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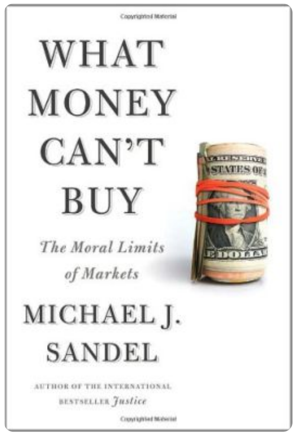

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What Money Can’t Buy

The Moral Limits of Markets

Michael J. Sandel • FSG © 2012 • 256 pages

Economics / Economic Theory
Society / Ethics / Business Ethics

Take-Aways

- “Market values” – have penetrated more aspects of human life than ever before.
- The “free market economy” has become a “market society.”
- Market values and the idea that everything is for sale crowd out other values.
- As society becomes more unequal, commercializing more and more realms creates a more profound gap between rich and poor.
- “Corporate sponsorship” can corrupt the public sphere and public education.
- Market activities are no longer attached to their ethical foundations.
- Paying someone to do something that should be done for more meaningful reasons corrupts the action and degrades the person paid.
- Limiting access to those who pay the most fundamentally changes society for the worst.
- Giving a gift sends a “signal” of a commitment to a personal relationship, while giving cash or a gift card sends a different message.
- Market processes – like paying more – are not necessarily the best way to distribute good and services. Other methods work better in some circumstances.

Recommendation

In this timely treatise, Harvard professor Michael J. Sandel intervenes in the cultural trend toward expanding the market's role in society. In a balanced and humane tone – and with exceptionally smooth prose – he calls for a discussion of society's most profound values. Sandel's Harvard lectures are popular because he makes the complex accessible. That said, he unfortunately slides past some of the issues: More than once, he writes of ideas and activities that society judges as ethically dubious, without offering supporting evidence in the text. That objection aside, *getAbstract* recommends this moral investigation to a wide range of readers: It will be particularly useful to economists and to anyone concerned about doing the right thing.

Summary

Morality, Markets and Meaning

Today, you can buy almost anything. Whether you're in prison and want a better cell, or live in the West and want a "surrogate mother" in India (where surrogacy is legal and far less costly than in the US) to carry your child, you can have it...if you have the money. People are doing things for money they never have done before, like renting their shaved heads for advertising space. They take risks, such as serving as medical test subjects. In the last 30 years, "markets – and market values" – have penetrated more aspects of human life than ever before. The end of the Cold War – which seemed a triumph for the free market – explains some of the market's rise.

> *"Today the logic of buying and selling no longer applies to material goods alone, but increasingly governs the whole of life. It is time to ask whether we want to live this way."*

In the wake of the 2008 financial crisis, people are less willing to trust the market. And, it seems as if market activities are no longer attached to their ethical foundations. Some blame greed, but that is too simple and incomplete. The problem is that market values have become dangerously pervasive. In realms that were formerly considered shared "social goods"– education, health care, the justice system, the environment and others – market forces now work openly.

> *"Advertising encourages people to want things and to satisfy their desires. Education encourages people to reflect critically on their desires, to restrain or to elevate them."*

If the spread of market values meant only that the rich could buy fancy cars or take exotic vacations, it wouldn't matter. But now the rich have greater safety, more "political influence" and access to superior medical care. Corruption is more pervasive. Even in a market society, some things should not be bought and sold. Buying and selling human beings, as in the US pre-Civil War slavery days, is wrong. Buying or selling children is wrong. Paying someone to serve your jury duty is wrong. The expanding role of markets has pushed a society that uses its economy as "a tool" into becoming a "market society" that views everything in terms of dollars.

> *"Historically, the close connection between insuring lives and betting on them led many to regard life insurance as morally repugnant."*

Re-evaluating the role of markets in society won't be easy. Most people believe strongly in markets, and they have little faith in "public discourse." Political discussions are sharply polarized, and the market's triumph has crowded other ideas out of the discussion. Because markets let you interact without any ethical judgments, ethical questions don't get asked.

"Jumping the Queue"

Tipping a restaurant's maître d' gains you a better table ahead of the other folks in line. Such "quasi bribes" have become more common and more open. Airports sell faster passage through security; amusement parks move those with more expensive tickets to the front of the line; and people pay to "jump the queue." "Line-standing companies" pay substitutes to stand in line for you to buy rare goods and services, like tickets to a hot show or even to congressional hearings in Washington, DC. From an economic perspective, this is good. In the economic sense, a long line suggests an inefficient use of resources. Since the "professional line stander" is likely to be retired or homeless and glad to earn $10 to $20 an hour, economic benefit accrues to the stander.

> *"The world of sports is not the only realm where markets and commercialism run rampant."*

Market supporters argue that these transactions give individuals the freedom to make their own decisions. Let people buy or sell anything they want, so long as the transaction doesn't violate anyone's fundamental rights. If people are willing to pay for something that was originally free, that only means they value those tickets more. The substitute line-standers want the money, so everyone wins. That argument is flawed. People who pay more for something don't necessarily value it more highly. Sometimes markets do a better job of distributing resources. Other times, queues are better. Selling some things distorts their value. Giving people free access to congressional hearings is appropriate, because those people are citizens and part of the process. Limiting access to those who pay for a line-stander fundamentally changes society for the worst.

"Incentives"

Barbara Harris, founder of Project Prevention, doesn't want children "born addicted to drugs," so she pays addicted women $300 to have themselves sterilized. Many people have expressed outrage, but from a market perspective, this is a private exchange between two people, without force or government mandate. However, critics who look beyond economics and consider the individuals involved see this exchange as a "coercive" form of bribery because a drug-impaired woman can't make a rational choice. They believe that paying someone to do something that perhaps should be done for other reasons corrupts the action and degrades the person paid.

> *"To an economist, long lines for goods and services are wasteful and inefficient, a sign that the price system has failed to align supply and demand."*

Economists today face dilemmas like this more often, because the market has penetrated new areas of life. The discipline of economics is also changing, redefining itself and shifting beyond "narrowly economic" matters like foreign trade policies. Recently, however, many scientists have set themselves a more ambitious project." Economists now offer "a science of human behavior" that examines how people make decisions in all areas of life. From their perspective, people always "act to maximize their welfare." This introduces a calculus to all human interaction. People now estimate the costs and benefits of romantic choices, for example. Such appraisal goes too far and is inaccurate because it oversimplifies human motivation and action.

> *"When market reasoning travels beyond the domain of material goods, it must 'traffic in morality,' unless it wants blindly to maximize social utility without regard for the moral worth of the preferences it satisfies."*

A bribery-based approach to incentives is problematic for other reasons. From health care to education, various people and programs offer cash incentives to shape people's behavior. These payments can be direct, as when school programs pay kids to read books, or oblique, as when insurance companies offer lower premiums to people who lose weight or don't smoke. From an economic perspective, this isn't wrong. The only relevant questions from an economics standpoint are whether market incentives are cost effective.

> *"Market choices are not free choices if some people are so desperately poor or lack the ability to bargain on fair terms."*

Many people object to this approach. Conservatives argue that paying people to lose weight essentially "rewards slothful behavior." Others stay slim without payment, so paying overweight people to do something they ought to do anyway is unfair. Liberals object because letting companies make such distinctions leads to discrimination. Others argue that paying people to take healthy steps is manipulative bribery, or they object because introducing economic incentives can damage and displace other incentives. People who act for nonfinancial reasons – such as public spirit, generosity or a sense of duty – often stop when financial incentives enter the picture.

Market Values Displace Other Values

Economists have trouble making sense of why people give each other gifts. Giving things away seems inefficient, even irrational. Usually a gap separates what the recipient wants and what people give; in the realm of economics that gap "destroys value." Some economists argue that gift giving "signals" the nature of your relationship with the recipient. This explanation misses the truth of friendship or love. "Monetizing gifts"– giving cash or a gift card instead of a gift – gains economic functionality, but withers personal interaction.

> *"Even free-market enthusiasts would hesitate to embrace the full implication of the notion that betting against life is just another business."*

You can't hire someone to be your friend. You can pay people to perform the functions of friendship, but no matter how much time you spend together, the money fundamentally transforms the relationship. Some things still exist that cannot be bought. For example, winning a Nobel Prize for your scientific discoveries would be highly meaningful. If you could buy one, it would be meaningless. The same is true for other prestigious honors – an MVP sports award, the Academy Award – and for earned recognitions like a college degree. These milestones measure and recognize factors other than money; using money to obtain them ruins their value.

> *“Economists often assume that markets are inert, that they do not affect the goods they exchange. But this is untrue. Markets leave their mark.”*

This prohibition extends into the human realm, though it is constantly being renegotiated. Many people argue against selling babies. Judge and legal scholar Richard Posner argues that selling babies “would do a better job of allocating babies” than the adoption system. This introduction of market values is wrong for two reasons. First, it isn’t fair. If children are sold, they will go to parents who pay the most, rather than to parents who would be best for the child. Selling children would create a differentiated market in which some children are worth more than others because they are more attractive, smarter, or the like. The second reason against this idea is corruption: Some things should never be bought and sold; they are too precious and bear a different moral weight.

> *“The era of market triumphalism has come to an end.”*

Introducing market considerations often damages other motives. Switzerland gets a lot of its power from nuclear energy and must find places to store nuclear waste. When officials surveyed one village as to residents’ willingness to accept the waste in their region, 51% thought it undesirable but agreed to store it as a matter of civic duty. When a financial payment was added to the mix, fewer people were willing to accept the waste. The money seemed like a bribe, and that damaged their sense of civic virtue. Using a term coined by British economist Fred Hirsch, this is an example of the “commercialization effect,” a result that essentially refutes long-standing beliefs about the moral neutrality of markets. Hirsch argued that applying market values freely to anything and everything is wrong.

Life, Death and the Market

When life insurance first came on the market, it struck people as “morally repugnant.” Today, many see it as a way of managing risk and planning for their families. Initially, life insurance was illegal in many European countries. It seemed “disgraceful” to put a price on a human life. Some feared it would provide a motive for murder. Sellers had to reframe life insurance as something that responsible wage earners acquired to protect their families. It took time for the public to accept putting a price on human life, but eventually life insurance prospered.

> *“There are some things money can’t buy, but these days, not many.”*

As it did, practices shifted. The investment aspect became more naked, and insurance became applied more widely. The concept of “insurable interest,” formerly limited to families, has broadened. Businesspeople now insure their partners and businesses insure their executives. Firms have a stake in these individuals’ lives and would suffer if the insured were to die. From this reasonable argument, the practice has continued to spread, becoming complex, and, in many people’s eyes, distasteful or even unethical. Corporations now take out policies known as “janitors insurance” on all their employees, including low-level hourly workers.

Companies then profit from their employees' deaths. Ethicists object to these policies because companies buy them without their employees' individual consent or knowledge. A more fundamental objection is that such insurance turns workers into commodities and vitiates the moral foundation of insurance: The policies don't provide for deceased workers' families if corporations are the beneficiaries.

> *"Economists don't like gifts. Or to be more precise, they have a hard time making sense of gift giving as a rational social practice."*

"Viaticals" take the insurance business and moral objections to it to a new level. If you have a life insurance policy, a terminal illness and no dependents, an investor will give you money now, in exchange for the insurance payout due upon your death. Wouldn't $50,000 be worth more to you while you're alive than $100,000 would be worth to your estate after your death? Problems arose when many terminal patients who sold their policies didn't die on schedule. Holding viaticals made investors root for people to die. Giving people a "financial stake" in each other's deaths undermines and weakens social and ethical ties.

Corporate Intrusions in the Public Sphere

Fifty years ago, the disparity between cheap and expensive seats at a baseball park was minor: The best seats might cost $3 and the cheapest would cost $1.50. Now the gap is immense. For NY Yankees home games, the cheapest bleacher seats cost $12 versus $260 for a box seat. Skyboxes are even more expensive. In the past, rich and poor sat beside each other and shared the game. Kids used to wait outside stadiums for sports stars to sign autographs, which they did for free. Collectors now hire kids to get signatures and generate collectibles, so many stars sign only when someone pays. Corporate names are replacing the traditional names of sports arenas. Writers accept payment for product placement in their books; airlines put ads on items from napkins to airsickness bags; and some companies will pay your mortgage if you cover your home with ads.

> *"Most economists prefer not to deal with moral questions, at least not in their role as economists."*

Such sponsorship can change the service offered. Scholastic – "the world's largest publisher of children's books" – accepted educational material from the American Coal Foundation only to find that the content was biased. Its lessons mentioned the benefits of coal, but not mining accidents, pollution, and the like. Inserting commerce into education is fundamentally disruptive. Education should teach critical thinking, so children learn how to reflect on what they want. Advertising tries to get people to consume regardless of benefit. Ads in textbooks runs counter to the true purpose of education.

About the Author

Michael Sandel, author of the bestseller, *Justice: What's the Right Thing to Do?*, is the Anne T. and Robert M. Bass professor of government at Harvard University.