

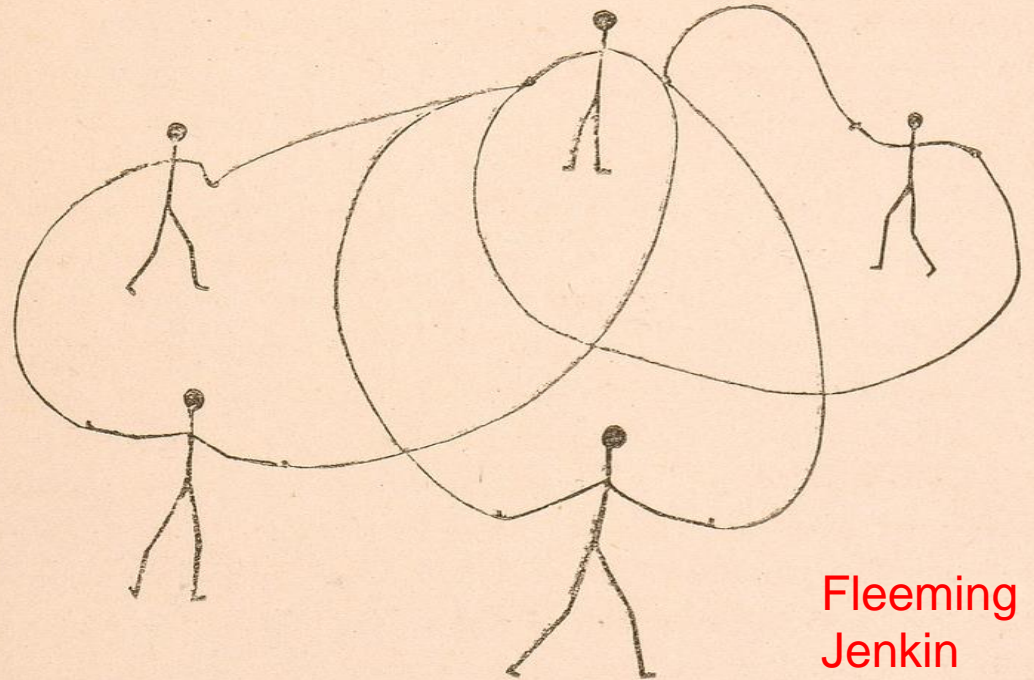


# Michael Munger

## PPE Program

### Duke University

## Voluntary or Euvoluntary?



Fleeming  
Jenkin

# Great Questions

- Why be moral?
  - What is the nature of valid justification for political authority?
  - What coercive powers are justified by that account?
  - What is the nature of citizenship, and what are the obligations of the citizen?
- 
- What is the nature of humans, and how do the evolved capacities of human nature square with normatively derived political theory?

# Background

Evolution by natural selection will choose brain modules whose function facilitated (past tense) reproduction in historical time.

Given relatively long human reproductive cycle, the replacement of brain modules is slow, compared to pace of change of institutions in societies.

*Key: Likely that market institutions have "evolved" faster than the brain modules that react to market processes. "Moral" brain modules may be atavistic.*

# Moral Atavisms?

You see violation of "the rules"

You

th

no



# Groups

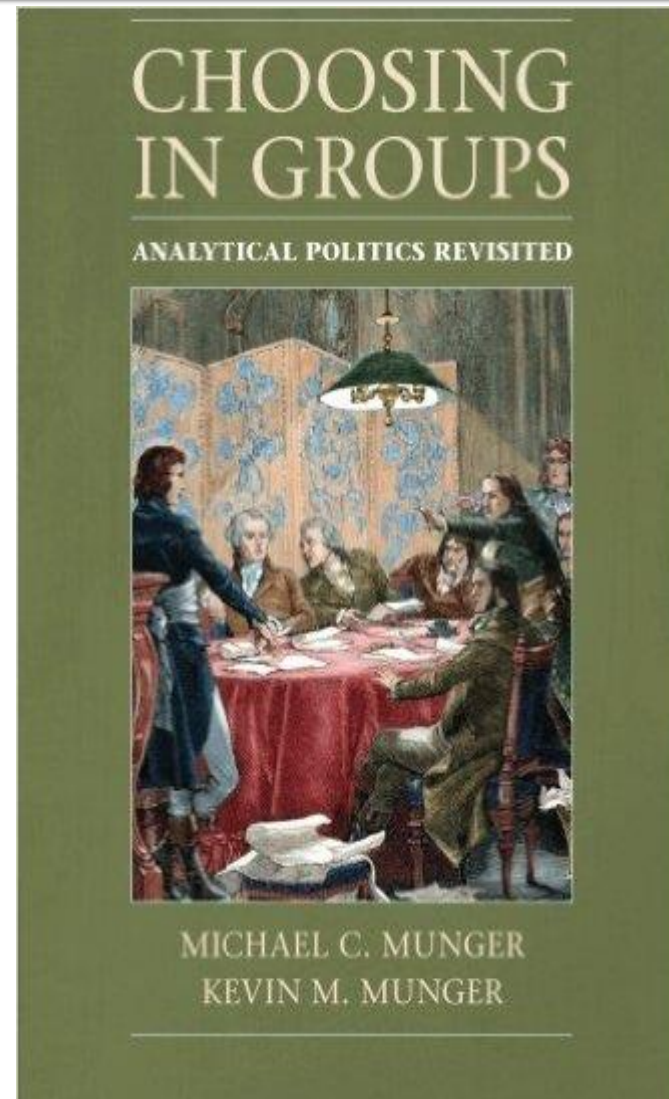
- “Group selection” is rightly derided.
- *But “group choice”* is at the center of much of what we do in political science
- *In particular*, a question we face is whether, or better when, the evolved programs we call “morals” serve, or thwart, solving collective action problems.

*Worse, do morals prevent political support of new institutions that help solve collective action problems?*

# Public Choice

- Methodological individualism
- Motivational symmetry
- “Politics as exchange”

The Core Problem:  
Justify, and then  
manage, coercion





# What Things Market, What Politics?

- Key division is not property rights (mine vs *yours*)
- Rather, it is division of spheres of legitimate authority (mine vs *ours*)
- If NC were a democracy, SSM and abortion would both be illegal
- Because people have a moral sense about these policies, and are happy to use men with guns to act as if everyone agreed

# My Special Interest: Transactions in “Repugnant Markets”

- And then not where ownership is illegitimate (plutonium, crystal meth, machine gun, another person)
- But where ownership or exchange is okay, as long as there is no payment



# Problematic Transactions, Repugnant Markets

The very idea of allowing other people to use markets to commodify things are acts is repugnant, induces disgust

- Date: Pay for dinner, show, jewelry, but don't pay her (him). But illegal if paid (*maybe...*)
- Kidney: Fine if donated, not if paid for

If you think it's disgusting, should it be illegal?  
So, SSM?

# Core Argument

- Markets: Institutions for reducing the transactions costs of impersonal exchange.
- A core argument for markets is that voluntary exchange makes both parties better off
- The public policy implication is that the state should take only minimal actions to regulate voluntary exchange, and those actions should foster such exchanges by reducing transactions costs

# But...Not Persuasive!

- Unless you already believe this, not persuasive to many people
- Sometimes, perhaps just *"People aren't bright enough to understand my BRILLIANT argument!"*

But what is really the counterargument? Why are people not persuaded of the importance of economic freedom?

# Lifeboat vs. Walmart



# *Bird Flu Sends Egg Prices Up, but Slowing Demand Prevents Shortages*

By STEPHANIE STROM JUNE 16, 2015



# Price (re)directs resources toward high(er) valued uses

- High prices lead consumers to look for alternatives and substitute
- Anticipating a high price leads people to serve that demand.
- Actual high prices lead people to plan new ways to serve that demand.
- Does that make you a bad person? Hold that thought, as we'll come back to it...



# Did the Space Alien Act Badly?

Lio by Mark Tatulli

August 18, 2011



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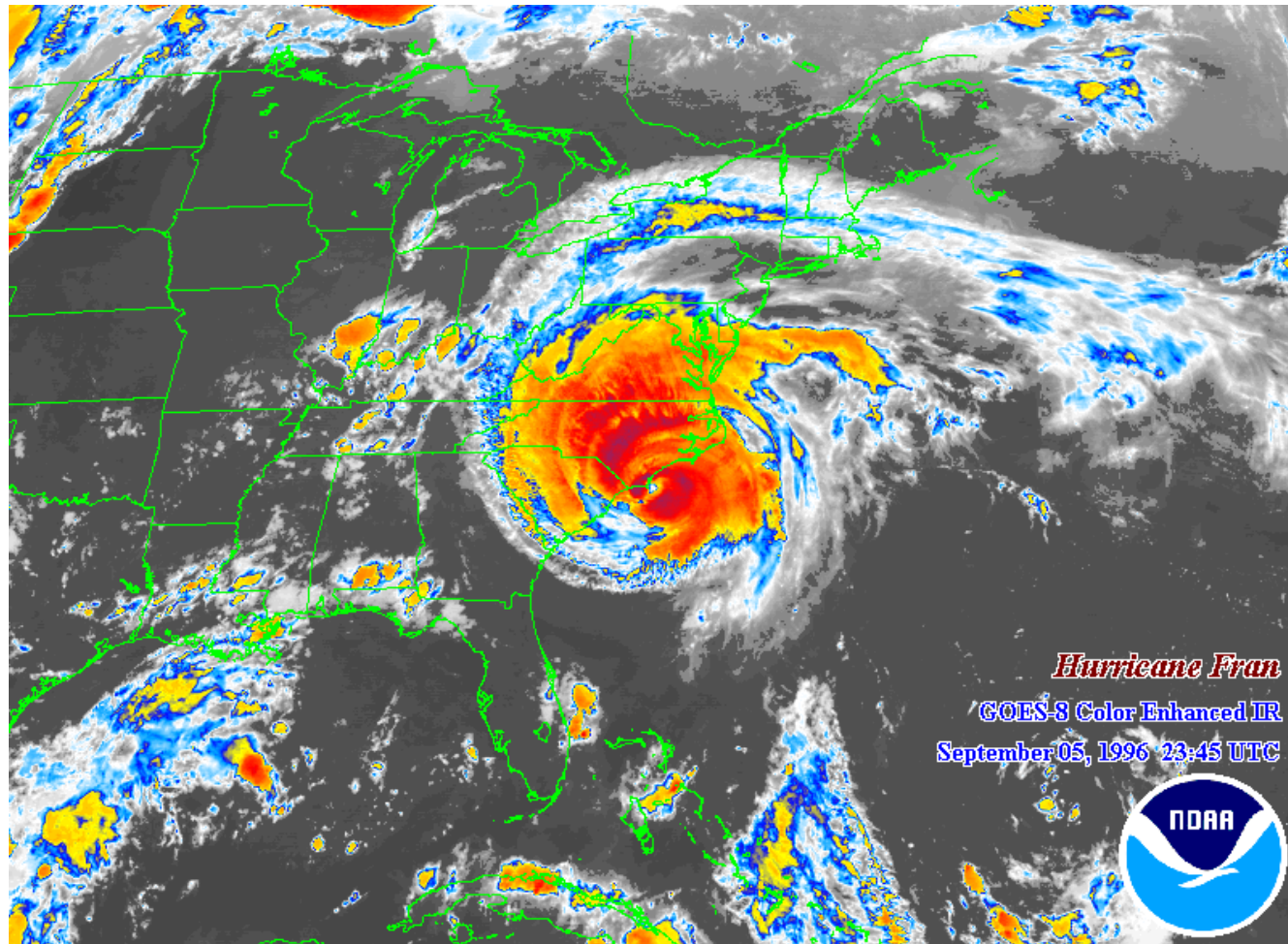




# Bayerischer Wald: Sandwich Hut



# An Actual Example: Fran at Landfall: (11 pm 9-5-96)





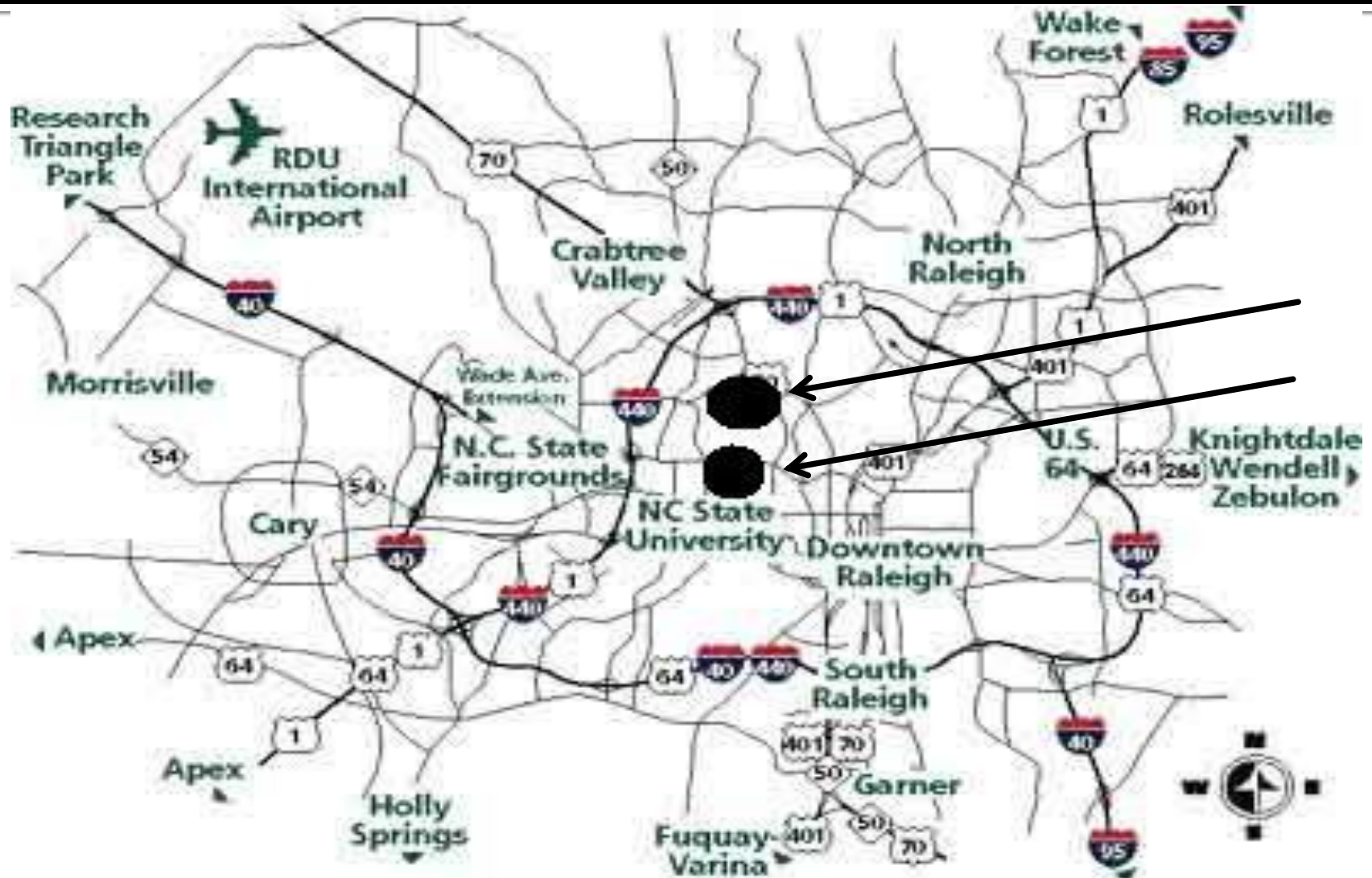
# Yahoos



They had the technology,  
they had the tools....



# Dots: Location Choices by Yahoo-Entrepreneurs





# Guess Who Showed Up? Why?



# Anti-gouging law.....

North Carolina's Anti-Gouging Law in 1996  
(General Statutes 75-36)

*(a) It shall be a violation of G.S. 75-1.1 for any person to sell or rent or offer to sell or rent at retail during a state of disaster, in the area for which the state of disaster has been declared, any merchandise or services which are consumed or used as a direct result of an emergency or which are consumed or used to preserve, protect, or sustain life, health, safety, or comfort of persons or their property with the knowledge and intent to charge a price that is unreasonably excessive under the circumstances.*

(Later amended to be even more restrictive, outlawing price changes reflecting cost increases up the supply chain, August 2006, SL2006-245, GS 75-38).



# They clapped....

- They clapped. Appeared to be happy.
- What is the objection?
- Why do so many states have these laws?
- If I wanted to offer ice for sale for \$12 per bag today, could I do it?

# Consider two people....

- A. Guy watching TV in Goldsboro, feels bad for Raleigh, actually sad.
- B. Guy who rents truck, buys ice, and drives to Raleigh to sell needed product in beleaguered city.

Interesting that we judge B to be less moral, and in fact a criminal. Lifeboat module.

# JS Mill: Exchange & Distribution Are Separate Realms of Justice

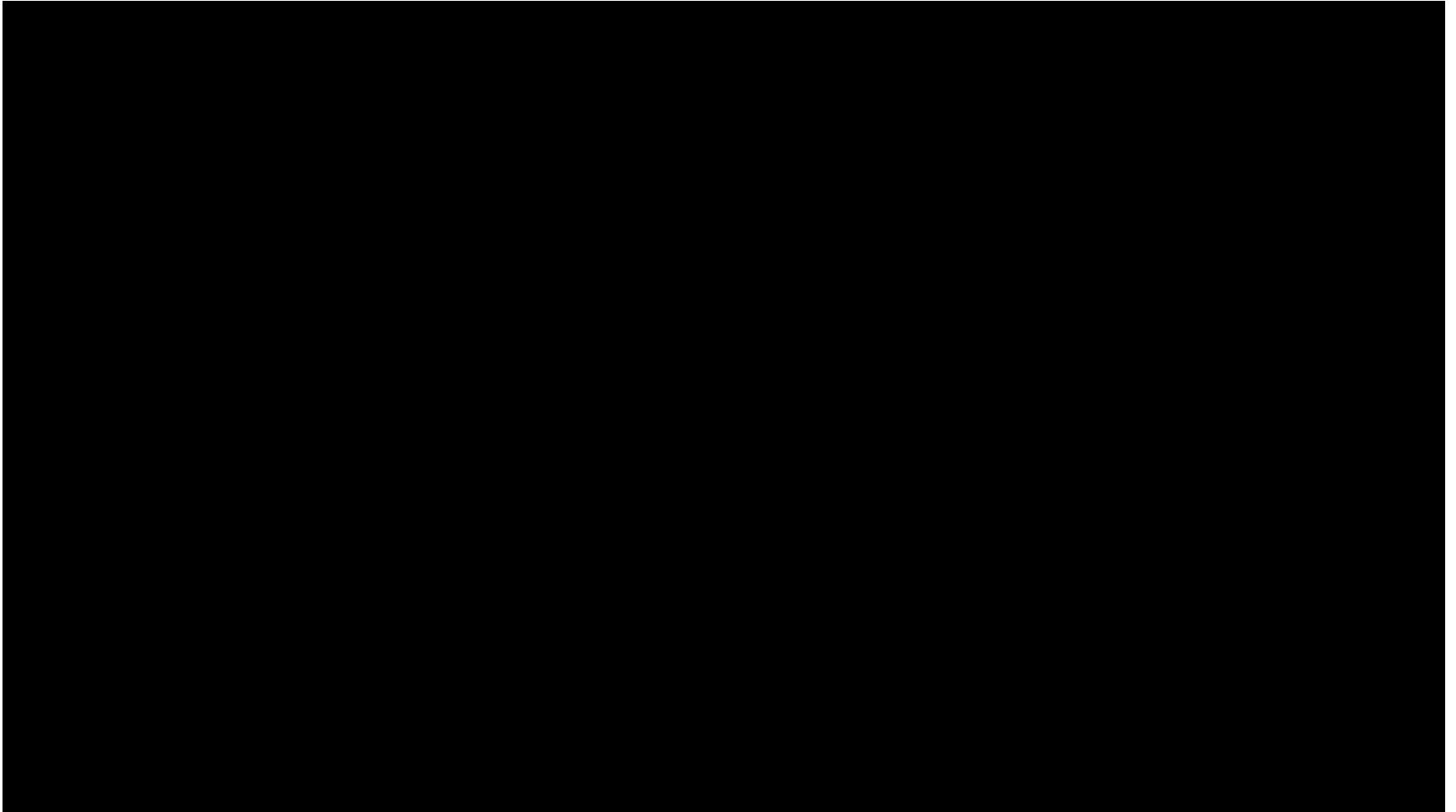
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“The laws and conditions of the production of wealth, partake of the character of physical truths. There is nothing optional, or arbitrary in them... this is not so with the distribution of wealth. That is a matter of human institution solely.

*The things once there, mankind, individually or collectively, can do with them as they like.”* (Mill, Collected Works, 1965, emphasis mine).

# A video from Matt Zwolinski

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# Why Would The People In Line Clap?

- Took me five years to understand.
- At first, I just decided people were dumb.
- Second, might be moral atavism: We all think we are in a lifeboat in an emergency. Hard to imagine that allowing high prices will quickly result in low prices and huge increase in supply.
- But finally, I think I figured it out. Here's the story...

# Two Considerations

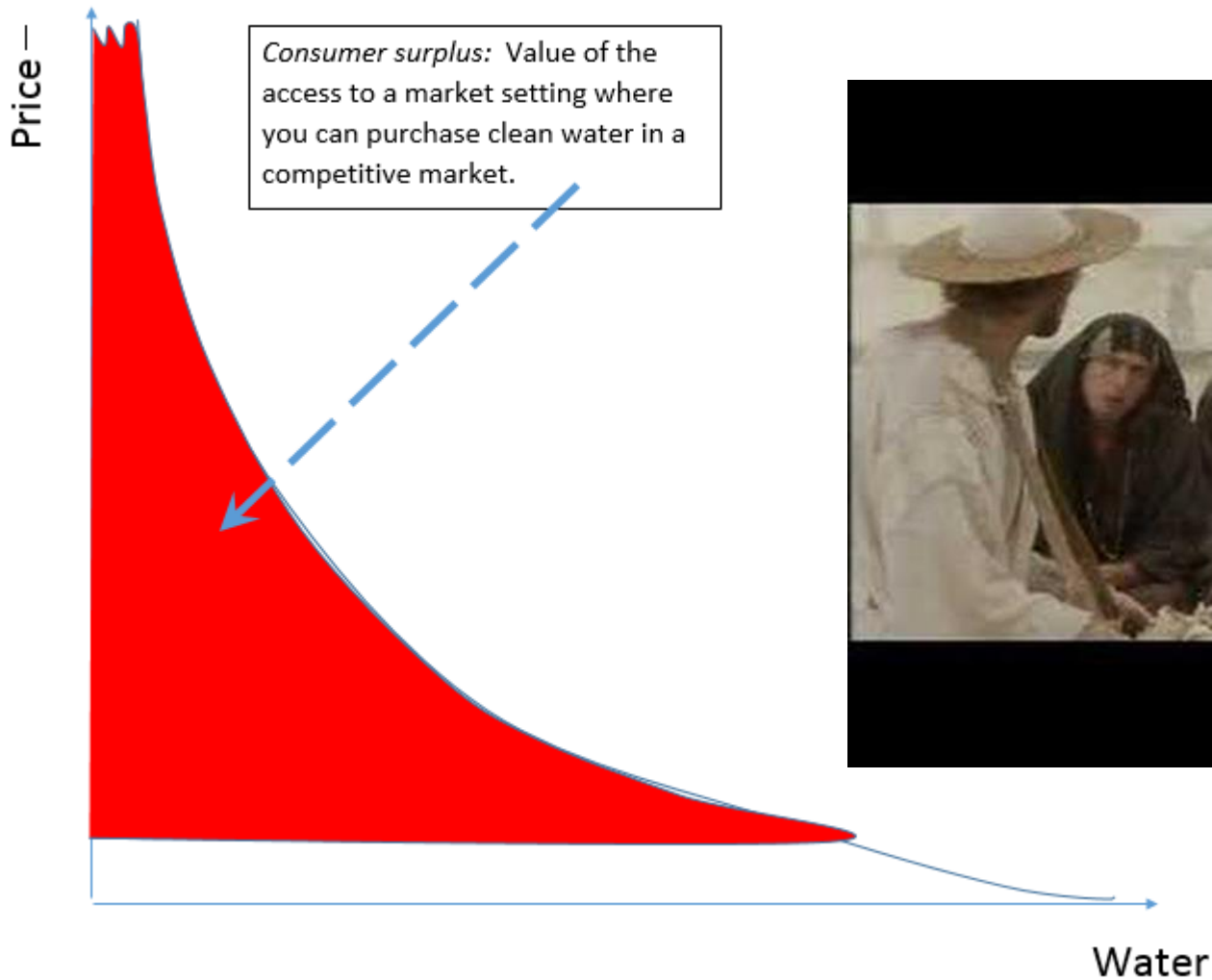
1. Moral outrage/strong negative affect at being taken advantage of in the lifeboat



2. Expectation of material benefit from consummating exchange of money for ice

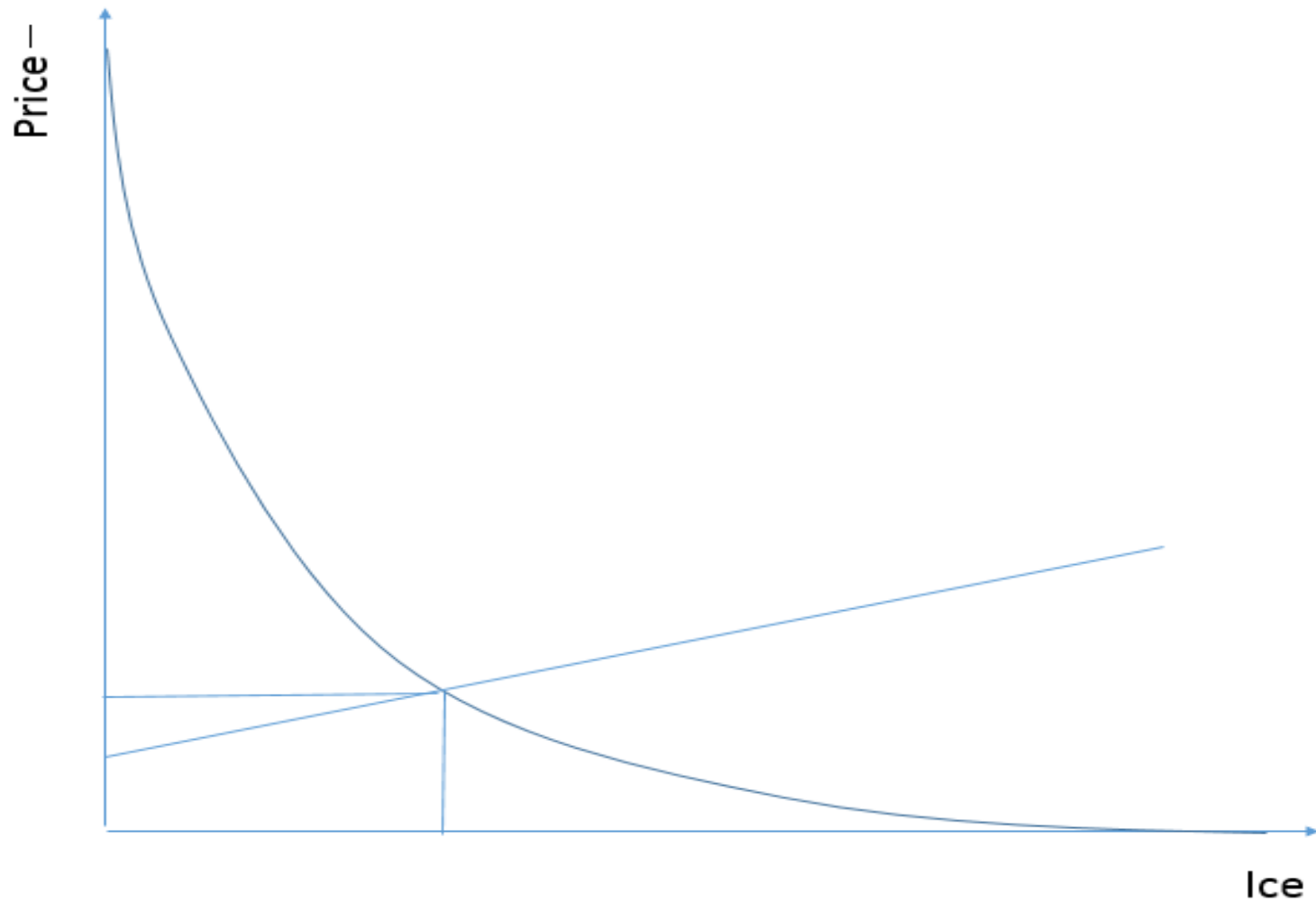


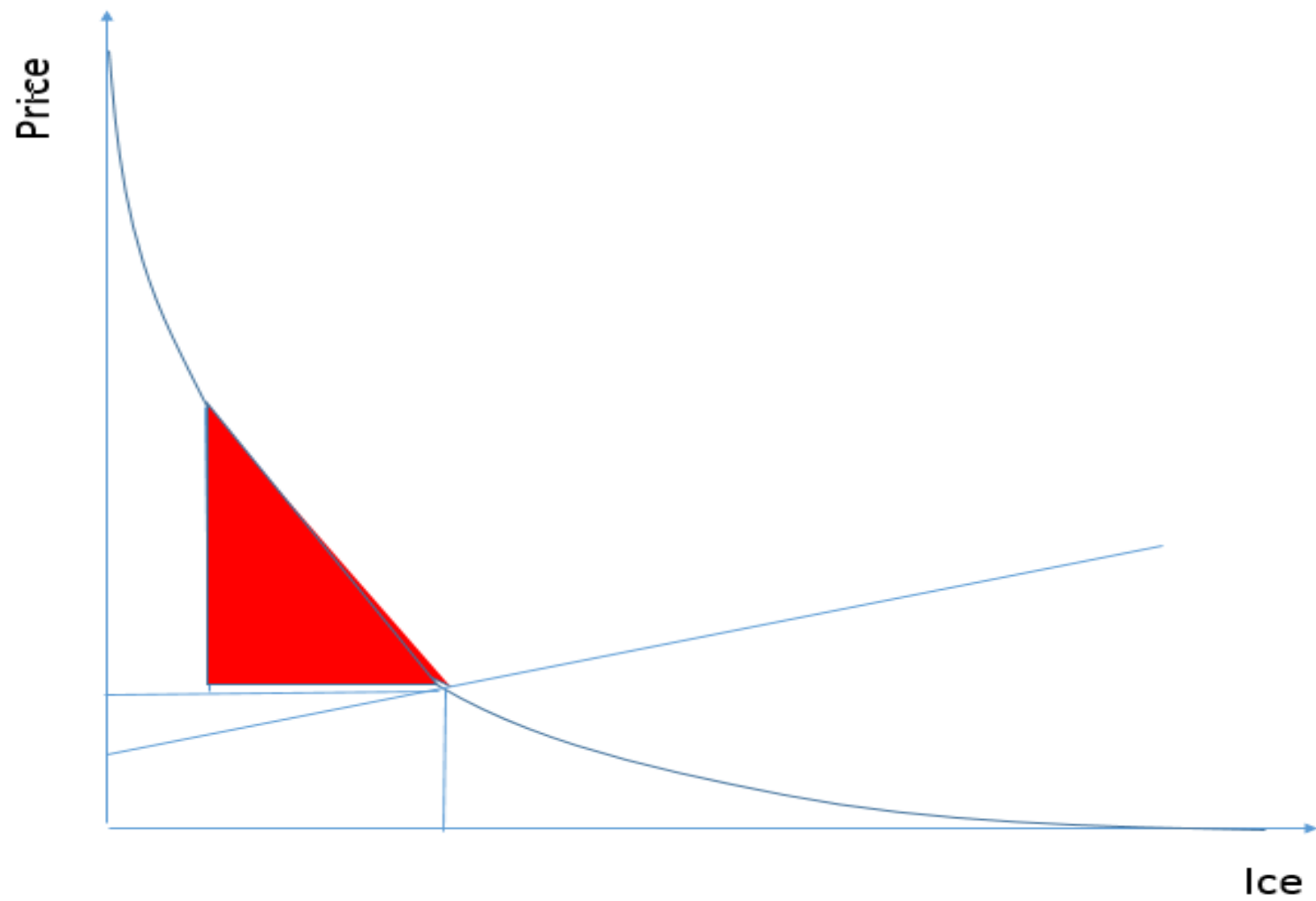
# Value of Access to Markets



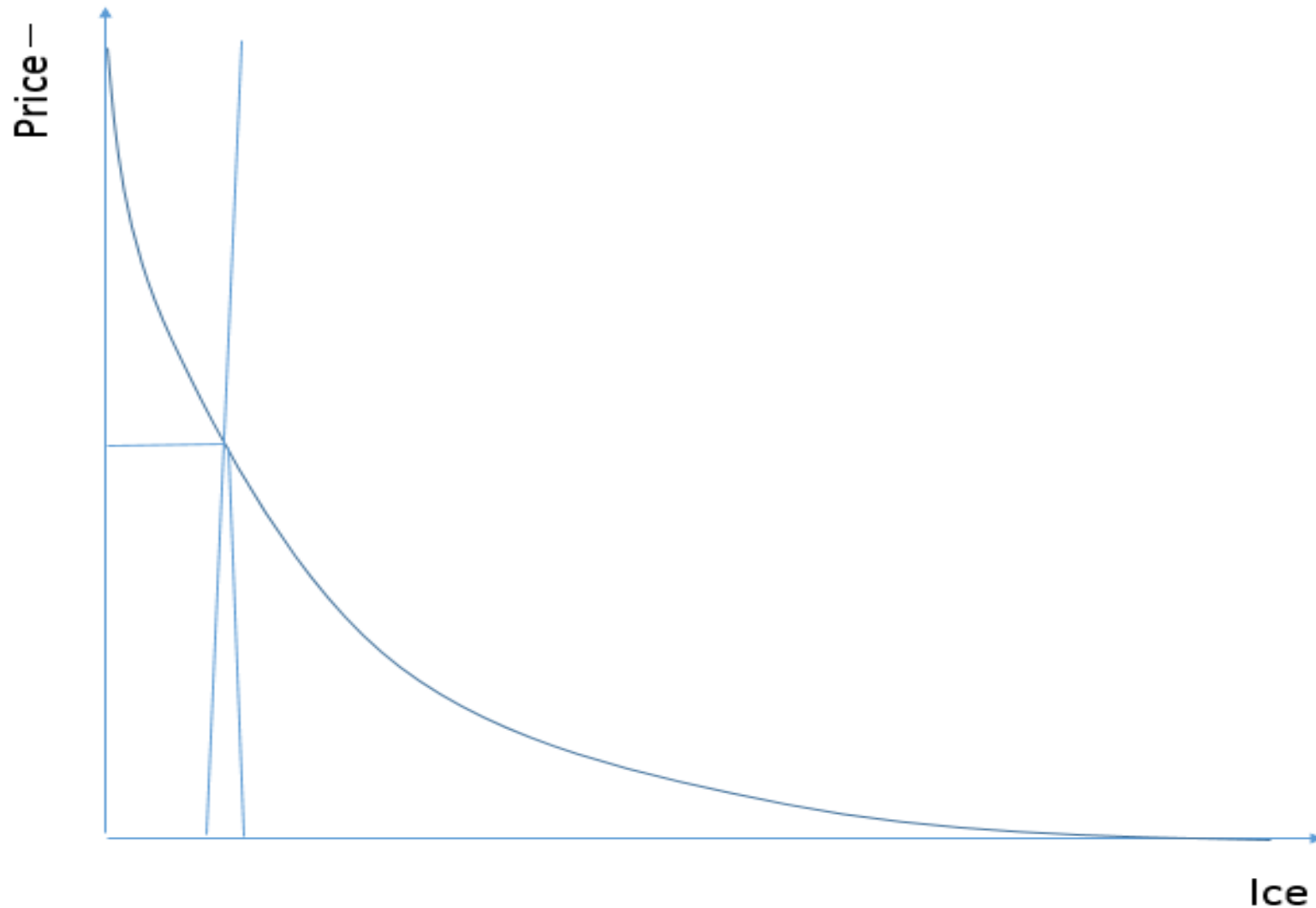


# Normal Ice Market

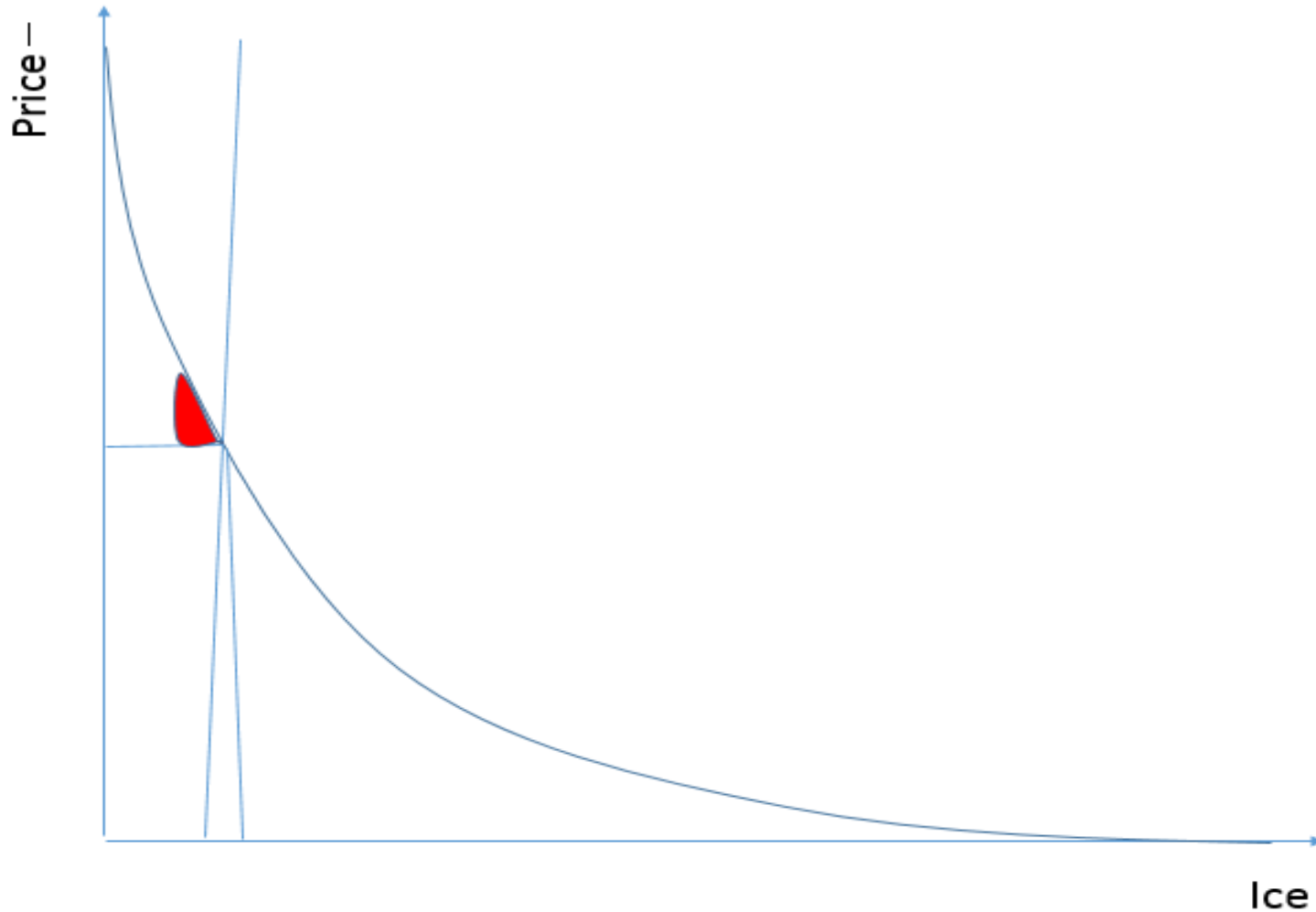




# Supply Shift Because of Hurricane



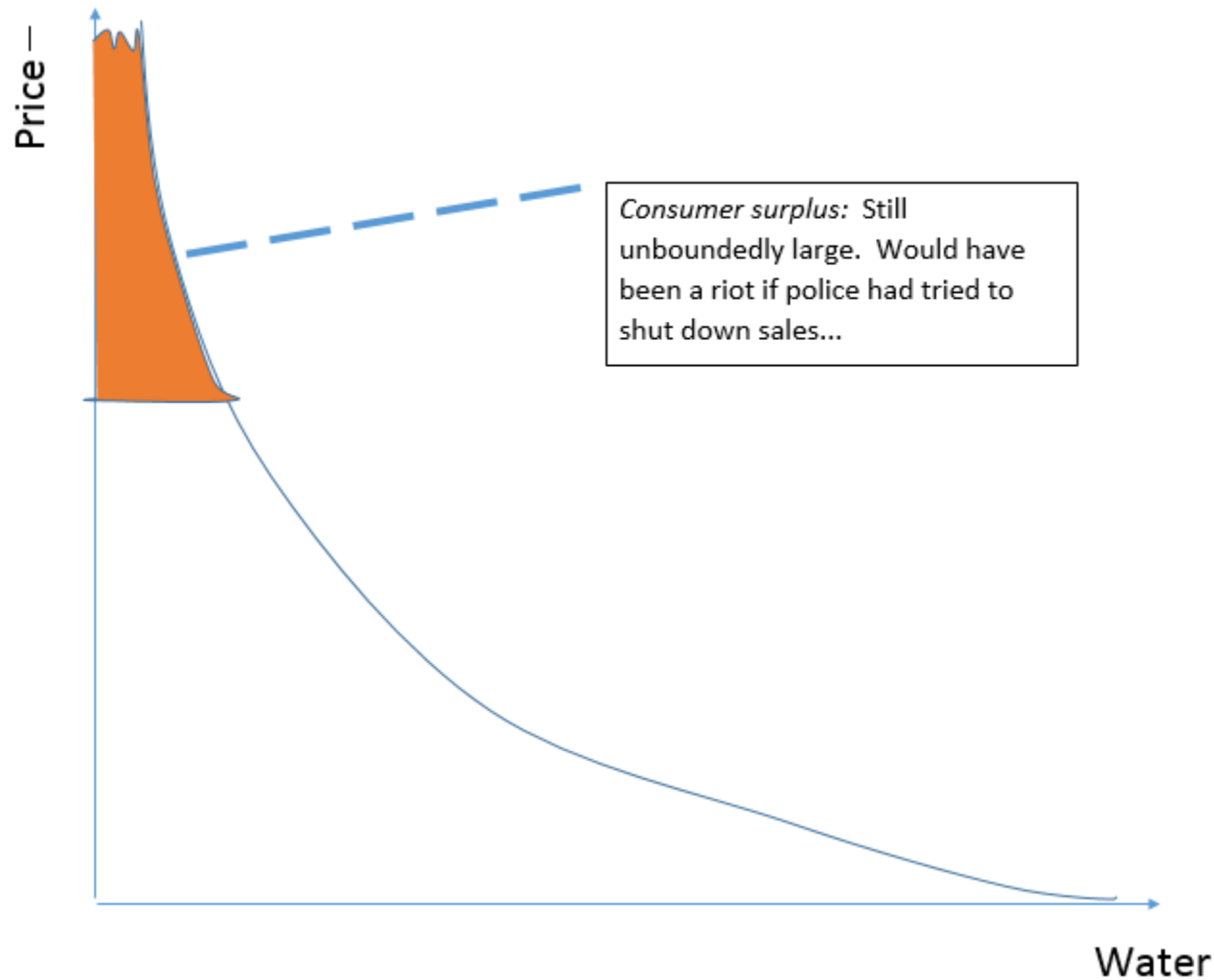
# Price Rise Takes Most C.S.



# So, Perfect Accident

- Emergency bad enough to elicit moral outrage in lifeboat module when confronted with price increase
- Price increase high enough that some people would still want to buy, but the material surplus reduced in size

# Rare Instance

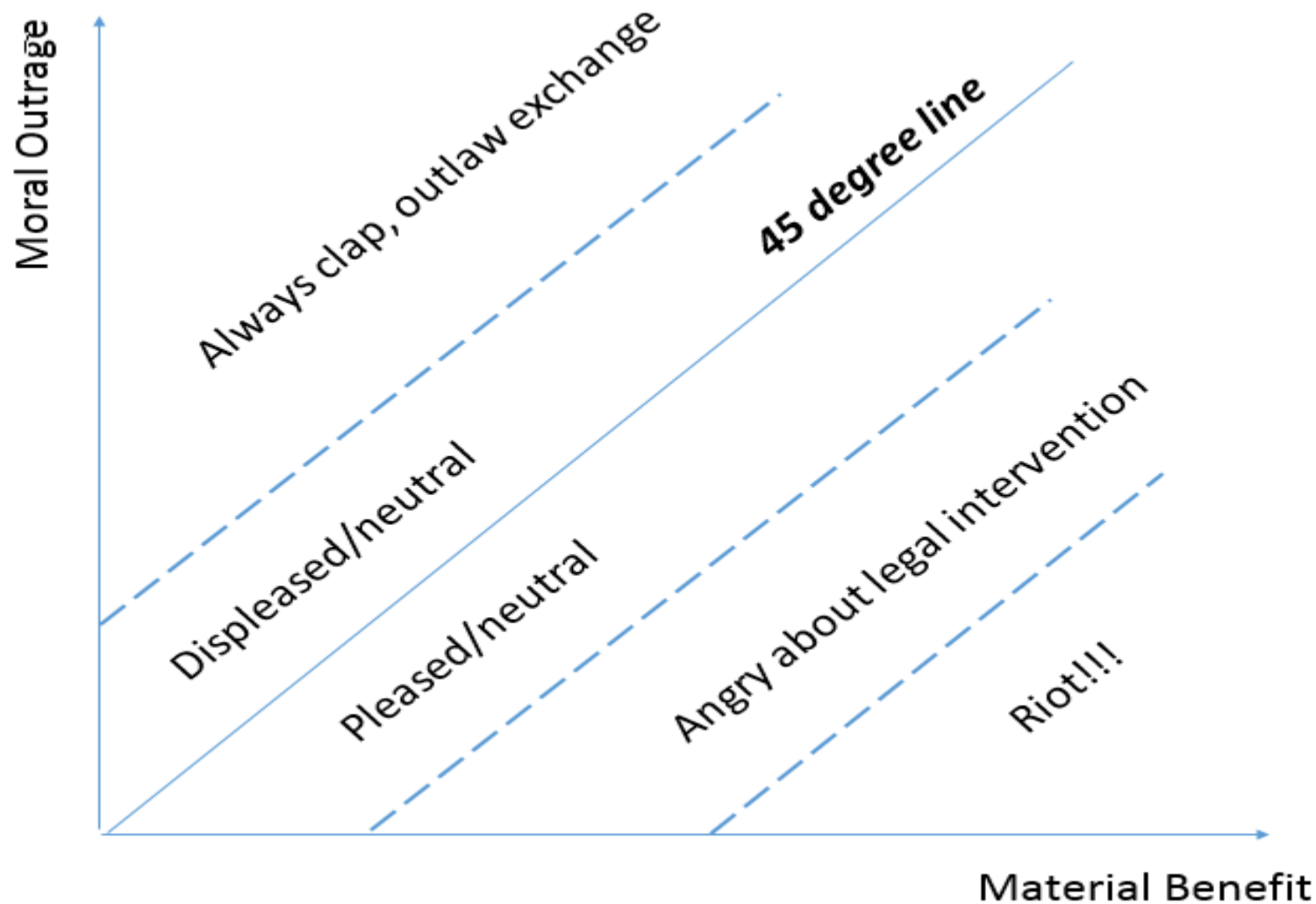


# If I'm Right....

- This behavior could be replicated, though it might not be easy, in the lab
- What is necessary is to induce the two dissonant considerations (moral outrage and material benefit) and then cut back on material benefit until subjects would
  - a. Want to buy the product, but
  - b. Register pleasure at having chance to buy the product taken away



# Purely Speculative



# Something Like This

- You are on a lifeboat with 12 other people. Rescue is on the way, but it will take 10 days to arrive. One person knows the combination to the locker that holds the water (50 gallons, enough to keep all safe until rescue). That guy demands that each person pays \$10,000 to him before he opens the locker.
- Authorities learn of this, and have satellite laser platform fire a precise burst, killing the locker guy. How do you feel?

# Compared to This

- You are on a cruise boat for three hours with your kids. They are tired and hungry, but galley is closed.
- Guy has bags of M&Ms (Rocklets), but wants \$20 each.
- Still, kids really want them, and they'll shut up. So you are ready to pay.
- But cruise security arrests the guy and confiscates Rocklets before you can buy.
- How do you feel?

# Our reductionist 2-part thesis

- I. Euvoluntary exchange is always just. State should never interfere.
- II. Exchange that is not euvoluntary is nonetheless often welfare-enhancing. Objections to exchange are generally *misplaced, possibly atavistic, objections to disparities in the pre-existing underlying distribution of wealth and power*, which exchange actually mitigates.

# Questions of *legality* I tried to answer here...

*EU*VOLUNTARY OR NOT, EXCHANGE IS  
JUST. *Social Philosophy and Policy*, 28  
(2011): 192-211

Tried to problematize "voluntary"  
exchange for public policy.

Earlier paper with RG: what is *moral*?

What are *obligations of the individual*?

# Michael Sandel

*The first objection [to the claim that exchange is voluntary] is an argument from coercion. It points to the injustice that can arise when people buy and sell things under conditions of severe inequality or dire economic necessity. According to this objection, market exchanges are not necessarily as voluntary as market enthusiasts suggest. A peasant may agree to sell his kidney or cornea in order to feed his starving family, but his agreement is not truly voluntary. He is coerced, in effect, by the necessities of his situation.*

*(What Money Shouldn't Buy, [http://www.iasc-culture.org/HHR\\_Archives/Commodification/5.2HSandel.pdf](http://www.iasc-culture.org/HHR_Archives/Commodification/5.2HSandel.pdf))*

# Examples From John Locke

Locke, John. 1661 / 2004. *Venditio. Locke: Political Writings* (ed. By David Wooton). Hackett Publishing.

emptio et venditio: “buying and selling”

Questions:

1. What is the “just price?” Locke’s answer: the market price is always just
2. But then, *when would a moral person be justified in making his own “market price”?*

# Market Price

- For Locke, there must be many buyers and sellers, and no one can (much) influence the price.
- If the buyer or seller has enough market power to set the price, he must act as if he cannot.
- BUT: This artificial or fictitious bargain can take account of other factors, such as opportunity cost. Brilliant argument, very modern and very economic.



# Examples From John Locke--Venditio

1. Wheat year 1 and year 2
2. Horse
3. A merchant of Danzig:  
Ostend or Dunkirk?

# Examples From John Locke--Venditio

A ship at sea that has an anchor to spare meets another which has lost all her anchors. What here shall be the just price that she shall sell her anchor to the distressed ship? *To this I answer the same price that she would sell the same anchor to a ship that was not in that distress. For that still is the market rate for which one would part with anything to anybody who was not in distress and absolute want of it.*

# Examples From John Locke--Venditio

And in this case the master of the vessel must make his estimate by the length of his voyage, the season and seas he sails in, and so what risk he shall run himself by parting with his [extra] anchor, which all put together he would not part with it at any rate, but if he would, he must then take no more for it from a ship in distress than he would from any other. (Locke, 1661/2005, Venditio, pp. 445–6; emphasis added).

# Non-worseness

Suppose that, in order for the stronger party to act morally, the weaker party must actually be harmed in some material sense. This possibility is accounted for by the “non-worseness” principle, described by Zwolinski (2008) interpreting Wertheimer (1996). Zwolinski describes non-worseness this way:

*“In cases where A has a right not to transact with B, and where transacting with B is not worse for B than not transacting with B at all, then it cannot be seriously wrong for A to engage in this transaction, even if its terms are judged to be unfair by some external standard.” (p. 357).*

# Structure of the argument...

- Euvoluntary exchange is both fair and just, and should not be interfered with by either the state or moral considerations. Bargaining is unrestricted.
- Non-euvoluntary exchange is always unfair, and violates a central moral intuition about exploitation. Is it unjust? Have to consider non-worseness.

# Structure of the argument...

- If the person making a moral choice, and the person paying the material consequences are identical, then punishing non-euvoluntary exchange might be justified (ice-buyers were denied ice, but saw evil-doers punished. They clapped!)

# Last Week....The Lifeboat!

- Venezuelan police discovered a large stockpile of hoarded goods, and seized them.
- Goods were distributed to the people.
- Yay! People clapped.

In fact, what happened was that a warehouse (which by definition is a large building full of goods) was taken from Empresas Polar. The company was shut down, and 650 people lost their jobs.

# Problem: Understanding vs Function

Two Hayek quotes:

- Many of the greatest things man has achieved are not the result of consciously directed thought, and still less the product of a deliberately coordinated effort of many individuals, but of a process in which the individual plays a part which he can never fully understand.
- The mind cannot foresee its own advance.