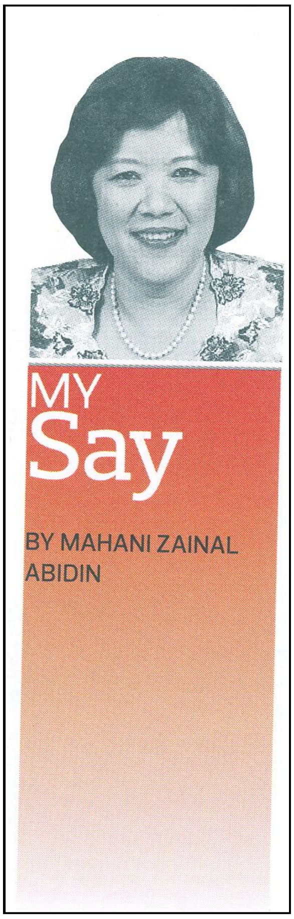
What Money Can't Buy*



Should we sell citizenship to immigrants who have the ability to pay? Should we pay children to read books or to get good grades? Should we allow corporations to pay for the right to pollute the atmosphere?

These questions go beyond the usual debates about incentives, allocation of resources or the right price. They are about the morality of the market. Economists tend to think price is the ultimate arbiter of economic choice and efficiency. However, we can see the role of price growing and spreading to other non-economic domains.

There is a moral dilemma if everything has a price. Do we want to live in an era where money can buy everything? Michael J Sandel raises these questions in his recent book *What Money Can't Buy: The Moral Limits of Markets.*

Sandel surveyed the social and economic trends of the last three decades and concluded that market values have crowded out non-market norms in many aspects of our lives. In other words, there are many things we can now buy, which, until recently, were not for sale.

For example, in some US cities, non-violent offenders can pay for a prison cell upgrade, women are paid to become surrogate mothers and in South Africa, rights to kill a limited number of rhinoceros are sold to act as an incentive to ranchers to protect the endangered species. In each of these cases, long-held social notions about inherent worth and morality have been replaced by a simple market value — price.

The transformation of non-market norms into market values must be seen in the context of ever increasing market thinking in economics. Since the collapse of other economic systems, the tendency of the market economy or capitalism has been to put a monetary value on a constantly expanding list of goods, activities and standards.

Turning to markets is appealing. Markets do not pass judgement on the preferences they satisfy and they are efficient in finding solutions. They do not have a view on whether the value of goods is higher or worthier than that of others. If someone is willing to pay, then the question is how much.

However, not all things can be decided or resolved by putting a monetary value on them. Moral, ethical and civic issues should also influence how societies behave and function. If we allow the market to decide most things, then without realising it, we may drift from market economy to market society.

Moving from non-market norms to market norms can worsen inequality. Take standing in line to purchase a house in a new property development. Should the line be limited to genuine potential buyers or be for anybody, for

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example, a student hired to queue on behalf of busy, well-heeled buyers?

Market proponents will say getting students to queue on behalf of homebuyers is most efficient. Both the student and homebuyer maximise their time. But what if the students are queuing for speculators who quickly resell for a fast buck? This is unfair to people who really need houses while the speculators rake it in. The willingness to pay for a product or service does not equate someone who values it highly.

Markets can also sway the social norms of goods or activities. A case in point is how fines or fees affect people's behaviour. A thin line separates fines from fees. Fines register moral disapproval whereas fees are simply prices that imply no moral judgement.

Sandel's book gives a good example of this. Childcare centres in Israel face a persistent problem of parents coming late to collect children. To solve this problem, the centres imposed a fine on latecomers. But the result was the opposite of what was desired or expected.

Late pick-ups doubled instead of dropping. This was because parents now considered late pick -up a service for which they were willing to pay. They no longer felt guilty about imposing an inconvenience on the teachers. The parents treated the fine like a fee.

The centres responded by scrapping the fine and again expected the parents to feel morally bound to collect their children on time. Unfortunately, the number of late pick-ups remained high because the spell of ethical responsibility had been broken. Once the old "norm" of collecting on time was `marketised,' it proved impossible to revert back.

At home, a good illustration of market and nonmarket values would be the highly controversial Automated Enforcement System (AES). We have a perennial problem with traffic offences, particularly speeding. Many programmes and operations have been introduced, but road accident numbers do not seem to be falling fast enough. AES is the latest effort to deal with this problem. But I am not sure if it is the ultimate solution.

Like the Israeli parents, many Malaysian drivers treat speeding fines as fees. By paying for committing the offence, they feel they have bought the right to cast aside the moral aspects and danger of their misdeeds, which might lead to an increase in road accidents that cause serious injury or death. Some affluent drivers consider speeding tickets as part of the cost of owning high-powered vehicles and for testing a car's limits.

We, as part of Malaysian society, must consider this matter seriously. Perhaps, fees and fines will never be the solution. We should combine monetary disincentives with other non-market norms. The fear of social disapproval is a stronger force than mere cash.

One cash-based approach that Sandel cites is likely to catch the attention of wealthy drivers of high performance cars. In 2003, Jussi Salonoja, the heir to a Finnish sausage business was fined €170,000 for driving at 80kph in a 40kph zone. This fine was calculated on the income of the offender. Of course, the widely used method to deal with persistent traffic offenders is to ban them from driving. The fact that money cannot buy the right to drive is a very effective incentive to make people toe the line.

Therefore, the design of incentives or disincentives is very important in influencing behaviour in a market economy. As acknowledged by Steven Levitt and Stephen Dubner in their book *Freakonomics* (2005), `incentives are the cornerstone of modern life' and `economics is, at root, the study of incentives.'

Why should the market mechanism that decides the efficient allocation of resources bother us? Such practices maximize usage and are the ultimate expansion of individual freedom. However, there are failures in allocating goods — markets also express and promote certain attitudes towards the goods and activities being transacted. Some good things in life can be corrupted or degraded if turned into commodities.

So, in deciding where the market belongs and where it should be kept at a distance, we have to decide how to value the goods and norms that are dear to us. We should discuss and agree on the basis of the non-market norms that we want to defend. If not, we will face an uphill battle in diminishing the power of price.

Sandel concludes by saying: `Ultimately, the question of morality of the market is about how we want to live together. Do we want a society where everything is up for sale? Or are there certain moral and civic goods that markets do not honour and money cannot buy?'

This is something that is worthwhile for Malaysians to think about.