

WHAT'S FOR SALE?

Money can't buy everything



This magazine has explored how money and finance impact our lives, from national debt to family shopping lists. But as citizens aiming to build a better future, we must also consider the moral implications. TSE experts often explore beyond the comfort of their own discipline, so we asked IAST psychologist Léo Fitouchi and TSE Nobel laureate Jean Tirole to reflect on the limits of market solutions and whether money undermines our most sacred values.

WHY CAN'T THE 'INVISIBLE HAND' FIX ALL OUR PROBLEMS?

JEAN: Many social scientists, politicians and religious leaders claim that markets promote unethical behavior. However, it's important not to confuse moral concerns with more straightforward problems caused by lack of competition, accountability, or freedom.

Economists can often provide solutions to these market failures with carefully designed regulation. Pollution is a classic example. Emitting carbon dioxide may boost a factory's profits, but society bears the long-term cost. To fix this kind of **externality**, institutions such as laws or carbon taxes are needed to align private incentives with public good.

Products have externalities if there are impacts that are not reflected in market prices

LÉO: Markets are good at efficiency: making the cake as big as possible with minimum waste. But human beings also want the cake to be shared fairly, respecting people's moral rights to goods like food, shelter, and healthcare. Markets don't care about justice – they allocate goods to those who can pay and exclude those who can't. An efficient market can bake more bread than ever and still let people starve.

Markets create powerful incentives but they may backfire. When we put a price on something, we risk "crowding out" more civic motivations like people's sense of duty toward the community. Experiments have shown, for example, that paying people for blood donations can lead them to give less, not more – because the original reason they gave was not money, but a sense of duty toward people in need.

DO MARKETS OFFEND OUR MORAL INSTINCTS?

LÉO: Markets are a recent invention. For most of our evolutionary history, humans lived in small groups without markets. Economic life was based on cooperative hunting, gathering, and the sharing of resources based on social obligations rather than prices or formal contracts. Now, that doesn't mean markets are "unnatural". Like writing, roads, or computers, markets are just a tool to serve human goals – such as increased access to resources.

But markets can clash with other human motives, such as our sense of justice. People often disapprove of unfair inequalities produced by markets. More fundamentally, people also reject the idea that some things should be for sale. Buying votes, for example, would give full political power to the rich;

buying organs can pressure the poor to sell parts of their body – both of which feel unjust to our moral psychology.

JEAN: Markets should reward those who have something valuable to offer in which they have invested skills, effort, capital, or ideas. But wealth may come from activities that do not create social value, or even destroy it – as we have seen with unpriced carbon emissions.

High inequality also threatens social cohesion and democratic fairness. That's why developed countries use taxes to redistribute income and invest in universal health care and education. Markets also often fail to adequately provide non-excludable and non-rivalrous public goods like national defense or clean air.

WHY IS IT IMPORTANT TO REFLECT SCIENTIFICALLY ON THE ETHICS OF MONEY?

JEAN: Economics uses scientific methods – models, data, experiments – to understand human behavior. It offers tools to think critically about where markets are appropriate and where other mechanisms are needed. This involves moral choices about which outcomes we value, and which tradeoffs we accept.

Money is a tool, not an objective. Rather than using money as a scapegoat for society's failures, we must pressure the State for better regulations and clarify our moral preferences. For example, will you still support climate policies if they hit your wallet? We must also confront difficult moral choices. As the Covid episode reminds us, doctors are familiar with the difficulty of using limited resources to save lives, even if it conflicts with their belief in the sanctity of human life.

LÉO: Social scientists can't decide what kind of society we ought to build – that's a question for democratic debate and moral philosophy. What they can do is map out our options and show, with rigorous methods, the likely consequences of each path. This can help us make collective decisions that lead to outcomes we consider morally just, or consistent with our values. ●

