

CRITICAL REFLECTION ON THE MORAL LIMITS OF MARKETS

INSTITUTIONS IN CONTEXT:
THE FREE MARKET WORKSHOP

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PRESENTATION OUTLINE

- **THE MORAL LIMITS OF MARKETS**
- **What? Why?**
 - Two moral problems: Fairness and corruption
- **TWO CONTEMPORARY CRITICS**
 - Michael J. Sandel: The moral limits of markets
 - Gavin Mooney: The political economy of health
- **CONCLUSIONS**
 - **Balanced approach between extremes:**
 - Participation and democratic governance
 - Health as a human right, not as a commodity

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THE MORAL LIMITS OF MARKETS

- **Argument:** These days almost everything is up for sale and this has significant moral implications:
- A price tag can be placed on a jail cell upgrade, carbon-dioxide-emissions, or obtaining permanent residency in the US
- Rich westerners can hire an Indian surrogate to bear a child for them
- Businessmen can go to Africa to shoot an endangered black rhino
- Second-graders are given financial incentives for school success
- One can buy access to a carpool lane while driving solo
- Professional lobbyists can hire line standers to gain access to a congressional hearing (Washington DC)

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THE MORAL LIMITS OF MARKETS

A renowned political philosopher Michael J. Sandel wants us to ask:

- Are there some things that should not be bought and sold?
- How can we protect the moral and civic goods that markets do not value?
- How do we define the limits of markets?

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FUNDAMENTAL CHANGE?

**“We drifted from having
a market economy to being
a market society”**

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HISTORICAL CONTEXT I

- The rise of market triumphalism can be associated with the paradigm shift from Keynesian economics to monetarism during the Thatcher era in the 1980s (Hall, 1993)
- Market values and market-based solutions took over all over the world
- The 2008 financial crisis called into question the ability of market fundamentalism to solve the most pressing questions of our age

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HISTORICAL CONTEXT II

- It has been argued that the crisis was caused by greed and irresponsible risk-taking, and therefore the solution should be greater responsibility and increased regulation
- Michael J. Sandel:
 - What if this is only a partial diagnosis and something bigger is going on?

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HISTORICAL CONTEXT III

- Michael J. Sandel: *the market paradigm has become the dominating framework that is used to understand and solve societal problems* (especially in the US and other liberal welfare states)
- 30 years ago it was unheard to use markets to allocate 'health, education, public safety, national security, criminal justice, environmental protection, recreation, procreation, and other social goods'. Nowadays this is an everyday activity
- This development has had a significant influence on our lives and according to Sandel this change has been more fundamental than we might think at first sight

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COMMODIFICATION

- The central concept is 'commodification'
 - A practice where market principles and norms are applied in areas that have not traditionally understood in terms of selling and buying products or services
- As a political philosopher, Sandel's focus is on the moral and ethical implications of the increased commodification of life

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PROBLEMS

- Have the market values infiltrated into our lives without our own intention?
- The logic of buying and selling has come to govern our everyday life

Why is this problematic?

- Fairness
- Corruption

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FAIRNESS

- First, *the fairness objection* refers to the inequality that can arise from buying and selling things under the conditions where people possess different amounts of economic resources
- Poor people might be forced to market exchanges as an economic necessity and the increased commodification can place citizens to the radically unequal positions of power, even more than is currently the case (increased coercion)
- We should aim at reducing inequality, not at increasing it

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CORRUPTION

- Second, *the corruption objection* points to the ways of how market valuation and exchange can degrade people and our morals
- ‘The corrosive tendency of markets’, which can be associated with buying and selling
- Many of our moral and civic goods are likely to be corrupted if they embody market relationships

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EFFECTS OF COMMODIFICATION

- Commodification changes the nature of an activity
 - The aspect that is often ignored by economists
 - Civic goods cannot be reduced to market commodities
- Sandel: In contemporary politics there is insufficient debate on the role of markets
- Free-market capitalism has converted moral problems to market problems that can be solved with money

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PUBLIC DISCOURSE I

- For Sandel there is no universal moral codes and systems
- Defining the moral limits of markets requires that citizens reason together
- Active citizens who demand thoughtful action from their elected representatives and other people in positions of power

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PUBLIC DISCOURSE II

- We cannot have an agreement on every question but the process itself would lead to ‘a more morally robust public discourse’ and ‘healthier public life’
- Importantly, a public discourse about the limit of markets would make us more aware of the consequences of ‘putting everything on sale’

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THE POLITICAL ECONOMY OF HEALTH

- Fairness objection and public health:
Who said this?

"Capitalism means that there is much more research into male baldness than there is into diseases such as malaria, which mostly affect poor people - - Our priorities are tilted by marketplace imperatives."

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TECHNOLOGY

Bill Gates: capitalism means male baldness research gets more funding than malaria

By Olivia Solon | 14 March 13



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Capitalism means that there is much more research into male baldness than there is into diseases such as malaria, which mostly affect poor people, said Bill Gates, speaking at the Royal Academy of Engineering's [Global Grand Challenges Summit](#).

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MARKET FAILURES AND INEFFICIENCIES

- The normative theory of market-failures (=market imperfections)
 - Partial solutions: Regulations can improve economic efficiency and protect social values (vs. corporate discourse where regulations are almost always considered to have negative effects and lead to decreased efficiency)
 - Price mechanism (taxes/subsidies)
 - Legislation and force (laws and regulations)

“Market failure occurs when there are too few markets, non-competitive behaviour, or non-existence, leading to inefficient allocations.”

- John O. Ledyard, from *The New Palgrave Dictionary of Economics*, Second Edition, 2008

ARE FREE MARKETS REALLY FREE?

- **Argument 1: Market forces cannot allocate resources efficiently in health care without government intervention**
 - Ideal markets can exist only in very strict conditions
 - > We never have health care markets in ideal conditions?

- **Argument 2: Market logic do not address equity in health and health care**
 - No commitment to health equity
 - Health is a human right, not a commodity

- **Mooney: “Health care is demanded not for its own sake but because there is a demand for health.”**

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FREE MARKETS AND HEALTH

“Health care has been commodified and seen almost solely in the context of the treatment of an individual and the second level, where the concern is with the health-care system as a social institutions, is largely ignored”

“The idea of health care as a social institution – where not only outcomes are valued, but processes might also count”

(Mooney, 2012, p. 12)

What is a good society?

- social cohesion, trust, respect, well-being, equality, stable institutions

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HEALTH CARE AS A SOCIAL INSTITUTION

“What all of this market-oriented thinking misses is that health-care systems are **social institutions with potentially wider concerns that cannot be encapsulated in market commodities** – caring, being cared for, wanting to build a decent society, fairness and so on. It does not attempt to find out what the community view is.”

(Mooney, 2012, p. 42)

Compare to Sandel’s fairness and corruption objections:

- We need citizens who reason together: what is fair?
- Civic goods must be voluntary and value-based (otherwise they are not civic goods anymore)

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THE CITIZENS’ VIEW

A definition of equity established by a citizens’ jury in Perth in Western Australia:

“Equal access for equal need, where equality of access means that two or more groups face barriers of the same height and where the judgement of the heights is made by each group for their own group; where need is defined as capacity to benefit; and where nominally equal benefits may be weighted according to social preferences such that the benefits to more disadvantaged groups may have a higher weight attached to them than those to the better off.”

(Mooney and Blackwell, 2004)

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CONCLUSIONS

- Free markets as a non-existent ideal
 - Regulation needed to fix market failures
 - However, curing one failure can lead to another
 - There are things that should not be commercialized?
- Markets do not set their own moral limits
- Humans rights perspective:
 - The State needs to promote, protect, and fulfil our health and other human rights
- Active citizens and democratic institutions
 - Civic goods, social institutions, values
- No easy solutions or quick fixes

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