

# Moral limits to financial markets

Experience, Human Nature



Moral Limits to Markets.

“ The world is being controlled by money and not morals. Why is this happening and why are we allowing it to happen. Does this mean that we will soon be taxed on our Oxygen, or we will come to a time when life would be easier for everyone not just the rich?”

- Adam Santorini

This essay will be discussing moral limits to markets according to Michael Sandel, Debra Satz and current statistics. We will be defending the points made with theory and evidence and also showing the correlation to current affairs. Morals can be defined as the standard of behaviour derived from the concept of right and bad behaviour. Markets can essentially be defined as the sum total of all the buyers and sellers in the area or region under consideration. Moral Limits are basically the concepts of good and bad in the world of markets.

Michael Sandel opens his book, What Money can't buy with a list of things, absurd things that could be purchased in America. Bizarre or not, It shows that, the current world would do anything for money regardless of what it is. According to the book and CNN, a person can buy a comfort in an American Prison for as much as \$100 a night [1]. First Off, a regular person cannot afford to pay such continuously, so it means that this treatment is reserved for the people with money. This book simply shows that the world in general has either forgotten the basic concepts of Right and Wrong or just doesn't care about it when it comes to money. What money can't buy raises radical

questions on morality relating to life assurance. Sandel calls life assurance a “wager of death”. He believes that Life Assurance can lead to extremities in the smallest and most irrelevant cases, in order to gain incentives or one ups from life assurance.

Sandel brings up the case of Michael Rice, a Walmart employee who died in 1999 while helping a customer move a TV from the store to her car. Walmart made a sum of over \$300, 000 on his death because they had already put him on a life insurance policy without his knowledge. He was put on a Corporate Owned Life Insurance. This is a life insurance on employees’ lives that is owned by the employer, with benefits payable either to the employer or directly to the employee’s families. However, in this case, the employee’s family didn’t get a single penny. Sandel uses this example, the story of dead peasants’ insurance is an example of how the encroachment of market values can change the character of an industry. Sandel shows how life insurance, which had its origins in the idea that we can mitigate the economic impact of death on survivors and dependents - an idea which was always controversial, and indeed was illegal across much of Europe - was gradually corrupted into a form of betting against other people’s lives [2].

As seen in day to day activities, there is a very big conflict of interests between morals and markets. At the end of the day, markets always win because money is a very powerful being on its own. Sandel says “There is a price on almost everything”[3], and this is a powerful statement that shows that with money, anything can be bought. To start with food, plants specifically. Plants are gifts of nature. They weren’t invented, or bio

engineered, they existed before man. The idea of taking something that is free and putting a price on its head to make money. Plants have been converted to commodity. Food basically has a price tag on it, which then on leads people who cannot afford it to die of starvation. Another industry that this applies to is the pharmaceutical industry. An individual is supposed to pay huge amounts for medicine in order to recover from diseases or to stay healthy. Low income households usually cannot afford vaccines and medicines, which means that they would easily get infected by diseases and when infected, they would also struggle to purchase the treatment. This therefore means that there would be a lower risk of diseases outbreak in the higher income earning households so essentially, poorer people are more likely to fall sick without having the means of purchasing treatment.

Talks about healthcare, where in better developed countries where people earn more, they are healthier and generally have higher life expectancy. In the UAE, their life expectancy is 77. 26 years and their GDP per capita equals 40, 698. 85 USD compared to that of Zimbabwe with their life expectancy standing at 61. 4 years and their GDP at 927. 4 USD. We can clearly see the differences between the GDP per capita of the two countries and the differences between the Life Expectancy of the countries correlate. The higher the GDP per capita, the higher the life expectancy rate. Does this mean that money buys health? Absolutely Yes. However, should this be so? No, because at the end of the day, everyone deserves to live a long and healthy life.

Going back to Michael Sandel, he also states that people make the right decisions, but have the wrong reasons for those actions. People will do many things if they think there is a financial incentive or reward. We have people that believe that when you do basic stuff such as give charity or help a homeless person, it deserves to be seen and you deserve some sort of reward. This isn't supposed to be so. Doing such stuff boils down to morality and belief. A person doesn't have to give charity if he doesn't believe in it. He doesn't have to help a homeless person if he isn't doing it from the heart.

In this book, Michael Sandel also speaks about absurd things people can do just to get money. One can rent space on one's body to advertise; or serve as a test rabbit for a pharmaceutical company; or work for a line-standing company for those who don't have the time to stand in line for things that they want such as the new iPhone or something. Even young children get paid nowadays - second grade children in Texas schools get paid \$2 to read a book; obese people are paid to lose weight in a targeted time frame [4]. One can even try and profit by buying the life insurance policy of a terminally ill person (viatical settlement). In this case, the company would pay the premium while the person is alive and collect the death benefit. The catch to this is that the longer the person is alive, the less money the companies collect. While the objective of a life insurance was to help the family survivors in this case the investor profits more if a person dies sooner. Thus, life insurance is an example of how market values can change the character of an industry.

Another professor, Debra Satz wrote in her book ' Why Some Things Should Not Be For Sale' differentiates between problematic and acceptable markets and concluded that problematic trades occur in every market at every whole point. She suggests the need for market regulation and examination. She also reviews and criticises two views, the first being the approach of economists that focuses of positives and efficiency of markets and only sees a problem with the market when there is a ' market failure'. Markets failures happen when there an inefficiency in the allocation of goods and services by a free market system. This system often leads to social welfare loss. The main cause of market failure is abuse of monopoly power. When a producer abuses his power because he is a monopoly, it creates an under supply because of its avid interest in maximising all possible profit. This creates another question that can people not produce goods for the sole purpose of bettering lives? Or does the aim have to be just maximising profits?

Satz developed a method of perceiving the level of harm a market is causing using four indicators. The first two indicators speak about the source of the market. Are they a ' weak agency'[5]or are they vulnerable to prices. The other two indicators look at what the markets do to affect the people and its surroundings. Satz said " Some markets have extremely bad outcomes for individuals and some have extremely bad outcomes for society". <sup>[6]</sup> Satz believes that the higher a market scores in after being examined for how much harm it causes, the greater our distrust, disgust and disappointment in that market.

Sandel sums up the argument of *What Money Can't Buy* with an example of a day care in Israel that introduced a sanction of a fine for when parents turn up late to pick their kids. This innovation not only made the problem worse, it also made the idea of picking up a child from day care late a norm. The parents apparently just saw the fine as an extra fee and then forgot about it. The idea of paying for something kills the idea of collective responsibility. Since turning up early had now turned to something you do for free, why would you do that when you can rather pay to be late. The fear of picking a child up late had been based on moral responsibility and when it was marketized, then they could now pay for that extra time at work or something, there was no going back.

Sandel in a speech given regarding morals of markets, mentions a topic about education[7]. He mentions that there are schools in the US that use cash incentives to try to motivate children from lower earning backgrounds to do better in school. There were schools in Chicago that offered children cash payments depending on the grades they got; \$50 for an A, \$35 for a B. Does this mean that when the cash incentives are taken away, children would stop trying to pass? Does this mean that they are passing for themselves or for the money? Absolutely Yes. A man in the crowd, said he doesn't allow TV's at home during the weekdays to encourage reading. Then he went on vacation, and he had to incentivise them to read. Then they read more. So if they really liked reading, they wouldn't have had to get paid. Another person said, The money will teach the wrong lesson. A young lady said money will corrupt the intrinsic love of reading.

In conclusion, it can easily be seen that there is a lot that is wrong when talking about moral limits to markets. Economically, markets should be competitive, but when considering Pareto Efficiency, it is impossible to make someone better off without making someone or people equally worse off. People who are made worse off in the world in general are the low income people. The high income earners are made better off at the risk of the low income earners and morally speaking, it should be the other way. Life should be made easier for low income earners in anyway it can be. In regards to education, children or people in general shouldn't be paid to learn, they should learn because they have a passion for it and all. Monetary Incentives should be frowned upon as they take the actual lesson or reason away from doing things.

### References

- 1) <https://edition.cnn.com/2017/03/29/opinions/pay-to-stay-jails-cevallos-opinion/index.html>
- 2) <https://www.theguardian.com/books/2012/may/17/what-money-cant-buy-michael-sandel-review>
- 3) Michael J. Sandel, What Money can't Buy, the Moral Limits of Markets , 2012
- 4) <http://blogs.lse.ac.uk/europpblog/2012/06/17/book-review-what-money-cant-buy-the-moral-limits-of-markets/>
- 5) Debra Satz, Why Some Things Should Not Be for Sale: The Moral Limits of Markets 2010  
<https://assignbuster.com/moral-limits-to-financial-markets/>



6) <https://www.youtube.com/watch?v=GvDpYHyBlgc>

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[1]<https://edition.cnn.com/2017/03/29/opinions/pay-to-stay-jails-cevallos-opinion/index.html>

[2]<https://www.theguardian.com/books/2012/may/17/what-money-cant-buy-michael-sandel-review>

[3]Michael J. Sandel, *What Money can't Buy, the Moral Limits of Markets*, 2012

[4]<http://blogs.lse.ac.uk/europpblog/2012/06/17/book-review-what-money-cant-buy-the-moral-limits-of-markets/>

[5]Weak Agencies are groups of people that are generally targeted because they do not have any other alternatives to go to.

[6]Debra Satz, *Why Some Things Should Not Be for Sale: The Moral Limits of Markets* 2010

[7]The video can be found at this link <https://www.youtube.com/watch?v=GvDpYHyBlgc>