposition to this narrow and malignant opinion, I will venture to assert, that the encrease of riches and commerce in any one nation, instead of hurting, commonly promotes

14 That international trade promotes peace by making nations dependent on one another was argued even earlier, by Montesquieu (1748/ 1914: Book 20, Section 2). However, Hume is more explicit in arguing that trade gives each country an interest in the prosperity of its trading partners.
the riches and commerce of all its neighbours; and that a state can scarcely carry its trade and industry very far, where all the surrounding states are buried in ignorance, sloth, and barbarism.

Writing almost a century later, Mill (1848/1909: 581–582) expresses the same sentiment:

[C]ommerce first taught nations to see with good will the wealth and prosperity of one another. Before, the patriot ... wished all countries weak, poor, and ill-governed, but his own: now he sees in their wealth and progress a direct source of wealth and progress to his own country.

The analogy between international trade and more local market transactions is explicit in the following passage from Smith (1776/1976: 494):

The wealth of a neighbouring nation, however, though dangerous in war and politicks, is certainly advantageous in trade. ... As a rich man is likely to be a better customer to the industrious people in his neighbourhood, than a poor, so is likewise a rich nation. A rich man, indeed, who is himself a manufacturer, is a very dangerous neighbour to all those who deal in the same way. All the rest of the neighbourhood, however, by far the greatest number, profit by the good market which his expence affords them.

Notice that Smith recognises that there are market environments in which one party’s gain necessarily involves losses to specific and identifiable others. These are cases in which the market for a particular good in a particular locality can support only a limited number of firms. In such a market, the successful entry of one firm squeezes out another. Smith seems to see such cases as exceptions to the general rule that each person tends to benefit from other people’s market transactions. But even in these cases, the motivation of the successful entrant need not be positional. A virtuous entrant, one might say, intends that the transactions he offers to make are mutually beneficial for the parties that will be involved in them; he does not intend or take satisfaction in the failure of his competitors, even if that is a predictable consequence of his offers being taken up.

Stoicism about reward. In a market that is structured by mutual benefit, each individual benefits according to the value that other people place on their transactions with her. In terms of any defensible concept of what people deserve, this form of economic organisation cannot consistently reward people according to desert. Desert is a backward-

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15 Robert Frank and Philip Cook (1995) argue that recent developments in technology have made this form of competition (sometimes on a global scale) more prevalent in the arts and professions.
looking concept, but mutual benefit, in the sense that markets can be said to facilitate its achievement, is defined in terms of people’s circumstances and beliefs at the time at which they trade. Because economic circumstances can change in ways that cannot be predicted, efforts that were made with reasonable expectations of return may turn out not to be rewarded by the market. Conversely, being in a position to gain from mutually beneficial transactions with others at a particular time and place can involve luck as well as foresight. Being able to benefit from possessing the human and physical capital of a hotelier or builder in the aftermath of a hurricane – Sandel’s leading example of greed in the market – is just an extreme case of this general feature of market reward.16

Viewed in the perspective of Sandel’s form of virtue ethics, this disconnect between reward and desert is evidence of a moral failure of the market. Sandel refers to a passage from the sequel to Capitalism and Freedom in which Milton and Rose Friedman (1980: 136–137) say that ‘life is unfair’. They argue that it is part of the unfairness of life that the market does not reward according to desert, and that this is a price we have to pay for the freedom and opportunity that the market gives us. Sandel (2009: 164–165) thinks this remark a ‘surprising concession’ from advocates of the market. His surprise perhaps reflects his belief that a well-constituted practice should honour and reward the exercise of its distinctive virtues. The thought seems to be that material wealth is the currency of market reward, and that individuals’ earnings from the market ought therefore to be in due proportion to the exercise of market virtues – which for Sandel are effort and talent.

Of course it is true that most people value material wealth, and that in this morally neutral sense wealth is a currency of reward in the market, as it is in other domains of life. But an adequate account of market virtue cannot maintain that what a person earns from market transactions is a reward for the exercise of virtue, in the sense that a literary prize can be seen as a reward for artistic excellence. A person can expect to benefit from market transactions only to the extent that he provides benefits that his trading partners value; he cannot expect to receive more than this, whatever effort he may have expended, and however far his current wealth may fall short of what he deserves. To expect more is to create barriers to the achievement of mutual benefit. Thus, market virtue is associated with not expecting to

16 The normative implications of this feature of markets are discussed in more detail by Sugden (2004).
be rewarded according to one’s deserts, not resenting other people’s undeserved rewards, and (if one has been fortunate) recognising that one’s own rewards may not have been deserved.

This stoical conception of virtue is fundamental to Hayek’s (1976) account of the moral status of the market and of ‘the mirage of social justice’:

> It has of course to be admitted that the manner in which the benefits and burdens are apportioned by the market mechanism would in many instances have to be regarded as unjust if it were the result of a deliberate allocation to particular people. But this is not the case. (p. 64, italics in original)

> ... It is precisely because in the cosmos of the market we all constantly receive benefits which we have not deserved in any moral sense that we are under an obligation also to accept equally undeserved diminutions of our incomes. Our only moral title to what the market gives us we have earned by submitting to those rules which make the formation of the market order possible. (p. 94)

7. Conclusion

We have presented a view of the market as a domain of human life with a distinctive constellation of virtues. We have argued that this view of the market is compatible with, and to some extent implicit in, a liberal tradition of economic thought that includes Hume, Smith, Mill, Edgeworth, Hayek and Friedman. The virtues we have discovered do not, as some moral critics of the market might have expected, merely normalise egoism and instrumentality: they are genuine virtues that can be upheld with authenticity.

We have recognised that market virtues can sometimes be in conflict with the virtues of other domains. Universality can conflict with loyalty to community and tradition; respect for one’s trading partners’ tastes can conflict with upholding standards of professional and craft excellence; self-help can conflict with benevolence; stoicism about reward can conflict with the pursuit of social justice. So virtue-ethicist critics of the market are entitled to argue that the extension of the market may tend to erode *some* non-market virtues; but this process should be interpreted as a contraction of the domains of some virtues as the domains of others expand.

However, it should not be thought that the market virtues apply *only* within the practice of the market. They are virtues of the market because, on our account, the telos of the market is mutual benefit. In their essentials, they are virtues of all those domains of
human life that are understood as cooperation among equals for mutual benefit and that, as Mill (1861/1976: 29–30) argues, thereby provide the environment in which the ‘social feelings of mankind’ can develop. As Mill and many later theorists of social capital recognise, market relations form one part of the network of cooperative relations of which civil society is made up (e.g. Robert Putnam, 2003). Thus, the market virtues are virtues of civil society in general.¹⁷

We close with an expression of this idea by Antonio Genovesi, an Italian contemporary of Smith who, like Smith, tried to understand the motivations driving the growth of commercial societies in his time and to reconcile these with morality. Significantly, the name that Genovesi tried to give our discipline was not political economy but civil economy. We quote the final words of his Lectures on Commerce, or on Civil Economy (Genovesi, 1765–67/2005: 890, our translation), delivered at the University of Naples, where he was the world’s first professor of economics. Having taught his students how a commercial society works, he concludes:

Here the idea of the present work. If we fix our eyes at such beautiful and useful truths, we will study [civil economy] to go along with the law of the moderator of the world, which commands us to do our best to be useful to one another.

References


¹⁷ This liberal understanding of civil virtue is not quite the same as Sandel’s (2012) conception of civic virtue. The latter is more republican, emphasising participation in public life and in public debate and the willingness of the individual to make sacrifices for the common good.


