Exit, Voice and Values in Economic Institutions

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June 1995
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This series is registered under
ISSN 1753-2590 (Print)
ISSN 1753-2604 (Online)
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1 Introduction: markets and values

Are there worthwhile values and ideals which flourish in the transactions of the market but wither in the procedures of the state? Are there equitable and fulfilling social relationships which are nurtured in the economic sphere but crumble in the political world? In this paper I examine two conflicting answers to these questions, offered by Gray (1992) and Anderson (1990), in the light of two distinctions, one of which they both acknowledge and one of which they both omit to notice. The pro-market case goes back to Adam Smith, David Hume and other eighteenth century proponents of the *doux commerce* thesis, who thought that the market’s brought about a superior form of human behaviour as compared with pre-capitalist feudal structures, a civilizing influence, promoting industry, probity and cordiality’ (Ingham, 1993, p.2). Similarly, Gray (1992) argues that market systems inculcate in people not only ‘honesty and diligence, but also sensitivity to the needs and preferences of others’ (p.24). There is, however, a tradition of thought which attaches moral superiority to the non-market ideals and values epitomized in the gift relationship. Titmuss (1971), for example, objected to treating blood as a commodity because it undermined the sense of fraternity or community which a system of voluntary blood donors enhanced. Gift values differ from commodity values, according to Anderson (1990), in being ‘tokens of love, admiration, respect, honor, and so forth, and consequently lose their value when they are provided for merely self-interested reasons’ (p.203).

The distinction which Gray and Anderson both acknowledge is that between exit and voice (Hirschman, 1970), while the distinction which they both fail to recognise is that between auction and customer markets (Okun, 1981). It seems to me that an examination of the pro-market and anti-market cases in the light of these distinctions suggests two verdicts. First, while some of Anderson’s claims are untenable, her central thesis is undamaged. Second, Gray’s defence of the market on ethical grounds is unconvincing. In order to discover precisely what is wrong with it, I discuss Hayek’s (1945) epistemic argument for the market which Gray judges to be ‘morally virtually empty’ (p.16). Gray’s strategy is therefore to construct a moral argument to fill the vacuum in the epistemic argument that the virtue of the price mechanism is its unique effectiveness in transmitting information. But the Hayekian thesis cannot be supplemented in this way. On the contrary, I suggest that one function of the price mechanism is to act as a censor, filtering out facts of central relevance in using resources. This becomes clear if we examine the morality and equal worth of the citizen rather than the freedom of the autonomous individual. Markets that function in the Hayekian mode are not merely morally empty; they are inimical to the development of fully human relationships among people who engage in, and who are affected by, market transactions.
Exit and voice

The concepts of exit and voice were introduced into economic theory by Hirschman (1970) as two methods by which 'repairable lapses' on the part of economic agents can be made good. Exit and voice are two ways in which consumer-voters express dissatisfaction and thereby set in motion efforts by firms or state organizations to revert to the acceptable standards of behaviour from which they have lapsed. Exit belongs to the economic sphere and is exemplified by the 'consumer who, dissatisfied with the product of one firm, shifts to that of another' (p.15). In doing so, the customer may set in motion 'market forces which may induce recovery on the part of the firm that has declined in comparative performance' (ibid.). Exit is characteristic of the concepts of mainstream economic analysis in several respects. It is not a 'fuzzy' concept; exit is an all or nothing affair; customers either exit or they do not. It is impersonal in not necessitating any direct communication of a customer's decision to switch suppliers. And the recovery, if it occurs, comes about as an unintended consequence of the customer's action 'by courtesy of the Invisible Hand' (ibid.). Exit fits the rhetoric of economics precisely, for it is natural to think of it as a mechanism.

Voice, on the other hand, belongs to the political or non-market realm. It is a much more ambiguous concept than exit and this fuzziness is exhibited along three dimensions. First, the exercise of voice is matter of degree, in that the force with which it is exercised varies from 'faint grumbling to violent protest' (ibid.). Second, voice takes a variety of forms, from the ad hoc, unstructured or informal episodes which grumbling and protest appear to exemplify to institutionalized activities such as participating in the design of a product or the negotiation of conditions of work. Third, and again unlike exit, the process of voice is not an all-or-nothing or binary affair - one either exits or one does not - because it typically involves compromise. Neither side gets everything it wants (or nothing at all); instead, having sacrificed something of what they wanted at the outset, they both come away with what is left. Hirschman draws attention to another important characteristic of voice: 'it implies articulation of one's critical opinions rather than a private, 'secret' vote in the anonymity of a supermarket' (ibid.).

The relationships between exit and voice are clarifying. Exit is typical of markets and voice of political institutions, so in this sense they are alternatives. However, one of Hirschman's major objectives was to analyse the interaction between markets and political processes and this led him to see that exit and voice may in some circumstances be complements. Markets and political processes sometimes work side by side in mutual support but on other occasions 'one gets in the other's way and undercuts its effectiveness' (p.18).

Hirschman's (1970) analysis of the relation between exit and voice is richer than a recognition of the ways in which markets interact with political institutions. The more interesting insight is that exist and voice interact within the same situation, within a particular market. The assumption behind this proposition is that the markets of the real world which Hirschman is concerned to understand exhibit elements of both monopoly power and competitive pressure. For example, in some circumstances one way of making the exercise of voice effective is to threaten exit; the supplier is more likely to respond to a customer complaint if the alternative is the loss of future business.
The problem as Hirschman sees it is that in some situations the possibility of exit undermines the effectiveness of voice. If the potentially most vociferous are free to exit, if those who care the most are likely to be the first to exit, monopoly may be preferable to competition. For example, the existence of private health care and schools may inhibit efforts to improve state health and education services. Competition may in fact be collusive, 'competitors' taking each other's dissatisfied customers. The optimal mix of exit and voice is, Hirschman concludes, elusive.

3 Exit, voice and markets

Anderson (1990) uses the concepts of exit and voice during an examination of the question, What ideals of self and society does the market attempt to embody? Anderson's core argument is that goods are properly the subject of market transactions only if their dimensions of value in things, relationships and persons are realized by the market. There is a set of norms uniquely characteristic of markets. Market norms are impersonal, in that buyers and sellers are typically strangers having no personal ties or obligations and money rather than status or characteristics determines access. People are free within the law to pursue their own personal advantage. Goods are exclusive and rival. Markets respond to effective demand, to wants rather than needs, and do not distinguish reflective desires from mere matters of taste. Finally, the individual's influence is primarily exercised through exit rather than voice and he or she has no right to participate in the design of the product.

The significance these norms can be more clearly understood by considering the non-market norms which Anderson contrasts them. Intimacy and commitment in personal relationships conflict with market norms. This is why marriage for money is regarded as base and prostitution the classic example of debasement through commodification. The political values of fraternity, expressed through providing certain goods in common, and democratic freedom, as the freedom to participate in common co-operative projects, are both embodied in norms which conflict with those of the market. Citizens exercise freedom primarily through voice rather than exit, participating in the shaping of background conditions. Distribution is in accordance with shared principles instead of unexamined wants.

Implicit in Anderson's (1990) use of voice and exit as criteria for distinguishing goods which ought to be the subject of market transactions from those which ought to be provided by the state is the twofold assumption that exit and voice are always alternatives and that each is uniquely associated with one or other institution. It seems to me that there is a weak link in Anderson's argument but that the large project of upholding the superiority of certain values associated with public or non-market provision can still be sustained. The point is that there are institutions which would in common usage be properly called markets that exhibit few of the features claimed by Anderson to be characteristic of markets. What Anderson delineates is a subset of markets. The distinction between voice and exit is not enough on its own to differentiate the market from the state, market allocation from collective provision. For it can equally appropriately be used to demarcate auction from customer markets, in Okun's (1981) terminology. It is correctly applied within markets rather than between 'the' market and the state.
In fact the exit/voice distinction can be applied both within, markets and to mark off some types of market from public provision. The truth is that voice and exit are dimensions of many economic relationships. There will no doubt be some forms of collective action from which exit is not possible, where the point of such action is precisely to compel participation (in, for example, the finance of pure public goods). But in many ways voice and exit go together. A closed command economy rules out both, in that citizens can neither discuss the background conditions of production and distribution nor emigrate. A democratic state employer might permit such discussion and is only one employer among others, while worker co-operative permit similar rights to both voice and exit in the private sector.

I want to look at the differences between the two sorts of market distinguished by Okun (1981). Anderson has, I think, accepted too much of what is generally presented as the free market case. What she describes as the norms and social relations of the market are in fact those of a particular kind of market, indeed the only one the existence of which many proponents of the ‘free market’ appear to recognise. Hayek’s (1945) famous paper on the use of knowledge in society is an example of a free market argument which relies on the ‘market norms’ accepted as such by Anderson. There are of course markets of this type. Okun (1981) identifies them as auction markets and distinguishes them from customer markets.

Hayek’s epistemic argument for the market is well-known and a brief quotation will be enough to reveal its affinity with Anderson’s market norms:

*We must look at the price system as such a mechanism for communicating information if we want to understand its real function...The most significant fact about this system is the economy of knowledge with which it operates, or how little the individual participants need to know in order to be able to take the right action...*

*The marvel is that in a case like that of a scarcity of one raw material, without an order being issued, without more than perhaps a handful of people knowing the cause, tens of thousands of people whose identity could not be ascertained by months of investigation, are made to use the material or its products more sparingly...*

It is no accident that Hayek illustrated his argument with a reference to a market in a raw material. Clearly, what he had in mind was the kind of market later classified by Okun (1981) as an auction market:

*The auction markets of most concern here are those for the agricultural and mining products that are part of the gross national product. Those commodities traded on auction markets have a large number of producers and of potential buyers; they are homogeneous or readily gradable; and typically they are storable at relatively low cost... (Okun, 1981, p.134)*

The impersonality of market relationships and the lack of opportunities for exercising voice are particularly prominent in auction markets. Also evident, in the stipulation of numerous buyers and sellers, is a conceptual connection with pure competition. However, auction markets are not contrasted with monopolistic markets as such but with customer markets, the characteristic features of which are described in these terms:
Customers are valuable to sellers because of their potential for repeat business. The firm comes to recognise its ability to discourage customers from shopping elsewhere by convincing them of the continuity of the firm’s policy on pricing, services, and the like. It can encourage them to return to buy, or at least to shop, by pledging continuity of that offer... (Okun, 1981, p.141)

It is clear that in at least two important respects customer markets do not conform to Anderson’s market norms. Relationships between buyers and sellers are not impersonal; sellers try to convince customers that repeat shopping will be worthwhile and they pledge continuity on pricing and services. Repeat business also offers opportunities for the exercise of voice by customers, perhaps through being consulted on the range and quality of services provided by sellers.

The polemical implication of this line of thought is equivocal. Obviously, the epistemic argument for the market is revealed to be of only limited applicability. The price mechanism might be unsurpassed as a means of disseminating knowledge of the relative scarcities of raw materials among very large numbers of people, most of whom do not know one another. But there are many markets where such knowledge does not enter into economics agents’ calculations and where buyers and sellers are few in number and linked by enduring social relationships. However, it is equally true that markets have been displayed as possessing a potentially wider sphere of viability than Anderson is prepared to acknowledge. There is a sense in which here concession to the case for ‘the market’, that it is appropriate for the production and exchange of ‘conveniences, luxuries, delights, gadgets, and services found in ordinary stores (p.204), does not go far enough. For she is in effect thinking only of auction markets and hence overlooks the fact that markets – customer markets – may also be appropriate for goods and services where considerations of principle rather than mere taste are relevant. Specialized capital equipment, financial services and cars are just a few of the more obvious examples. The establishment of relationships of trust and confidence involving the exercise of customer voice (if only perhaps in a somewhat restricted way) might lead to an optimal allocation of resources in these areas.

However, there is also a sense in which Anderson goes too far admitting without qualification that markets are appropriate for the production and exchange of conveniences and luxuries and so on. This view might be defended on the basis of the rudimentary or unreflective nature of the preferences involved, which are no more than subjective tastes. The weakness in this argument is that tastes and the production of goods to satisfy them do not exist in a vacuum but raise questions about, for example, equity and exploitation, which in a fully rational allocative institution would influence consumers’ decisions. Not drinking Nescafe because of Nestle’s marketing of milk powder in Third World countries is an obvious case in point. Overriding one’s cat’s subjective preference for tuna-flavoured food because of what tuna fishing can do to dolphins is another. What is happening is that production to satisfy the demand of a particular individual as a locus of subjective tastes is subject to an ‘external’ cost incurred by that same individual as a subscriber to certain moral principles.

It therefore seems to me that Anderson concedes too much in admitting without qualification that markets are the optimal institution for the production and exchange of the goods we buy in ordinary stores. This is not the pure and simple truth. The other side
of the coin of Hayek’s epistemic argument for the free market is that its ideological function is to permit exploitation, environmental destruction and inequality by ruling out of consideration in the allocation of resources everything relating to the production of a good – except its price. And price conceals or censors as much information as it transmits. Once knowledge is available of matters other than price, people change their behaviour. This change of behaviour – whether it is boycotting a country’s goods or refraining from eating animal products – is the exercise of the right to exit.

4 Market values

In sharp contrast to Anderson’s conscription of exit into her advocacy of anti-market views, Gray (1992) argues that it is exit which underlies the ethical standing of the market. The freedom of exit which the market permits enables individuals to be autonomous, unconstrained by the preferences of others. In political institutions voice subsumes individual differences in a collective majority decision. Gray’s interpretation of the values which the market promotes is similarly far removed from Anderson’s. For Gray, it is a prejudice to believe that the market encourages egoism; instead, voluntary exchange is compatible with a wide diversity of motives. In fact, the market is not merely compatible with, but actively rewards, virtues such as honesty and consideration for others.

Gray begins consideration of pro-market views with a critical examination of the Hayekian epistemic argument for the market as a device for transmitting information which is dispersed throughout society. His conclusion is twofold. First, economic reality requires the market pricing (and private ownership) of most factors of production, on the grounds that individuals are most likely to make use of their local or specialist knowledge when least constrained by collective decision-procedures (Gray, 1992, p.15). Second, however, the epistemic argument for the market is overwhelming but deficient because it is ‘morally virtually empty’, leaving ...‘moral criticism of the market economy unanswered’ (p.16).

The concept of exit plays a central part in Gray’s efforts to provide the missing moral argument for the market. The ethical standing of the market depends on the fact that it enables individuals to act on the basis of their own goals and values, without having to subordinate them to the decisions of other individuals or collectives. And it is the reliance of market processes on exit rather than voice that makes this possible.

The freedom of autonomous individuals in markets is not that of voice (having a role in collective decision making), but typically that of exit. In any collective decision-procedure...individuals will be constrained in their choices by the common or majority opinion of what is desirable, or even possible. By contrast with political institutions that require a policy binding on all, markets allow each to go his own way, thus allowing an exfoliation of individuality and diversity.(Gray, 1992, p.23)

So the market alone permits the development of an intrinsically worthwhile aspect of human flourishing, individuality.

That is not the only moral argument adduced by Gray in favour of the market. The behaviour it is necessary for individuals to display if they are to succeed in markets
involves the cultivation of a number of virtues which are suppressed by command economies.

The virtues that market systems inculcate or demand in people...encompass not only honesty and diligence, but also sensitivity to the needs and preferences of others. In predatory Soviet-style systems, the virtues that are at a premium are...force and fraud, coercion and deception. By contrast, the virtues elicited in market economies are those of the autonomous person —...whose life is to some significant degree matter of self-creation. (Gray 1992, p.24-5)

This ethical argument for the market is intended by Gray to supplement the epistemic one. However, it seems to me that, far from being complements, they are incompatible arguments.

The source of the trouble with Gray’s ethical argument for the market economy is that it assumes that there is such a thing as ‘the’ market. To put it another way, he assumes that the behaviour which can be observed in one market is the same in all relevant respects as the behaviour exhibited in every other market. But it has already been noticed that auction markets function very differently in certain respects from customer markets. It is possible that the behaviour which is elicited in one set of markets is not conducive to success in the other. If so, there exists the further possibility that the virtues which are inculcated in one set of markets differ significantly from those that flourish in other, perhaps even bearing some disturbingly close similarities to those that develop in command economies.

5 The incompatibility of the epistemic and ethical arguments for the market

The inconsistency between the epistemic and the ethical arguments for the market arises for Gray because the ethical argument relies on his identification of exit as the central virtue of markets. Price-taking economic agents are faced with the simple, binary choices characteristic of exit: given the prevailing market price, the decision is to buy or not to buy, to sell or not to sell. The prevailing market price is the only information agents need to possess in order to exercise their right of exit. And it is precisely its capacity to economise on information that makes the market so attractive to proponents of the Hayekian epistemic argument.

The market reallocates resources efficiently when conditions of demand or supply change because economic agents do not need to know anything at all about the causes of those changes. No time and effort need to be expended in discovering such information. All that is required for the market to function is that agents make decisions of the form ‘exit or not’ in response to changes in a purely numerical value. The market depends for its efficient functioning upon its own ‘veil of ignorance’ which conceals the actions or events that cause price movements from the gaze of those who respond to them.

In Gray’s argument, exit seems to contribute to the moral worth of markets in two ways. First, economic agents in such a world remain autonomous and self-creating in the sense that they are not required to withdraw some of their demands in order to secure the agreement to trade of any other individual economic agent. Second, in responding to
price movements agents are in fact, but without necessarily realizing it, conforming their actions to the needs and preferences of others.

However, it seems to me that Gray has misinterpreted the nature of moral concepts and has entirely missed the point of the invisible hand argument. On the first point, no moral worth can attach to actions by virtue of the unintended and unforeseen consequences they may have. It is possible to do good by chance or indirectly, as a side-effect of the state of affairs for which the action was undertaken. But a right action is not one which has good or desirable consequences irrespective of the intentions in the mind of the agent. For example, a teenage joy-rider who deliberately knocks down and fatally injures a pedestrian because he does not like the shape of his hat is not transformed into a hero or saint by the discovery that the pedestrian was a serial killer. Cases like this make it clear why certain forms of utilitarianism — those that seek to explain the rightness of actions in terms of their consequences — are so unappealing.

The invisible hand argument recognizes the nature of morality, by defending the market rather the actions performed within it or the agents whose actions they are. The whole point is that the market is a clever device because it moulds or twists self-regarding behaviour to promote an end, the general well-being, that does not figure in the calculations of such behaviour. What Gray has done is to conflate the cleverness of the market — its propensity to generate happy accidents — with the moral worth of individual moral agents. The reason that markets were so attractive to Enlightenment thinkers was that they can be relied upon to work reasonably well almost anywhere because they make such limited demands upon agents' motivation. People do not need to be altruistic or even interested in the well-being of others. If they go about their daily business of wanting to make a living they will without knowing it act in such a way that the common good is served. The epistemic argument is that the market economizes on virtue. There is not a lot of it about. What is plentiful is ordinary everyday self-seeking and with so much of this fuel lying around almost as a free good, the engine of the market can always be fed.

6 The ethical limitations of markets

My aim in this section is to clarify what I believe to be valid and important in Anderson's (1990) critique of the ideals embodied in market behaviour in the light of a threefold distinction among auction markets, customer markets and public provision. I think Anderson succeeds in identifying a set of deals which is uniquely characteristic of public or non-market provision and has a claim to be considered morally superior to those associated with auction markets and customer markets. I want to present the three sets of values and ideals as a hierarchy of increasing moral seriousness, starting with the values and ideals exhibited in auction markets.

What deals and values are embodied in the behaviour of economic agents operating in auction markets understood along Hayekian lines? The free market advocate would reply that the exclusive reliance on exit shows the market to be (a) uniquely capable of protecting the autonomy of the individuals at work in it and (b) equally as capable as political institutions of responding to consumer/voter preferences which reflect moral principles (through boycotts, for example). This is true — but only if such knowledge comes to light. The point of Hayek's argument — the miracle of the price mechanism, as
he sees it – is not only that in the normal course of events markets function without such knowledge but also that they could not possibly function so efficiently if they had to transmit non-price information. But this is not merely an argument for the efficiency of the market as a mechanism for getting resources to where they can satisfy the greatest number of subjective tastes. It is also an argument against the efficiency of the market as an ethically sound institution. For the price mechanism censors or filters out every fact that is not relevant to the good or its inputs thought of as purely physical objects, as, in Anderson's terms, objects of transformation interchangeable with others.

The arguments that the free market is responsive to moral principles – point (b) above – trades on an ambiguity in the concept of exit. Exit in response to a price signal with no knowledge of the change in the conditions of demand or supply that caused it can be termed unmediated exit. It is a direct response to a price stimulus and it underlies the operation of competitive markets, or auction markets in Okun's terminology. But exit can also be threatened or even used in customer markets, and some political processes, as a last resort or ultimate sanction at the end of a voice process. This sense of the term can be classified as negotiated exit. For example, a boycott undertaken for political or moral reasons turns an auction market into a customer market, precisely because it is a response to background knowledge rather than a 'raw' price signal. Negotiated exit cannot happen in the auction markets of pure or Hayekian competition, which function efficiently in their own terms only because individual participants need to know so little.

This veil of ignorance which underlies the efficient operation of auction markets is of enormous ethical significance. For it precludes the economic agent who participates in such markets from being a moral agent. Auction markets allocate resources efficiently because the agents who buy a good do not know anything about those who harvested or mined or made it. There is no difference between a price movement caused by a natural event such as a harvest failure or an earthquake and a price movement caused by human agency such as a coup or a legislative measure which changes working conditions. A price fall might be a sign of exploitation or injustice, such as an unreasonable wage cut or a significant deterioration in health and safety conditions of work. But none of this is transmitted by the price mechanism of auction markets and they would work less efficiently if it were.

Unmediated exit is preferred to voice because it does not allow majority opinion to constrain autonomous individuals (Gray, 1992, p.23). This is a strange kind of autonomy. Suppose, for example, that the only job you are offered as an autonomous individual bargaining with autonomous individual employers pays wages well below the poverty line for intolerably dangerous or degrading work. Auction markets enable you to preserve your autonomy by exercising your right to exit – but only at the cost of destitution. Auction markets in drugs and prostitution flourish among the autonomous individuals of the underclass. These fortunate economic agents are thereby saved from having to compromise their autonomy by collective action involving the exercise of voice to secure the provision of welfare benefits, job creation programmes or minimum wage legislation.

Unmediated exit also precludes the possibility of autonomous individuals growing in understanding and tolerance through reaching compromises with less successful economic agents. A necessary condition for having the concept of oneself as a moral agent is that others should have the concept of one as a moral agent. The people whose labour, whose skills and effort, are embodied in the goods traded in auction markets are
not perceived as between moral and (merely) prudential behaviour. This is essentially a
people, as moral agents, by those who trade in such markets. The price of the ‘autonomy’
Gray sees the market as uniquely able to protect is moral solipsism. Auction markets are
amoral in the sense that considerations of moral relevance are excluded from their
operation. The values associated with auction markets have no moral dimension. The
fact that the ‘objects of transformation interchangeable with others’ possess a moral
dimension through being embodied labour is filtered out of the information transmission
mechanism.

Perhaps customer markets represent ‘a superior form of human endeavour’ and might act
as the foundation for the *doux commerce* thesis. Suppliers in customer markets know that
they must be sensitive to the preferences of their customers if they are to be assured of
repeat business. Far from economizing on information, customer markets may generate
detailed specifications regarding design, quality, after sales service, security of future
supplies and many other matters. The veil of ignorance which separated consumers and
producers in auction markets is swept aside. Decisions to trade are reflective and fully
articulated responses to other human beings rather than spontaneous reactions to purely
numerical stimuli. What are the ethical implications of this mode of behaviour? To what
extent do customer markets confirm the *doux commerce* thesis?

Let me take honesty as an example of the virtue generated by markets. Its place in the
*doux commerce* thesis is not in dispute:

> a society where the market assumes a central position for the satisfaction of
> human wants,...would also generate as a by-product, or external economy,
> a more ‘polished’ human type – more honest, reliable, orderly and

Why does the market oblige participants in it to be more honest? Presumably the answer
is that honest trading is rewarded by repeat business and dishonest trading punished by
the exercise of negotiated exit. In the long run honesty is the profit maximising policy.
Clearly, this is a step forward from the amoral context of behaviour in auction markets.
Agents in customer markets must adhere to other-regarding principles of conduct, in the
sense that other people enter into their calculations as people, as potential sources of
interpersonal reactions such as resentment, anger or a sense of betrayal. But the ultimate
motivation remains self-interest, now enlightened by an awareness of long term
consequences. Suppliers take into account the impact of their decisions on buyers’ well-
being but only insofar as it is likely to have feedback effects on their own business
success.

There are those whose reply to the question ‘Why be moral?’ is ‘Because it is in your own
long term interest’. But there is a sense of the term ‘morality’ which cannot be
understood unless a distinction is drawn acknowledgement of the moral relevance of the
motive with which an action is performed. On this view of morality it is not enough that
one’s actions are consistent with the requirements of duty; they must, if they are to be of
moral worth, be performed *for the sake of duty*. One must, for example, be honest for
honesty’s sake; one must be honest for no other reason than a desire to be honest.
Calculations of self-interest, no matter how long term or enlightened, debar an action
from moral status. So from this perspective the *doux commerce* thesis, while it may or
may not be a valid pragmatic argument, cannot provide a moral foundation for the
market.
There are no moral foundations for the market but rather pragmatic or prudential ones. The values associated with markets, whether auction or customer markets, are incompatible with the values of an ethical standpoint which places human dignity rather than individual freedom or autonomy at the centre of morality. This theme of treating people as ends in themselves runs through Anderson’s (1990) delineation of the values characteristic of the gift relationship:

One point of the gift exchange is to realize a shared value in the relationship itself, whereas the point of a market relationship is purely instrumental and realizes distinct goods for each party. (Anderson, 1990, p.186)

Similarly, the values of fraternity and democratic freedom which characterize the political sphere reflect a concern with people as equal citizens with common interests rather than private consumers or autonomous individuals:

The political freedom of a citizen is the freedom to participate on terms of equality with fellow citizens in deciding the laws and policies that will govern them all. (Ibid., p.193)

Freedom in this sense is not freedom of ‘self-created’ individuals to withdraw from social engagement through unmediated exit and thereby maintain their autonomy inviolate. It is the equal ability of citizens to participate, through exercising voice, in the construction of economic and political institutions. It is a characteristic of a moral rather than a purely economic agent.

7 Conclusion

In this paper I have discussed two conflicting arguments about the values associated with markets in the light of three distinctions: those between exit and voice, auction and customer markets and human worth and individual autonomy. I have suggested three conclusions. First, the unmediated exit characteristic of auction markets, and perceived as an alternative to voice, cannot be used to construct a convincing case for the moral superiority of markets. Auction markets might disseminate information about the relative scarcity of resources with unmatched efficiency but they filter out information of concern to the participants in such markets as moral agents. Second, customer markets encourage other-regarding behaviour and enable people to learn from and compromise with one another through the exercise of voice. But economic agents still see each other as means to their own long term self-interest. Third, insofar as the gift relationship is seen as a metaphor for the public or non-market provision of goods and services, it manifests a genuinely ethical outlook based on the dignity of the moral agent.

References


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