

WHAT
MONEY
CAN'T BUY

*The Moral Limits
of Markets*

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Introduction: Markets and Morals

There are some things money can't buy, but these days, not many. Today, almost everything is up for sale. Here are a few examples:

- *A prison cell upgrade: \$82 per night.* In Santa Ana, California, and some other cities, nonviolent offenders can pay for better accommodations—a clean, quiet jail cell, away from the cells for nonpaying prisoners.¹
- *Access to the car pool lane while driving solo: \$8 during rush hour.* Minneapolis and other cities are trying to ease traffic congestion by letting solo drivers pay to drive in car pool lanes, at rates that vary according to traffic.²
- *The services of an Indian surrogate mother to carry a pregnancy: \$6,250.* Western couples seeking surrogates increasingly outsource the job to India, where the practice is legal and the price is less than one-third the going rate in the United States.³
- *The right to immigrate to the United States: \$500,000.* Foreigners who invest \$500,000 and create at least ten jobs in an area of high unemployment are eligible for a green card that entitles them to permanent residency.⁴

- *The right to shoot an endangered black rhino: \$150,000.* South Africa has begun letting ranchers sell hunters the right to kill a limited number of rhinos, to give the ranchers an incentive to raise and protect the endangered species.⁵
- *The cell phone number of your doctor: \$1,500 and up per year.* A growing number of “concierge” doctors offer cell phone access and same-day appointments for patients willing to pay annual fees ranging from \$1,500 to \$25,000.⁶
- *The right to emit a metric ton of carbon into the atmosphere: €13 (about \$18).* The European Union runs a carbon emissions market that enables companies to buy and sell the right to pollute.⁷
- *Admission of your child to a prestigious university: ?* Although the price is not posted, officials from some top universities told *The Wall Street Journal* that they accept some less than stellar students whose parents are wealthy and likely to make substantial financial contributions.⁸

Not everyone can afford to buy these things. But today there are lots of new ways to make money. If you need to earn some extra cash, here are some novel possibilities:

- *Rent out space on your forehead (or elsewhere on your body) to display commercial advertising: \$777.* Air New Zealand hired thirty people to shave their heads and wear temporary tattoos with the slogan “Need a change? Head down to New Zealand.”⁹
- *Serve as a human guinea pig in a drug safety trial for a pharmaceutical company: \$7,500.* The pay can be higher or lower, depending on the invasiveness of the procedure used to test the drug’s effect, and the discomfort involved.¹⁰

- *Fight in Somalia or Afghanistan for a private military company: \$250 per month to \$1,000 per day.* The pay varies according to qualifications, experience, and nationality.¹¹
- *Stand in line overnight on Capitol Hill to hold a place for a lobbyist who wants to attend a congressional hearing: \$15–\$20 per hour.* The lobbyists pay line-standing companies, who hire homeless people and others to queue up.¹²
- *If you are a second grader in an underachieving Dallas school, read a book: \$2.* To encourage reading, the schools pay kids for each book they read.¹³
- *If you are obese, lose fourteen pounds in four months: \$378.* Companies and health insurers offer financial incentives for weight loss and other kinds of healthy behavior.¹⁴
- *Buy the life insurance policy of an ailing or elderly person, pay the annual premiums while the person is alive, and then collect the death benefit when he or she dies: potentially, millions (depending on the policy).* This form of betting on the lives of strangers has become a \$30 billion industry. The sooner the stranger dies, the more the investor makes.¹⁵

We live at a time when almost everything can be bought and sold. Over the past three decades, markets—and market values—have come to govern our lives as never before. We did not arrive at this condition through any deliberate choice. It is almost as if it came upon us.

As the cold war ended, markets and market thinking enjoyed unrivaled prestige, understandably so. No other mechanism for organizing the production and distribution of goods had proved as successful at generating affluence and prosperity. And yet, even as growing numbers of countries around the world embraced market

mechanisms in the operation of their economies, something else was happening. Market values were coming to play a greater and greater role in social life. Economics was becoming an imperial domain. Today, the logic of buying and selling no longer applies to material goods alone but increasingly governs the whole of life. It is time to ask whether we want to live this way.

THE ERA OF MARKET TRIUMPHALISM

The years leading up to the financial crisis of 2008 were a heady time of market faith and deregulation—an era of market triumphalism. The era began in the early 1980s, when Ronald Reagan and Margaret Thatcher proclaimed their conviction that markets, not government, held the key to prosperity and freedom. And it continued in the 1990s, with the market-friendly liberalism of Bill Clinton and Tony Blair, who moderated but consolidated the faith that markets are the primary means for achieving the public good.

Today, that faith is in doubt. The era of market triumphalism has come to an end. The financial crisis did more than cast doubt on the ability of markets to allocate risk efficiently. It also prompted a widespread sense that markets have become detached from morals and that we need somehow to reconnect them. But it's not obvious what this would mean, or how we should go about it.

Some say the moral failing at the heart of market triumphalism was greed, which led to irresponsible risk taking. The solution, according to this view, is to rein in greed, insist on greater integrity and responsibility among bankers and Wall Street executives, and enact sensible regulations to prevent a similar crisis from happening again.

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This is, at best, a partial diagnosis. While it is certainly true that greed played a role in the financial crisis, something bigger is at stake. The most fateful change that unfolded during the past three decades was not an increase in greed. It was the expansion of markets, and of market values, into spheres of life where they don't belong.

To contend with this condition, we need to do more than inveigh against greed; we need to rethink the role that markets should play in our society. We need a public debate about what it means to keep markets in their place. To have this debate, we need to think through the moral limits of markets. We need to ask whether there are some things money should not buy.

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.

Consider the proliferation of for-profit schools, hospitals, and prisons, and the outsourcing of war to private military contractors. (In Iraq and Afghanistan, private contractors actually outnumbered U.S. military troops.¹⁶)

Consider the eclipse of public police forces by private security firms—especially in the United States and Britain, where the number of private guards is more than twice the number of public police officers.¹⁷

Or consider the pharmaceutical companies' aggressive marketing of prescription drugs to consumers in rich countries. (If you've ever seen the television commercials on the evening news in the United States, you could be forgiven for thinking that the greatest health crisis in the world is not malaria or river blindness or sleeping sickness, but a rampant epidemic of erectile dysfunction.)

Consider too the reach of commercial advertising into public

schools; the sale of "naming rights" to parks and civic spaces; the marketing of "designer" eggs and sperm for assisted reproduction; the outsourcing of pregnancy to surrogate mothers in the developing world; the buying and selling, by companies and countries, of the right to pollute; a system of campaign finance that comes close to permitting the buying and selling of elections.

These uses of markets to allocate health, education, public safety, national security, criminal justice, environmental protection, recreation, procreation, and other social goods were for the most part unheard of thirty years ago. Today, we take them largely for granted.

EVERYTHING FOR SALE

Why worry that we are moving toward a society in which everything is up for sale?

For two reasons: one is about inequality; the other is about corruption. Consider inequality. In a society where everything is for sale, life is harder for those of modest means. The more money can buy, the more affluence (or the lack of it) matters.

If the only advantage of affluence were the ability to buy yachts, sports cars, and fancy vacations, inequalities of income and wealth would not matter very much. But as money comes to buy more and more—political influence, good medical care, a home in a safe neighborhood rather than a crime-ridden one, access to elite schools rather than failing ones—the distribution of income and wealth looms larger and larger. Where all good things are bought and sold, having money makes all the difference in the world.

This explains why the last few decades have been especially hard on poor and middle-class families. Not only has the gap between

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The second reason we should hesitate to put everything up for sale is more difficult to describe. It is not about inequality and fairness but about the corrosive tendency of markets. Putting a price on the good things in life can corrupt them. That's because markets don't only allocate goods; they also express and promote certain attitudes toward the goods being exchanged. Paying kids to read books might get them to read more, but also teach them to regard reading as a chore rather than a source of intrinsic satisfaction. Auctioning seats in the freshman class to the highest bidders might raise revenue but also erode the integrity of the college and the value of its diploma. Hiring foreign mercenaries to fight our wars might spare the lives of our citizens but corrupt the meaning of citizenship.

Economists often assume that markets are inert, that they do not affect the goods they exchange. But this is untrue. Markets leave their mark. Sometimes, market values crowd out nonmarket values worth caring about.

Of course, people disagree about what values are worth caring about, and why. So to decide what money should—and should not—be able to buy, we have to decide what values should govern the various domains of social and civic life. How to think this through is the subject of this book.

Here is a preview of the answer I hope to offer: when we decide that certain goods may be bought and sold, we decide, at least implicitly, that it is appropriate to treat them as commodities, as instruments of profit and use. But not all goods are properly valued in this way.¹⁸ The most obvious example is human beings. Slavery was appalling because it treated human beings as commodities, to be bought and sold at auction. Such treatment fails to value human beings in

the appropriate way—as persons worthy of dignity and respect, rather than as instruments of gain and objects of use.

Something similar can be said of other cherished goods and practices. We don't allow children to be bought and sold on the market. Even if buyers did not mistreat the children they purchased, a market in children would express and promote the wrong way of valuing them. Children are not properly regarded as consumer goods but as beings worthy of love and care. Or consider the rights and obligations of citizenship. If you are called to jury duty, you may not hire a substitute to take your place. Nor do we allow citizens to sell their votes, even though others might be eager to buy them. Why not? Because we believe that civic duties should not be regarded as private property but should be viewed instead as public responsibilities. To outsource them is to demean them, to value them in the wrong way.

These examples illustrate a broader point: some of the good things in life are corrupted or degraded if turned into commodities. So to decide where the market belongs, and where it should be kept at a distance, we have to decide how to value the goods in question—health, education, family life, nature, art, civic duties, and so on. These are moral and political questions, not merely economic ones. To resolve them, we have to debate, case by case, the moral meaning of these goods and the proper way of valuing them.

This is a debate we didn't have during the era of market triumphalism. As a result, without quite realizing it, without ever deciding to do so, we drifted from *having* a market economy to *being* a market society.

The difference is this: A market economy is a tool—a valuable and effective tool—for organizing productive activity. A market society is a way of life in which market values seep into every aspect of

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The great missing debate in contemporary politics is about the role and reach of markets. Do we want a market economy, or a market society? What role should markets play in public life and personal relations? How can we decide which goods should be bought and sold, and which should be governed by nonmarket values? Where should money's writ not run?

These are the questions this book seeks to address. Since they touch on contested visions of the good society and the good life, I can't promise definitive answers. But I hope at least to prompt public discussion of these questions, and to provide a philosophical framework for thinking them through.

RETHINKING THE ROLE OF MARKETS

Even if you agree that we need to grapple with big questions about the morality of markets, you might doubt that our public discourse is up to the task. It's a legitimate worry. Any attempt to rethink the role and reach of markets should begin by acknowledging two daunting obstacles.

One is the persisting power and prestige of market thinking, even in the aftermath of the worst market failure in eighty years. The other is the rancor and emptiness of our public discourse. These two conditions are not entirely unrelated.

The first obstacle is puzzling. At the time, the financial crisis of 2008 was widely seen as a moral verdict on the uncritical embrace of markets that had prevailed, across the political spectrum, for three decades. The near collapse of once-mighty Wall Street financial firms,

and the need for a massive bailout at taxpayers' expense, seemed sure to prompt a reconsideration of markets. Even Alan Greenspan, who as chairman of the U.S. Federal Reserve had served as high priest of the market triumphalist faith, admitted to "a state of shocked disbelief" that his confidence in the self-correcting power of free markets turned out to be mistaken.¹⁹ The cover of *The Economist*, the buoyantly pro-market British magazine, showed an economics textbook melting into a puddle, under the headline WHAT WENT WRONG WITH ECONOMICS.²⁰

The era of market triumphalism had come to a devastating end. Now, surely, would be a time of moral reckoning, a season of sober second thoughts about the market faith. But things haven't turned out that way.

The spectacular failure of financial markets did little to dampen the faith in markets generally. In fact, the financial crisis discredited government more than the banks. In 2011, surveys found that the American public blamed the federal government more than Wall Street financial institutions for the economic problems facing the country—by a margin of more than two to one.²¹

The financial crisis had pitched the United States and much of the global economy into the worst economic downturn since the Great Depression and left millions of people out of work. Yet it did not prompt a fundamental rethinking of markets. Instead, its most notable political consequence in the United States was the rise of the Tea Party movement, whose hostility to government and embrace of free markets would have made Ronald Reagan blush. In the fall of 2011, the Occupy Wall Street movement brought protests to cities throughout the United States and around the world. These protests targeted big banks and corporate power, and the rising inequality of income and wealth. Despite their different ideological orientations,

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both the Tea Party and Occupy Wall Street activists gave voice to populist outrage against the bailout.²²

Notwithstanding these voices of protest, serious debate about the role and reach of markets remains largely absent from our political life. Democrats and Republicans argue, as they long have done, about taxes, spending, and budget deficits, only now with greater partisanship and little ability to inspire or persuade. Disillusion with politics has deepened as citizens grow frustrated with a political system unable to act for the public good, or to address the questions that matter most.

This parlous state of public discourse is the second obstacle to a debate about the moral limits of markets. At a time when political argument consists mainly of shouting matches on cable television, partisan vitriol on talk radio, and ideological food fights on the floor of Congress, it's hard to imagine a reasoned public debate about such controversial moral questions as the right way to value procreation, children, education, health, the environment, citizenship, and other goods. But I believe such a debate is possible, and that it would invigorate our public life.

Some see in our rancorous politics a surfeit of moral conviction: too many people believe too deeply, too stridently, in their own convictions and want to impose them on everyone else. I think this misreads our predicament. The problem with our politics is not too much moral argument but too little. Our politics is overheated because it is mostly vacant, empty of moral and spiritual content. It fails to engage with big questions that people care about.

The moral vacancy of contemporary politics has a number of sources. One is the attempt to banish notions of the good life from public discourse. In hopes of avoiding sectarian strife, we often insist that citizens leave their moral and spiritual convictions behind

when they enter the public square. But despite its good intention, the reluctance to admit arguments about the good life into politics prepared the way for market triumphalism and for the continuing hold of market reasoning.

In its own way, market reasoning also empties public life of moral argument. Part of the appeal of markets is that they don't pass judgment on the preferences they satisfy. They don't ask whether some ways of valuing goods are higher, or worthier, than others. If someone is willing to pay for sex or a kidney, and a consenting adult is willing to sell, the only question the economist asks is, "How much?" Markets don't wag fingers. They don't discriminate between admirable preferences and base ones. Each party to a deal decides for himself or herself what value to place on the things being exchanged.

This nonjudgmental stance toward values lies at the heart of market reasoning and explains much of its appeal. But our reluctance to engage in moral and spiritual argument, together with our embrace of markets, has exacted a heavy price: it has drained public discourse of moral and civic energy, and contributed to the technocratic, managerial politics that afflicts many societies today.

A debate about the moral limits of markets would enable us to decide, as a society, where markets serve the public good and where they don't belong. It would also invigorate our politics, by welcoming competing notions of the good life into the public square. For how else could such arguments proceed? If you agree that buying and selling certain goods corrupts or degrades them, then you must believe that some ways of valuing these goods are more appropriate than others. It hardly makes sense to speak of corrupting an activity—parenthood, say, or citizenship—unless you think that some ways of being a parent, or a citizen, are better than others.

Moral judgments such as these lie behind the few limitations

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on markets we still observe. We don't allow parents to sell their children or citizens to sell their votes. And one of the reasons we don't is, frankly, judgmental: we believe that selling these things values them in the wrong way and cultivates bad attitudes.

Thinking through the moral limits of markets makes these questions unavoidable. It requires that we reason together, in public, about how to value the social goods we prize. It would be folly to expect that a morally more robust public discourse, even at its best, would lead to agreement on every contested question. But it would make for a healthier public life. And it would make us more aware of the price we pay for living in a society where everything is up for sale.

When we think of the morality of markets, we think first of Wall Street banks and their reckless misdeeds, of hedge funds and bailouts and regulatory reform. But the moral and political challenge we face today is more pervasive and more mundane—to rethink the role and reach of markets in our social practices, human relationships, and everyday lives.

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How Markets Crowd Out Morals

Are there some things that money should not be able to buy? If so, how can we decide which goods and activities are properly bought and sold, and which are not? I suggest we approach these questions by asking a slightly different one: Are there some things that money cannot buy?

WHAT MONEY CAN AND CANNOT BUY

Most people would say yes, there are. Consider friendship. Suppose you want more friends than you have. Would you try to buy some? Not likely. A moment's reflection would lead you to realize that it wouldn't work. A hired friend is not the same as a real one. You could hire people to do some of the things that friends typically do—picking up your mail when you're out of town, looking after your children in a pinch, or, in the case of a therapist, listening to your woes and offering sympathetic advice. Until recently, you could even bolster your online popularity by hiring some good-looking "friends"

for your Facebook page—for 99¢ per friend per month. (The phony-friend website was shut down when it emerged that the photos being used, mostly of models, were unauthorized.)¹ Although all of these services can be bought, you can't actually buy a friend. Somehow, the money that buys the friendship dissolves it, or turns it into something else.

Or consider the Nobel Prize. Suppose you desperately want a Nobel Prize but fail to get one in the usual way. It might occur to you to buy one. But you would quickly realize that it wouldn't work. The Nobel Prize is not the kind of thing that money can buy. Nor is the Most Valuable Player award of the American League. You could buy the trophy if some previous winner is willing to sell it, and you could display it in your living room. But you could not buy the award itself.

This is not only because the Nobel committee and the American League don't offer these awards for sale. Even if they auctioned off, say, one Nobel Prize each year, the bought award would not be the same as the real thing. The market exchange would dissolve the good that gives the prize its value. This is because the Nobel Prize is an honorific good. To buy it is to undermine the good you are seeking. Once word got out that the prize had been bought, the award would no longer convey or express the honor and recognition that people receive when they are awarded a Nobel Prize.

The same is true of baseball's MVP awards. They too are honorific goods, whose value would be dissolved if bought rather than earned by a season of game-winning home runs or other heroics. There's a difference, of course, between a trophy, which symbolizes an award, and the award itself. It turns out that some winners of Hollywood's Academy Awards have sold their Oscar statuettes, or left them to heirs who have done so. Some of these Oscars have been auctioned by Sotheby's and other auction houses. In 1999, Michael

Jackson paid \$1.54 million for *the Wind*. The academy and now requires Oscars not to sell them. It was a commercial collectible. If the trophies, it is obvious the actress is not the same.

These fairly obvious questions that concern buy but shouldn't? Can buying and selling is an example. Some people find such markets dissolve the good. If a kidney, the problem is regardless of the money. The market exchange should or should not be an inquiry. We have to evaluate sales and determine what

Or consider baby sales. A leading figure in the use of markets to purchase a child. It is well known that more people would do a better job of adoption, which allows not to auction babies or

Many people disagree that children should not be sold on the market. In thinking the

Jackson paid \$1.54 million for the best-picture Oscar for *Gone with the Wind*. The academy that awards the Oscars opposes such sales and now requires Oscar recipients to sign an agreement promising not to sell them. It wants to avoid turning the iconic statuettes into commercial collectibles. Whether or not collectors are able to buy the trophies, it is obvious that buying the Academy Award for best actress is not the same as winning it.²

These fairly obvious examples offer a clue to the more challenging question that concerns us: Are there some things that money can buy but shouldn't? Consider a good that can be bought but whose buying and selling is morally controversial—a human kidney, for example. Some people defend markets in organs for transplantation; others find such markets morally objectionable. If it's wrong to buy a kidney, the problem is not, as with the Nobel Prize, that the money dissolves the good. The kidney will work (assuming a good match) regardless of the monetary payment. So to determine whether kidneys should or shouldn't be up for sale, we have to engage in a moral inquiry. We have to examine the arguments for and against organ sales and determine which are more persuasive.

Or consider baby selling. Some years ago, Judge Richard Posner, a leading figure in the “law and economics” movement, proposed the use of markets to allocate babies put up for adoption. He acknowledged that more desirable babies would command higher prices than less desirable ones. But he argued that the free market would do a better job of allocating babies than the current system of adoption, which allows adoption agencies to charge certain fees but not to auction babies or charge a market price.³

Many people disagree with Posner's proposal and maintain that children should not be bought and sold, no matter how efficient the market. In thinking through this controversy, it's worth noticing a

distinctive feature of it: like a market in kidneys, a market in babies would not dissolve the good the buyers seek to acquire. A bought baby differs, in this respect, from a bought friend or Nobel Prize. If there were a market in babies for adoption, people who paid the going price would acquire what they wanted—a child. Whether such a market is morally objectionable is a further question.

So it seems, at first glance, that there is a sharp distinction between two kinds of goods: the things (like friends and Nobel Prizes) that money *can't* buy, and the things (like kidneys and children) that money *can* buy but arguably shouldn't. But I would like to suggest that this distinction is less clear than it first appears. If we look more closely, we can glimpse a connection between the obvious cases, in which the monetary exchange spoils the good being bought, and the controversial cases, in which the good survives the selling but is arguably degraded, or corrupted, or diminished as a result.

BOUGHT APOLOGIES AND WEDDING TOASTS

We can explore this connection by considering some cases intermediate between friendship and kidneys. If you can't buy friendship, what about tokens of friendship, or expressions of intimacy, affection, or contrition?

In 2001, *The New York Times* published a story about a company in China that offers an unusual service: if you need to apologize to someone—an estranged lover or business partner with whom you've had a falling out—and you can't quite bring yourself to do so in person, you can hire the Tianjin Apology company to apologize on your behalf. The motto of the company is, "We say sorry for you." According to the article, the professional apologizers are "middle-aged

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men and women with college degrees who dress in somber suits. They are lawyers, social workers and teachers with 'excellent verbal ability' and significant life experience, who are given additional training in counseling."⁴

I don't know whether the company is successful, or even whether it still exists. But reading about it made me wonder: Does a bought apology work? If someone wronged or offended you, and then sent a hired apologizer to make amends, would you be satisfied? It might depend on the circumstances, or perhaps even the cost. Would you consider an expensive apology more meaningful than a cheap one? Or is the enactment of the apology by the person who owes it constitutive of contrition, such that it can't be outsourced? If no bought apology, however extravagant, could do the work of a personal one, then apologies, like friends, are the kind of thing that money cannot buy.

Consider another social practice closely connected to friendship—a wedding toast to the bride and groom. Traditionally, such toasts are warm, funny, heartfelt expressions of good wishes delivered by the best man, usually the groom's closest friend. But it's not easy to compose an elegant wedding speech, and many best men don't feel up to the task. So some have resorted to buying wedding toasts online.⁵

ThePerfectToast.com is one of the leading websites offering ghostwritten wedding speeches. It's been in business since 1997. You answer a questionnaire online—about how the bride and groom met, how you would describe them, whether you want a humorous speech or a sentimental one—and within three business days you receive a professionally written custom toast of three to five minutes. The price is \$149, payable by credit card. For those who can't afford a bespoke wedding toast, other websites, such as InstantWedding-Toasts.com, sell standard prewritten wedding speeches for \$19.95, including a money-back guarantee.⁶

Suppose, on your wedding day, your best man delivers a heartwarming toast, a speech so moving it brings tears to your eyes. You later learn that he didn't write it himself but bought it online. Would you care? Would the toast mean less than it did at first, before you knew it was written by a paid professional? Most of us would probably say yes, the bought wedding toast has less value than an authentic one.

It might be argued that presidents and prime ministers routinely employ speechwriters, and no one faults them for it. But a wedding toast is not a State of the Union address. It is an expression of friendship. Although a bought toast might "work" in the sense of achieving its desired effect, that effect might depend on an element of deception. Here's a test: If, seized with anxiety at the prospect of giving a speech at your best friend's wedding, you purchased a moving, sentimental masterpiece online, would you reveal this fact, or try to cover it up? If a bought toast depends for its effect on concealing its provenance, that's a reason to suspect it's a corrupt version of the real thing.

Apologies and wedding toasts are goods that can, in a sense, be bought. But buying and selling them changes their character and diminishes their value.

THE CASE AGAINST GIFTS

Consider now another expression of friendship—gift giving. Unlike wedding speeches, gifts have an unavoidably material aspect. But with some gifts, the monetary aspect is relatively obscure; with others, it is explicit. Recent decades have brought a trend toward the monetization of gifts, yet another example of the increasing commodification of social life.

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Economists don't like gifts. Or to be more precise, they have a hard time making sense of gift giving as a rational social practice. From the standpoint of market reasoning, it is almost always better to give cash rather than a gift. If you assume that people generally know their own preferences best, and that the point of giving a gift is to make your friend or loved one happy, then it's hard to beat a monetary payment. Even if you have exquisite taste, your friend may not like the tie or necklace you pick out. So if you really want to maximize the welfare your gift provides, don't buy a present; simply give the money you would have spent. Your friend or lover can either spend the cash on the item you would have bought, or (more likely) on something that brings even greater pleasure.

This is the logic of the economic case against gift giving. It is subject to a few qualifications. If you come across an item that your friend would like but is unfamiliar with—the latest high-tech gadget, for example—it's possible this gift would give your ill-informed friend more pleasure than something he or she would have bought with the cash equivalent. But this is a special case that is consistent with the economist's basic assumption that the purpose of gift giving is to maximize the welfare, or utility, of the recipient.

Joel Waldfogel, an economist at the University of Pennsylvania, has taken up the economic inefficiency of gift giving as a personal cause. By "inefficiency," he means the gap between the value to you (maybe very little) of the \$120 argyle sweater your aunt gave you for your birthday, and the value of what you would have bought (an iPod, say) had she given you the cash. In 1993, Waldfogel drew attention to the epidemic of squandered utility associated with holiday gift giving in an article called "The Deadweight Loss of Christmas." He updated and elaborated the theme in a recent book, *Scroogenomics: Why You Shouldn't Buy Presents for the Holidays*: "The bottom

line is that when other people do our shopping, for clothes or music or whatever, it's pretty unlikely that they'll choose as well as we would have chosen for ourselves. We can expect their choices, no matter how well intentioned, to miss the mark. Relative to how much satisfaction their expenditures could have given us, their choices destroy value."⁷

Applying standard market reasoning, Waldfogel concludes that it would be better, in most cases, to give cash: "Economic theory—and common sense—lead us to expect that buying stuff for ourselves will create more satisfaction, per euro, dollar, or shekel spent, than does buying stuff for others . . . Buying gifts typically destroys value and can only, in the unlikely best special case, be as good as giving cash."⁸

Beyond playing out the economic logic against gift giving, Waldfogel has conducted surveys to measure how much value this inefficient practice destroys. He asks gift recipients to estimate the monetary value of the gifts they've received, and the amount they would have been willing to pay for them. His conclusion: "We value items we receive as gifts 20 percent less, per dollar spent, than items we buy for ourselves." This 20 percent figure enables Waldfogel to estimate the total "value destruction" brought about, nationwide, by holiday gift giving: "Given the \$65 billion in U.S. holiday spending per year, that means we get \$13 billion less in satisfaction than we would receive if we spent that money the usual way—carefully, on ourselves. Americans celebrate the holidays with an orgy of value destruction."⁹

If gift giving is a massively wasteful and inefficient activity, why do we persist in it? It isn't easy to answer this question within standard economic assumptions. In his economics textbook, Gregory Mankiw tries gamely to do so. He begins by observing that "gift giving is a strange custom" but concedes that it's generally a bad idea to

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Mankiw's explanation is that gift giving is a mode of "signaling," an economist's term for using markets to overcome "information asymmetries." So, for example, a firm with a good product buys expensive advertising, not only to persuade customers directly but also to "signal" to them that it is confident enough in the quality of its product to undertake a costly advertising campaign. In a similar way, Mankiw suggests, gift giving serves a signaling function. A man contemplating a gift for his girlfriend "has private information that the girlfriend would like to know: Does he really love her? Choosing a good gift for her is a signal of his love." Since it takes time and effort to look for a gift, choosing an apt one is a way for him "to convey the private information of his love for her."¹⁰

This is a strangely wooden way to think about lovers and gifts. "Signaling" love is not the same as expressing it. To speak of signaling wrongly assumes that love is a piece of private information that one party reports to the other. If this were the case, then cash would work as well—the higher the payment, the stronger the signal, and the greater (presumably) the love. But love is not only, or mainly, a matter of private information. It is a way of being with and responding to another person. Giving, especially attentive giving, can be an expression of it. On the expressive account, a good gift not only aims to please, in the sense of satisfying the consumer preferences of the recipient. It also engages and connects with the recipient, in a way that reflects a certain intimacy. This is why thoughtfulness matters.

Not all gifts, of course, can be expressive in this way. If you are attending the wedding of a distant cousin, or the bar mitzvah of a business associate's child, it is probably better to buy something from the wedding registry or give cash. But to give money rather

than a well-chosen gift to a friend, lover, or spouse is to convey a certain thoughtless indifference. It's like buying your way out of attentiveness.

Economists know that gifts have an expressive dimension, even if the tenets of their discipline can't account for it. "The economist in me says the best gift is cash," writes Alex Tabarrok, an economist and blogger. "The rest of me rebels." He offers a good counterexample to the utilitarian notion that the ideal gift is an item we would have bought for ourselves: Suppose someone gives you \$100, and you buy a set of tires for your car. This is what maximizes your utility. Still, you might not be terribly happy if your lover gave you car tires for your birthday. In most cases, Tabarrok points out, we'd rather the gift giver buy us something less mundane, something we wouldn't buy for ourselves. From our intimates at least, we'd rather receive a gift that speaks to "the wild self, the passionate self, the romantic self."¹¹

I think he's onto something. The reason gift giving is not always an irrational departure from efficient utility maximizing is that gifts aren't only about utility. Some gifts are expressive of relationships that engage, challenge, and reinterpret our identities. This is because friendship is about more than being useful to one another. It is also about growing in character and self-knowledge in the company of others. As Aristotle taught, friendship at its best has a formative, educative purpose. To monetize all forms of giving among friends can corrupt friendship by suffusing it with utilitarian norms.

Even economists who view gift giving in utilitarian terms can't help noticing that cash gifts are the exception, not the rule, especially among peers, spouses, and significant others. For Waldfoegel, this is a source of the inefficiency he decries. So what, in his view, motivates people to persist in a habit that produces a massive

destruction of value? "tacky gift" that carries are right or wrong to stigma as a brute soci from its unfortunate t

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destruction of value? It's simply the fact that cash is considered a "tacky gift" that carries a stigma. He does not ask whether people are right or wrong to regard cash gifts as tacky. Instead, he treats the stigma as a brute sociological fact of no normative significance apart from its unfortunate tendency to reduce utility.¹²

"The only reason that so much Christmas giving is in-kind rather than cash is the stigma of cash giving," Waldfogel writes. "If there were no stigma, then givers would give cash, and recipients would choose items that they really want, resulting in the most possible satisfaction given the amounts spent."¹³ Stephen Dubner and Steven Levitt offer a similar view: the reluctance to give cash gifts is, for the most part, a "social taboo" that "crushes the economist's dream" of a "beautifully efficient exchange."¹⁴

The economic analysis of gift giving illustrates, in a small domain, two revealing features of market reasoning. First, it shows how market reasoning smuggles in certain moral judgments, despite its claim to be value neutral. Waldfogel doesn't assess the validity of the stigma against cash gifts; he never asks whether it might be justified. He simply assumes it is an irrational obstacle to utility, a "dysfunctional institution" that should ideally be overcome.¹⁵ He doesn't consider the possibility that the stigma against monetary gifts may reflect norms worth preserving, such as norms of attentiveness bound up with friendship.

To insist that the purpose of all gifts is to maximize utility is to assume, without argument, that the utility-maximizing conception of friendship is morally the most appropriate one, and that the right way to treat friends is to satisfy their preferences—not to challenge or deepen or complicate them.

So the economic case against gift giving is not morally neutral. It presupposes a certain conception of friendship, one that many

consider impoverished. And yet, whatever its moral deficiency, the economic approach to gift giving is gradually taking hold. This brings us to the second revealing feature of the gift example. Contestable though its moral assumptions may be, the economic way of thinking about gifts is coming to be true. Over the past two decades, the monetary aspect of gift giving has come closer to the surface.

MONETIZING GIFTS

Consider the rise of gift cards. Rather than search for just the right gift, holiday shoppers are increasingly giving certificates or cards with a certain monetary value that can be redeemed for merchandise at retail stores. Gift cards represent a halfway house between choosing a specific gift and giving cash. They make life easier for shoppers and give recipients a greater range of options. A \$50 gift card from Target, Walmart, or Saks Fifth Avenue avoids the “value-destroying loss” of a sweater two sizes too small, by letting the recipient choose something he or she really wants. And yet it’s somehow different from giving money. True, the recipient knows exactly how much you spent; the monetary value is explicit. But despite this fact, a gift card from a particular store carries less of a stigma than simply giving cash. Perhaps the element of thoughtfulness conveyed by the choice of an appropriate store eases the stigma, at least to some degree.

The trend toward the monetizing of holiday gifts gathered momentum in the 1990s, when growing numbers of shoppers began giving gift certificates. In the late 1990s, the shift to plastic gift cards with magnetic strips accelerated the trend. From 1998 to 2010, annual sales of gift cards increased almost eightfold, to more than \$90 billion. According to consumer surveys, gift cards are now the most

popular holiday consumer electronics.

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popular holiday gift request—ahead of clothing, video games, consumer electronics, jewelry, and other items.¹⁶

Traditionalists bemoan this trend. Judith Martin, the etiquette columnist known as Miss Manners, complains that gift cards have “taken the heart and soul out of the holiday. You’re basically paying somebody—paying them to go away.” Liz Pulliam Weston, a personal finance columnist, worries that “the art of gift-giving is quickly devolving into an entirely commercial exchange. How much longer,” she asks, “until we simply start thrusting wads of dollar bills at each other?”¹⁷

From the standpoint of economic reasoning, the turn to gift cards is a step in the right direction. Going all the way to wads of dollar bills would be even better. The reason? Although gift cards reduce the “deadweight loss” of presents, they don’t eliminate it entirely. Suppose your uncle gives you a \$100 gift card redeemable at Home Depot. That would be better than a hundred-dollar tool kit you don’t want. But if you are not keen on home improvement items, you’d rather have the cash. Money, after all, is like a gift card that is redeemable anywhere.

Not surprisingly, a market solution to this problem has already appeared. A number of online companies now buy gift cards for cash (at a price lower than their face value) and resell them. So, for example, a company called Plastic Jungle will buy your \$100 Home Depot gift card for \$80 and then resell it for \$93. The discount rate varies according to the popularity of the store. For a \$100 gift card from Walmart or Target, Plastic Jungle will pay \$91. A \$100 card from Barnes & Noble, sadly, yields only \$77, slightly less than Burger King (\$79).¹⁸

For economists concerned with the deadweight loss of gifts, this secondary market quantifies the utility loss you impose on recipients by giving gift cards rather than money: the higher the discount rate,

the greater the gap between the value of a gift card and the value of cash. Of course, none of this captures the thoughtfulness and attentiveness that traditional gift giving expresses. These virtues are attenuated in the shift from presents to gift cards and, finally, to cash.

One economist who studies gift cards suggests a way to reconcile the economic efficiency of cash with the old-fashioned virtue of thoughtfulness: "Gift-givers planning on giving a gift card might want to bear in mind the possible benefit of a cash gift with a note to the recipient suggesting that the money could be spent at [insert the name of store here]—to add the thought that counts."¹⁹

Giving money along with a cheery note advising the recipient where to spend it is the ultimate deconstructed gift. It's like packaging the utilitarian component and the expressive norm in two separate boxes, tied together with a bow.

My favorite example of the commodification of gift giving is a recently patented system for electronic regifting. An article in *The New York Times* describes it as follows: Suppose your aunt gives you a fruitcake for Christmas. The fruitcake company sends you an email informing you of the thoughtful gift and giving you the option of accepting delivery, exchanging it for something else, or sending the fruitcake to an unsuspecting person on your gift list. Since the transaction takes place online, you don't have to bother repacking the item and taking it to the post office. If you opt for regifting, the new recipient is offered the same options. So it's possible that the unwanted fruitcake could ricochet its way indefinitely through cyberspace.²⁰

One possible snafu: depending on the retailer's disclosure policy, each recipient on the fruitcake's journey might be able to learn of its itinerary. This could be embarrassing. Learning that the fruitcake had been cast aside by several previous recipients and was now

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being fobbed off on you would likely dampen your gratitude for the gift and dissolve its expressive value. It would be a bit like discovering that your best friend had purchased that heartwarming wedding toast online.

BOUGHT HONOR

Although money can't buy friendship, it can buy tokens and expressions of friendship—up to a point. As we've seen, converting apologies, wedding toasts, and gifts into commodities doesn't destroy them altogether. But it does diminish them. The reason it diminishes them is related to the reason that money can't buy friends: Friendship and the social practices that sustain it are constituted by certain norms, attitudes, and virtues. Commodifying these practices displaces these norms—sympathy, generosity, thoughtfulness, attentiveness—and replaces them with market values.

A hired friend is not the same as a real one; almost everyone can tell the difference. The only exception I can think of is Jim Carrey's character in the movie *The Truman Show*. The character lives his entire life in a seemingly halcyon town that, unbeknownst to him, is actually the set of a reality television show. It takes Carrey some time to figure out that his wife and his best friend are hired actors. But of course he didn't hire them; the television producer did.

The point of the friendship analogy is this: the reason we (normally) can't buy friends—the purchase would destroy the relationship—sheds light on how markets corrupt expressions of friendship. A bought apology or wedding toast, though recognizable as something akin to an authentic one, is nonetheless tainted and diminished. Money can buy these things, but only in somewhat degraded form.

Honorific goods are vulnerable to corruption in a similar way. A Nobel Prize can't be bought. But what about other forms of honor and recognition? Consider honorary degrees. Colleges and universities confer honorary degrees on distinguished scholars, scientists, artists, and public officials. But some recipients are philanthropists who have contributed large sums to the institution bestowing the honor. Are such degrees bought, in effect, or are they genuinely honorific?

It can be ambiguous. If the college's reasons were baldly stated, the transparency would dissolve the good. Suppose the citation at commencement read: "We confer honorary degrees upon distinguished scientists and artists for their achievements. But we award you this degree in thanks for the \$10 million you gave us to build a new library." Such an award would scarcely count as an honorary degree. Of course, citations are never written that way. They speak of public service, philanthropic commitment, and dedication to the university's mission—an honorific vocabulary that blurs the distinction between an honorary degree and a bought one.

Similar questions can be asked about the buying and selling of admission to elite universities. Universities don't hold auctions for admission, at least not explicitly. Many selective colleges and universities could increase their revenues if they sold seats in the freshman class to the highest bidder. But even if they wanted to maximize revenue, universities would not auction off all the places. Doing so would reduce demand, not only by reducing academic quality but also by undermining the honorific aspect of admission. It would be hard to take pride in being admitted (or having your child admitted) to Stanford or Princeton if admission were routinely purchased and if this were widely known. At most, it would be the kind of pride associated with being able to buy a yacht.

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Suppose, however, that most of the places were allocated according to merit, but a few were quietly made available for sale. And let's also suppose that many factors entered into admissions decisions—grades; SAT scores; extracurricular activities; racial, ethnic, and geographical diversity; athletic prowess; legacy status (being the child of an alumnus)—so that it was hard to tell, in any given case, which factors were decisive. Under conditions such as these, universities could sell some places to wealthy donors without undermining the honor that people associate with admission to a top school.

Critics of higher education claim that this scenario comes close to describing what actually goes on at many colleges and universities today. They describe “legacy preferences,” the admissions edge given to children of alumni, as a form of affirmative action for the affluent. And they point to cases in which universities have relaxed their admissions standards for less than outstanding applicants whose parents, though not alumni, are wealthy and likely to make a substantial contribution to the school.²¹ Defenders of these practices argue that private universities depend heavily on financial contributions from alumni and wealthy donors, and that such contributions enable universities to provide scholarships and financial aid to less affluent students.²²

So, unlike the Nobel Prize, college admission is a good that can be bought and sold, provided the buying and selling take place discreetly. Whether colleges and universities should do so is a further question. The idea of selling admission is open to two objections. One is about fairness; the other is about corruption. The fairness objection says that admitting children of wealthy donors in exchange for a handsome donation to the college fund is unfair to applicants who lacked the good judgment to be born to affluent parents. This objection views a college education as a source of opportunity and

access, and worries that giving an edge to children of the wealthy perpetuates social and economic inequality.

The corruption objection is about institutional integrity. This objection points out that higher education not only equips students for remunerative jobs; it also embodies certain ideals—the pursuit of truth, the promotion of scholarly and scientific excellence, the advancement of humane teaching and learning, the cultivation of civic virtue. Although all universities need money to pursue their ends, allowing fund-raising needs to predominate runs the risk of distorting these ends and corrupting the norms that give universities their reason for being. That the corruption objection is about integrity—the fidelity of an institution to its constitutive ideals—is suggested by the familiar charge of “selling out.”

TWO OBJECTIONS TO MARKETS

These two kinds of arguments reverberate through debates about what money should and should not buy. The fairness objection asks about the inequality that market choices may reflect; the corruption objection asks about the attitudes and norms that market relations may damage or dissolve.²³

Consider kidneys. It's true that money can buy one without ruining its value. But should kidneys be bought and sold? Those who say no typically object on one of two grounds: They argue that such markets prey upon the poor, whose choice to sell their kidneys may not be truly voluntary (the fairness argument). Or they argue that such markets promote a degrading, objectifying view of the human person, as a collection of spare parts (the corruption argument).

Or consider children. It would be possible to create a market in babies up for adoption. But should we? Those who object offer two reasons: One is that putting children up for sale would price less affluent parents out of the market, or leave them with the cheapest, least desirable children (the fairness argument). The other is that putting a price tag on children would corrupt the norm of unconditional parental love; the inevitable price differences would reinforce the notion that the value of a child depends on his or her race, sex, intellectual promise, physical abilities or disabilities, and other traits (the corruption argument).

It's worth taking a moment to clarify these two arguments for the moral limits of markets. The fairness objection points to the injustice that can arise when people buy and sell things under conditions of inequality or dire economic necessity. According to this objection, market exchanges are not always as voluntary as market enthusiasts suggest. A peasant may agree to sell his kidney or cornea to feed his starving family, but his agreement may not really be voluntary. He may be unfairly coerced, in effect, by the necessities of his situation.

The corruption objection is different. It points to the degrading effect of market valuation and exchange on certain goods and practices. According to this objection, certain moral and civic goods are diminished or corrupted if bought and sold. The argument from corruption cannot be met by establishing fair bargaining conditions. It applies under conditions of equality and inequality alike.

The long-standing debate about prostitution illustrates the difference. Some people oppose prostitution on the grounds that it is rarely, if ever, truly voluntary. They argue that those who sell their bodies for sex are typically coerced, whether by poverty, drug addiction, or the threat of violence. This is a version of the fairness objection. But

others object to prostitution on the grounds that it is degrading to women, whether or not they are forced into it. According to this argument, prostitution is a form of corruption that demeans women and promotes bad attitudes toward sex. The degradation objection doesn't depend on tainted consent; it would condemn prostitution even in a society without poverty, even in cases of upscale prostitutes who liked the work and freely chose it.

Each objection draws on a different moral ideal. The fairness argument draws on the ideal of consent or, more precisely, the ideal of consent carried out under fair background conditions. One of the main arguments for using markets to allocate goods is that markets respect freedom of choice. They allow people to choose for themselves whether to sell this or that good at a given price.

But the fairness objection points out that some such choices are not truly voluntary. Market choices are not free choices if some people are desperately poor or lack the ability to bargain on fair terms. So in order to know whether a market choice is a free choice, we have to ask what inequalities in the background conditions of society undermine meaningful consent. At what point do inequalities of bargaining power coerce the disadvantaged and undermine the fairness of the deals they make?

The corruption argument points to a different set of moral ideals. It appeals not to consent but to the moral importance of the goods at stake, the ones said to be degraded by market valuation and exchange. So to decide whether college admission should be bought and sold, we have to debate the moral and civic goods that colleges should pursue, and ask whether selling admission would damage those goods. To decide whether to establish a market in babies up for adoption, we need to ask what norms should govern the parent-

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