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An Essay on *Humanizing* the Market and Economic Discourse

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1. Introduction

Irrespective of differences in their theoretical perspectives, most economists share the view that we are living in a historical transition period. It is often said that examining which socio-economic system is superior, capitalism or socialism, is irrelevant since the collapse of the former Soviet Union. Some critics have declared that the historical experiment of managing a planned economy failed completely and that the game is over: capitalism finally won. Is it true that we can only now select *a certain type* of capitalism? Not necessarily. Whether capitalism 'won' or not is not critical, given that it has already been transformed from a pure type to a 'mixed' economy. Any socio-economic system consists of various types of institutions and organizations. The end of the cold war provides an opportunity to rethink the design of the economic system as a whole. To this end, it is necessary to investigate not only interactions between market, state and community (society), but also the human behavior that underpins the working of various organizations in more general settings.

Dichotomies such as market vs. state and/or market economy vs. planned economy are inappropriate to the study of contemporary economies, but it is important to examine the historical processes in detail, such as the process of collapse of former socialist economies, for instance, to avoid repeating vacuous discussions. This paper provides no new evidence on the transformation of former socialist systems, however. Instead it discusses a theoretically fundamental question: what should be the role of the market?

To begin with, we would like to tentatively define the market as "uncoerced exchanges between people of goods and services" (Wright (1998, p.xi)). As the historical challenge of an economy managed completely by central planning came to

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nothing in the end, there is almost universal acknowledgment nowadays of the need for markets. For example, Amartya Sen has stated:

> Indeed, without access to markets most of us would perish, since we don't typically produce the things that we need to survive. If we could somehow survive without using markets at all, our quality of life would be rather abysmal. (Sen, 1985, p.1)

While it might be true that we would 'perish', we cannot admire the intrinsic competence of the market without reserve. We must not overlook negative aspects of the working of the market and of the human behaviour that underpins it. It is important to *re*-consider the working of the market as a whole and evaluate its potential with an open mind. The market can be considered a multi-dimensional (economic, political, cultural, ethical, etc.) entity, which does not exist *in vacuo.*

This paper is organized as follows. In section 2 we will briefly review the theoretical meanings of the market which neo-classical economics suggests. As is well known, it is imagined in neoclassical economics that economic transactions constitute solved *political* problems.[1] This apolitical characterization of the market will be analyzed focusing upon the relationship between economics and politics in general, and the problem of power in economics in particular. In section 3 we will examine the critique of neo-classical economics and the role of the market recently provided by Bowles and Gintis (1998) from the perspective of creating "an egalitarian market economy". A central feature of their argument concerns the "attractiveness" of the market. Focusing upon egalitarianism mainly in terms of wealth, ownership and labour relations, they omit discussion of many other important ethical considerations. In Section 4 we then consider human or ethical aspects of the market largely neglected by economics to date. It is argued that justice conceptualized as encompassing human dignity, human security and animal welfare, provides an appropriate ethical framework for market restrictions. In Section 5 we conclude that adopting a broader ethical framework is essential if we are to *humanize* economics as a scientific discourse and change the structure of economic governance to *humanize* the market.[2] Ethical imperatives of justice, including upholding human dignity and ensuring that essential material prerequisites for a healthy life can be obtained by all have to be recognized. The market must be viewed as the servant of humanity, not its master.

2. The Market in Neo-classical Economics

There is a wide spectrum of views on the working of the market economy. Some scholars admire its usefulness, while others note its negative consequences, such as inequality of income. As the market *per se* has various aspects, it is not straightforward to evaluate its potential. Let us try to summarize advantages and disadvantages commonly found in the economics textbooks.

Advantages include:

(a) the ability to raise labour productivity based upon the division of labour
(b) the ability to process information efficiently

(c) the ability to provide dynamism.[3]

Disadvantages include:

(d) the inability to solve so-called market failures[4]

(e) the inability to solve inequalities in distribution of income and wealth[5]

(f) the inability to avoid instability of investment.[6]

Instead of examining these in detail, in this section we review how neo-classical economics, and general equilibrium theory in particular, characterizes the role of the market.[7]

2.1 Separation of Economics from Politics

In the world neo-classical economics depicts, selfish behaviour of individual economic agents maximizes the welfare of society as a whole. How does the market behave in this story? Firms and households make decisions on what goods or services to buy or sell, and upon the quantities according to the price of the good or service. Markets find the 'equilibrium' prices that equate supply and demand. Ownership rules assign the return from exchange to individual agents (firm, or household). The idea that being self-interested is beneficial to others and to society as a whole is seemingly 'paradoxical'. This harmonious outcome is reflected in the well-known fundamental theorem of welfare economics, which is a core tenet of neo-classical economics. The theorem is usually formulated as follows (Gintis, 2002, p.43):

> Every competitive equilibrium is Pareto optimal (i.e. there is no way to improve the welfare of one agent without lowering the welfare of some other agent).
>
> Every attainable distribution of welfare among agents can be achieved by a suitable initial distribution of property rights, followed by competitive exchange.

How should we 'interpret' this theorem? Necessary conditions for its derivation include the convexity of the indifference set and production possibility set, the universality of markets, and the absence of externalities. As these conditions are not satisfied in reality, we have to admit this theorem does not hold. Markets necessarily fail to realize the competitive equilibrium. Furthermore, the theorem is derived purely in a static framework and demonstration of 'dynamic efficiency' remains an open question.

The theorem asserts that the equilibrium can be realized through 'competition' among agents. However, in the general equilibrium model the existence of an auctioneer is assumed. The market does not play the role of equating supply and demand, because there is no competition among economic agents. Agents do not meet one another. There is no competition since no one seeks to sell or buy on more favorable terms. It is the auctioneer who collects the information about demand and supply from each economic agent in advance and then tries to find the equilibrium price, as if she were a super computer. Equilibrium prices are obtained through repeating an iterative process (*i.e tâtonnement*) not through competition. After finding the equilibrium prices, she gives them to each agent. Once established, each economic agent can transact at the equilibrium prices.[8] Here, we can answer the question raised at the beginning of this sub-section: how does the market behave? In sum the answer is that "the market *per se* plays no role" in general equilibrium theory.

We must also consider the relationship between distribution and efficiency. The most efficient state, i.e. the Pareto optimum, is assumed to obtain through competition and to be compatible with any ownership pattern providing prices can be set at the equilibrium. A central planning board could take the place of the auctioneer if it could calculate equilibrium prices within a reasonable time. It does not matter who would choose prices to equate demand and supply. Distribution of income or the pattern of ownership is separated from the issue of economic efficiency. General equilibrium theory cannot tackle the problem of income distribution, despite this being critical for agents in the economy. The fundamental theorem is demonstrated by separating the question of economic efficiency from distribution. In other words, it treats the economic sphere as consisting of 'solved political problems'. This is far from the truth.

2.2 Absence of 'Power'

> "... in a perfectly competitive model it really doesn't matter who hires whom: so have labor hire 'capital'" (Samuelson, 1957, p.894)

In an era of globalization the world economy is the object of study of primary interest. However, with nation states remaining principal actors, economic theory has tended to choose the national economy as its main subject of research.

Historically two theoretical approaches have competed with each other. In the first, the fundamental units are individuals, in the second, social classes. The first focuses primarily upon national firms and households, with the state, foreign firms and foreign households as secondary actors. In the second, by contrast, capitalists, workers and the state are the main actors.

As a foundation of neo-classical economics, needless to say general equilibrium theory belongs to the former camp. Arrow and Hahn (1971), for example, pose their task as to "[consider] a number of constructions representing economies in which agents take the terms at which they may transact as *independently given*" (Arrow and Hahn, 1971, p.16). In their study they assume that: "If *tastes and technology are given,* and if *the goods owned by individuals and households are also given,* then the variables influencing their decisions are the prices prevailing in the various markets" (ibid., p.22) (italics added).

General equilibrium theory characterizes the economic agent as *Homo economicus,* a hedonist who seeks materialistic pleasure and maximizes the value of a selective function subject to preferences or production technique. The theory concludes that such human behaviour can achieve a harmonious state where equilibrium in all markets is established.

Is there any relationship between this assertion and power relations? At the competitive equilibrium supply is equal to demand in all markets. Thus, no power is exercised in general equilibrium theory, in the sense that, as the gain from the most preferred option exactly equals that from the next preferred option, no one can impose sanctions on others or affect their actions in ways that would increase the individual's own gains. For example, as the supply of labour is always equal to the demand (i.e. full employment), any worker who loses her job can immediately find a similar one, so threats such as "I will sack you if you do not work harder" cannot be effective in influencing the behavior of employees. The location of decision-making in a firm has no influence on the allocation of goods and/or the distribution of income in equilibrium: "So have labor hire 'capital'."

In general equilibrium theory the prices of products and the wage rate are assumed to be determined by supply and demand, with firms having no power over either. Production decision-making simply reacts to market conditions. Exercise of 'power' simply means 'purchasing power'. Differences in the endowment of production factors of agents are assumed to generate differences in 'power' in this sense. The distribution of income is not regarded as the task of economic theory. Galbraith notes that the social role of a theory such as general equilibrium theory consists in the concealment of the power exercised by firms.[9]

Irrespective of its social role, how can a theory constructed on the assumption of *Homo economicus* be defended? Friedman argues, for instance, that a theory should be judged on the basis of its predictive power:

> Viewed as a body of substantive hypotheses, theory is to be judged by its predictive power for the class of phenomena which it is intended to "explain." [T]he only relevant test of the validity of a hypothesis is comparison of its predictions with experience. (Friedman, 1953, pp.8-9)

The "maximization-of-returns hypothesis" has been argued to be justified from this perspective because those not acting in the line with this assumption lose their position as entrepreneurs. The point of the theory is not to explain behaviour, but only its result. Specifically, Friedman argues that: "given natural selection, acceptance of the hypothesis can be based largely on the judgment that it summarizes appropriately the conditions for survival." (Friedman, 1953, p.22) Termed "situational determinism" by Latsis (1972),[10] such reasoning implicitly assumes that 'rational' hedonists do in fact maximize their returns and that this gives them a decisive competitive advantage over others. The empirical validity of these assumptions remains questionable and at best unproven. However, their validity can also be questioned from a theoretical perspective. If a self-enforcing social convention of business ethics were to exist, for instance, conscious attempt at maximizing would be counter-productive if calculation were costly. Maximization of returns would simply require following social convention. In such circumstances *Homo economicus* would be at a competitive disadvantage: ethics would matter.[11]

3. What Role the Market?

We have seen above that general equilibrium theory overlooks such dimensions as the political, cultural and ethical, amongst others, by "choosing solved political problems as her domain." As is well known, Bowles and Gintis are amongst the most pioneering political economists who provide a critique of neo-classical economics and propose an alternative theory. There have been many other attempts from a variety of perspectives to examine general equilibrium theory critically and try to reconstruct political economy. However, there have been few *internal* critiques of the theory. Bowles and Gintis (1992, 1993 a, 1993 b) are an exception. We will review their critique of the neo-classical view of the market, and then examine their evaluation of market, focusing on their proposal for asset-based redistribution (Bowles and Gintis, 1998).

3.1 Critique of the Neo-classical View of the Market

> "... even in competitive equilibrium, a market economy sustains a system of power relations."(Bowles and Gintis, 1992, p.325)

Bowles and Gintis' critique of neo-classical economics centres upon its two fundamental tenets. The first is the assumption of selfish behaviour based upon exogenous preferences. And the second is that contracts in the economic sphere, such as labour contracts, are complete and costless. As noted in section 2, neo-classical economics is characterized by the absence of power relations.[12] However this conclusion depends on the second assumption. If we remove this assumption, the exercise of power is a characteristic of voluntary exchange. This is what Bowles and Gintis (1993 a,b) demonstrate.

Postulating that a sufficient condition for agent A to have power over agent B is that "by imposing or threatening to impose sanctions on B, A is capable of affecting B's actions in ways which further A's interests, while B lacks this capacity with respect to A" (Bowles and Gintis, 1999, p.14), they apply a contested exchange model. The model is based upon the assumptions that contracts of commodity exchange, including labour, are costly to enforce, and that privately imposed sanctions are important in maintaining fundamental relations between capital and labour.

Where the seller has an attribute valuable to the buyer which is costly for the seller to provide and not fully specified in an enforceable contract, a capitalist economy constitutes "an arena of contested exchange" (ibid., p.18). A mismatch between demand and supply is a characteristic of the equilibrium in a system of contested exchange, in which no one can improve her position by altering her control variables. In the case of the labour market, unemployment always exists. An employer can obtain as much labour as she wants, but some workers cannot obtain a job. The employer stands on the 'short side' of the market, while workers are on the 'long side'. A contingent renewal strategy becomes effective and employers exercise power in the sense defined above. This is 'the principle of short side power' that Bowles and Gintis demonstrate. Assuming a competitive capitalist economy of privately owned productive assets, production by employees, and all markets characterized by free entry and large numbers of buyers and sellers, they show that "[I]n such an economy, voluntary market exchange engenders a structure of power relations among economic agents in equilibrium." (ibid., p.14)

What is the source of this short side power? In the case of a pure capitalist economy, where the manager is also the owner (i.e. capitalist) and the employee (i.e. worker) has no wealth other than her labour power, there is a complete correspondence between wealth and short side power. Ownership of wealth can be said to be the source of power. Where management is separated from ownership, this correspondence no longer holds. If, for instance, the managers do not own the firm and are monitored by shareholders, the latter may impose sanctions on the former, including forcing them to quit. The management stands on the short side of the labour market and wields power over the workers, but the relationship between wealth and power is indirect, because the owners control the management. One can imagine a variety of relationships between ownership and power. In a capitalist economy the question of who is a 'short-sider' is closely related to ownership.

In many cases the owner of wealth becomes the 'short-sider'. The reason is that the credit market is also an arena of contested exchange. A contingent renewal strategy in the credit market might be less effective than in labour market because what the debtor would lose by being unable to renew the contract is relatively small, but the creditor has another enforcement strategy, namely a claim for collateral. Needless to say the collateral must be the wealth of debtor herself. Therefore the relationship between control and wealth-ownership in a capitalist economy arises from the fact that only the wealthy can provide collateral: "Money talks!"

Consequently if we remove the neo-classical assumption of complete and costless contracting, power relations emerge even at the competitive equilibrium. This is the essence of Bowles and Gintis' argument. Neo-classical theory assumes, as a matter of course, that economics (wealth, exchange) can be/must be separated from politics (power). Bowles and Gintis demonstrate this separation to be impossible. Criticizing the apolitical character of general equilibrium theory, they assert that power relations are still the central element in resource allocation and income distribution. While they criticize the assumption of *Homo economicus,* they adopt a similar assumption regarding the employer's and each worker's behaviour in their contested exchange model. The employer, for instance, is assumed to choose the wage rate so as to maximize the work effort per wage, *given* the labour extraction function. Their atomistic agents are assumed to be similar to those of 'rational' agents assumed in neo-classical economics.[13]

We do not regard the theory of power based on contested exchange model as a *general* theory of economic power.[14] But the contested exchange model provides an important message: we have to reconstruct economics as political economy. What we have to keep in mind is that: (a) in a real market where contracts are incomplete, 'voluntary' economic exchange entails power relations, and so (b) we cannot support the idea that private and public realms, or economy (market) and state can or should be separated. Thus we must investigate further the working of market.

3.2 'A Radically Egalitarian Market Economy'

> "... state, market, and community should be complementary, not competing, governance structures. ··· Conversely, market and community should be organized to promote the accountability of government to the people." (Bowles and Gintis, 1998, p.363)

We are forced to re-consider the working of the market. With the exception, perhaps, of a few extreme libertarians, no one believes that the market alone can allocate all goods and services among people. At the same time, apart from a few 'fundamentalist' Marxists, no one believes that central planning is the only alternative to capitalism. Though we must transcend the way of thinking in terms of the dichotomy: planning or markets, we can neither abolish the state, nor abandon the idea that markets are indispensable in managing the economy. From experiences in the 1930s and '70s, it is apparent that markets *fail* and/or the state (government) *fails.* We must create a 'third way' that can combine the state and the market, or provide new definitions for existing social institutions.

The theory of 'state, market and community' of Bowles and Gintis can be regarded as admitting the incompleteness of the state and the market, and recognizing the challenge of searching for a 'third way' to overcome the associated difficulties. It is clearly impossible to create an 'Omnipotent' institution to take the place of the state and/or the market, even if many problems might be overcome by the existence of such an institution.

Focusing on 'failures' by the state and/of the market, Bowles and Gintis classify four alternative approaches that are shown in Table 1.

Their fundamental idea is that "if institutions are properly designed, markets can actually enhance the achievement of certain core values on the left, especially equality, while at the same time preserving (and may be even enhancing) various forms of efficiency" (Wright, 1998, p.xii). They consider that a better society can be achieved by giving a new role to 'community', which is defined as "a group of individuals whose interaction are long-term, frequent, and personal" (Bowles and Gintis, 1998, p.9) in settings including family, neighbourhood and workplace.

The focus upon complementarity among state, market and community is central to their argument. They compare the working of these institutions from the perspective of their governance structure. The rules of ownership, forms of competition, norms and conventions are the components of this governance structure, which in turn determine the incentives of economic actors. Economic performance, including efficiency, growth and innovation, are influenced by the characteristics of the governance structure. In an economy where assets are unequally distributed, an inefficient governance structure dominates and so efficient performance is not attained.

As noted above, the labour market becomes an arena of contested exchange. The objects of exchange in this market are the level / quality of work effort and wage rate. The worker has no right of decision-making, as this is the prerogative of the asset owner. It is costly to maintain this fundamental relationship between capital and labour. The cost includes a monitoring cost, and a social cost that emerges from inefficient utilization of production technique. Even if some techniques would increase labour productivity, they are not employed unless they accord with the criterion of profit maximization. If property and control rights of firms were transferred to workers, these costs would decrease. Both the level of work effort and efficiency of production would increase if residual claimancy were assigned to the workers.

The core of Bowles and Gintis' proposal is that "equality and efficiency can

Table 1 Alternative Approaches to Economic Policy

Economy / State	No Market Failures	Market Failures
No State Failures	Both *laissez-faire* and planning can support optimal allocations	Keynesian and other state interventions can support optimal allocations
State Failures	*Laissez-faire* with minimal state can support optimal allocations	Market/state/community complementarity can support second-best optima

Cf. Bowles and Gintis (1998, p.9)

both be advanced if assets are broadly redistributed from principals to agents." Three propositions underpin their argument:

> Proposition 1: Inequality impedes economic performance by obstructing the evolution of productivity enhancing governance structures. (Bowles and Gintis, 1998, p.5)
>
> Proposition 2: Where hard work, innovation, maintenance of an asset and other behaviors essential to high levels of economic performance cannot be specified in costlessly enforceable contracts, the assignment of control rights and residual claimancy status influences the kind of exchanges that are possible and the costs carrying out these exchanges. (ibid., p.10)
>
> Proposition 3: Some distributions of property rights are more efficient than others; in particular there exists an implementable class of distributions that are both more egalitarian and more efficient than the concentrations of asset holding observed in most capitalist economies. (ibid., p.10)

Although based upon a contested exchange model, Bowles and Gintis demonstrate their argument within an agency theory framework. The difference between their approach and that adopted in recent work by neo-Keynesians relates to whether attention is given to power relations or not. Bowles and Gintis propose creation of an egalitarian economy through asset redistribution, which in their model is the source of power. As failure of the market is attributed to the existence of asymmetric information, they tend to overlook macro dynamic analysis of the capitalist economy. Their previous analysis of the 'capitalist' economy assumed a causal relationship running from "economic power ➡ accumulation ➡ unemployment", which is the core relation emphasized in SSA (Social Structure of Accumulation) theory. It seems to us that there is some gap between their proposal of asset-redistribution and their previous contribution to macro analysis. As pointed out as disadvantage (f) in the section 2, instability of investment is often viewed as the most important, but they hardly discuss it. In a capitalist economy the principal driving force is capital accumulation, which is best analyzed from the viewpoint of "instability". Although the market mechanism has often been imagined as something akin to "God", clearly it often fails. Can the market system work smoothly? What is the origin of the instability of the market? Recognising that there are different types of market economy, a plausible answer is that an economy organized by capitalists is inherently unstable, whereas one in which workers have greater decision-making power would be more stable.[15]

Next we consider the 'attractive' features of the market highlighted by Bowles and Gintis and their proposals to 'utilize' the market.

3.3 'Attractive' Features of the Market

We have already listed advantages and disadvantages of the market in the section 2. Here we would like to summarize the evaluation of market, state and community that Bowles and Gintis provide.[16] It is important, of course, to examine complementarity among these three institutions fully, but here we confine ourselves to commenting only upon the individual 'positive' aspects that they highlight.

As Table 2 shows, Bowles and Gintis emphasize two 'attractive' properties of the market.[17] Their view of the market is very closely related to their critique of neo-classical economics outlined above. These attractive features of the market cannot work unless complementarity is realized, with state and community compensating for the failures that result from the market.

The feasibility of their proposal clearly depends upon whether the property rights system to align rights of control and residual claimancy can be accomplished or not. Their new rules of the game can be formulated as in Table 3.

Efforts to devise a plan for an 'egalitarian market economy' need to be undertaken from various points of view.[18] The market may work efficiently under certain conditions, but competition could still have negative aspects, generating unwanted cultural effects. Subsequent to economics being divorced from moral philosophy and

Table 2 Market, State and Community

	Advantages	Disadvantages
Market	1) Reducing importance of private information 2) Disciplining mechanism	1) Costly to express a preference 2) Private information combined with highly concentrated assets generates market failures 3) Efficient property right assignments do not obtain in highly unequal societies, so the disciplining process is often poorly targeted
State	1) Setting the rules 2) Enforcing property rights 3) Inducing cooperation by preventing defection 4) Equilibrium selection where multiple equilibria 5) Overcoming market failure (regulating externalities, providing public goods, medical and unemployment insurance, etc)	1) Disadvantage in the production and distribution of most goods and services 2) Lack of access to private information held by producer and consumer 3) Lack of access by voters and citizens to the private information held by the state 4) Weakness of voting as a decision rule 5) Rent-seeking behavior
Community	1) Solving cooperation problems, including market and state failures (through provision of shared norms, reputation formation and by making private information less private) 2) Providing strong incentives to act in collectively rational ways (to avoid future retaliation)	1) Small size 2) Oppose innovation (due to high exit costs and durability of social interactions)

Table 3 New Economic Rules of the Game

	Old style	New style
Market	"Invisible Hand"	Information, Discipline
State	Interventionist	Rule setting
Community	Archaic institution	Modern institution

its theory characterized as value-free, ethics has come to be treated as a 'black box' about which economists have little or nothing to say. However, on close inspection, just as the apolitical characterization of the market in neoclassical economics does not hold, neither does its characterization of the market as intrinsically ethically neutral or benign. In order to make the economy not only to be more egalitarian but also to be more humane, we must also examine the market from an ethical point of view. This is what will be discussed in the next section.[19]

4. Human Aspects of the Economy: Justice, Human Security and Dignity

4.1 Ethical Underpinnings of the Market

The market does not exist in an ethical vacuum.[20] Ethical norms[21] shape what transactions occur and influence the efficiency with which the market operates. Honesty and justice, for instance, increase the proportion of market transactions, which are mutually beneficial in a world of asymmetric information, and reduce transactions costs.

Embedded within a specific social, historical and cultural context, and institutional structure,[22] the market is subject to a range of formal and informal rules defining the rights and responsibilities of participants. These define what is permitted, including what can or cannot be exchanged, by whom, when, where and under what conditions, and mechanisms for the enforcement of contracts. Constitutive of the *structure of economic governance,*[23] in part, these reflect ethical considerations, and in part other factors, including the distributional preferences of those with the power to establish the rules.

Viewed simply as a form of voluntary cooperation for mutual advantage,[24] market exchange seems entirely virtuous, giving rise to few, if any, ethical concerns. Indeed, according to the standard libertarian view, the market is ethically benign. Apart from a few "imperfections", individuals freely pursuing their own interests are viewed as unconsciously promoting the attainment of desirable social goals as if by an "invisible hand".[25] Even when it is admitted that the market is based upon vices such as greed,[26] unethical from a virtue ethics perspective,[27] such defects are often argued to be minor by comparison with their instrumental usefulness in promoting capital accumulation and economic growth.[28] Indeed, from this consequentialist perspective,[29] the market has come to be virtually deified in conventional economic discourse.[30]

Once one moves away from the most general level of abstraction, it becomes clear that the market is not invariably benign. The ethics of the market depends upon what is transacted,[31] and upon the justice of the distribution of endowments and rights. Rules defining the rights of participants necessarily affect the distribution of benefits. By accident or design, the market privileges the interests of some participants over others, with those with the largest initial endowments and most exclusive rights tending to benefit most. Thus, the ethics of the market as an allocative mechanism cannot be entirely separated from issues of distribution. This becomes most obvious in extreme circumstances, such as in a situation of sudden entitlement failure where the operation of the market results in famine despite there being little change in aggregate food supplies.[32]

What ethical limits should be placed on the market? How might these be incorporated within economic analyses? Such questions evoke a form of social 'designing rationality'[33] associated with a conscious attempt to create the sort of a society people want to live in, rather than purely narrow considerations of economic efficiency. They raise important issues seldom addressed by economists. Before tentatively providing an answer, it is useful to consider what restrictions are commonly placed on the market in practice.

4.2 Ethical Limits of the Market: What Should Not Be for Sale?

It is widely recognized that what can be sold has to be restricted in some cases on grounds of economic efficiency to overcome 'market failure'. Buying and selling a company's own shares is restricted, for instance, as 'insider dealing' would undermine the quality of market information. Allowing more fish to be sold than can be harvested sustainably would increase risks of collapse of both stock and fishery. Permitting the sale of endangered species could hasten their extinction.

Irrespective of economic efficiency, all societies also restrict what can be sold on ethical grounds. In some cases, market exchange would violate human dignity or human rights. In others, market exchange would undermine principles of good governance, cherished social values, or minimum standards of animal welfare, or pose unacceptable risks to the wellbeing of individuals or society as a whole. What should not be for sale is therefore an unavoidable ethical question in any market economy.

Where possession is not legitimate, something cannot legitimately be sold. This applies not only in the case of stolen goods, but more fundamentally, to anything that cannot legitimately be owned *per se.* On deontological grounds, for example, ownership is prohibited where it would violate human dignity or human rights, such as in the cases of slavery and torture equipment. On procedural grounds ownership is prohibited where it would violate accepted principles of good governance, such as in the case of political office. In a democratic system, ownership of political office would violate the basic principle that it is only gained by election and held for a fixed period.[34] On consequentialist grounds, ownership is restricted where it would pose unacceptable risks to the wellbeing of individuals or society as a whole, such as weapons,[35] and narcotic drugs.

What can be sold in the market is also restricted where possession is legitimate, but transfer is considered socially undesirable. On deontological grounds, for instance, one is not allowed to sell one's passport, or citizenship, as these are non-transferable. Neither can one's vote be sold, as voting is an inalienable right.[36] On procedural grounds, political or judicial decisions may not be sold, as their sale would violate the principle of impartiality. Similarly, criminals are not allowed to pay someone else to serve their sentence for them, as this would violate the principle of personal responsibility. On consequentialist grounds, selling medicines with harmful side-effects where more benign alternatives are available is generally prohibited, with unconstrained sales in 'less developed' countries widely viewed as unethical.

Even where possession and non-market transfer is legitimate, market exchange may be restricted where sale would undermine valued non-market exchange, or social values. For instance, in most countries children can be given up for adoption by their parents, but they cannot be sold. A market for children would create incentives that could undermine the capacity of children to remain with their natural parents, altering perceptions of human equality and intrinsic worth,[37] subverting cherished social values. In most countries one cannot sell one's kidneys, although one may donate one to another person. Market exchange would undermine voluntary donation. It would make availability more dependent on an ability to pay and weaken the link with medical need.

In other cases, market exchange is allowed only subject to limits on the quantity transacted and/or price level, or other contractual conditions, where unrestricted market exchange would undermine socially desirable goals. These include, for example, minimum wage, leave entitlement and maximum working time rules, and prohibitions on sexual or racial discrimination in setting wage rates, designed to curb 'exploitative' employment contracts. In exceptional circumstances, such as war or famine, rationing may be introduced to ensure that everyone is able to purchase a minimum amount.

As debates over the ethics of human cloning and genetically modified organisms, for example, illustrate, what should not be for sale is closely related to the question of what activities should not be allowed. The product of an illicit activity clearly cannot legitimately be subject to market exchange. This obviously applies in cases such as false accounting, money laundering, forgery, robbery, kidnapping, terrorism and assassination. It also applies where production methods have to meet minimum ethical standards, such as in cases where animal products and pharmaceuticals involving animal testing have to comply with minimum animal welfare provisions.

Restrictions that apply to the market as a whole can only be introduced by public authorities. However, individuals, firms, communities and coalitions may independently apply their own ethical rules limiting what they themselves buy or sell. Notable examples include "fair trade" initiatives to certify that goods are not produced using child, slave, or bonded labour, or by 'unsustainable' practices, such as cutting down rainforests, or that workers are not 'exploited' or farmers paid 'unfair' prices.[38] They also include commitments by some banks and other organisations to invest only in companies meeting specified ethical criteria, such as having no involvement in the arms trade. At individual level, ethical rules include those adopted by vegetarians who avoid buying meat because of the suffering caused to the animals, and vegans who refuse to purchase all animal products. To the extent that such rules are particular to specific individuals or groups in society, they can be characterized more as reducing demand for certain goods and segmenting the market, rather than as restricting it.[39] Nonetheless, if coverage were to become sufficiently widespread, they could create new social conventions and norms with similar breadth of application to statutory restrictions.

The above examples do not exhaust the range of ethical grounds for restricting the market.[40] Nonetheless, they highlight commonplace ones. Each can be characterized as related to justice.

4.3 Justice as the Ethical Limit of the Market: A Framework for Economic Discourse

Justice can be conceptualized as a social convention. That is, as encompassing a generally accepted understanding of 'what ought to be done' in a given society.[41]

Neither a libertarian conception of justice conceived purely in terms of respect for private property rights, nor a utilitarian conception based upon a "welfarist" approach that assumes only individual utilities matter provide an adequate ethical guide to restricting the market. The former assumes consequences to be of little or no importance, while the latter assumes rights and freedoms to be of no intrinsic value, and to be relevant only to the extent that they affect individual utilities.[42] Neither approach is able to capture the breadth of ethical considerations underpinning widely accepted rules applied in practice.

However, justice conceptualized as an "active process of preventing or remedying what would arouse the sense of injustice" (Cahn 1968, p.347)[43] consistent with the 'golden rule' that one should treat others as one would wish to be treated,[44] human dignity, human security, and animal welfare,[45] appears to provide an appropriate ethical basis for restricting the market. By suitable definition of rights and responsibilities, procedural and consequentialist concerns can also be accommodated by justice within an essentially deontological framework of the ethics of human rights and animal welfare.

Justice can be characterized as part of a lexicographic preference structure that, unlike expected utility, is not based upon continuity and a value monism.[46] To the extent that resource constraints prevent all issues of injustice being addressed, creating a more just society can also be characterized as a standard economic problem. While recognizing that ethical priorities cannot simply be 'traded-off', indicators of expected costs and benefits may nonetheless help inform choice of restrictions, instruments, levels of intervention, and resource allocation between these and other tasks.[47]

In terms of the choice of instruments, banning an activity is often only partially effective as, for instance, persistence of slavery despite universal prohibition illustrates.[48] A ban often partly displaces an activity into an unregulated 'black market'. This may even exacerbate problems in some cases.[49] It can also give rise to other significant ethical concerns, particularly where punishment for non-compliance itself involves a denial of human dignity.[50]

Effective policy requires tackling underlying causes rather than purely the undesirable market phenomena. Addressing problems associated with extremity, for instance, may require introducing social safety nets, while tackling those associated with weakness of agency and subsequent regret may necessitate increasing information[51] and education.

Conceptualized as a prerequisite for human flourishing, justice provides an ethical framework within which economics could fruitfully take shape as a scientific discourse.[52] This perspective fits particularly well with the approach of Amartya Sen (1999),[53] who conceptualizes development as freedom, and removal of 'unfreedoms', including obstacles to the exercise of human rights and other freedoms prerequisite for human flourishing, as both the means and the end of development.[54] Human security, based upon a "belief that human beings should be able to lead lives of creativity, without having their survival threatened or their dignity impaired",[55] and conceptualized as an fundamental element of justice comprising a core subset of human rights, or rights to core 'capabilities' can be considered as a central policy objective within Sen's framework.[56] Freedom, defined in terms of the 'capabilities' of individuals "to lead the kind of lives they value - and have reason to value" (Sen, 1999, p.18) and processes allowing individual decision and choice, is a more appropriate conceptual space to evaluate social arrangements than 'welfarist' approaches, as it highlights the ends of economic activity, rather than purely the means.[57]

5. Concluding Remarks

The traditional way of classifying the market has been based on the number of participants or extent of competition (monopoly, oligopoly etc.). 'Rational' economic agents termed *Homo economicus* have generally been assumed. There has been relatively little discussion of the actual behaviour of economic agents in the market.

New light has recently been shed on this problem, however. Bowles and Gintis, for example, classify four types of economic exchange: (a) Walrasian exchange, (b) instrumental contested exchange, (c) constitutive contractual exchange and (d) constitutive contested exchange.[58] Where there is asymmetric information, the market is characterized as 'contested' and power relations emerge. This would occur even were the market "perfect" in a neo-classical sense. Economic agents adjust to movements in the market, and who is employed and how the production process is organized depend partly upon individual ability, preferences and norms. In this sense the market is contested and at the same time 'constitutive'. This argument is developed under the title 'micro-foundations of political economy'.

By contrast, general equilibrium theory studies the opposite case, where anonymous agents transact each good and service (i.e. transfer their property rights), and exchange is instantaneous. Such a world is characterized by anonymity, indifference to others and independence. So-called 'efficiency' realized through the market undermines feelings of solidarity with others, communication capacity and joint decision-making abilities.

The market has cultural and political aspects, playing a role in reproducing the rules, particularly with regard to ownership. However, the rules of the game are 'public' in character and should not be provided through the market. This is because the competitive market system based on private ownership supports a command-subordinate labour relationship. Such a social system, inherently involves inequality, which cannot be 'efficient' from *the social* point of view.

The market requires 'public control'. The proposal of Bowles and Gintis for asset-based redistribution is a promising approach in this regard.[59] A market economy consisting of democratically operated firms is considered preferable in a capitalist economy. The market would not be abolished, but re-constructed as an institution to be more accountable to all members of society.

The theoretical pursuit of an egalitarian economy is concerned with the question of how we can transcend the dichotomy: capitalism vs. socialism, or market vs. state. Needless to say, it is a challenge to redesign *the social*. The latter comprises the potential for social formation that underpins society. A society cannot be organized without *the social.*[60] As a historical experience, the social was initially understood as 'Gastfreundschaft', 'Convivial' and a support for the weak. It played a role in transforming strangers, notably from potential enemies to friends.[61] While society necessarily entails some antagonistic relations, *the social* can help resolve conflicts.[62]

An economy organized by capitalists entails costly conflicts, with the market functioning as an 'exclusion' mechanism. Conflictual command-subordinate relationships, 'utilization' of humans as simply a means to reach other ends and other 'violent' aspects of the market have to be tackled, while aspects of life recognized as having intrinsic value must be nurtured and reproduced.

Changing the structure of economic governance to humanize the market and create the sort of society, which people prefer to live in, necessitates addressing sources of injustice. As we have seen, many, if not all, countries already apply some restrictions on how the market operates on ethical grounds. This is the case even in countries such as the US, which fervently espouse the virtues of free market capitalism.

Having partly global and non-rival benefits, justice can be characterized as a global good[63] that governments are formally committed to providing under diverse United Nations agreements. Recognition that justice is a prerequisite for world peace provided the inspiration for the initial establishment of the United Nations[64] and remains an important motivation for tackling injustice.

Radical changes are clearly needed, however, if goals of global justice, including upholding human dignity and human security, are to be met. Take, for example, Article 25 (1) of the United Nations Universal Declaration of Human Rights, which stipulates that:

> Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.

Such declarations may appear little more than hollow rhetoric in the current situation.[65] Around 840 million people,[66] almost one in seven of the world's population,[67] are undernourished,[68] and over 2 thousand million suffer micro nutrient malnutrition.[69] Unclean water and poor sanitation is a cause of over 12 million deaths each year,[70] and UN projections suggest that by 2050 over 4 thousand million people will be living in countries not meeting people's daily basic needs.[71]

There is little doubt, however, of the technical feasibility of ensuring that everyone has access to the most essential material prerequisites for a healthy life.[72] In this regard, we cannot accept Keynes' famous argument concerning the market that "fair is foul and foul is fair", but recognize that the means exist to ensure that everyone can escape from this "tunnel of economic necessity".[73] Meeting the first seven of the UN Millennium Declaration goals agreed for the period 1990-2015,[74] for instance, including halving the proportions of people suffering hunger and of those without sustainable access to safe drinking water, is estimated to require increasing development aid in total by around US $40 - $100 thousand million a year.[75] Representing of the order of 0.2%-0.4% of Gross National Income of OECD donor countries,[76] this is a relatively modest amount by comparison, for example, with agricultural subsidies,[77] or military expenditures.[78] Rather than technical or financial constraints, the main issues concern economic priorities[79] and political will.[80]

Half a century after the foundation of the United Nations, it may seem unlikely that existing commitments to global justice will be rapidly implemented,[81] especially given the prevailing emphasis on military rather than human security.[82] Indeed, not only has the UN been largely ineffective in preventing war, but it has itself adopted some policies that have significantly undermined attainment of human security objectives.[83] In these important respects, international relations continue to be characterized by lack of governance.[84]

As the Kyoto Protocol illustrates, effective coordination on issues of global importance can be difficult to achieve, especially in the absence of US support. But this does not relieve others of their responsibility. The preamble to the Universal Declaration, for example, emphasizes that all have a responsibility for ensuring the universal respect of human rights.[85] As Article 25 illustrates, these include economic rights.

Human rights are scarcely mentioned in most economics texts. Justice is assumed to be of no concern to *Homo economicus.* Neither is it central[86] to a discipline that adopts an egotistical characterization of human 'rationality'[87] and considers its domain to be 'solved political problems'.

Adopting a broader ethical framework is required if we are to *'humanize'* economics as a scientific discourse.[88] The ethical imperatives of justice, including upholding human dignity and ensuring that essential material prerequisites for a healthy life can be obtained by all, have to be recognized.[89] The market must be viewed as the servant of humanity, not its master.

If we pursue this direction we inevitably reach the arena of private ownership and distribution. It may be difficult to imagine a society without the market,[90] as the quote from Sen in the introduction of this paper suggests, but intervening in the spheres of ownership and exchange are required if we are to rehabilitate *'the social'* and fundamentally *'humanize'* the market.

Notes

1 Lerner (1972, p.259) states:
Economics has gained the title Queen of the Social Sciences by choosing solved political problems as her domain.

2 The phrase " 'humanize' the market" may remind the reader of the slogan "Disarming the Market!" which appeared in an article of *Le Monde diplomatique* (Dec. 1997) that proposed establishment of a new anti-globalization NGO called ATTAC (Association for a Tobin Tax in Aid of Citizens). Globalization is clearly an important dimension to take into account in exploring the working of the market, but in this paper we adopt a broader focus upon ethical dimensions of the market.

3 Somewhat paradoxically, Marx is one of those who noted the dynamism of capitalism, but he considered its success as, at the same time, the cause of its demise. Schumpeter's famous argument concerning innovation is similar in spirit.

4 'Market failure' is taken to encompass both macro and micro economic 'failures', including those associated with unemployment of labour, monopoly, external effects

and the underprovision of public goods.

5 As will be discussed later, the problem of distribution is assumed to be *'given'* in neoclassical economics.

6 Many economists who belong to the tradition of heterodox economics consider instability of investment to be the core feature driving macroeconomic movement in the capitalist economy.

7 See, for example, Lindblom (2001), who provides a comprehensive survey of the market system.

8 "How ironic! Not the buzzing confusion of market competition, but the cool hand of the centralized state apparatus brings about 'market' equilibrium" Gintis (2000, p.45).

9 See Galbraith (1983). Galbraith is well known among non-orthodox economists as an economist who has pursued the theme of power for a long time. His fundamental insight is that the real economy is not competitive, but is usually oligopolistic, such that firms exercise market power. Thus, he argues that no one can talk about capitalism without an analysis of power. While not criticizing the core theoretical structure of neoclassical economics as Bowles and Gintis (1993 a, b) do, his argument is nonetheless extremely insightful.

10 Latsis (1972, pp.210-211) argues that:
To say a seller under perfect competition deliberately chooses a course of action to maximise profits is analogous to saying that a member of the audience is maximising if he runs out of the single exit available to him in a burning cinema.

11 Valatin (2003).

12 That is, with the exception of 'purchasing power'.

13 The similarity of recent arguments by Bowles and Gintis and the contract approach has been pointed out. For example, see McIntyre and Hillard (1995), Spencer (2000). In this respect their strategy for designing an egalitarian economy has changed. They previously emphasized the role of capital-labour relations, but have now changed focus.

14 E.g. the conception used by Bowles and Gintis (1999) corresponds to "threat power", one of three basic forms of power in the classification proposed by Boulding (1989).

15 However, this may be considered essentially an empirical question.

16 Cf. Bowles and Gintis (1998, pp.21-30).

17 "[M]arket competition is a means of inducing agents to make public the economically relevant private information they hold." (p.23) "[M]arket competition provides a decentralized and relatively incorruptible disciplining mechanism that punishes the inept and rewards high performers." (p.24)

18 Many questions arise with the proposal of asset-based redistribution. One concerns its political feasibility, as Skott (1998) pointed out. That raises similar issues to those that faced the former socialist economies, but with change in a different direction.

19 Relatively few works by economists discuss the role of ethics in economic life. Rowthorn (1996) is one exception. For a comprehensive survey on the relationship economics and moral philosophy, see for instance, Hausman and McPherson (1996).

20 Ethics can be defined as a second-order reflective consideration of 'morality', where the latter consists of the first-order beliefs and practices about right and wrong, good and evil, which guide human behavior. However in this paper, as convenient shorthand, ethics is used to also encompass morality.

21 Social conventions are often distinguished from social norms by the lack of explicit enforcement, but here the latter term is used to encompass the former.

22 As North (2000, p.7) notes:
[T]here is no such thing as *laissez-faire.* ... any society, economy, or polity is structured and the structure is a person-made function of the way in which we order society.

23 Cf. Bowles and Gintis (1998, p.5).

24 This is similar to the characterization of society as "a cooperative venture for mutual advantage" suggested by Rawls (1971, p.4).

25 A classic statement of this position is made by Adam Smith (1776, Vol.I, Book IV, Ch.2, p.400), who argues:
As every individual, therefore, endeavours as much as he can both to employ his capital in the support of domestic industry, and so direct that industry that its produce may be of the greatest value; every individual necessarily labours to render the annual revenue of society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of society more effectually than when he really intends to promote it. I have never known much good done by those who effected to trade for the public good.

26 For example, Nell (1998, pp.744-745) argues:
The market tends to corrupt anything immaterial or spiritual that comes into contact with it. The incentives in the market are Machiavellian; the object, the attainment of wealth and power through whatever means are efficient and arguably legal.

27 Virtue ethics divides attitudes and character traits into virtues (e.g. honesty, trustworthiness) that facilitate, and vices (e.g. greed, envy) that impede the full development of our human potential.

28 Keynes (1930, p.329) argued:
When the accumulation of wealth is no longer of high social importance, there will be great changes in the code of morals. We shall be able to rid ourselves of many of the pseudo-moral principles which have hag-ridden us for two hundred years, by which we have exalted some of the most distasteful of human qualities into the position of the highest virtues. ... All kinds of social customs and economic practices, affecting the distribution of wealth and of economic rewards and penalties, which we now maintain at all costs, however distasteful and unjust they may be in themselves, because they are tremendously useful in promoting the accumulation of capital, we shall then be free, at last to discard.

29 That is, a teleological perspective according to which morality is judged by the extent to which something accomplishes a good end.

30 Afriat (2003, p.47) argues:
In speech of today a single being, the Market, is at the centre of existence. It is the self-created, self-regulated, unquestioned measure of everything. The textbooks teach that, but for objectionable intrusions, or 'imperfections', its rule would be optimal.
It has been remarked that every age has its myth, proclaimed as the higher truth; here we have ours. It permeates every sphere ... As a movement in the immediate present it is on the gallop with fresh energy, commanding submission everywhere. ... it is propagated by endless repeated teaching, and bolstered by interests, and inertia. ... As indoctrination is now an ominous presence.

31 The unethical nature of some transactions is illustrated by moral judgment implicit in saying "he would sell his grandmother if he could".

32 See: Sen (1985).

33 This term was coined by Vercelli (1995) in order to denote a conception of decision-makers as "option-makers" who partly shape their own environment, where current choices may influence future uncertainty, "states of nature" and choice sets.

34 In practice this can be subverted where high costs of running for election give those

contributing the large campaign funds undue power in influencing the outcome and subsequent policy.

35 For example, private gun ownership was restricted in the UK following a massacre of schoolchildren. International weapons sales are often restricted, especially to so-called 'oppressive' regimes.

36 This is also subverted where politicians or powerful groups offer financial and other inducements in an attempt to "bribe" individuals to vote for particular candidates.

37 Radin (1996) notes that a free market in children might unavoidably alter our way of thinking, leading to associating ourselves (as children) or our children (as parents) with market values, and as worth more or less than children with different attributes (sex, 'colour', etc).

38 Where what is 'fair' is judged, for example, by comparison with the average level in a given society.

39 It is of course true, as noted below, that statutory prohibitions often do not completely eradicate a market.

40 For instance, religious 'divine command' ethics have been omitted from our discussion. These remain an important influence on market restrictions in some states.

41 Gilbert (1983, p.248).

42 As Sen (1999, pp.28-30) notes in the cases of slavery, bonded and forced labour including child labour, certain types of freedom can be considered as having intrinsic value irrespective of their effects on individual utility.

43 Comprising "an indossociable blend of reason and empathy", a 'sense of injustice' is defined as "the equipment by which a human being discerns assault, recognizes oppression of another as a species of attack on himself, and prepares defense" Cahn (1968, p.347).

44 Even excluding "projection biases" associated with a tendency for people to consider others from the viewpoint of one's current self (Tirole, 2002), "self-serving biases" that conflate what is fair with what benefits oneself (Babcock and Loewenstein, 1997), and other systematic biases, clearly individual perceptions of what it means to treat others as one wishes to be treated differ. This problem is minimized by viewing justice as a social convention.

45 This fits well with the concept of justice suggested by Nussbaum (2003), which encompasses respect for and implementation of core capabilities prerequisite to the upholding of human dignity and the dignity of other animals.

46 Viewing issues such as global warming, for example, through a lens of justice, could lead to quite different policy implications from conventional economic approaches to tackling negative externalities based upon social cost-benefit analysis.

47 As 'preventing the outrageous' is far more urgent than 'creating the ideal', and revolution is a very high cost and unpredictable method of social change (likened to a donkey trying to jump over a skunk towards an elusive bale of hay!), Boulding (1992, p.275) notes:

> ... you can pay too high a price for certain forms of justice ... The search for perfect justice can absorb too much time and energy, and there is a lot to be said for putting up with things less than perfect.

48 Slavery can be defined as "the total control of one person by another for the purpose of economic exploitation" and a slave as "someone controlled by violence and denied all their personal freedom to make money for someone else" (Bales, 1999, p.6). According to this definition, there are currently estimated to be of the order of 27 million slaves worldwide. This includes 15-20 million bonded labourers in India, Pakistan, Bangladesh and Nepal, and exceeds the number forcibly taken from Africa during the transatlantic slave trade.

49 This may be the case with illicit drug use and related spread of HIV, for example.

50 This is especially apparent where the death penalty is applied for engaging in particular forms of market exchange (e.g. trading in narcotic drugs in Malaysia).

51 Kanbur (2001).

52 Zamagni (2002) argues that viewing the ethics of human rights as a matrix within which economics should take shape as a scientific discourse is aporetic and unacceptable, as it would deny the autonomy of economics, and instead argues for considering it as offering a hermeneutical horizon promoting a change of economic categories of thought and discourse. However, privileging such autonomy presumes the existence of an economic discourse that would be inconsistent with the pursuit of human rights, or of justice. It is hard to imagine what this would consist of while remaining cognizant of ethical limits.

53 However, like most economic theory, it is essentially anthropocentric, not easily allowing inclusion of aspects of justice associated with animal welfare.

54 Sen (1999, p.xii) states:
Development consists of the removal of various types of unfreedoms that leave people with little choice and little opportunity of exercising their reasoned agency. The removal of substantial unfreedoms ... is *constitutive* of development.

55 Japanese Prime Minister Obuchi Keizo cited in Sen (2002, p.1).

56 Sen (2003, p.8) argues that although there is no basic contradiction, human security "supplements the expansionist perspective of human development" by instead focusing upon 'downside risks' including "insecurities that threaten human survival or the safety of daily life, or imperil the natural dignity of men and women".

57 In "welfarist" approaches the same level of social welfare can also be associated with widely different opportunities and freedoms.

58 Bowles and Gintis (1993 a, p.3). The criteria used in this classification are (1) whether the claim to enforcement is exogenous or endogenous, and (2) whether preferences and norms are exogenous or endogenous. They use the term 'dynamic culture' instead of 'constitutive' in Bowles and Gintis (1993 b, p.99).

59 Rather than workers being given machines, Bowles and Gintis (1999, pp.386-7) propose credit subsidies and insurance for worker-owned firms.

60 The recent upsurge of the interest in 'social capital' is a reflection of interest in this. See, for example, Putnum (1993), Fine (2001), "Symposium on Social Capital" *Economic Journal* (2002).

61 Imamura (2000, p.29).

62 Cf. Rose (1996)

63 Distributive justice is conceptualized as a global public good by Kapstein (1999). However, a public goods framework presumes that each individual consumes the same justice irrespective of their wealth or income. This does not hold if some benefits are localized or positional in character.

64 Recognition that extreme economic deprivation is not just a blight on the world's conscience but a threat to global security, underpinned initial establishment of the United Nations. US President Roosevelt noted at the 1944 Bretton Woods Conference that the 1930's Great Depression had resulted in "bewilderment and bitterness which became the breeders of fascism and, finally, war". [Cited in Watkins(ed) (1995, p.71)].

65 Signatories often include states with abysmal human rights records, while most human rights conventions lack monitoring and enforcement provisions. For example, lacking the status of a formal treaty, the Universal Declaration of Human Rights contains no monitoring provisions, and although cases can be referred to the International Court of Justice under other human rights conventions, such as that on slavery, no such cases have ever been brought [Krasner (2001)].

66 This FAO (2002) estimate for 1998-2000 includes 799 million people in developing countries and 30 million people in transition countries.

67 The UNDP (2003, p.87) states that:
Every day 799 million people in developing countries — about 18% of the world's population — go hungry.
However, as the world's population is estimated at 6,148 million in 2001 (UNDP, 2003, p.253), 18% appears to be an overestimate.

68 With 'undernourished' defined as consuming less than 1960 calories per day, the UNDP (2003, p.87) estimate that if the global food supply were distributed equally, each person would be able to consume 2760 calories per day.

69 That is, inadequate vitamins and minerals (FAO, 2002).

70 UN (2000).

71 UN (2001).

72 The Expert Group on the relationship between disarmament and development reported to the United Nations General Assembly in 1981 as follows (Thorsson, 1982, p.612):
it is well within our collective capabilities and within the earth's carrying capacity to provide for basic needs for the world's entire population, and to make progress towards a more equitable economic order, at a pace politically acceptable to all.

73 Echoing words of the witches in Shakespeare's Macbeth, Keynes (1930, p.331) argued:
For at least another hundred years we must pretend to ourselves and to every one that fair is foul and foul is fair; for foul is useful and fair is not. Avarice and usury and precaution must be our gods for a little longer still. For only they can lead us out of the tunnel of economic necessity into daylight.

74 These are to eradicate extreme poverty and hunger, achieve universal primary education, eliminate gender disparity in education, reduce child mortality of under 5 year olds by two-thirds, reduce maternal mortality by three-quarters, halt and start to reverse the spread of AIDS/HIV, malaria and other major diseases, and ensure environmental sustainability, extending provision of safe water supplies and improving quality of life of slum dwellers [UN (2000)].

75 UNDP (2003, p.146).

76 Net official development assistance from OECD countries in 2001 totalled US $52 thousand million, half of which came from EU countries. The mean contribution fell from an average of 0.33% to 0.22% of gross national income (GNI) over the period 1990-2000 [UNDP (2003, p.290)]. As a proportion of GNI, Denmark was by far the most generous, giving 1.03% in 2001 [OECD (2003, Table V-1, p.86)].

77 The UNDP estimates agricultural subsidies in rich countries at currently over US $300 thousand million [UNDP (2003, p.12)].

78 SIPRI (2003) estimates total world military expenditure in 2002 at US $794 thousand million, of which the US accounted for 43%, with Japan, the UK, France and China together accounting for a further 19%.

79 Casting public expenditure choices into sharp relief, US President Eisenhower famously argued in his 'The Chance for Peace' address of 16 April 1953 to the American Society of Newspaper Editors:
every gun that is made, every warship launched, every rocket fired represents, in the final analysis, a theft from those who hunger and are not fed, who are cold and are not clothed.

80 Arguing that abject poverty increases conflict and "fuels a violent rejection of the economic and social order on which our future depends", former US President Clinton (2001, p.2) has stated:
I am absolutely confident that we have the knowledge and means to make the twenty first century the most peaceful, prosperous, interesting time in all human history. The

question is whether we have the wisdom and the will.

81 For instance, according to the FAO (2002), the Millennium Declaration goal of reducing the proportion of undernourished people by half over the period 1990-2015 will not be reached until 2115 if current trends continue.

82 Not least as current US policy is focused upon winning militarily a "war on terrorism".

83 United Nations sanctions policy against Iraq in the 1990 s, for instance, contributed to increased child mortality rates, including the death of over half a million children under the age of five. UN Deputy Secretary General Denis Halliday and his successor as UN Humanitarian Coordinator in Iraq, Hans von Sponeck, both resigned in protest at its impact [Herring (2002)]. The former denounced the policy as akin to genocide.

84 Mendez (1999, p.382) argues:
World history is largely a history of wars. All have been fought in a world without governance...

85 Adopted by the United Nations General Assembly under resolution 217 A (III) of 10 December 1948, the Preamble to the Universal Declaration of Human Rights states:
Whereas recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom, justice and peace in the world... the advent of a world in which human beings shall enjoy freedom of speech and belief and freedom from fear and want has been proclaimed as the highest aspiration of the common people. ... Therefore THE GENERAL ASSEMBLY proclaims THIS UNIVERSAL DECLARATION OF HUMAN RIGHTS as a common standard of achievement for all peoples and all nations, to the end that every individual and every organ of society, keeping this Declaration constantly in mind, shall strive by teaching and education to promote respect for these rights and freedoms and by progressive measures, national and international, to secure their universal and effective recognition and observance, both among the peoples of Member States themselves and among the peoples of territories under their jurisdiction.

86 In this we disagree with the assessment of Brosio and Hochman (1998, p.ix) that the issue of justice is "central" in the existing economics literature.

87 Milgrom and Roberts (1992, p.42) note that in economics it is standard to assume that individuals are essentially self-interested:
fundamentally amoral, ignoring rules, breaking agreements, and employing guile, manipulation, and deception if they see personal gain in doing so.

88 Once the pervasive nature of evaluation is recognized, and that both the economy and economic method are partly based upon collective values, the search for a value-free economics has to be abandoned.

89 According to the UNDP (2003, p.162):
Partnership is needed for mutual self-interest. But rich countries also need to act - because eliminating human suffering is an ethical imperative.

90 It is often forgotten, however, that a substantial part of economic activity is mediated by voluntary unilateral transfer ('grants') rather than by exchange. Boulding (1981, p.1), for instance, estimates that this is the case for somewhere between one fifth and one half of the US economy (depending upon the definitions adopted).

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