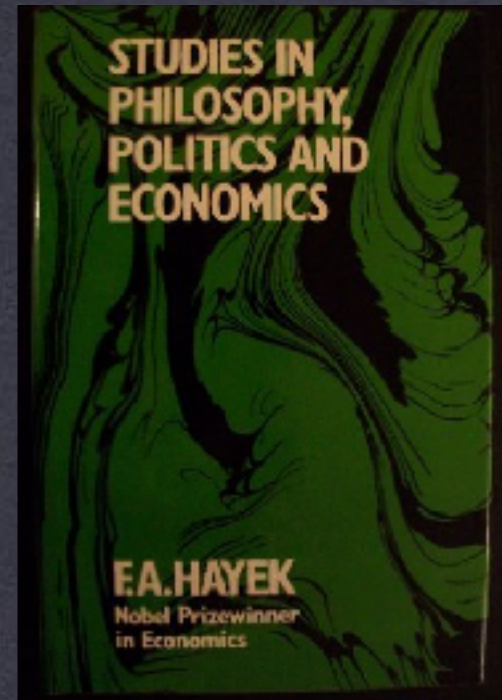

PHILOSOPHY OF ECONOMICS & POLITICS

LECTURE 16: MARKETS & MORALS

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Today’s agenda

- Last week we discussed the ideas of an economist who is very optimistic about the **ability of capitalism** (or markets) **to improve individuals’ attitudes toward one another**
- While many of her arguments are plausible, most **philosophers are rather critical of capitalism’s capacity for moral betterment** and instead point towards markets’ corrupting tendencies
- We will discuss three main **arguments to the effect that when things are for sale people’s behaviour deteriorates**

Motivation

- **Are there limits to what can be for sale?**
- **Very plausibly so**:
  - You can’t sell yourself into slavery
  - You can’t sell unwanted children or sell your children’s labour
  - You can’t sell your right to vote
  - Large amounts of natural resources (such as air) are unowned
- But there also seem **clear-cut cases of morally unproblematic economic goods**: household cleaners, cars, bags of rice…
- Are there good reasons to draw the line in one place rather than another?

Markets creeping into our lives…

- Philosophers sometimes complain that **the market has a perennial tendency to expand** and regulate more and more aspects of our lives (examples from Michael Sandel):
  - Rent out space on your forehead (or elsewhere on your body) to display commercial advertising: $777
  - Serve as a human guinea pig in a drug safety trial for a pharmaceutical company: $7,500.
  - Fight in Somalia or Afghanistan for a private military company: $250 per month to $1,000 per day.

Markets creeping into our lives…

- Examples, cont'd:
  - Stand in line overnight on Capitol Hill to hold a place for a lobbyist who wants to attend a congressional hearing: $15–$20 per hour.
  - If you are a second grader in an underachieving Dallas school, read a book: $2.
  - If you are obese, lose fourteen pounds in four months: $378.
  - Buy the life insurance policy of an ailing or elderly person, pay the annual premiums while the person is alive, and then collect the death benefit when he or she dies: potentially, millions (depending on the policy)

The moral limits of the market

- To what extent shall we welcome or resist this tendency?
- Most moral/political philosophers are very critical: Debra Satz, Elizabeth Anderson, Michael Sandel, Michael Walzer… (not quite so critical: Jo Wolff)
- Here we'll look at the three main arguments against markets we can find in the literature:
  - The argument from **fairness**
  - The argument from **degradation/corruption**
  - The **efficiency**/utilitarian argument

Fairness

- **Not all voluntary exchanges are also fair**: market power, bargaining power
- Now add to this observation the empirical claim that **markets in certain goods** (sexual services? body parts? etc.) **are always or almost always exploitative** on the part of the individual (or firm) who demands them
- This would provide some reason not to allow trade in these goods
- Objection: rather than getting rid of the ‘exchange’ in ‘unfair exchange’ one could try to tackle the ‘unfair’ by making sure those entering exchanges are properly informed, have genuine outside options…
- For more on this, see tutorial…

The Argument From Corruption

- **Elizabeth Anderson** (Arthur F. Thurnau Professor and John Dewey Distinguished University Professor of Philosophy and Women's Studies at the University of Michigan) argues that **extending market relations may undermine our ability to value goods in the appropriate way**
- The first step in the argument is her view that the freedom that comes along with market organisation is a specific kind of freedom – **freedom in use**: the choice and consumption of commodities in private life, without having to ask permission from someone else
- This conception **contrasts** with a variety of other modes of valuation
  - certain higher forms of regard such as **respect**
  - **personal or sentimental attachments** (e.g., heirlooms)
  - **shared values** (value for oneself depends on others enjoying the good)

The social relations of the market

- In Anderson’s ideal-typical characterisation, market relations have the following features:
    - They are **impersonal**
    - Everyone is free to **pursue his own advantage**
    - Goods traded are exclusive and rivals in consumption (i.e., **private goods**)
    - **Valuations are** purely **subjective** or want-related (rather than deriving from need or objective quality)
    - In case of dissatisfaction one replies by ‘**exiting**’ rather than ‘voicing’ one’s complaint

Anderson’s argument

- Consequently, an **economic good** is defined as follows:
  A thing is an economic good if its production, distribution, and enjoyment is properly governed by the preceding five norms and its value can be fully realised through use
- Anderson’s argument is exceedingly simple: she shows that certain goods or ideals have characteristics that cannot be realised when the production or distribution of the good is governed by market relations, i.e., that **there are goods that are no economic goods**
  - **gift goods**
  - **shared goods**

Gift vs market exchange

- The main differences between what Anderson calls economic goods and gift goods are the following:
  - **One-shot** vs marks of **continuous relationships** (personal advantage vs caring about the other)
  - Both are reciprocal but it’s **immediate** in case of the market and **long-term** in friendship
  - Gift exchange is responsive to the personal characteristics of the persons involved (**impersonality** vs **intimacy**)

Personal relationships…

- …are characterised by **intimacy** and **commitment** (rather than the first two market principles: impersonality and own advantage pursuit)
- And consequently **cannot be adequately realised within the norms of the market**
- Worse, **values can be undermined when instead of the adequate norms the norms of the market operat**e; examples:
  - Prostitution
  - exploitative manipulation of gift relations in commercial transactions
  - marriage contracts
  - loans between friends

Overview ‘norms of exchange’

<table>
<tr><th>Dimension</th><th>Market exchange</th><th></th><th></th></tr>
<tr><td>Knowledge of partner</td><td>impersonal</td><td>intimate</td><td rowspan="2">Gift exchange (gift goods)</td></tr>
<tr><td>Goal of exchange</td><td>self-interest</td><td>realising common values</td></tr>
<tr><td>Characteristics of goods</td><td>Excludable/ rival</td><td>Non-excludable/ non-rival</td><td rowspan="3">Fraternal exchange (shared goods)</td></tr>
<tr><td>Valuations are...</td><td>Subjective: want-related</td><td>Objective: need-related</td></tr>
<tr><td>Dissatisfaction is expressed by</td><td>Exit</td><td>Voice</td></tr>
</table>

Conclusions for the limits of the market…

- … are in fact quite modest
- But this doesn’t show that goods (or ideals) of this kind should never be traded in the market: it shows merely that if they are traded in the market, certain valuable aspects cannot be realised
- Objection: so what? We all know that there are many forms of exchange. As long as there are still ways to realise other values, the fact that market exchange doesn’t realise these values doesn’t speak against having the market as alternative mechanism of exchange
- Also: who is Anderson to tell us that certain goods are ‘properly’ exchanged outside of the market? Where does the ‘properly’ come from?

Efficiency

- The final argument is one from efficiency or utility: i**ntroducing market exchange for some kinds of goods can reduce quantities and quality of the exchanged goods**
- Examples:
  - Blood procuring systems US vs UK (Titmuss)
  - Israeli study of paying parents for being punctual
- Explanation: **money crowds out 'higher' motives of exchange** such as sense of community, duty etc.
- Objection: this is an empirical claim that needs to be substantiated; particularly, don't make strong inferences from small incentives

In sum, …

- Today we’ve discussed three kinds of reason for thinking that markets don’t always improve society morally:
  - Even when welfare-enhancing, **markets can be harmful from a fairness point of view**
  - **Markets might prevent the realisation of values** other than those associated with economic goods
  - **They might make outcomes worse** as they drive out certain ‘higher motivations’
- In addition to these, we’ll see in the tutorial that **Debra Satz** discusses additional three arguments: concerning **choice sets**, **inequality**, and **weak agency**
- Note that defenders of free markets have responses to each of these