

ECONOMICS, LABOR & BUSINESS

WHAT'S LOVE GOT TO DO WITH IT?

THE SOURCE: “Market Reasoning as Moral Reasoning: Why Economists Should Re-engage with Political Philosophy” by Michael J. Sandel, in *Journal of Economic Perspectives*, Fall 2013.

JOEL WALDFOGEL PROBABLY KNEW BETTER in his heart when he published an article on “the deadweight loss of Christmas” in 1993. An economist at Yale University at the time, Waldfogel argued that it defies economic rationality for people to give each other presents that may wind up stuffed in a closet or guiltily returned

to the store. It would make more sense, he said, to hand your friends and loved ones some cash.

That would be a pretty funny idea, writes Harvard political scientist Michael J. Sandel in *Journal of Economic Perspectives*, if Waldfogel’s kind of economic thinking weren’t penetrating more and more areas of personal and civic life. Economists and others now make the case for such market-based policies as establishing markets in human kidneys and other organs, creating tradable “procreation permits” to control population growth, and allowing consenting adults to swap money for sex.



DIANA MARKOSIAN / REDUX

In Ukraine, Renat Abduliu displays the scar left after he sold one of his kidneys on the international black market in 2011 for \$10,000.

Some of these proposals may have theoretical merit as utility-maximizing measures, Sandel allows, but in the name of “value-free” social science, their authors often try to ignore the moral and ethical implications of their designs.

Consider the case of kidneys. There’s no question that some kind of market in kidneys would save many lives, but before regulating traffic in these organs we must first agree on how we view the human body. Is it simply our property, which we are free to do with as we wish? Is it sanctified, rendering any transplant a violation? Or is only the buying and selling of body parts the problem? If so, would gifts or in-kind exchanges be permissible?

Economists sometimes don’t acknowledge that buying and selling things can diminish the value of what is being traded.

Then there is the question of inequality. A free market in body parts would clearly favor the rich, and there are many other cases, large and small, in which inequality is an issue. In Washington,

D.C., for example, a company called LineStanding.com charges customers \$50 an hour for surrogates to queue up to obtain (free) tickets to important congressional and Supreme Court sessions. A hot ticket can require days of waiting and cost thousands of dollars, and the chief customers are lobbyists. On efficiency grounds, this is perfectly reasonable; on equity grounds, it obviously isn’t.

The problem doesn’t end there, Sandel points out. Congress could solve the inequality problem by providing subsidies to all those who wanted to pay somebody for a seat, but that idea only points to a subtler and more profound issue: “Turning access to Congress into a product for sale demeans and degrades” the institution. There’s a broader principle at work: “Some of the most corrosive effects of markets on moral and civic practices are neither failures of efficiency in the economist’s sense, nor matters of inequality. Instead, they involve the degradation that can occur when we turn all human relationships into transactions and treat all good things in life as if they were commodities.”

Economists sometimes don’t acknowledge that buying and selling things can diminish the value of what is being traded. Suppose there were a market in children: It would degrade

and objectify children and violate all notions of parental love. But that's obviously an extreme example; the effects of commercialization can reach into many mundane or unexpected corners. In one famous study, a group of Israeli child-care centers tried to discourage parents from arriving late to pick up their children by imposing a fine for tardiness. Late pickups promptly increased. Why? "Before, parents who came late felt guilty; they were imposing an inconvenience on the teachers," Sandel explains. "Now, parents considered a late pickup as a service for which they were willing to pay."

The same principle can be seen at work in Switzerland, where 51 percent of the residents of the village of Wolfenschiessen agreed in a survey to accept a nuclear waste facility in their community if the Swiss parliament found it to be the safest location in the country. What if, in addition, the residents were offered an annual payment? Only 25 percent agreed. The public-spirited villagers were willing to sacrifice for the greater good, but once money entered the equation, their calculus changed.

None of this means that market mechanisms should never be used,

Sandel writes. But it's important to fully understand the ends when designing the means. The best solution to the Capitol Hill ticket crush, for example, might be a lottery that awarded nontransferable tickets, making access open and fair while preserving the majesty of governmental institutions.

Beneath many economists' calculations is a "strange" hidden assumption that qualities such as civic spirit, love, and generosity "are scarce resources that are depleted with use." In 2003, while he was president of Harvard University, Lawrence Summers declared, "We all have only so much altruism in us. Economists like me think of altruism as a valuable and rare good that needs conserving. Far better to conserve it by designing a system in which people's wants will be satisfied by individuals being selfish, and saving that altruism for our families, our friends, and the many social problems in this world that markets cannot solve."

That kind of thinking "ignores the possibility that our capacity for love and benevolence is not depleted with use but enlarged with practice," Sandel concludes. Indeed, civic virtue and public spirit may "atrophy with disuse." ■