PART I

Basic Concepts

Part I introduces the basic concepts of markets, property rights, and law that form the background and subject matter for the chapters ahead.

1

Markets

When you finish studying this chapter, you should be able to:

1. *Identify and observe market activity.*
2. *Define the concept of a* market exchange *and understand why there are challenges for providing a single, clear-cut definition.*
3. *Notice cultural filters that may affect how you interpret market activity.*
4. *Reflect on how ethics is relevant for understanding the role of markets in society.*
5. *Consider several background conditions necessary for markets to operate.*

1.1 Introduction

As captured British officer R. A. Radford entered the gates of a German prisoner of war camp during World War II, he was prepared to adjust to a new world, but not all of it was new. He found a thriving economy, with markets in many goods, and a highly responsive pricing system with a currency measured in cigarettes. It is perhaps the only known currency that people could smoke. "Around D-day," he recalled in an article he wrote after the war, "food and cigarettes were plentiful, business was brisk and the camp in an optimistic mood. Consequently, the Entertainments Committee felt the moment opportune to launch a restaurant, where food and hot drinks were sold while a band and variety tunes performed."[1]

In another case, a group of economists, curious about the limits of rational choice, entered an insane asylum and found thriving markets despite great restrictions placed on inmates' freedom.[2] The basic message of both these studies was the same: that human needs and desires lead people to create markets even in the most unfriendly and seemingly unlikely environments. Not even sanity is required.

Markets are all around us. There are few places to travel in the world today where people live without markets. Even the poorest places on earth typically display a dizzying array of market stalls and trading. Why is this? These activities are not recent either. Evidence of markets date back at least to the

[1] "The Economic Organization of a POW Camp," *Economica* 12 (1945), p. 196. As a trained economist, Radford's fascinating story had this point: "the essential interest lies in the universality and the spontaneity of this economic life; it came into existence not by conscious imitation but as a response to the immediate needs and circumstances. Any similarity between prison organization and outside organization arises from similar stimuli evoking similar responses" (p. 190).

[2] Raymond C. Battalio, et al., "A Test of Consumer Demand Theory Using Observations of Individual Consumer Purchases," *Economic Inquiry* 11(4), pp. 411–428.

last Ice Age, and some form of market and commercial life is writ into nearly every stage of human existence.

Consider a typical day: you may start by opening the refrigerator with foods purchased from a local grocery store, run a few errands to several stores, make some Internet purchases from Amazon.com, Craigslist, or other sites through a laptop from the comfort of your sofa (both of which were probably purchased through some market exchange). After a day at work in a job associated with its own labor market, you may choose among dozens of restaurants and go out to eat, or watch the news to hear about the latest on the stock market or international oil prices. You then go to bed in an apartment that is leased through a local rental market or a home purchased through the housing market. For all of us, the more we look into the activities of our lives, the more amazed we become by the impact and extent of the markets that surround us.

This chapter introduces the concept of a market and includes a few background materials in preparation for the study of ethics ahead.

1.2 What Are Market Exchanges?

Markets have taken many forms throughout history. Before we consider the modern system, let's start with the basic idea at the core of any particular form. **Markets** *refer to willing buyers and sellers exchanging items that they value*. We will also call this activity *market exchange*. The *items* exchanged may include tangible goods (such as bread, cars, or computers) or intangible services (such as your labor or getting a pedicure). A restaurant experience, with the food served and the surrounding ambience, includes both tangible and intangible goods, as do many other items that we value.

One way to deepen our understanding of the distinctive human activity of markets is to consider at least two important types of nonmarket environments.

First, rather than a system of markets, we may have a system of **takings** through violence. A taking is an unwilling exchange or transfer. The famous English political philosopher Thomas Hobbes, in his *Leviathan* (1651), offers the most spectacular imagery of humans thrown into a state of nature without any formal rules governing behavior. We are to imagine what would happen. He was not optimistic. War, violence, and brutal coercion: these are all human possibilities that would be realized in a state of nature, he hypothesizes, and none of these violent acts would describe markets. They would be takings. To offer another literary example, William Golding's novel *Lord of the Flies* provides a vivid image of a violent human nature, as a group of boys shipwrecked and stranded on a remote island devolve into a primitive and savage state. Both of these allegories, with their dim views of human nature, illustrate the idea that violent takings are different from market exchanges.

But takings do not have to be violent to fall outside the concept of a market exchange. Let's fast forward to a U.S. Supreme Court case, *Kelo v New London*, where the Court found that the City of New London, Connecticut, was constitutionally permitted to exercise eminent domain to seize Susette Kelo's and others' homes. **Eminent domain** refers to the power the government derives from the Fifth Amendment to take property from citizens if the taking is for a public use and includes just compensation. For example, the creation of the 1950s interstate highway system was possible only through the federal government's extensive use of eminent domain to take private land and convert it into an interstate highway. The point of the New London taking was to redevelop the land to

What Motivates Giving?

Psychological egoism is the view that people are always ultimately motivated by a desire to advance their own self-interests. Hobbes, for example, was a psychological egoist who would explain the motives behind all gift-giving in terms of the self-interest of the giver. **Altruism** is an alternative account of human motivation, stating that people can be motivated to advance others' welfare without any reference to their own self-regarding desires. Discussion Question 3 prompts further debate about this contrast.

Note that *ethical egoism*, introduced in I.4B, differs from the concept of *psychological egoism* introduced here. (How so?) This distinction has a useful application for understanding the stockholder theory of corporations, as discussed in Chapter 4, Section 7.

These ideas raise basic questions: Do we have a basic human nature? What is it like? How malleable is it based on our circumstances and upbringing? In what direction should we mold our nature if we can? These questions have driven much of the pursuit of philosophy and literature for thousands of years; both continue to inspire writing and scholarly research today. To give one example, *New York Times* columnist David Brooks draws on recent brain research to help us understand these questions in his *The Social Animal: The Hidden Sources of Love, Character, and Achievement*.[4]

What motivates our actions is of primary importance to a study of ethics. Arguments that state a position about our motivational capacities and limitations within a market setting are part of many of the discussions to follow, in Chapters 4–14, with an initial exploration through Discussion Question 4 at the end of this chapter.

encourage economic development in that city. On the one side of the case, an older couple did not want to move. They valued memories more than the money offered to relocate. On the other hand, people were out of work and desperately wanted the government to intervene to create economic development and jobs. Justice John Paul Stevens began the opinion of the Court with a description of the conflict. "In assembling the land needed for this project, the city's development agent has purchased property from willing sellers and proposes to use the power of eminent domain to acquire the remainder of the property from unwilling owners in exchange for just compensation."

This excerpt offers an apt contrast for our purposes: the initial purchases from willing sellers are market exchanges; the takings from unwilling owners, using a government power of eminent domain, are nonmarket exchanges. Takings, whether justified or not, violent or peaceful, happen outside of markets. In general, when the government acts by using its coercive powers, the direct activities that result are not market exchanges.

A second major contrast to market exchanges is the huge world of giving. Unlike political philosopher Thomas Hobbes's and novelist William Golding's views of unchecked humanity, a system of *giving* describes another vision of humankind. All over the world, people offer gifts, many times over, with the purpose that they are not intended as a trade. *Nothing in return* is sometimes our guiding principle. **Gifts** occur when a person offers a good or service to someone without an exchange from the other as a condition of the offering. This human activity may seem marginal next to trillions of dollars of global sales and trading in our economic world, but it is not. According to the Giving USA Foundation and the Center on Philanthropy at Indiana University, the amount of philanthropic contributions fueling the U.S. economy in 2010 amounted to $290 billion, including donations by individuals, charitable bequests, foundation grants, and corporate giving. Over 200 billion dollars of this amount, they found, came from individual donations.[3] Philanthropy often creates personal benefits as well, such as tax breaks, so it's not necessarily "nothing in return." Still, those gifts are not typically interpreted as exchanges between a buyer and seller.

[3]http://www.givingusareports.org/
[4]Random House, 2011.

The world of gift-giving happens whenever you offer something without an exchange from the other as a condition of the offering. At the personal level, giving goes well beyond gifts in wrapped boxes. Gift-giving governs much of our lives in how we allocate our time (e.g., through charity, volunteer work, family time, and friendships); and none of these activities are market exchanges.

We can summarize the conceptual points so far: Markets are patterns of exchanges between willing buyers and sellers. They are not takings, which can be exchanges but are nonmarket. They are also not gifts, which are not exchanges at all.

1.3 Why We Begin with Market Exchanges?

There are several distinctions, generally recognized, that we can make to avoid potential confusion. First, the term *market* can refer to a specific place, such as the local farmer's market with its many goods for exchange. It can also refer to a class of goods or services independent of a specific location, such as the market for sports cars. Markets can also refer to the financial sector, as when people ask, "How are the markets doing today?" Further, in economics, discussions of markets typically refer to the supply and demand conditions of a particular good or service, where buyers and sellers interact to create a price.

There is no single correct usage of the term *market*; all of these descriptions are common and have their place in context. One primary reason we begin with the concept of exchange is that many complex issues in economics and ethics are variations on relationships based (at least in part) on the fact that an exchange occurs.

There is one further distinction worth discussing at the outset. The terms *business system*, *market system*, and *economic system* typically refer to an entire network of economic and political institutions that surround exchange, though there is no universally accepted way to describe any given *system*. Here, we start with the simple idea of market exchange. In doing so, we are not yet addressing the nature of large and intricate economic systems. We will characterize the broader business and economic system with its many ethical puzzles only after introducing concepts of property rights, law, and corporations in Chapters 2–4. Later chapters will also discuss markets in relation to the wider society and its values, especially relationships among markets, business regulation, and different forms of government. We begin with market exchange as the first building block for the discussions to follow.

> Chapter 13 examines human relationships in economic life, including but going beyond exchange relationships. The discussion of property rights in Chapter 2 also analyzes relationships that are not themselves exchanges but help make exchanges possible.

Another reason that the chapter starts with market exchange is to emphasize a reality that might be otherwise lost: whether we live in the United States or Africa or the Far East, whether we live under one governmental form or another, whether we live today or lived a thousand years ago, almost all people have experienced market activities sometime and somewhere in their lives. Markets are a thread that connects today's complex world with systems of exchange that date back thousands of years. The core idea of exchange is still at the heart of business and economic life today. Markets happen in prisons and insane asylums and many places around the world. Markets exist whenever people are buying and selling. The motives may be many—and we note this point for later ethical analysis—but the outcome of a market is exchange.

Many people celebrate this history of markets, reflecting on the violent alternatives that have defined much of human history. They argue that markets foster honesty and other positive traits, such as the desire to create value for others. Other people criticize markets, reflecting on alternative visions of communal life and human capacities for giving. These people argue that markets encourage baser motives and actions, such as greed and excessive materialism. There are many ethical judgments to make, and such assessments and others will be part of a more detailed analysis in the chapters that follow. But the aim of these first sections is to set an initial context and to be *observational*, to notice a world around us that uses markets. *What do you see when you see markets? What culture filters impact how you observe market activity?* From this core human interaction of exchange, much results.

1.4 Debates about How to Define Markets

It may seem that there is little to debate by starting with such a basic idea as a market exchange. But some of the most fundamental ethical disagreements can derive from differences about what we see and observe in social life and how we define or characterize what we see. For example, two people may witness the same event—a decision to increase gasoline taxes, for example—but disagree passionately about the policy. Part of the disagreement may be over specific policy issues, such as "Whom does a gasoline tax affect? Why tax gasoline and not income?" But just as likely—especially in a political climate—adversaries may characterize the very concept of a tax increase differently. One may interpret the idea of taxes as individuals' fair costs for benefiting from the goods of society. Another may define taxes as taking money from individuals that is already theirs. This disagreement may be deep; and it derives from differences in how each characterizes what a tax is.

This chapter asks you to think about how you *see* markets at a very basic level. As stated earlier, markets are commonly defined as willing exchanges between buyers and sellers. But in this section, let's consider how offering a precise definition can be surprisingly difficult to do, and why such a basic idea as market exchange can elicit controversy.

Contemporary economist John McMillan wrote that "a definition of a market transaction, then, is an exchange that is voluntary: each party can veto it, and (subject to the rules of the marketplace) each freely agrees to the terms. A market is a forum for carrying out such exchanges."[5] Open an introductory textbook in business or economics and you will probably find a similar definition. McMillan's veto principle has a nice application to the Kelo case: Kelo could not veto the government taking, so intuitively we say that it is not a market transaction. In this sense, McMillan's definition works well and offers a method for distinguishing trading from takings.

McMillan, like most mainstream economists, stipulates that markets are **voluntary exchanges**, and his proposal is quite intriguing: a market exchange is voluntary if both sides can veto it. That covers a lot, although it's not hard to find counterexamples. Suppose X and Y are committed to engaging only in market exchanges. X comes up with a plan. He puts a gun to Y's head and says, "How about we exchange your car for the change in my pocket?" Y says, "I can't veto that deal, this is no market exchange." X says, "Sure you can, it's just that the consequences will be deadly if you veto."

> The concept of *voluntary action* has intrigued philosophers for generations, including ancient Greek philosopher Aristotle's famous discussion about the nature of voluntary and mixed actions in his *Nicomachean Ethics*. We will examine the concept of *voluntary choice* more closely in Chapter 9.

This situation is not what McMillan has in mind. It is very difficult to figure out a way to rule out these cases on the veto principle,

[5]McMillan, John. 2002. Reinventing The Bazaar—A Natural History of Markets. W. W. Norton & Company, (p. 6).

though. This point is not an idle puzzle. Many people believe that markets allow some individuals or groups to systematically exploit inequalities of bargaining power to the point that there is almost nothing voluntary about the resulting exchanges. They argue that many real market exchanges are morally similar to X putting a gun to Y's head.

We might call these transactions **desperate exchanges**, borrowing the phrase from political theorist Michael Walzer. These are exchanges that we hope we will never have to make. Desperate exchanges are trades of last resort that occur when and because one party to the exchange is in desperate circumstances. Imagine selling your organs to use the earnings to feed your malnourished children, or consider labor market conditions that resemble indentured servitude or enslavement in some parts of the world. Given these extremes, can we veto deals when the alternative is that our child starves? Yet, these exchanges are still subject to conditions of demand and supply and normal economic analysis. We do not need to consider "exotic" examples either to understand the point. Suppose gasoline prices triple, bus fares increase, you need to get to work and there is a long way to travel. There is a sense that you are stuck at paying those prices because you have no viable alternative. This market exchange starts to feel less voluntary. If we adopt a very stringent account of a voluntary action, then nothing would count as a market exchange; if we decide that anything counts as voluntary, then any exchange whatsoever would count as a market exchange. We are left with an important idea: market exchange entails buyers and sellers who are "willing" to engage in the transaction in some sense, but with much disagreement about exactly how to characterize what counts as a voluntary *willing* versus an involuntary *taking*.

Further, some commentators worry that the generally accepted definition of a market, as stated above, primes us (mistakenly) to observe or presume that all markets are voluntary when sometimes they are not. They argue that *defining* markets as voluntary is "ideologically loaded."[6] What do you think?

For our purposes there are three lessons to draw from this discussion.

1. *Defining markets is not clear-cut.* Debates about its definition persist because the underlying activity is not clear-cut. We want our social concepts, like the concept *markets*, to mirror the complexities of our world, and so precise definitions are not always possible or desirable. Instead, theorists often define social concepts with a cluster of common properties, without insisting that each property be present in each case. Thus, we allow for gray areas and boundary cases. As long as we understand the complexities at hand and what we are talking about, we can continue the conversation. We will further illustrate the idea that definitions sometimes express a cluster of common properties through the important discussion of *ownership* in Chapter 2.
2. *We want to identify markets as an interesting object for ethical study, without stacking the deck against competing ethical viewpoints.* The point is to avoid building a presumptive ethical assessment into the very definition of the term. To facilitate conversation and debate, we want to allow for a broad spectrum of opinion about what people see and observe in market activities. In particular, desperate exchanges raise interesting questions about the "voluntary" nature of markets. So, we include all of these boundary cases as part of our study. We can then debate puzzling or interesting

[6]Frank Cunningham, "Market Economies and Market Societies," *Journal of Social Philosophy* 36(2) (2005), p. 130.

cases about what counts as market exchanges, and doing this exercise can increase our awareness about how and what we see. Further, we want definitions that allow us to move from terminology to the more important substantive questions that will become part of later chapters: Do we approve of this activity on ethical grounds? Why or why not?

3. *How we choose to characterize the world impacts how and what we see in the world.* This applies across all aspects of life. So, it's worthwhile to pause and examine the most basic concepts of any subject, as we are doing in this chapter. Do your own observations about markets presume any implicit judgments that markets are appropriate or inappropriate? Do others see markets in the same way that you do?

1.5 Blocked Exchanges

Although we observe markets all around us, we can also observe many situations where law or custom prohibits market exchanges. Why is this? Contemporary political philosopher Michael Walzer calls such situations **blocked exchanges**, which refer to specific market exchanges that are prohibited by law or custom.

Consider the following list. At this early juncture, it's not our purpose to fully assess the reasons behind these prohibitions, but by reviewing this list, you can reflect on how ethics is relevant to understanding the role of market exchange in society.

- In November of 2010, the U.S. Food and Drug Administration (FDA) sent a letter to four manufacturers of caffeinated alcohols (such as Four Loko and similar drinks), urging them to remove their products from the market. All four manufacturers agreed to do so. Several states and cities then enacted bans on the distribution of these beverages, threatening fines for distributors selling the product. Why is this? Is it a good idea?
- We are legally prohibited from selling many of our body parts, even if we want to do so to help others. But we are legally permitted to sell our blood, semen, or eggs. What determines these prohibitions and permissions?
- You are not legally permitted to sell your driver's license and thereby enable someone else to become a valid driver, even if you (the seller) and another (the potential buyer) both voluntarily consent to the exchange.
- People are not legally permitted, in most circumstances, to sell their labor for less than the minimum wage.
- People are not legally permitted to buy and sell many drugs. But of course, an extensive black market exists for these drugs anyway. Why do the laws exist? Should they?
- We can choose to exercise, or refrain from exercising, our right to free speech, but we can't literally buy or sell the right and thereby pile up extra amounts of it. The same goes for most of our political rights. However, we can use our money in markets to try to increase the impact of our speech. As we will see later, a recent Supreme Court decision confirmed that corporations also have free speech rights and that legislation aimed at curtailing the influence of corporate contributions for politics has been ruled unconstitutional.
- When someone invites you to dinner you could convert the invitation into a market exchange by bringing money and paying for it. But you don't. Why not?

- TV audiences hang on judges' decisions about who is the best dancer in *Dancing with the Stars*. The show could be set up as a market, where the winner is determined by the celebrity who is willing to pay the most for the prize. Though no law prohibits this arrangement, many competitions and awards have standards for success that are not decided through buying and selling.
- We may adopt children but no one sells their children on eBay. (I could be wrong. Here's one story of a ten-year-old who tried to sell her grandmother on eBay: http://www.dailymail.co.uk/news/article-1217074/I-grandmother-eBay-joke-says-10-year-old-Zoe-bids-hit-20-000.html)[7]

Some but not all market limitations are driven by law. Are they justified? Although this chapter is about observing markets without making ethical judgments, one important observation that we can make from this section is that people commonly *form* ethical judgments about the legitimacy of markets and impose these judgments *on* markets, not only through laws but as norms in their roles as consumers, investors, managers, or owners. These judgments create interesting subject matter ahead.

1.6 Background Conditions for Markets to Operate

One last thought about markets. What background conditions must exist for markets to operate? Markets develop within a context, which includes the following:

- *Scarcity*—Economists have long taught that without scarcity, markets would seem to have no point. If everything we could ever want were already available in unlimited supply, then why trade?
- *Buyers and Sellers*—We need people who want to trade.
- *Products*—Goods and services need to exist or have the capacity to be produced.
- *Forum*—A place or way to make the exchange.

And finally

- *Property Rights*—People follow various rules that guide their market behavior. Markets happen within a *social* context. A stable property rights system is one of the most significant background conditions for markets to operate and forms the subject of the next chapter.

1.7 Three Dialogues That Shape This Book

This chapter is a good place to introduce three distinctions that help clarify the approach and strategy of this book. Although these distinctions are often implicit in our daily conversations, drawing attention to them here helps make the chapters ahead easier to

[7]This list is adapted from contemporary political philosopher and author Michael Walzer's discussion in *Spheres of Justice* (Basic Books, 1983, pp. 100–103). Walzer calls the above situations blocked exchanges and argues that they oppose the idea that "money answereth all things."

assimilate with your own interests. They also provide important context for your own conversations and debates that may be sparked by the topics of this book.

Consider the following three questions that relate to this chapter:

1. *How do markets work?* Sometimes our goal is *to learn how things work*. We search for a good description or explanation of some feature of the world, and we may learn to make predictions based on the explanations. We can call this type of investigation **descriptive** or **explanatory analysis**. Within the social sciences this work is sometimes characterized as *positive analysis*.
2. *What ethical attitudes do people have about markets?* This question is *also* part of descriptive analysis, but now the object is to describe and explain peoples' values and beliefs. For example, we could take a poll about peoples' attitudes about markets, or commission a study that analyzes the impact of religion in forming the ethical beliefs of a population. We could study evolutionary biology and brain research to consider the biological foundations of our ethical beliefs.

   A dialogue to address this type of question can begin with a simple survey in the classroom regarding how each person responds to some given ethical dilemma. We could catalog the range of responses that people offer and ask what best explains those responses.
3. *What are my ethical beliefs, how do I defend them, and how should they guide the decisions that I make in business and economic life?* Sometimes our goal is to figure out where we stand and why, and to live out what we believe. **Normative analysis** is the study of what ought to be, how we ought to value and assess situations, and how we should act and live. In this respect, a **norm** refers to any value or rule designed to influence our judgments or decision-making.

In this chapter, we can see these three distinctions at work. First, we introduced the concept of a market as part of a descriptive analysis. What is a market? What happens in markets? Then we introduced the concept of blocked exchanges at the descriptive level: What ethical attitudes do people bring to market exchanges? What are these attitudes and how do they influence the development of markets? Finally, the text asked more personal questions, such as, What should you (or we) believe about limits on markets and why? This last question is about adding and defending your own point of view rather than attempting only to describe a situation.

Recall the following excerpt from Section 1.5: "People are not legally permitted to buy and sell many drugs. But of course, an extensive black market exists for these drugs anyway. Why do the laws exist? Should they?"

The first question is *descriptive*. It's about giving a plausible explanation for why our laws take the form that they do. The second question—"Should they?"—is *normative*. It's about what you believe the law *should* be, and why you believe that.

As mentioned earlier, the distinction between descriptive and normative is often implicit and intuitive in our daily conversations. But paying attention to this distinction is important for any ethical study, such as the one offered in this book. For example, we can look back at Section 1.4 to clarify some of the analysis with these distinctions in hand. Recall how some theorists worry that the very definition of *market exchange* is not merely *descriptive* but contains an implicit *normative* appraisal, by interpreting every exchange as voluntary and, thereby, always a good thing. That debate can be redescribed through the following question: is it possible to provide a definition of a market without implicitly making a normative appraisal?

So, in the conversations prompted by topics in this book, it will be important to clarify whether your dialogue is about (1) how something works, (2) what peoples' ethical beliefs are regarding this topic, or (3) what we, you, or I should endorse as our own position and why. We need not think that one dialogue is more important than another. The important point is to be sensitive to these different conversations. In your own discussions with others, keep in mind which inquiry you most want to pursue, and be sure that you know which line of inquiry the discussants are actually pursuing.

The overall goal of this book is to create a comprehensive normative study, so after some initial descriptive and explanatory groundwork in this and the next two chapters, later discussions will increasingly focus on normative ideas and theories about how to assess situations and what choices to make. That said, all three dialogues are part of every chapter of this book, so throughout the study you will be able to pursue your interests broadly across all three levels of inquiry.

1.8 Summary

Markets happen; they are written into our long human history and they are worthy of ethical study and reflection. This chapter is designed to spark your interest in the subject ahead.

We defined markets and raised several challenges for providing a single, clear-cut definition. We thought about the relationship and distinction between what we *see* in markets and how we *judge* markets. An immediate point of controversy, for example, is whether or not markets are voluntary by definition. Finally, we considered blocked exchanges to show that people often place limits on the reach and scope of markets. Thinking about the reach and limits of markets creates intriguing discussions that can begin to highlight the sense of ethics and values that we bring to this analysis, which will be developed in the chapters ahead.

1.9 Looking Ahead

Part I of this book identifies concepts and institutions for interpreting our social world as they relate to business and economic life. This chapter is about markets; the next chapters are about property rights, law, and corporations. With these fundamental discussions in hand, we will then debate an important topic of applied ethics and public policy: the responsibility of corporations.

Key Terms

markets
takings
eminent domain
gifts
psychological egoism
altruism
voluntary exchanges
desperate exchanges
blocked exchanges
descriptive or explanatory analysis
normative analysis
norm

Discussion Questions

1. What are some interesting markets that you can identify? Which one do you find to be the most interesting? Why?
2. Are markets natural or cultural constructions? Not everyone agrees. What is your view? How does one gather evidence to answer this question? What is at stake in answering this question?
3. Sometimes economists and psychologists, among others, deny that pure gift-giving is humanly possible. Some say that "nothing in return" cloaks the fact that every gift has an implicit return wrapped into it. For example, we donate to a religious institution, not as a gift, but to receive services. We donate to a charity to receive our own psychological rewards. (This is a view only Hobbes could love.) What do you think? Do we have the capacity to give without strings attached, or is there always an implicit condition? For those who believe that there is an implicit condition, does that fact imply that what we thought were pure gifts are really market exchanges?
4. What motivates people to exchange? Take a few examples from what you observe and from current events to dissect. Does *self-interest* capture the idea? greed? reciprocity? concern for the common good? something else? What general answers can you give about the human motives that drive markets? Does your answer color your attitudes about whether markets are commendable or not? We will examine these questions further in Chapters 13 and 14. For one thought-provoking story about human motives in markets, see http://www.nytimes.com/2011/08/17/us/17land.html?pagewanted=1&_r=1&hp
5. Imagine a world without any markets. What would occur? What would it be like?
6. Just as some commentators object to the presumption that markets are always voluntary by definition, others note that the terminology of *free markets* invites us to presume that markets are always "free." Do you regard the terminology of *free market* as ideologically loaded? What does *ideologically loaded* mean to you? Is there a problem here or not? (Later in Chapter 9 we will examine the nature of freedom in relation to markets.)
7. Some philosophers have tried to differentiate the meaning of *willing* and *unwilling* exchanges—not in terms of *voluntary* and *involuntary*—but in terms of *noncoercive* and *coercive* exchanges. Does this alternative improve the analysis in your view?
8. Do markets encourage or discourage a culture of charity, nonprofit associations, and gift relationships? Your answers to this question may matter a lot for shaping your assessment of market activities. This topic will be explored further in Chapters 13 (Relationships and Character) and 14 (Community and the Common Good).