

Rival Views of Market Society

1

Course information

- Participation: discussion questions & debate
- Short position paper based on debate
- Midterm & final exam
 - Identification of key terms
 - Short answers
 - Longer essay – given in advance

2

Albert Hirschman, Rival Views of Market Society



3

Review: Rival views of markets

- We live in a world of markets – mostly free and impersonal exchange of goods and labor
- Very different from previous worlds
 - Small group life & gift exchange
 - Kinship societies and restrictions
 - Feudalism and slave labor

4

Review: Rival views of markets

- Traditional view of market activity and desire for wealth as negative
 - More important values: honor, glory, piety
- What is effect of coming of free market in 18th and 19th c.?

5

Review: Rival views of markets

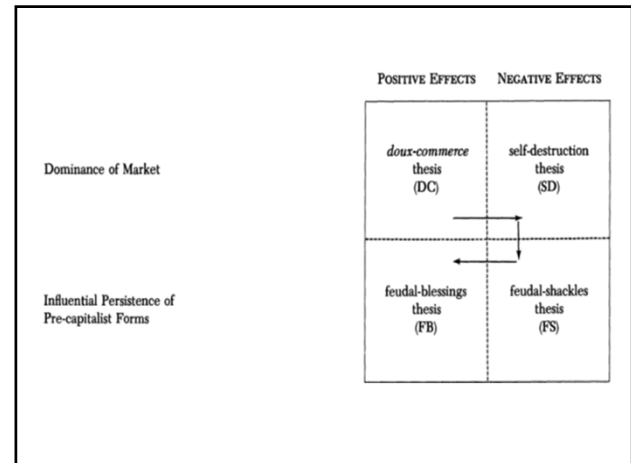
- Dominance of market
- Doux commerce thesis: positive effects
 - Markets civilize, interests over passions: honesty, diligence
- Self-destruction: negative effects
 - Markets destroy values necessary for functioning: cooperation, frugality; create selfish people

6

Review: Rival views of markets

- Market not so dominant
- Persistence of feudalism and older habits
 - Inherited elite still strong
 - Culture and institutions remain
 - Positive and negative effects

7



8

Review: Moral reasoning

- Inductive (specific to general) versus deductive (general to specific) reasoning
- Thought experiments - intuitions
- Reflective equilibrium: back and forth between general principles & intuitions
- Consequentialist versus deontological

9

Review: Consequentialism

- Judge actions by consequences, good > right, greatest happiness for greatest #
- Objections
 - Swine morality
 - Can ignore rights
 - Too demanding
 - How to calculate
- Ethic of responsibility & dirty hands

10

Review: Deontology

- Key is conformity with moral norms – eg, golden rule, rights & duties
- Types of rights (also duties)
 - Negative: limits power of state
 - Positive/socio-economic: costs & incentives
 - Cultural: groups give life meaning
- Problems of moral catastrophes, tradeoffs
- Combining consequentialism & deontology?

11

Discussion questions

12



13

1: A bad side of doux commerce?

- “[A man] would not dare make a spectacle of himself for fear of damaging his credit standing and thus society may avoid a scandal which it might otherwise have to deplore.”
 - Woke capitalism: businesses support progressive values
 - “Mozilla’s Anti-Gay CEO Hastily Resigns Amid Controversy”
 - Social media censorship?
 - “Suburban Trump backer and CEO who says he’s “deeply regretful” for entering the US Capitol
 - Most super-rich never comment on politics. Why not?

14

2. Self-destruction: Rise of instrumental rationality

- Does market society destroy ethics and values that are necessary for markets to work?
 - Honesty, piety, hard work replaced by selfishness, calculation
- Is university making this mistake: teaching you instrumental rationality (how to best achieve your ends), but not what the right ends are (what is moral and good)?
 - Should we teach values? Which ones? How?

15

3. Self-destruction: Perils of wealth

- “From shirt-sleeves to shirt sleeves in three generations”
 - “Why Super-Rich Aren’t Leaving Much of Their Fortunes to Their Kids”
- Is Europe becoming stagnant because things are good enough
 - NIMBYism, regulation, closed borders, no risk-taking
 - How to get out of the stagnation?

16

“I spend €8500 a year to live on the train”



17

4: Self-destruction: bonds of society

- Anonymous market relations and division of labor create only superficial ties: Anomie
 - Cause of opioid epidemic? Teenage depression? Deaths of despair?
- Do you ever seek out the anonymity of market relations instead of personal relations?
- Would you like to work in the online sharing economy – eg, Uber, Lyft, Task Rabbit?

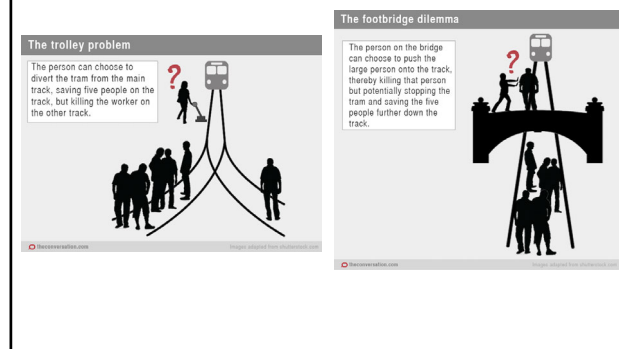
18

5. Thought experiments

- Trolley problems: 5 versus 1, bridge
- Surgeon and 5 organs
- Nozick's experience machine
- Drowning children
- Ticking time bomb

19

Trolleyology



20

6. Value of a life

- Many cost-benefit decisions imply putting a value on human life
 - We could add many more safety features to cars, but then they will be much more expensive
 - Pollution policies reduce asthma deaths but cause death b/c of higher price of electricity
- Should we be explicit about the value we put on human life? Is there an alternative?

21

7. Future generations

- We often criticize past generations for their ethical beliefs – eg, slavery
- How will future generations criticize us?
- What do we think is ethical that future generations will think is unethical?

22

Debate

- Pro: There are some things that should not be bought and sold
- Anti: If you can exchange it freely, then you can buy it and sell it.

23

Should organs, sex, and other goods be sold?

- Exploitation: take advantage of others' misfortunes
- Misallocation: unfair to sell free tickets to Shakespeare in park
- Corruption: violent video games or pornography might make us bad people
- Semiotic: incompatible with dignity of person or activity

24

Responses

- If you can exchange it freely, why not for money?
- Is objection to the market itself or the type of market? What if added regulations?
- Evidence that market interactions make people more generous, fair
- Ideas of dignity and role of money are culturally contingent

25

Lecture slides

26

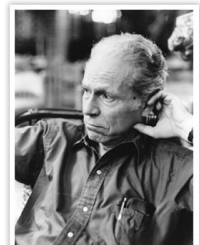
Rival views of market society

- We live in a world dominated by markets
- Is the market's influence positive or negative?
- Is the market the most important thing or do culture and politics matter more?

27

Albert Hirschman (1915-2012!)

- German born, works in resistance
- Fantastic writer, many years at Institute for Advanced Study in Princeton
- Great ideas:
 - Exit, voice, & loyalty
 - Rhetoric of Reaction
 - Passions and Interests
 - Hiding hand principle



28

Markets as something bad

- For most of history markets seen as bad
 - Bans on many economic transactions: usury, just price, guild restrictions
- A good life goes beyond food & shelter
 - Doing things not strictly necessary: glory, heroism, piety, sacrifice
 - Markets cater to animal part of nature
 - Napoleon: England a nation of shopkeepers

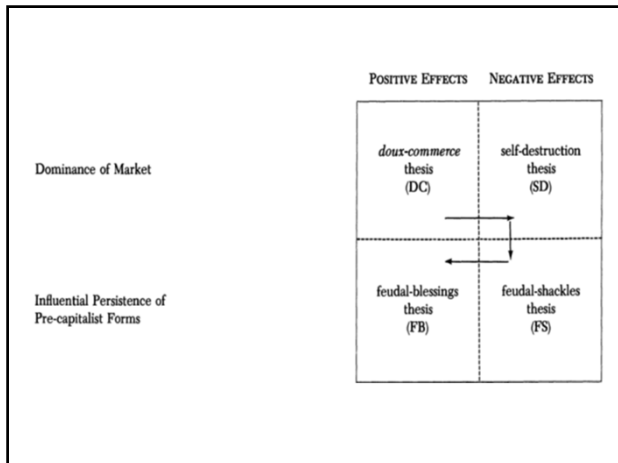
29

A joke about prices

Four men in prison explaining why they were arrested:

- 1: I charged less than others => "predatory pricing"
- 2: I charged more than others => "price gouging"
- 3: I charged the same as others => "collusion"
- 4: I asked what others were charging => "unfair competition"

30



31

1. Doux commerce thesis

- Emergence of free markets in 18th c. seen as a civilizing force – exchange between strangers, conversation among equals
 - Man learns to be honest, to acquire manners, to be prudent and reserved
 - If you care about profits, you don't worry about religious and other passions
 - Markets also encourage industriousness, frugality, punctuality

32

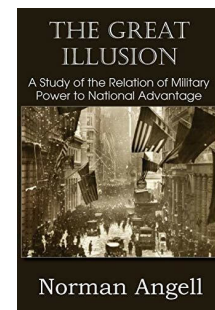
Capitalist peace theory

- Developed countries don't fight wars against each other
- Why?
 - Rich capitalists control government and don't want to disrupt business
 - Economic exchange creates understanding and civility between countries

33

The Great Illusion

- Written by Norman Angell in 1908
- Predicts that costs of war so great that no one could gain
- Consider US & China today



34

2. Self-destruction thesis

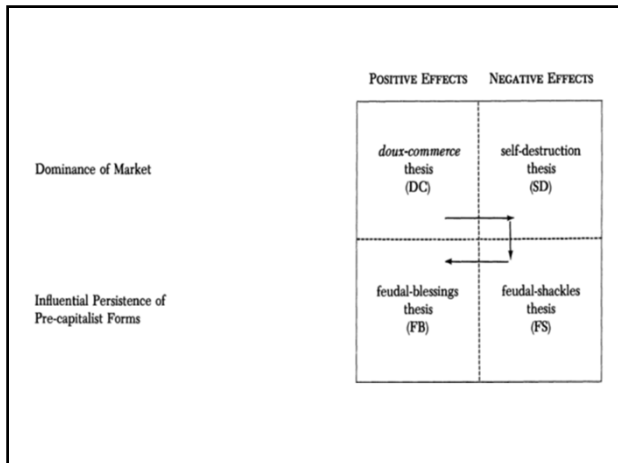
- Sorcerer's apprentice: Market undermines moral values that are its essential underpinnings
 - Self-interest undermines spirit of cooperation necessary for public goods: Cf., econ students
 - Loss of public-spirited politicians
 - Market creates envy and wants
- Dolce vita thesis – luxury and indolence replace frugality

35

Bonds of society

- Anonymous market relations and division of labor create only superficial ties
- People suffer from anomie – loss of norms, moral values, sense of society
- Consider new landscape of work (even pre-Covid): Uber, Task Rabbit

36



37

3. Feudal shackles thesis

- The survival of old pre-capitalist institutions and attitudes is making things worse
 - Market has not overcome old aristocracy, bourgeoisie is too weak
- Remnants of feudalism in modern world: inherited wealth, status
 - Populist movements rebelling against this
 - College admissions scandal

38

Consider equal Sweden

- Upper-class defined more by blood, than wealth: coherent group, with a distinct and recognizable accent, way of dressing, values
 - Formal nobility is 0.2% of pop, but 10% of richest
 - 2/3 of richest Swedes inherited wealth versus 1/3 entrepreneurs (US is reverse)
- But @Sweden most democratic twitter
 - This week, Sweden's tweets are from Hanna, "just your average lesbian truck driver"

39

4. Perils of no feudalism in US?

- Usually seen as positive: don't need revolution and everyone born equal
- But Hartz sees problems
- Lack of feudalism = lack of social and ideological diversity
 - No socialism or conservatism, only liberalism
 - Can't consolidate any economic order

40

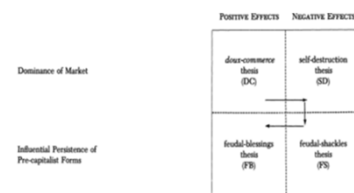
Political science arguments for feeble markets

- Culture more important
 - Weber on Protestant Ethic or Asian Values
- Institutions more important
 - Roots of growth in inclusive institutions, varieties of capitalism and welfare states

41

Multiple answers

- Markets as both civilizing and corrupting
- Feudal legacies as both shackles and blessings
- Do we go through cycles? Where are we now?



42

Discussion questions

- Has *doux commerce* gone too far – eg, firing people for their political views? Woke capitalism.
- Would you leave your fortune to your children or not? Should we be teaching morality at university or just instrumental rationality?
- Do we have too much anomie – isolated market relations as in sharing economy versus working in a group, organization
- Which of these arguments are left versus right wing? What are the politics behind them?