reason
Free Minds and Free Markets

What Money Can't Buy: The Moral Limits of Markets

by Michael F. Sandel, Farrar, Straus and Giroux, 256 pages, $27

Tom G. Palmer | October 1, 2012

MICHAEL SANDEL knows something about money. After all, the Harvard political philosopher exchanges his ideas for money--a lot of money, in fact. Now Sandel has written a book (available for $27) about what things should not be for sale.

Sandel's basic warning goes like this: Markets--by which he means the use of prices expressed in money--lead inevitably to commodification, which "corrupts" and "crowds out" the moral norms that should otherwise guide our interactions. In What Money Can't Buy: The Moral Limits of Markets, Sandel looks upon other people's purchases and frowns. Important things in life--tickets to rock concerts, private medical consultations, access to shorter airline check-in lines--are being exchanged for money, he reports. "The reach of markets, and market-oriented thinking, into aspects of life traditionally governed by nonmarket norms is one of the most significant developments of our time," he writes, necessitating "a public debate about what it means to keepmarkets in their place."

Although Sandel is fuzzy on the specifics, he wants an enlightened debate to determine whether other people should be allowed to use prices when they cooperate or allocate scarce goods. "Democracy does not require perfect equality, but it does require that citizens share in a common life" he writes. "And so, in the end, the question of markets is really a question about how we want to live together." Let's see where that takes us.

What Sandel offers as a moral/philosophical analysis of this alleged problem amounts to little more than an exploration of his own moral intuitions, unencumbered by critical self-scrutiny. Thus, "Treating religious rituals, or natural wonders, as marketable commodities is a failure of respect. Turning sacred goods into instruments of profit values them in the wrong way." This flat assertion may come as news to much of organized religion.

Synagogues regularly sell seats for the Days of Awe, or High Holy Days, which helps finance religious activities. One of my great aunts, a conservative French Catholic, sent me cards when I was a boy that said she had given money to an order of nuns to pray for me. Sikhs pay for scholars to read from their holy book. The candles one lights in Catholic cathedrals when saying a prayer are priced (not given away free); guests at traditional Polish weddings pin paper money on the dress of the bride in exchange for a dance. Do these practices show a lack of respect for religion and the sacrament of marriage? Should the collective "we" (Sandel uses the term a great deal in all of his books) prohibit the use of money to allocate synagogue seats, prayers, holy readings, candies, and dances with the bride? Or should those decisions be made by members of the respective synagogues, churches, and temples?

Sandel never once in his book entertains the idea that maybe we should let people sort such matters out for themselves, without having the decision made for them by "us." Instead, his own tastes are presented as suitable for everyone else. There's a serious danger with such intuitive collectivism: It disguises restatements of one's own unacknowledged and unexamined prejudices as a philosophical investigation and then imposes them on everyone else.

For Sandei, not deciding collectively on "competing conceptions of the good life" does not leave such questions undecided. Instead, "It simply means that markets will decide them for us" This statement is both ominous and incoherent. "Markets" are not some kind of omnipotent, singular, malevolent intelligence. When people exchange goods and services we use the term market. When the exchanges take place through the medium of money, the exchange ratios of goods against money are called prices. Sandel confuses prices with markets and then suggests that the question of whether something should be exchanged on markets will be "decided" by markets, which is a singular bit of confusion.

Sandel at least recognizes that a common alternative to pricing is waiting in line. But bizarrely, he seems rather fond of queues. He devotes a chapter to "Jumping the Queue," with subsections on "Markets Versus Queues" and "The Ethic of the Queue," and quotes approvingly a writer who moans that "gone are the days when the theme-park queue was the great equalizer, where every vacationing family waited its turn in democratic fashion." Sandel claims there are two arguments favoring prices over queues: "a libertarian argument ... that people should be free to buy and sell whatever they please, as long as they don't violate anyone's rights," and a utilitarian economic argument. He then proceeds to ignore the libertarian argument while misunderstanding the economic.

Sandel acknowledges that "as markets allocate goods based on the ability and willingness to pay, queues allocate goods based on the ability and willingness to wait." Moreover, "there is no reason to assume that the willingness to pay for a good is a better measure of its value to a person than the willingness to wait."

Sandel thinks he has scored a fatal blow against the economic case for markets here, but what he doesn't get is that the price mechanism provides a decentralized system of signals and incentives that help us to better coordinate our behavior. Consider that a longer queue without prices sends no signal to producers to make more of the product for which people are queuing. Using prices, rather than queues, has the advantage of disseminating information about supply and demand. Sandel sees no coordinating advantages to price allocation and bemoans "the tendency of markets to displace queues and other nonmarket ways of allocating goods." He describes substitution of prices for queues as "places that markets have invaded."

Sandel is right that the use of prices can have disadvantages, which is the core insight of Ronald Coase's theory of the firm. If market pricing is so great, why are there firms? Because using the price system has costs. Firms, teams, and organizations are islands of nonprice allocation and coordination in a wider sea of price allocation. Price coordination co-exists with nonprice coordination. The issue is not which system will award scarce goods to those who value them the most but which will coordinate behavior better in which situations. Sometimes it's queues and sometimes it's prices, and sometimes it's both. (I'm in a Starbucks now, and the system here is first come, first served, probably because it would be too costly to have an auction on who gets served first. Still, the coffee is exchanged for money.)

Bakers of communion wafers generally sell them to churches for money. The churches provide them as part of a sacrament for which the faithful queue. Whether to use prices or queues and at which point is really none of Sandel's business.

Sandel is not only rhapsodic about queues but again invokes the collective we when he states: "Of course, markets and queues are not the only ways of allocating things. Some goods we distribute by merit, others by need, still others by lottery or chance." He's not just pro-queue but rather strongly against prices, which seem to him somehow dirty ("corrosive") as a coordinating mechanism. Never addressed is whether some of "us" should be allowed to work out for ourselves our own solutions, without having one imposed on all.

Sandel explains that some things "can't be bought," e.g., friendship. Aristotle may beg to differ; the Greek philosopher discussed "friendship for advantage" in Book 8 of the Nicomachean Ethics, declaring them one kind of friendship, though not the highest. Still, we may insult friends when we reward a favor with money;

sometimes "the monetary exchange spoils the good being bought." That sounds right to me, if not all that original or deep.

Still, Sandel doesn't seem to have thought very hard about these things. His research skills have discovered that there is "a company in China" that you can pay to write an apology, and that at ThePerfectToast.com you can purchase a prefab wedding toast. "Apologies and wedding toasts are goods that can, in a sense, be bought," he writes. "But buying and selling them changes their character and diminishes their value." Perhaps. But so what? Drug store companies have been selling syrupy Hallmark cards for decades. I don't use them. Like Sandel, I speak and write for a riving. Unlike Sandel, I understand that not everyone else does.

Among the many items Sandel believes are "degraded" when exchanged for money are human kidneys. Of course, allowing people to offer money for voluntarily donated kidneys may save lives (or "ease the gap between supply and demand" as Sandel delicately puts it), but it "taints" the goods exchanged. Making it illegal to exchange kidneys for money may be costing thousands of people their lives, but, hey, it satisfies our-which is to say, Professor Sandel's--desire to avoid tackiness.

In a book full of praise for the moral virtues of nonmonetary exchanges, there is only one concession to the advantages of markets: "As the cold war ended, markets and market thinking enjoyed unrivaled prestige, understandably so," Sandel graciously concedes. "No other mechanism for organizing the production and distribution of goods had proved as successful at generating affluence and prosperity."

It's something, but it ain't much. In contrast, nonmarket norms, such as queuing, subsistence hunting, need, chance, and honor (mostly unaccompanied by any specific mechanisms of allocation), are consistently praised as "higher" That's a remarkably obtuse approach. There is a long tradition of thinkers, from Montesquieu and Voltaire to Milton Friedman and Deirdre McCloskey,that has focused attention on the moral virtues of markets, not merely their ability to produce wealth.

Sandel is surrounded by market exchanges that enhance his life, but all he can see is corruption, corrosion, and degradation. Never is the price system praised for displacing an inferior moral norm. It seems that whatever form of interaction is displaced by a price system must be better, higher, nobler. Au contraire! Markets punish and eventually push out tribalism, confessionalism, racism, cronyism, and many other traditions. And good riddance.

It's not as if this point has never been made. "Commerce is a cure for the most destructive prejudices; for it is almost a general rule, that wherever we find agreeable manners, there commerce flourishes," Montesquieu wrote in 1748, "and that wherever there is commerce, there we meet with agreeable manners." Sandel never acknowledges that intellectual tradition.

As Milton Friedman (who Sandel dismisses without engaging) once noted, "no one who buys bread knows whether the wheat from which it is made was grown by a Communist or a Republican, by a constitutionalist or a Fascist, or, for that matter, by a Negro or a white. This illustrates how an impersonal market separates economic activities from political views and protects men from being discriminated against in their economic activities for reasons that are irrelevant to their productivity--whether these reasons are associated with their views or their color."

Prices, contra Sandel, "corrode" many nonmarket norms that we are better off without. Markets promote color blindness, punctuality, mutual respect, the "double thank you" of voluntary exchanges, and peace. Somehow those virtues don't make it into Sandel's musings on the moral limits of markets.

What Money Can't Buy will titillate with its examples of odd things some people buy and sell. But it fails to provide moral guidance to how we should behave (other than not fooling ourselves by thinking we can buy true friendship), and it gives even less insight into the roles that prices and markets play in our lives.

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