The Ethical Limits of the Market

PPE Capstone

Market Exchanges

Markets are governed by certain social norms. Elizabeth Anderson highlights some of them:

1. Market relations are *impersonal.*
2. The market is sphere where one is free to pursue one's personal advantage unrestrained by consideration for the advantage of others.
3. The goods traded on the market are *exclusive* and *rivals* in consumption.
4. The market is purely *want-regarding* (all matters of value are matters of *taste*).
5. Dissatisfaction with a market is expressed by "exit" rather than by "voice".

There are benefits to regulating goods and services in accordance with these social norms. One is *efficiency*, another is *freedom*.

Efficiency Argument

P1 In a free market, participants voluntarily exchange goods and services.

P2 If X is voluntarily exchanged for Y, then the participants of the exchange are made better-off and no one is made worse-off.

P3 A distribution of goods and services that makes some better-off and makes no one worse-off is always a better distribution.

C A free market results in a better distribution of goods and services.

We've already looked at a reason to worry about **P3**: Pareto improvements can exacerbate inequality. If you think that economic inequality is bad, it's not obvious that every Pareto improvement results in a better overall distribution.

Call **P2** the *Exchange Claim*. Why believe that it is true?

Argument for the Exchange Claim

P1 X would be voluntarily exchanged for Y only if the person who has X (Person A) prefers having Y to having X and the person who has Y (Person B) prefers having X to having Y ($Y \succ_A X$ and $X \succ_B Y$).

P2 If $Y \succ_A X$ and $X \succ_B Y$ then both A's and B's preferences are better satisfied by engaging in the transaction than by not.

P3 Satisfying a preference makes one better-off.

P4 No one else is affected by the exchange.

C If X is voluntarily exchanged for Y, then the participants of the exchange are made better-off and no one is made worse-off.

Is this a good argument? Are there ways to resist it?

Consider the sources of "noxious" markets that Satz mentions: Weak agency, asymmetric knowledge, underlying vulnerabilities of the participants.

Or, consider **P3**. Is it always good for us to get what we prefer?

Consider **P4**. Is it always true? What about externalities?

Noxious Markets

Satz argues that markets in some goods and services are "noxious" because of the problems they raise for the *standing* of the participants before, during, and after the exchange. In particular,

Unlike others (Anderson, Sandel), Satz doesn't worry about markets *expressing* inferior ways of valuing goods/services; rather, she worries that they undermine the conditions that people need to relate as *equals*.

1. *Harmful Outcomes for Individuals.* Produces destitution; produces harm to the basic welfare and/or agency interests of the individual.
2. *Harmful Outcomes for Society.* Promotes servility and dependence; undermines democratic governance; undermines other regarding motivations.
3. *Weak Agency.* Inadequate information about the nature and and/or consequences of a market; others enter the market on one's behalf.
4. *Vulnerability.* Markets in a desperately needed good with limited suppliers; markets with origins in poverty and destitution; markets whose participants have very unequal needs for goods being exchanged.

The first two features concern the *consequences* of the market exchange. The latter two features concerns the positions of the parties prior to a market exchange.

Notice that a market can be "noxious" even if there isn't anything particularly special about the good/service being exchanged (e.g., blood diamonds).

Semiotic Objections

Brennan & Jaworski distinguish the objection their interested in from the following others:

A *Wrongful Exploitation*

B *Misallocations.*

C *Rights Violations.*

D *Paternalism.*

E *Harm to Others.*

F *Corruption.*

How do these objections relate to Satz's view about "noxious" markets?

Semiotic Objection: Independently of noncommunicative objections, to engage in a market in some good or service X is a form of symbolic expression that communicates the wrong motive, or the wrong attitude toward X, or expresses an attitude that is incompatible with the intrinsic dignity of X, or would show disrespect or irreverence for some practice, custom, belief, or relationship with which X is associated.

1. *The Mere Commodity Objection.* Buying/selling certain goods shows that one fails to recognize their noninstrumental value.
2. *The Wrong Signal Objection.* Independently of one's attitudes, buying/selling certain goods communicates disrespect for the objects in question.
3. *The Wrong Currency Objection.* Inserting markets into certain kinds of relationships communicates estrangement and distance, is objectionably impersonal, and/or violates the meaning of that relationship.

Brennan & Jaworski argue that, when there is a clash between semiotics and consequences, consequences win.

The argument, roughly, goes like this. (1) Semiotics are contingent (what having a market for a good *expresses* is culturally-dependent and changeable); (2) If we can change the social meaning of exchanging a good, and having a market for that good would have positive consequences, we should revise the social meaning; (3) even if it's not possible to revise the culture's social practice, it is permissible for individuals to conscientiously reject these practices.