Researchers present causal evidence on how markets affect moral values

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Many people express objections against child labor, exploitation of the workforce or meat production involving cruelty against animals. At the same time, however, people ignore their own moral standards when acting as market participants, searching for the cheapest electronics, fashion or food. Thus, markets reduce moral concerns. This is the main result of an experiment conducted by economists from the Universities of Bonn and Bamberg. The results are presented in the latest issue of the renowned journal *Science*.

Prof. Dr. Armin Falk from the University of Bonn and Prof. Dr. Nora Szech from the University of Bamberg, both economists, have shown in an experiment that markets erode moral concerns. In comparison to non-market decisions, moral standards are significantly lower if people participate in markets.

In markets, people ignore their individual moral standards

"Our results show that market participants violate their own moral standards," says Prof. Falk. In a number of different experiments, several hundred subjects were confronted with the moral decision between receiving a monetary amount and killing a mouse versus saving the life of a mouse and foregoing the monetary amount. "It is important to understand what role markets and other institutions play in moral decision making. This is a question economists have to deal with," says

Prof. Szech.

"To study immoral outcomes, we studied whether people are willing to harm a third party in exchange to receiving money. Harming others in an intentional and unjustified way is typically considered unethical," says Prof. Falk. The animals involved in the study were so-called "surplus mice", raised in laboratories outside Germany. These mice are no longer needed for research purposes. Without the experiment, they would have all been killed. As a consequence of the study many hundreds of young mice that would otherwise all have died were saved. If a subject decided to save a mouse, the experimenters bought the animal. The saved mice are perfectly healthy and live under best possible lab conditions and medical care.

Simple bilateral markets affect moral decisions

A subgroup of subjects decided between life and money in a non-market decision context (individual condition). This condition allows for eliciting moral standards held by individuals. The condition was compared to two market conditions in which either only one buyer and one seller (bilateral market) or a larger number of buyers and sellers (multilateral market) could trade with each other. If a market offer was accepted a trade was completed, resulting in the death of a mouse. Compared to the individual condition, a significantly higher number of subjects were willing to accept the killing of a mouse in both market conditions. This is the main result of the study. Thus markets result in an erosion of moral values. "In markets, people face several mechanisms that may lower their feelings of guilt and responsibility," explains Nora Szech. In market situations, people focus on competition and profits rather than on moral concerns. Guilt can be shared with other traders. In addition, people see that others violate moral norms as well.

"If I don't buy or sell, someone else will."

In addition, in markets with many buyers and sellers, subjects may justify their behavior by stressing that their impact on outcomes is negligible. "This logic is a general characteristic of markets," says Prof. Falk. Excuses or justifications appeal to the saying, "If I don't buy or sell now, someone else will." For morally neutral goods, however, such effects are of minor importance. Nora Szech explains: "For goods without moral relevance, differences in decisions between the individual and the market conditions are small. The reason is simply that in such cases the need to share guilt or excuse behavior is absent."

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