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ARE THERE SOME THINGS MONEY SHOULD NOT BUY?

The Debate's Over, And Markets Won, But ...

Market institutions, for all their terrible shortcomings, are the best thing that ever happened to humanity.

Deirdre McCloskey says we can boil economic history down to a simple story: “Once upon a time we were all poor, then capitalism flourished, and now as a result we’re rich.”¹ Even, say, an American living at what the US government considers the poverty line today has a standard of living around three times higher than that of the *average* American in 1900 AD.² Or, as Paul Krugman wrote in 1996, “... most families in 1950 had a material standard of living no better than that of today’s poor or near-poor. ... it does not seem at all absurd to say that the material standard of living of the poverty-level family in 1996 is as good as or better than that of the median family in 1950.”³ On average, the global standard of living has increased by a factor of at least 20 in the past two hundred years. In some countries it has increased by far more.

We owe this all to markets and economic growth. The wealth we enjoy did not exist 50 years ago, let alone 1000 years ago. The US by itself in 2013 produced something like 50% more than the entire world’s economic output in 1950, and close to 80 times the entire world’s economic output in 1000 AD.⁴ Wealth has been *made*, not just moved around. Even if all of the wealth that existed in the world as of 1000 AD had been distributed equally among everyone then alive, the average standard of living would be no better than that of Haiti or Malawi today.

Economists have known these kinds of facts for a long time. These claims about growth may be controversial among pundits and voters, and even among some professors in certain ideological and anti-scientific humanities departments,

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but not among experts. But the message of development economics is now going mainstream. Consider: U2 front man Bono, long known for his social activism, now “preaches capitalism”:

... imagine for a second this last global recession but without the economic growth of China and India ... without the hundreds of millions of newly minted middle class folks who buy American and European goods ... Imagine that. Think about the last five years.

Rock star preaches capitalism. Shocker. Wow. Sometimes I hear myself and I just can't believe it ...

But commerce is real. That's what you're about here. It's real. Aid is just a stub cap. Commerce, entrepreneurial capitalism takes more people out of poverty than aid, of course, we know that.⁵

Of course, growth has not touched everyone equally. Critics of market society, following Marx, say that what matters most is what common people have the real ability to do, and this means giving them real resources to achieve their ends. But this kind of prosperity—where common people have real resources—is found in market societies and nowhere else.⁶

For informed humanitarians, the debate is no longer whether we should have market societies or not, but rather *which kind* of market society we should have.

But *Which* Market Society?

A market is a relationship where the mode of interaction is consensual exchange.⁷ Broadly speaking, a market is the voluntary exchange of goods and services for valuable consideration.⁸

One might ask: what kind of market society should we have? That is a broad and imprecise question. We need to break it down into a set of narrower questions, such as:

- 1 How much should governments intervene in and regulate the market?
- 2 What sorts of property rights regimes and background legal institutions are best?
- 3 How much should governments provide social insurance or other welfare programs to protect citizens from misfortune on the market?

These are all worthy questions, but they are not our concern in this book. Here, we focus on a fourth question:

- 4 What sorts of things should be and should not be for sale?

This question concerns the *scope* of the market. Even if we accept that a market economy is best, there remains the question of just what should and should not

be part of that market economy. Most people think that some things should be kept out of the market, that some things are not properly the kind of thing that should be bought and sold.

Noxious Markets?

Consider the following examples, some familiar, some not. Ask yourself; do you think it is morally wrong to sell the goods or services in each example?

- *Human Billboards.* In Tokyo, the PR firm Wit Inc. paid young women \$121/day to wear sticker advertisements on their thighs as they go about their days. The women must be young, popular, thin, and pretty. They agree to wear short skirts or shorts. Wit's CEO explains, "It's an absolutely perfect place to put an advertisement, as this is what guys are eager to look at and girls are eager to expose."⁹
- *Watch My GF.* In the United States and elsewhere, one can purchase subscriptions to websites that collect nude or sexual pictures men have submitted of their ex-girlfriends. These pictures were meant to be private; the women intended only for their then-current boyfriends to see them. Sometimes men submit these videos to humiliate their exes. (It's called "revenge porn.")
- *Prostitution.* Of course, rather than looking at pictures, you can always buy sex. For example, Yessica on Washington, DC's www.backpage.com charges \$200/hr for companionship, while Jessica on www.eros-dc.com charges \$280/hr.
- *What's Your Price?* WhatsYourPrice.com is a dating website in which users pay other users to go on first dates with them. 22-year-old college student Vva33, who posted a picture of herself emerging from a pool in a little black bikini, tells men that she "won't meet for less than \$300" as she gets "too many higher offers." Related websites promise to help match would-be "sugar daddies" with would-be "sugar babies."
- *Wigs.* Hair extensions and wigs are often made from real human hair. This hair frequently comes from poor women in the third world, many of whom sell "their treasured asset[s]" because they have few options.¹⁰
- *The Other Express Lane.* In airport queues, not everyone is equal. For a long time, first-class passengers have been able to use a separate line, cutting ahead of everyone else. But now some airlines sell access to these expedited security lines and for early boarding on the plane. For \$18, you can skip ahead of everyone else.
- *Human Eggs and Pregnancy Surrogacy.* When I (Brennan) was in college, an infertile couple ran an ad in the college newspaper offering to buy an egg from a tall, blonde, blue-eyed woman for \$25,000. Relatedly, one of my homosexual friends and his husband, recently married as of the time I am writing this, will soon look to purchase an egg and hire a surrogate to bear the couple a child after the egg is inseminated. They will likely pay nearly \$100,000 total for these services.

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- *The Greatest Movie Ever Sold*. Why does fictional billionaire Tony Stark (aka Iron Man) drive an Audi rather than, say, an Aston Martin or a Bugatti? Simple: Audi paid to have its products placed within the film. In fact, in any high budget summer film from Hollywood, if you can see the logo or brand of the product the characters use, chances are, you're viewing a paid product placement.
- *Payola*. Sometimes the music on the radio is itself the placed product. Record companies sometimes pay radio stations to broadcast music signals. In the United States, this is legal so long as the radio station discloses that the song is sponsored, but this rule is difficult to enforce, and many radio stations do not disclose that they received money.
- *Pay for Grades*. Following the work of economist Roland Fryer, many school systems are starting to experiment with paying underperforming students for good grades.

Noxious Potential Markets?

All of the examples above are markets that either currently exist or used to exist until recently. But also consider the following possible markets, which some people wish to see legalized:

- *Tiger Farming*. Tigers are nearly extinct. A large part of the problem is that hunters poach tigers for their fur. Laws against poaching and trade in tiger pelts fail to stop the problem—it's just too difficult to stop poachers and the black market tiger trade. This raises the question: in order to save tigers from extinction, should governments allow tiger farming? That is, should governments allow private farmers to raise and slaughter tigers for their fur, just as they allow ranchers to raise cattle for meat and leather or rabbits for their pelts? Defenders of tiger farming say that there is no moral distinction between pigs and tigers—if one may be farmed, so may the other—but allowing tiger farming would remove the economic incentives behind poaching and thus prevent extinction in the wild.
- *Betting on Terror*. In the early 2000s, following the work of many economists on the predictive power of information markets, the Pentagon considered creating a Policy Analysis Market (PAM). These information markets would have allowed people to bet on when certain events would occur, such as terrorist strikes or certain kinds of conflict in the Middle East. The markets are designed such that the market price of a bid indicates the probability that an event will occur (e.g., \$.87/share on a bet that terrorists will attack Boston tomorrow = 87% chance that terrorists will attack Boston). Defenders of PAM believe the Pentagon, CIA, and other agencies would in turn have used this information to save lives.

Chances are, you oppose some of the markets above. You find at least some of these markets offensive, repugnant, degrading, or evil. If so, you are not alone.

Most people think there are some things that money should not buy, that should be insulated from the market forces of supply and demand.

We Are the Critics' Critics

Debra Satz refers to those markets that generate “extreme revulsion” as noxious markets.¹¹ She says there is “an intuitive disgust or abhorrence to certain kinds of market transactions ...”¹² Margaret Jane Radin describes the objects of sale on these markets as “contested commodities,”¹³ and insists that some things are “market-inalienable,” meaning they are not the kinds of things we should have permission to sell.¹⁴ Contested commodities include markets in organs and blood, sex, surrogacy, line-standing services,¹⁵ and the like.

There seems to be a limitless market for books about the moral limits of markets. (Critics of the market all agree that it is permissible for them to sell books on the limits of the market, and some of them have made piles of money selling such books.) In recent years, Debra Satz, Ruth Grant, Michael Sandel, Robert Skidelsky, Margaret Jane Radin, Benjamin Barber, and George Ritzer, among others, have each argued that certain things should not be for sale, and the spread of the market corrupts our personal and civic character. We will refer to these thinkers and their intellectual allies as “anti-commodification theorists.” They are opposed to what they call “commodification,” where “commodification” is a pejorative word for putting something up for sale that was not previously the kind of thing people tended to buy and sell.

The common theme in their work is that the market is mutinous servant of the public good. The market may be good—or tolerable—for some purposes, but it spreads and takes over like pigweed.

Commodification, they say, is a built-in defect of the market mentality. People—from arch-capitalists like PayPal-founder Peter Thiel to anti-capitalists like filmmaker Michael Moore (net worth: \$50 million¹⁶)—are always looking to make a buck. If someone can figure out a way to make a profit by selling something that was not previously for sale, pretty soon it will be for sale. And so, the complaint goes, the market leaves nothing sacred. It gets its greedy, grubby fingers in everything.

We think rumors of the evils of markets have been greatly exaggerated. It is time to give markets a fair hearing.

Our goal in this book is deflationary. We want to show anti-commodification theorists that their complaints about the scope of the market are misplaced. There are, we agree, things that should not be bought and sold, but that's only because they are things people shouldn't *have* in the first place. Beyond that, we argue, there are legitimate moral worries about *how* we buy, trade, and sell, but no legitimate worries about *what* we buy, trade, and sell.

In this book, we will argue that anti-commodification theorists' objections to markets are mistaken—in almost every *interesting* case where they have argued

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markets are morally impermissible, on the contrary, we argue such markets are permissible. Where they see the market as having a fundamentally amoral ethos or as tending to corrupt us, we see it as moral and morally ameliorative. Where they think the solution is to contract the market, we think the solution is to expand it.

Why This Debate Matters

Right now, about 99,000 Americans are on the active waitlist for kidney transplants. *Most* will not get kidneys. Last year, over 3,000 of them died waiting for a kidney. In 2010, about 4,300 Canadians were on a waiting list for organs, 80% of them for kidneys. In 2012, 84 people died for want of a transplantable kidney. Most likely you, the reader, have an extra kidney, and could donate your extra kidney to a needy person with only relatively minor negative long-term consequences for your health.¹⁷ However, like most people, you are not kind, loving, or altruistic enough to do so.

So, this raises the question, should governments allow individuals to sell their extra kidneys on the market? People are simply not willing to give away the organs others need. The government sets the legal price of organs at \$0, far below the implicit market price. Thus, an economist might say, *of course* there is a shortage—whenever the legal price of a good is set below the equilibrium price, the quantity demanded will exceed the quantity supplied. Many philosophers and economists thus think that markets in organs will eliminate the shortage. You aren't kind enough to give away your extra kidney to a stranger, but you might do it for \$100,000. Defenders of organ sales believe that organ sales will save hundreds of thousands of lives annually and will help make the poor rich.

Still, most people recoil at the thought of organ sales. Hollywood movies, such as *Repo Men* or *Never Let Me Go*, portray organ markets in horrifying ways. Most people feel down in their guts that organ sales are gross, repugnant, repulsive, and disgusting. They put a moral name to their revulsion: they complain that organ sales commodify the human body and fail to treat the body with proper respect. Or they argue that there's no way to sell organs without wrongfully exploiting the poor.

We'll discuss many markets over the course of this book. Sometimes, what's at stake is banal: should a Japanese businessman be allowed to satisfy his fetish for schoolgirl panties, or should an overworked surgeon be allowed to pay for someone to hold his place in line at the festival? But even when we're discussing these banal markets, we should recognize that a great deal is at stake in how we answer questions about the morality of the market. At the end of day, we'll be talking about whether couples can have children, about whether we should use the best methods available to predict terrorist attacks, or whether sick people live and die. This book is an entry into an academic debate, but it's not merely an academic debate. How we answer these questions matters.

Notes

- 1 McCloskey 1991, 1.
- 2 We use Angus Maddison's historical gdp/capita data, available here: <http://www.ggd.net/maddison/Maddison.htm>. See also Maddison 2003.
- 3 Krugman 1996.
- 4 Schmitz and Brennan 2010, 122; and URL <http://www.ggd.net/maddison/Maddison.htm>
- 5 Bono, speech delivered at Georgetown University, November 12, 2012. Text available here: <https://www.youtube.com/watch?v=PUZFgBqYt8>
- 6 See Schmitz and Brennan, 2010.
- 7 Thanks to David Schmitz for suggesting this definition.
- 8 We mean "voluntary" in the sense of uncoerced. We recognize that a market exchange can be "involuntary" when, for example, background circumstances exert pressure on someone to sell a childhood toy, or to enter into prostitution or a sweatshop contract.
- 9 <http://qz.com/107236/the-latest-trend-in-japan-is-to-advertise-on-womens-thighs/>
- 10 <http://www.guardian.co.uk/lifeandstyle/2012/oct/28/hair-extension-global-trade-secrets>
- 11 Satz 2012, 4.
- 12 http://www.econtalk.org/archives/2011/08/satz_on_markets.html
- 13 See Radin 2000.
- 14 See Radin 1997.
- 15 Sandel 2012a, 5, 22–28.
- 16 <http://www.celebritynetworth.com/richest-celebrities/directors/michael-moore-net-worth/>
- 17 E.g., see Ramcharan and Matas 2002.