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# Moderating the Dark Side of Emotional Morality with the Bright Side of Market Morality

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**M**aking a convincing moral case for markets is difficult. The approach most often taken is to point to the desirable outcomes motivated by markets, many of which can be described as moral. Markets are unequalled in reducing poverty, improving environmental quality, decreasing discrimination, and providing opportunities for social and economic advance based on freedom and responsibility. These and other desirable market outcomes result from a spontaneous process of widespread social cooperation that few understand. Thus, the benefits that markets generate are easily taken for granted, with little appreciation being shown for the markets' role in providing them. Even when market outcomes are appreciated, they are morally tainted in the minds of many because they are seen to result from motives that are morally dubious, if not outright immoral.

Stereotypical market behavior fails to satisfy the conditions that people associate emotionally with morality. One can make the case that given the right institutional arrangements, the pursuit of self-interest is a virtue on instrumental grounds, but few will be convinced. People do not evaluate morality entirely or even primarily in

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terms of outcomes, but in terms of the motives and means by which outcomes are generated. The motive of self-interest and the means of impersonal exchanges rank high on very few people's scale of morality. As Joseph Schumpeter pointed out, "The stock exchange is a poor substitute for the Holy Grail" ([1942] 1950, 137).

Yet there is a strong moral case for markets based on their ability not simply to produce wealth, but also to improve the emotional morality that is critical to harmony in small groups and adds meaning to our personal relationships. My argument is not simply that the wealth created by markets makes personal relationships more meaningful, although this benefit is an important one. I also argue that what is universally seen as morality and as the source of enormous human happiness also has a dark side that has caused enormous grief throughout human history. The morality of concern and caring for those with whom we identify as members of our community can also trigger hostility and hatred toward those who belong to other communities. The human decency based on our propensity to exhibit compassion and love and a willingness to sacrifice for some is coupled with an equally human tendency to inflict pain and suffering on others. What goes almost completely unrecognized, even by those most vocal in their desire to reduce human brutality, is that the morality of markets serves to moderate hostility between diverse groups by harmonizing conflicting objectives through positive-sum exchange. Markets make the instinctive morality we all embrace emotionally more moral than it would be otherwise.

### **Magnanimous Morality**

Consider first the type of behavior that is emotionally recognized as moral and that is clearly appropriate for personal and direct interactions in small groups. I refer to this behavior as satisfying the conditions of magnanimous morality.

Magnanimous morality can be described as helping others in ways that satisfy three requirements: the help is provided (1) intentionally, (2) sacrificially, and (3) directly to identifiable individuals or groups.<sup>1</sup> Helping others, no matter how great the help, is not considered moral if the help is provided unintentionally. For example, no moral credit would be given to someone for preventing a suicide bomber from carrying out his deadly mission merely by having a car accident with him. Also, providing help to someone for personal profit does not warrant moral credit. Pharmaceutical companies extend the lives and reduce the pain and suffering of millions, but because they do so with the intention of gaining profit, their actions are not considered worthy of moral praise. Finally, directly helping identifiable people or members of particular groups has more moral appeal than providing

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1. I make no claim that these characteristics are exhaustive, but they are critical in distinguishing between the two moralities under consideration here.

benefits indirectly to unknown beneficiaries. We see more morality, for example, in efforts to rescue identifiable victims of mining accidents than in saving more unknown lives at less cost by reducing U.S. Food and Drug Administration delays in approving new medicines and medical devices.

No serious person would deny the importance of magnanimous morality and of the caring and concern for others that it motivates. Our social interactions would be far less pleasant and productive, and the most meaningful and fulfilling relationships in our lives would be less meaningful and fulfilling if magnanimous morality were not hard-wired into our emotional makeup. As critical as magnanimous morality is to human happiness, however, it is suited primarily to our relationships with relatively small numbers of people, including family members and close friends and acquaintances. These individuals are typically the people we are most willing to help at some personal sacrifice and best able to help intentionally and directly because of direct contact and personal knowledge of their concerns and circumstances.

A plausible account of the emotional appeal of magnanimous morality is that it was passed down from our hunter-gatherer ancestors, who for most of human history lived in small bands consisting of 50 to 125 people (Rubin 2003). Survival in such settings depended on people's intentionally helping others in their band without formal arrangements for reciprocity.<sup>2</sup> Because of the survival value of this mutual assistance, emotional responses evolved that helped enforce such behavior, which thence came to be considered moral.

Magnanimous morality as discussed here provides an important element of social cohesion in what James Buchanan refers to as a "moral community." As Buchanan defines it, "a *moral community* exists among a set of persons to the extent that individual members of the group identify with a collective group, a community, rather than conceive of themselves to be independent, isolated individuals" (2001b, 17:188, emphasis in original). People can belong to many moral communities, ranging from their families to their countries, with the importance of magnanimous morality based on genuine concern for other members of the community generally weakening as a socially cohesive influence as the size of the community increases in size. Buchanan states, "[T]he innate *moral* behavior of humans, that which is motivated by genuine 'fellow-feelings' in an unthinking, unrationalized sense remains tribal in its extent. Human beings react instinctively toward members of their 'tribe' in a way that we might classify as 'moral'; they do not extend such 'morality' to those outside the tribal membership" (2001a, 17:204, emphasis in original). Indeed, the dark side of magnanimous morality is that the stronger it pulls people together in a

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2. This is not to say that people did not benefit from helping others. A person who made personal sacrifices to help others established a reputation for generosity throughout the band that was often as effective as a formal claim of reciprocity. But this reputational advantage would have been diminished if the help was being given for personal profit, as measured by an accumulation of material wealth much in excess of that prevailing in the band. Hunters and gatherers lived in near-zero-sum settings, and the accumulation of more wealth than generally possessed would have raised suspicions that it was acquired at others' expense.

community with which they identify, the more likely it is to motivate them to commit violence against other communities to which they do not belong.

Despite the instinctive tendency for humans to respond with hostility toward strangers and the long history of this tendency's eruption into violence and cruelty, human beings are obviously capable of cooperation on a global scale. Indeed, the standard of living that people in the developed countries take for granted depends entirely on a network of cooperation that spans the globe. Before I discuss this cooperation, it will be useful to consider the morality that makes this cooperation possible and on which market economies depend.

### **The Morality of “Sitting Still and Doing Nothing”**

The morality of markets, which I call “mundane morality,” has little, if any, emotional appeal. Mundane morality is described as simply obeying the generally accepted rules and norms of engaging in impersonal exchanges, such as fulfilling one's contractual obligation, accepting the consequences of one's choices, and not intentionally harming others by violating their legitimate rights. The behavior that satisfies these conditions is nothing more than what is expected of any responsible person, and it requires little that can be considered magnanimous. Referring to this morality as “justice,” Adam Smith states: “Mere justice is, upon most occasions, but a negative virtue, and only hinders us from hurting our neighbor. The man who barely abstains from violating either the person, or the estate, or the reputation of his neighbours, has surely little positive merit. He fulfills, however, all the rules of what is peculiarly called justice, and does everything which his equals can with propriety force him to do, or which they can punish him for not doing. We may often fulfill all the rules of justice by sitting still and doing nothing” ([1759] 1982, 82).

Smith makes clear that he sees this mundane morality of the market as only a negative virtue in comparison with the caring and sacrificing for others of magnanimous morality. Many think of Smith as a champion of narrow self-interest and material gain, which means that they have never bothered to read even the first sentence in the first chapter of his first book, *The Theory of Moral Sentiments* ([1759] 1982, 9). He understood, of course, that people have a strong regard for their own interest and that it is wise to recognize this regard as part of the nature order of things. As he observed, “Every man is, no doubt, by nature, first and principally recommended to his own care; and as he is fitter to take care of himself than of any other person, it is fit and right that it should be so” ([1759] 1982, 82).

Although Smith understood that concern and sympathy for others is critical in prompting harmonious social interaction in relatively small groups, he was also interested in examining how social cooperation can be achieved by the pursuit of self-interest in large and diverse groups in which people have little knowledge of or concern for most of those on whom they depend for their material well-being. The result of this examination was his famous book *The Wealth of Nations*, in

which he uses the metaphor of an “invisible hand” that directs self-interest into socially productive behavior.<sup>3</sup> According to Smith, when each of us directs his industry where

its produce may be of the greatest value[,] every individual necessarily labours to render the annual revenue of society as great as he can. He generally, indeed, neither *intends* to promote the publick interest, nor knows how much he is promoting it . . . ; and by directing that industry in such a manner as its produce may be of the greatest value, he *intends only his own gain*, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. *By pursuing his own interest he frequently promotes that of the society* more effectually than when he really intends to promote it. ([1776] 1981, 456, emphasis added)

This passage has often been criticized. A common criticism by those who have not read Smith carefully, if at all, is that depending on the “invisible hand” is a fantasy based on a misplaced religious belief, which recent critics of markets refer to as “free-market fundamentalism.” But every reputable economist recognizes that the operation of the “invisible hand” is not divinely inspired. It is critically dependent on institutional arrangements and widely accepted social norms that enforce adherence to moral behavior, especially the mundane morality of the marketplace. This reliance on mundane morality, however, is a major source of the hostility that many have toward the “invisible hand” of the markets.

Markets are widely seen as being driven by immoral behavior because market participants clearly fail to satisfy the requirement of magnanimous morality to which we are instinctively drawn. As is apparent from the emphasized sentence in the preceding quotation, the promotion of the public interest generated by behavior guided by the “invisible hand” is not intended, is motivated by the desire for personal gain, and generates benefits that accrue indirectly to the general public—in other words, to no one in particular.

What too often goes unappreciated is that the weaker moral requirements demanded by mundane morality, in comparison to those demanded by magnanimous morality, increase the potential to expand cooperation over far larger and more dispersed and diverse communities. Instead of Buchanan’s moral community with its emphasis on magnanimous morality, mundane morality allows a move to a much larger and more impersonal community of cooperation that Buchanan (2001a, 2001b) calls a moral order. According to Buchanan,

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3. One can usefully think of *The Theory of Moral Sentiments* as concerned primarily with magnanimous morality in small groups and *The Wealth of Nations* as concerned primarily with mundane morality in extended social orders.

[a] moral order exists when participants in social interaction treat each other as moral reciprocals, but do so without any sense of shared loyalties to the group or community. Each person treats other persons with moral indifference, but at the same time respects their equal freedom with his own. . . . In a moral order, it is possible for a person to deal with other persons who are not members of his own community if both persons have agreed, explicitly or implicitly, to abide by behavioral precepts required by trust and confidence. . . . The emergence of the abstract rules of behavior describing moral order had the effect of expanding dramatically the range of interpersonal dealings. (2001b, 17:189)

The best example of the moral order that Buchanan is describing here is the global marketplace, which depends on mundane morality. The morality of the market explains how humans, alone among the planet's species, have sufficiently moderated their instinctive tendency to band together in relatively small, homogeneous, and mutually hostile groups to allow the development of a global network of cooperation and mutual assistance.<sup>4</sup>

### Supplementing Magnanimous Morality with Mundane Morality

It is easy to appreciate those situations where people care about others and therefore share with them through deed and devotion. And it is good that we appreciate the caring and sharing motivated by the intense emotional attachments people feel for each other. The human species would not have survived without the emotional programming that elevates our concern for loved ones up to and even above concern for ourselves, as exemplified by the love of parents for their children.

Yet another type of sharing that greatly supplements the benefits we receive from caring and sharing goes largely unappreciated, however: the sharing that takes place without caring. None of us would acquire the goods and services needed to maintain the lifestyles we enjoy without unwavering assistance from many more people than can ever know us, much less care about us. As Adam Smith observed in his day, when specialization and global markets were far less developed than they are today, each of us “stands at all times in need of the cooperation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons” ([1776] 1981, 26). Assisted living is not only for the elderly. We all depend on the benefits of

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4. Hayek suggests *catallaxy* as the appropriate term for “the special kind of spontaneous order produced by the market through people acting within the rules of the law of property, tort and contract.” As he points out, this term is “derived from the Greek verb *katallatein* (or *katallassein*), which means, significantly, not only to ‘exchange,’ but also ‘to admit into the community’ or ‘to change from enemy into friend’” (1978, 108–9).

assisted living every day of our lives, and we need millions of assistants. Of course, this assistance has to be reciprocated; we must assist others with specialized efforts of our own to provide them with the assistance they desire. There is no way that more than the tiniest amount of this mutual assistance can be motivated by people sincerely caring about each other.

The limited number of people we can truly care about is only part of the problem. Even if the multitude required to provide us with the goods and services we depend on really did care for us and we cared for them, how would they know what we most want them to provide to us, and how would we know what they most want us to provide to them? Communicating the information back and forth among the countless people necessary for each of us to know how best to promote the well-being of others is a task that challenges comprehension. Yet the dramatic increase in prosperity enjoyed in market economies over the past two centuries provides clear evidence that markets are amazing information-processing networks that have been operating since long before the advent of what we now call the “Information Age” (Lee 2001). Markets are constantly consolidating fragmented and rapidly changing information on the preferences, abilities, and circumstances of multitudes of widely dispersed individuals and communicating it through the market prices that emerge from impersonal exchanges of private property (Hayek 1945). Those prices motivate us as producers to use our productive talents and resources in ways that provide for many more people than we could ever know, much less care about, the goods and services they value most. And the same market prices motivate us as consumers to share with multitudes of strangers by ceasing to purchase goods and services as soon as their marginal value to us becomes less than their marginal value to others.

Market prices are often criticized for being the result of impersonal exchanges that are motivated almost entirely by self-interest. But it is the impersonal nature of the process that generates the market prices that make it possible for countless numbers of people to be brought into and benefit from a network of mutual assistance. Also, for market prices to convey accurate information on the value that consumers place on the products being bought and the costs that suppliers incur in making them available, those prices have to embody information on the self-interest of those buying and selling. Without this information’s being communicated in global markets by people pursuing their own interest (as only they know it) through impersonal exchanges, only a small fraction of the world’s population would survive, and most of those who did survive would live short lives in wretched poverty.

Instead of faulting markets as morally flawed because they depend on behavior that does not conform to magnanimous morality, we should appreciate how mundane market morality supplements the advantages of magnanimous morality by expanding the benefits of human cooperation far beyond the limits that can be achieved with personal caring and sharing. Consider two situations. In the first, out of compassion and concern we provide and care for the few people we love, but we can do nothing to help improve the lives of billions of others with whom we have no direct contact and

about whom we have no knowledge—people we do not love in any meaningful sense. In the second situation, we can provide and care for the few people we love far better than in the first situation by helping to improve the lives of the billions with whom we have no direct contact and whom we do not love. It is difficult to imagine anyone’s preferring the first situation to the second on moral grounds. Yet many find impersonal market exchange motivated by self-interest morally unacceptable, even though it is essential to moving from the first to the second situation.

Unfortunately, this resistance to reliance on the mundane morality of markets not only reduces the benefits of magnanimous morality but also blocks the most effective way of moderating the harm that results from that morality.

### **Markets Moderate the Dark Side of Magnanimous Morality**

The strong emotional attachment we have to magnanimous morality remains somehow unaffected by the hostility that morality causes even though the connection between intragroup cohesion and intergroup hostility is well known. This connection has been observed in a wide variety of social or grouping species. As Matt Ridley has observed, “[T]he more cooperative a species is within groups, the more hostility there is between groups” (2010, 88). Humans are no exception. Some of the hostility between human groups is mild and merely makes life more interesting. Social cliques are ubiquitous and defined more by those excluded with contempt than by those embraced with kindness. We develop strong feeling of support for some and hostility for others often as a result of trivial considerations. The decision to go to one university rather than to another or to live in one city rather than another motivates passionate feeling in support for the home team and equally passionate feeling of hostility for opposing teams. Such hostility is generally harmless, but crowd control at well-attended sporting events is not a trivial concern. The conflict associated with the tendency for people to group according to ethnic, social, economic, religious, and national differences has a long history of motivating human brutality on massive scales.<sup>5</sup>

The most dangerous predators humans encounter have always been other humans. As Paul Seabright points out, “Like chimpanzees, though with more deadly refinement, human beings are distinguished by their ability to harness the virtues of altruism and solidarity, and the skills of rational reflection, to the end of making brutal and efficient warfare against rival groups” (2010, 11). However horrified we may be at the carnage suicide bombers cause, it is hard to deny that a strong sense of

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5. According to Hayek, “It seems to be almost a law of human nature that it is easier to agree on a negative program—on the hatred of an enemy, on the envy of those better off—than on any positive task. The contrast between the ‘we’ and the ‘they,’ the common fight against those outside the group, seems to be the essential ingredient in any creed which will solidly knit together a group for common action.” And he sees the “fight against those outside the group” to have a high potential for viciousness because “[t]o act on behalf of a group seems to free people of many of the moral restraints which control their behavior as individuals within the group” ([1944] 2007, 160–61, 163).

magnanimous morality is a critical element in their motivational makeup. Politicians have long recognized that demonizing an ethnic group or another nation is an effective way to increase their power by intensifying the sense of magnanimous morality among their constituents, which often leads to genocide and war.

How can the wider society fully realize the enormous benefits from the magnanimous morality of concern and sacrifice that exists in groups while moderating the hostility and conflict this morality creates between groups? A common impulse is to encourage people to be more tolerant of differences and to extend the range of magnanimous morality over far larger groups—with the hope to extend this morality ultimately over the entire world. Without denying the enormous potential for human diversity to enrich our lives, it is useful to recognize the limits and indeed the risks of attempts to enlarge the range of magnanimous morality as a way of increasing social harmony.

A major reason for hostility between different groups is that these groups' objectives differ and, given the reality of scarcity, are always in conflict to some degree. This situation commonly results in suggestions for people to subordinate their personal priorities to overriding social priorities. Politicians are commonly heard insisting that we come together as a society and agree on our priorities so we can “move forward” productively and harmoniously. Agreeing on common objectives can make sense in small homogenous groups, such as families, clubs, and firms, but even in these groups such attempts to reach agreement may be less than harmonious. Any attempt to achieve widespread agreement on objectives that goes beyond platitudes is sure to create much more hostility than harmony as people with conflicting objectives are pitted against each other. And such an attempt would inevitably require the suppression of individual liberty, which is essential to maintaining a truly diverse and prosperous society.

Hope springs eternal, however, and a recurrent hope has been to promote social harmony by creating a “new man” who has been convinced to yield his petty personal preferences to socially benevolent objectives. In anticipation of the arrival of these compliant men and women, many in the past decided that their societies should be restructured to give elites the power to determine the objectives required by a utopian order and then impose them. Such social restructuring unfortunately delivered political repression, brutality, and terror instead of social harmony and economic productivity. The two periods in greater Europe since 1400 when wars killed the largest percentage of the population were periods dominated by utopian visions of deliverance from human difficulties by the subordination of individual concerns to transcendent social objectives. Think of the religious wars of the sixteenth and seventeenth centuries and the world wars in the first half of the twentieth century, in which the expansion of collectivist ideals played an important role.<sup>6</sup>

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6. See Pinker 2011, fig. 5–18, p. 230.

Nothing can eliminate the social tensions that scarcity creates between individuals and groups with different preferences. But a social arrangement in which each of us can pursue his individual objectives in ways that help others pursue theirs, no matter how different or opposed these objectives may be, is clearly one that deserves serious consideration as being most conducive to social harmony. And this situation is exactly what the mundane morality of markets allows people to achieve, even when their objectives are in conflict. For example, a conservative Republican looking for a large number of campaign signs to give her an edge in a tight race for the U.S. Congress is unlikely to be concerned primarily with the politics of those who are selling the signs. And those in the sign business can be expected to be more interested in selling their signs than in the politics of those who are buying them. So the person offering the candidate the best signs or the lowest price will probably get her business, even if he is an extreme liberal who supports her Democratic opponent. By pursuing their personal interests, each helps the other achieve an objective that is in direct conflict with the other's objective. Any attempt to motivate comparable support for each other's objectives by bringing them together to celebrate their diversity is unlikely to be either successful or harmonious.

The advantage of the mundane morality of markets comes from motivating people to pursue their own well-being and that of a few loved ones in ways that serve the interests of large numbers of others whom they do not know, much less care about. This outcome will seem to be a perverse advantage, if an advantage at all, to those who see morality entirely in terms of magnanimous morality and genuine caring for others' well-being. For example, the Princeton philosopher Peter Singer (2011) argues that we have expanded the number of humans (and other species) whose interest we treat with the same concern that we treat our own interest and that we can and should continue that expansion. But this view of morality ignores both the limited potential for expanding our genuine concern for others and the negative consequences of attempting to do so. As Steven Pinker states, "Empathy [i.e., magnanimous morality] is a circle that can be stretched, but its elasticity is limited by kinship, friendship, similarity, and cuteness. It reaches a breaking point long before it encircles the full set of people that reason tells us should fall within our moral concern" (2011, 668).

Furthermore, history is full of examples in which violence between different groups resulted from group members' caring very much about each other's welfare. The problem was that the members of each group were willing to make personal sacrifices to reduce rather than increase the welfare of members of the other group. For example, when intellectuals first began to consider the expanding trade and commerce facilitated by market arrangements that were emerging in Europe in the seventeenth and eighteenth centuries, a major moral concern was the bloody religious wars of the time. And a major advantage seen in markets was that they redirected men's concern away from butchering those who disagreed with their religious views and focused it on improving their personal financial well-being.

For example, Voltaire, having observed the London Exchange (or Royal Exchange, a major center for international capitalism during his time), commented:

Although the Episcopalian and the Presbyterian churches are dominant in Great Britain, all sects are welcome there and live together comfortably enough, while their preachers detest one another. . . . Go into the Royal Exchange in London . . . ; there you will find deputies from every nation assembled simply to serve mankind. There, the Jew, the Mohammedan, and the Christian negotiate with one another as if they were all of the same religion, and the only heretics are those who declare bankruptcy; . . . Leaving this peaceful and liberal assembly, some go to the synagogue, others go to drink, this one is baptized in a great font in the name of name of the Father, the Son, and the Holy Spirit; that one has his son circumcised while some Hebrew words that he does not understand are mumbled over him; still others go to their church with their hats on their heads to wait the inspiration of God, and all are content. (2007, 20)

Samuel Johnson, the famous eighteenth century English essayist, claimed “[t]here are few ways a man can be more innocently employed than getting money” (qtd. in Hirschman 1977, 58). In the following century, the economist-philosopher John Stuart Mill wrote, “It was in vain to inculcate feelings of brotherhood among mankind by moral influences alone, unless a sense of community of interest could also be established; and that sense we owe to commerce” (1848, 120).

Tensions between people and groups obviously will remain no matter how well global markets function.<sup>7</sup> And these markets will never function perfectly, in part because of the tensions that always create strife in our world of diverse ends and scarce means. The world is full of hatreds and hostilities that constantly erupt through the veneer of civilized conduct to leave yet more instances of the death and destruction that humans have always excelled at inflicting on each other. Yet numerous empirical studies indicate that international trade is a strong force for peace. Pinker cites two 2010 studies showing that “[a] democratic peace strongly kicks in only when *both* members of a pair of countries are democratic, but the effects of commerce are demonstrable when *either* member of the pair has a market economy.” He goes on to state that “[s]uch findings have led some political scientists to entertain a heretical idea called the Capitalist Peace.” And he points out that “the eminent peace researcher Nils Petter Gleditsch . . . ended his 2008 presidential address to the

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7. Even in small groups where magnanimous morality is generally a force for harmony, we find that conflict is always a lurking likelihood as resentments, jealousies, and envy all too frequently motivate physical violence between friends and neighbors who see opportunities to settle grudges or take what others have by force.

International Studies Association with an updating of the 1960s peace slogan: ‘Make money, not war’” (2011, 287–88).<sup>8</sup>

Another measure of violence is the homicide rate, which does not include deaths from military action. As shown in a graph in Ridley’s book, the yearly homicide rate in Europe has declined significantly and steadily from about 35 per 100,000 in the year 1300 to less than 2 per 100,000 in the present (2010, 85).<sup>9</sup> This evidence covers a period in which Europeans greatly expanded their reliance on the mundane morality of impersonal markets. The murder rate at a particular time is also seen to be inversely related to the reliance on markets, as measured by the amount of economic freedom in a country. In a recent study, Edward Stringham and John Leventis (2010) made use of two measures of economic freedom in different countries to test the hypothesis that a country’s economic freedom has a negative effect on its murder rate.<sup>10</sup> In all variations in which the murder rate is regressed on economic freedom and such control variables as the incarceration rate, use of the death penalty, income inequality, literacy rate, ethnic diversity, and income per capita, economic freedom has a large and statistically significant (often at a 1 percent level of significance) negative effect, as hypothesized.

It should not be surprising that as the number of people with whom we interact through markets has increased dramatically, violence has declined significantly. Market exchanges are positive-sum activities in which people expect to be made better off and generally are by those with whom they are dealing. Indeed, markets exchanges commonly elicit feelings of cooperation and expressions of mutual thanks. According to experimental economist Herb Gintis, “[S]ocieties that use markets extensively develop a culture of cooperation, fairness and respect for the individual” (qtd. in Bailey 2002). Gintis bases this comment on a study, in which he served as codirector, that compares the cooperative behavior of people from fifteen mostly small-scale tribal societies with varying degrees of integration into global markets.<sup>11</sup>

8. In *The Better Angels of Our Nature: Why Violence Has Declined* (2011), Pinker has devoted 771 pages of argument and documentation to the thesis that the world has become significantly less violent since the days of the Old Testament, with this trend continuing through the twentieth century. He considers a wide range of factors to explain this trend in addition to economic ones, but he cites a number of studies besides those mentioned here in support of the view that expanding our reliance on markets has been an important factor.

9. Also see Gurr 1981 for the homicide rate in English counties and cities from 1200 to 1970.

10. The two measures come from *Economic Freedom of the World*, published annually by the Fraser Institute, and *Index of Economic Freedom*, published annually by the Heritage Foundation. Both reports base their measure of economic freedom on such characteristics as size of government, security of private-property rights, amount of economic regulation, freedom of international trade, and monetary stability. In both cases, the more economic freedom the citizens of a country have, the greater the tendency for economic decisions in that country to be made in response to market incentives.

11. The measure of cooperation was determined by how generous people are in what is known as the “ultimatum game,” in which one person (the proposer) is given some amount of money (say, \$20) and told that he can share any amount of that sum with a stranger (the responder). If the responder accepts the amount shared, then both keep what the proposer decided, but if the responder rejects the proposer’s offer, both players get nothing. It turns out that proposers were more generous in their offers the more the societies from which they came participated in the global economy.

Those sincerely interested in promoting a more peaceful world should be willing to (1) acknowledge that violence has declined substantially during recent centuries and (2) give serious consideration to the evidence that a major reason for this decline has been the expansion of the role of mundane morality and markets in human affairs. It is unfortunate that so many whose desire to promote peace cannot be doubted are hostile to the increased reliance on the mundane morality of markets, which has been one of the most effective means of making progress toward their fondest hope. A peaceful world will always be an elusive goal, but few things would do more to advance us toward that goal than recognition by people of goodwill that the magnanimous morality they find so emotionally appealing is a powerful force for social conflict unless its dark side is moderated by the mundane morality of market exchange.

## Conclusion

Making a convincing economic case for markets is difficult, but making the moral case is more so. The argument that markets generate prosperity is within the grasp of most reasonably intelligent people. The difficulty in getting people to understand the connection between markets and prosperity is that they have little motivation to make the effort. Most people can make perfectly good economic decisions and realize the benefits of markets without much knowledge of how markets work. The result is that it is easy to see the benefits of markets as part of the natural order of things and to take them for granted. But even when people are informed about the connection between market incentives and the general prosperity, they are still likely to view market behavior as inconsistent with the motives they instinctively consider moral—helping others intentionally, sacrificing to do so, and helping identifiable individuals and groups. This magnanimous morality contrasts sharply with the mundane morality of markets, which requires little more than the pursuit of self-interest subject to the general rules of commerce and courtesy without any intention to help others.

Yet an advantage realized from the mundane morality of markets is of such moral significance that it cannot be dismissed once it is understood. This advantage comes from markets' ability to increase the value of magnanimous morality by moderating its dark side. That dark side is responsible for an untold amount of violence between groups that might be engaged in harmonious, mutually beneficial dealings with each other. By creating positive-sum opportunities on a global scale, the mundane morality of markets makes it possible for us to see strangers as allies in our efforts to improve our lives rather than as enemies to be plundered and eliminated before they plunder and eliminate us.

Although the obstacles to achieving this understanding are formidable, progress in doing so would also be progress in achieving a more peaceful and prosperous world. Economists are in a good position to contribute to this progress by virtue of their understanding of the extended cooperation made possible through markets, but to direct their understanding in ways that best promote peace as well as prosperity, it

would be useful for more economists to focus attention on the insights their discipline can provide about moral concerns in ways that resonate with the concerns of a large audience. I can think of no better way to begin than by acknowledging the importance and emotional appeal of magnanimous morality in small groups, while also pointing out with compelling arguments that this morality has a brutal dark side that is best moderated by the mundane morality of markets.

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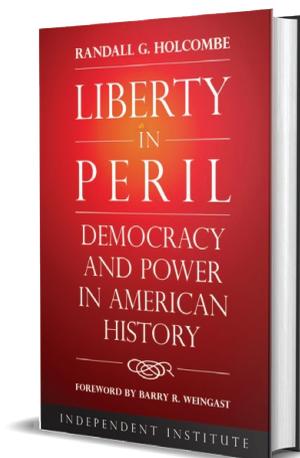
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