Economic accounts for repugnance: reduction, romance, and rationality

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Abstract

The economic discourse on repugnance has become rich and dense. This paper identifies some characteristic ways economists combine conceptual, empirical, and normative arguments, and engage with philosophical, political, and legal perspectives, in order to map repugnance into their epistemic frame in a reductive or parsimonious way: as “moral” preferences, moral externalities, or merit goods. Overall, mainstream economics, while conceptualising human behaviour in terms of preferences and costs and interactions in terms of exchange, they tend to focus on prudential reasons in terms of “market failures” and bracket out moral reasons of justice and rights. It is both an interesting analytical exercise and an important public policy question how and to what extent law and economics accounts for repugnance in transactions.

Economic accounts concern two broad questions: the rationalisation of moral sentiments (do raw emotions, gut feelings and visceral reactions of repugnance track valid reasons for not engaging in or condemning certain (trans)actions?) and institutional design (how to institute or regulate of markets in response to reasonable objections). In any sophisticated economic analysis, theoretical and practical engagement with “repugnance”, or rational critique and policy proposals will interact.

If repugnance expresses valid practical reasons for regulating or limiting markets, our institutions should acknowledge and express these. If attitudes of repugnance are *not* rationalisable in the sense of instrumental or moral values, we should disregard or eventually counteract or reduce them. In some other contexts, especially when the sentiments of repugnance correspond to instrumental reasons and responsive to incentives, they can also be harnessed, i.e., institutional design should rely on them to support or supplement formal legal rules.

More specifically, the paper will focus on a special case of repugnance: commodification, i.e. when the sale of goods or services for money meets societal disapproval. Here, I distinguish three substantive stances, combining conceptual and methodological commitments into analytical frameworks: (1) institutional design for commodification, (2) rationalisation of anti-commodification sentiments, and (3) subversion or debunking of such sentiments as “romance” (anti-anti-commodification). Correspondingly, these stances to (1) work around [commodification]; (2) make sense of [anti-commodification]; and (3) explain away [anti-anti-commodification] people’s moral sentiments of repugnance.

Keywords

Repugnance; Commodification; Rational choice; Institutional design; Moral externalities; Parsimony

1. Introduction

The temporal and cross-cultural variability of what people find repugnant is fascinating. Suffice it to refer to two examples. 150 years ago, life insurance was considered immoral speculation and in many jurisdictions, it was even illegal; now it is considered an eminently prudent and responsible, even virtuous thing to do. In the West, with few counterexamples, eating insects is generally found disgusting; yet there are signs that this perception is changing or at least the food industry has found ways around it. And while there are important *pro tanto* reasons for an increased role of insects in our diet, there are also moral considerations against it. In other parts of the world, entomophagy is commonplace.

The psychology of repugnance is also complex: it involves not only gut feelings and raw emotions such as disgust but shame and moral indignation. Think of the following example. A well-to-do professional meets a homeless person selling magazines. The former offers money but refuses to accept the journal: she wants to give charity. The other person wants to treat it as an exchange, perhaps because that is less degrading. There is less shame in selling than in begging or accepting a gift from a stranger. There is less stigma in getting something as of right than as of charity. Indeed, in many contexts poor people offer poor quality, used, home-made or found goods for sale or at least pretend to do so but half-expect potential buyers to give more than the named price or not to take up the product, thus transforming the transaction from exchange to gift. But the clues that such a transformation is expected are not always clear and not always followed: the person giving could also be indignant when the homeless person does not give the magazine but wants to "cheat" her by not delivering what she paid for. There are, as is often the case, many possible misunderstandings and disagreements about the social meaning of the transaction. To complicate things further, a third-party observer may say that what is really repugnant is homelessness itself. Hence the shame of the person giving, perhaps even avoiding looking into the eye of the other, a fellow human being who, for whatever reason, is deprived of a home, a basic necessity of a decent life. Offering money may fulfil a moral duty or alleviate a bad conscience; giving some token item in exchange, thereby notionally engaging in an impersonal market transaction on the basis of formal equality may make the encounter less embarrassing for both of them.

In its phenomenological sense, i.e., as a feature of human (social) behaviour, "repugnance" raises questions that are addressed in evolutionary biology, social psychology, or comparative anthropology – these disciplines are crucial to understand the diversity and/or uniformity of repugnance as human behaviour (Zelizer 1994, 1998).

The focus of this paper is on another discipline: economics. Repugnance has been increasingly subject to economic analysis (Roth 2007; Tirole 2017: 33–50). The arguments about repugnant markets in economics are primarily substantive: they concern the role of markets in society, referring to questions such as whether "permitting the sale of votes or public offices, the sale of blood or body organs, commercial surrogacy contracts, prostitution contracts or pornography undermine values of human self-fulfilment or human flourishing." (Trebilcock 1993: 19) Such questions are not only raised by critics of markets. To mention just one example, Nobel laureate Kenneth Arrow once noted that "a private property—private exchange system depends, for its stability, on the system's being non-universal." (cited in Trebilcock 1993: 23) What Arrow meant by this is that if political, legal, and bureaucratic offices were auctioned off, their holders freely bribed or votes freely bought and sold, the private sphere would be massively destabilized. Surely, economists talk about politics in the language of markets, but do they mean this literally? And if so, what should be the institutional framework of that market?

This example indicates the practical social relevance of economic research on repugnance: we are not dealing with an obscure and marginal subject but something of practical relevance requiring specific individual and collective, possibly regulatory response (Krawiec 2009).

To properly answer questions of institutional design and work towards an adequate collective response to repugnance, economists need to combine their expertise with a range of other intellectual resources. While the various empirical (natural and social scientific) disciplines mentioned above (evolutionary biology, social psychology, and comparative anthropology) are helpful in drawing the contours of repugnance as an empirical: culturally, temporarily, and perhaps even individually, temperamentally variable phenomenon, there remain questions that are conceptual or philosophical, still others are inescapably normative (ethical or legal).

Yet what makes economics a distinct discipline is that it maps or codes such arguments about repugnance and commodification into a specific epistemic frame. Economics does not merely want to understand repugnance but understand it on its own terms.

In this paper, I suggest reflecting on the kinds of analysis of repugnance put forwards in the discipline of economics, highlighting some characteristics of the ways economists combine conceptual, empirical, and normative arguments, as well as open up economic analysis to philosophical, political, and legal perspectives, in order to map repugnance into their conceptual framework and respond to it in evaluative terms. While for certain purposes economics can be seen as an explanatory enterprise that takes an external perspective, ultimately it cannot be separated from practical aims, i.e., contributing to an empirically based normative discourse about (certain domains of) public policy. I will focus on two questions in this respect. First, how various kinds of economic analysis can contribute to what I call the rationalisation of repugnance: conceptual and normative analysis as to how the raw emotions, gut feelings or visceral reactions of repugnance can be accounted for as reasonable, i.e., the extent to which they track pro tanto good reasons for not engaging in or condemning certain (trans)actions. Second, and building on the former, how should repugnance be considered in institutional design. Should this regulatory response (1) map, i.e., acknowledge and sanction these moral feelings; (2) counteract or reduce them; or (3) harness them for institutional design? As we shall see, in any sophisticated economic analysis, rational critique and policy proposals, theoretical and practical engagement with "repugnance" will interact.

2. Moral repugnance from an economic perspective

In recent decades, the economic discourse on repugnance has become rich and dense. Yet from a longer historical perspective, economists have always been concerned with moral sentiments, including repugnance. When a conduct is prohibited mainly or exclusively on the ground that it violates social morality, this implies that the conduct does not directly harm or offend anyone: it merely violates a "social norm" i.e., a norm of social morality.

When we say that economists tend to conceptualize these issues in "economic terms", this does not imply a single theoretical strategy or normative stance on how much weight should be attached to moral repugnance in public policy; rather, we are dealing with the combination of several, interrelated arguments in economics in this respect.

First, there is a range of substantive views. Roughly, one can distinguish three substantive stances here: commodification, anti-commodification, and anti-anti-commodification. I discuss these below in section 2.1.

Second, these substantive concerns are expressed in different analytical categories, accompanied by certain methodological commitments. Sections 2.2 and 2.3 will explain, in some detail, how some of these analytical models apply to moral repugnance. In particular, I will be probing the analytical frameworks suggested by economist and law and economics scholars to rationalise, i.e., make sense of; explain (away); or work around people's moral repugnance as moral preferences, moral externalities, or merit goods.

While we can identify important variants among them, all these analytical strategies could be called "reactive": they are concerned with how repugnance impacts on the extent to which market exchange is legitimate. In section 2.4 I discuss how they contribute to the rationalisation of moral sentiments and institutional design of markets in response to reasonable objections.

Yet it is important to notice that the phenomenon of moral repugnance has also triggered or at least met with a more ambitious, "pro-active" strategy in economics: to account for the interrelations of market transactions with social morality in a broader framework, illuminating the virtue ethical basis of a market economy in a rigorous fashion. This will be briefly discussed in section 2.5.

Section 3 will conclude.

2.1 Commodification and the economics of repugnance

Regarding the moral limits of markets, we can roughly distinguish three substantive stances.

Commodification refers to the idea or project of designing/supporting market exchange of goods and services commonly or previously considered outside the domain of commerce/exchange. This project is confronted with repugnance, i.e., that significant groups of people resist or object to the introduction of markets. How do economists work around this? Nobel laureate Alvin Roth's work is a good example here. "Roth argues that economists can treat the fact that people view certain markets as "repugnant" as a constraint on market design, akin to a technological or information constraint." (Hausman, McPherson, Satz 2016: 97) To accept and work around moral attitudes in a given society implies the perspective of a (mechanism) designer or (institutional) engineer, relatively humble interpretations of the job of an economist. The cultural and temporal variance of repugnance implies that market design requires context-specific analyses, rather than grand theory. It also necessarily intermeshes with mechanisms and techniques of regulating repugnant transactions: social, political, and legal.

Occasionally, proponents of commodification go beyond mechanism design with moral feelings as exogenous constraints and challenge moral attitudes. Thus, Roth (2007: 54) assigns economists an "important educational role of pointing to inefficiencies and trade-offs". Yet, this does not lead to a direct engagement with the reasons for repugnance, rather an analysis of its consequences.

In contrast, anti-commodification scholars, ideally, work at articulating these reasons. Critics such as Anderson (1993), Radin (1996), Satz (2010), Sandel (2012) not only lament over or argue against commodification. They explore the moral and instrumental grounds for moral attitudes against either the alienability or the market exchange of certain goods and services. In explicating these grounds, they assign different degrees of relevance to “repugnance”. The most promising analyses do not simply take social attitudes as given but engage in both empirical and normative argument about which cases and forms of repugnance matter and explicate these in terms compatible with both economic and philosophical analysis.

This line of market-critical literature has led to what could be called the stance of anti-anti-commodification – mainly in reaction to the previous stance, bringing new, sometimes subversive challenges to both social morality and moralising critics of markets. Rather than rationalising anti-market sentiments, they challenge them on both conceptual and empirical grounds. One of their characteristic slogans is: “if you can do it for free, you can do it for money” (Brennan and Jaworski 2016). They devote much of their work to debunking arguments against the use of money in those contexts where a free gift of the good/service would be unproblematic. Their subversiveness is refreshing but arguably their most valuable contribution is not their specific arguments but the broad structure of their approach. They emphasise the need to disaggregate and operationalise criticisms of commodification.

Indeed, if there is a core business to economics, it is to predict how markets work under different institutional as well as cultural circumstances or parameters. Brennan and Jaworski acknowledge that there are things that is wrong to own in the first place. Yet they argue that we need to identify those market parameters that would allow to sell what is otherwise legitimately alienable. If there are valid objections to certain market practices, such an information asymmetry, unequal bargaining power or exploitation, careful institutional design based on cost-benefit analysis should eliminate those. They claim that the rational core of anti-commodification arguments is nothing else but a list of contingent features certain markets “that could be designed out of the market or regulated away” (Brennan and Jaworski 2015: 1058). This, of course, might mean that “some things should only be bought and sold in regulated or highly regulated markets.” (ibid)

Nonetheless, the more ambitious version of the anti-anti-commodification stance suggests that for every good and service, there is a possible set of parameters that would allow to design a morally unobjectionable market. Yet, it remains to be seen whether this is possible in every significant case. In fact, we are justifiably sceptical about this: “the authors have not shown that there is a policy proposal that could create a market that would assuage all the worries of the anti-commodification theorists. It may be true that one moral evil, say rights violations, could be fixed by fine-tuning one feature of a market. However, it does not follow that there is a policy that could modify all the market dials in such a way as to avoid the array of moral concerns that motivate the anti-commodification theorists.” (Stout and Carothers 2016: 206) There is in fact at least one further anti-commodification argument that is relevant for repugnance. Brennan and Jaworski call it semiotic objection and want to debunk it with a different strategy; we shall come back to this in section 2.4. below.

2.2 Rational choice models of moral repugnance: variations on parsimony

Economists engage in quantifying or measuring repugnance, as it affects characteristics of various markets and other resource allocation mechanisms. This is usually combined with a limited ambition of economic analysis to give advice under the guise of technical efficiency and instrumental rationality. In this mode of analysis, the economic theorist takes the sentiments of repugnance as given preferences or accounts for them as moral costs. This is how Alvin Roth (2007) promises to deal with repugnance as a constraint in market design.

Another line of research is more wholeheartedly normative and concerns the significance of repugnance as a heuristic for good (moral) reasons for limiting (market) transactions. It promises a rationalisation of these moral feelings and a contribution to public discourse/policy on economic activity, including commodification or crowding out. This is how Debra Satz (2010) characterises noxious markets.

Yet other economic approaches give naturalistic accounts of repugnance in the sense of reducing them to the domain of biological or cultural facts as opposed to the domain of practical reason. In principle, this is a legitimate exercise: other (evolutionary or comparative) disciplines proceed in a similar manner and their insights should not be isolated from or disregarded by economics. Indeed, if the aim is to give a "positive" i.e., descriptive or explanatory account of either the genesis of or changes in repugnance, that requires a theoretical framework and empirical, possibly cross-cultural data. This "positive" account is often accompanied by an implicit and often explicit criticism of these sentiments as irrational and hence rationally indefensible. There is no room for "romance" in economics. This is how Brennan and Jaworski (2016) suggest deconstructing repugnance.

As the matching author names indicate, these three approaches roughly correspond to the three stances I have sketched in the previous section. In this section, I take a closer look at a common feature in all economic approaches and stances: the various analytical models of moral repugnance.

Economists have already been doing this modelling for a while in a quite traditional rational choice manner (Kliemt 1990, Vanberg 2008), defining "moral tastes" as preferences or analysing repugnance in terms of "moral costs" and "moral externalities." Some of these models take morality as given and explicate it in terms of "moral preferences" (Rabin 1993). They redefine preferences in an *ad hoc* manner, by attaching utility to norm-conformity itself, and analyse the dynamics of various mixed populations of selfish and norm-guided agents. In other words, they do not want to reduce non-instrumental reasons to instrumental ones but rather analyse the social consequences of various preference mixes.

Going back even further, Gary Becker's work (1976, 1996), including his papers on irrationality, altruism, preference interdependencies or his joint article with George Stigler on "tastes" (Stigler – Becker 1977), provides classic examples of modelling complex individual behavioural patterns as well as social phenomena based on parsimonious assumptions of rationality, self-interest, and equilibrium.

As a matter of phenomenological description, ordinary human beings are guided by a wide range of motivations, both prudential and moral: perceived self-interest, norms of reciprocity, moral principles, respect for rules, fear of punishment or ostracism, etc. Their behaviour is also driven by emotions, habit and custom, or sheer physiological stimuli. Yet, economic theory often works under the assumption and some economists even explicitly argue that "[m]an is eternally a utility-maximizer, in his home, in his office - be it public or private - in his church, in his scientific work, in short, everywhere." (Stigler 1982: 35)

Economic models of morality have been developed further in the last decades, in an effort to account for complex patterns of rule-following, altruism, and cooperation, as documented empirically in both field research and laboratory experiments. In what follows, I refer to a number of characteristic ways such modelling can be relevant for a rational choice account of moral repugnance.

2.2.1 "Moral externalities"

Some commentators familiar with economic terminology tend to analyse "repugnant" or "immoral" conduct with reference to "moral externalities". "Moral externalities" refer to the fact that some people find certain conducts morally offensive or simply disgusting.

Economists not only explicitly acknowledge "moral externalities" but argue for including them in an instrumentalist policy analysis in terms of social welfare. Thus, Steven Shavell argues that "the existence of moral beliefs should itself influence the design of the law, given that moral beliefs constitute tastes the satisfaction of which raises individuals' welfare" (Shavell 2002: 255). These "moral externalities" would in turn potentially justify public intervention.

Yet, for Shavell, moral beliefs are not just constraints to calculate with. They are objects of a (welfarist) intervention (by a notional benevolent social planner aiming at maximising social welfare). In a related paper, co-authored with Louis Kaplow, he suggests a theory as to what kind of moral system would be economically efficient, i.e., how moral sanctions ("guilt") and rewards ("virtue") should "be employed to govern individuals' behaviour if the objective were to maximize social welfare" (Kaplow and Shavell 2001: 1).

In a recent paper on "Moral Commitments in Cost-Benefit Analysis", Eric Posner and Cass Sunstein (2017) explicitly discuss how and why moral externalities should be included in a welfarist calculus for public policy purposes. Their analysis is not a mere academic exercise – they are suggesting specific operational methods of making and justifying public decisions that have serious real-world consequences. They argue that third-party preferences, motivated by moral commitments, and measured by willingness to pay, should, as far as practicable, be part of any cost-benefit analysis pursued by administrative agencies. For instance, the question how much social benefits are attached to protecting dolphins depends not only on the direct "welfare effects" of the policy but also on the "moral effects" on those who care about dolphins.

While some cases of repugnance may be plausibly analysed in terms of moral costs or moral externalities, the regulatory relevance of externalities is bound with problems. These are both theoretical and practical.

Like any welfare-based theory they face difficulties in delimiting the kinds of third-party effects that would justify a welfare-enhancing intervention. Third-party effects are potentially infinite and practically incalculable.

A crucial problem, readily acknowledged by Shavell in other contexts, is that third-party effects, whether understood as negative externalities in economics or harm in autonomy theories, are pervasive: "virtually any contract may cause some external harm, [at least by] denying other potential contracting parties the opportunity to contract with the parties to the contract in question" (Shavell 2004: 320). Once one goes beyond tangible harms to third parties, many activities might be viewed as generating some externality. But as externalities are ubiquitous, regulators need additional criteria to determine what kind of externalities matter and how much weight should be attached to them. Welfare-based analyses alone do not provide tools for selecting between relevant and irrelevant externalities. Without further analytical tools, economics cannot determine what to do with moral repugnance.

When pressed, both Calabresi (2017, 171) and Posner and Sunstein (2017, 1, 4) are cautious not to claim that all moral views or value judgements are "really" reducible to benefits and costs in welfarist terms. They acknowledge that there may be welfare-independent moral reasons for certain policies.

They also acknowledge that there are moral, as well as legal, reasons against including some third-party preferences in a welfarist calculus. Some such preferences are "off-limits" and for the purposes of public policy, and Posner and Sunstein suggest identifying those by invoking provisions of the (US) Constitution and other laws. For instance, they argue that as a matter of law, in a cost-benefit analysis pursued by a US government agency, racist preferences should not be taken into account for the simple reason that this would be illegal and perhaps unconstitutional.[1]

Similar *ad hoc* arguments about the limits to wealth-maximisation have been invoked by Posner *père* when arguing that certain practices, such as suicide pacts, private discrimination on racial grounds, or the flogging of prisoners, which seem efficient in the sense of wealth-maximisation, nonetheless "offend the sense of justice of modern Americans, and are all to a greater or lesser (usually greater) extent illegal" (Posner 1998: 31).

These, or at least some of these arguments seem to accept moral constraints on efficiency or welfare-maximisation but morality is approached via a double proxy: for Sunstein and Posner, it is mediated through the Constitution (this is a legitimate argument, if it is acknowledged that those moral limits need to be specified, interpreted, normally in a process of constitutional adjudication/judicial review); for Richard Posner, the moral views of the majority are taken to be the guide, and they are expressed, mirrored by positive law.

Positive law and the constitution are, of course, contingent, and crude measures of moral rightness. The majority's "sense of justice" may also be an imperfect test for justice. Surely, the moral repugnance felt by racists can be the object of moral repugnance by the anti-racists. But is the latter the right way to discount the former?

The corresponding question whether there are *moral* reasons to oppose these practices, above and beyond what is enshrined in positive law, is not addressed directly either by Posner *fils* and Sunstein (2017) or Calabresi (2016; 2017, 171-3). In fact, the question is not even raised.

The *ad hoc* reference to majority views or positive rules is an inadequate way to identify when and how moral repugnance should matter: "disgust is an unreliable source of moral knowledge" (Brennan – Jaworski 2021: 172). They might provide sensible rough proxies in practice but in these analyses, they are not even explicitly analysed in such terms.

Philosophically informed or at least normatively sensitive economic analysts have argued against grounding legal decisions and policy in moral externalities. In a couple of papers, using

[1] "[S]ome moral commitments cannot be counted in cost-benefit analysis, because the law rules them off-limits. It is also true that the principal reason to protect moral values is not to prevent welfare losses to those who care about them. But from the welfarist standpoint, those losses matter, and they might turn out to be very large." (Posner and Sunstein 2017, 1)

the example of same-sex marriage, Aristides Hatzis (2006; 2015) explained why it is not only morally but prudentially wrong policy to assign weight to moral externalities.

After a sophisticated and powerful assessment of the "moral externality" argument, his conclusion was that the economic theory of externalities cannot provide any clear-cut criterion for the regulation of immoral conduct. Hatzis is explicit in pursuing a methodological goal: "to rebut an economic argument for legal moralism by using another economic argument." (Hatzis 2015: 240) As he argued, there are alternative analytical tools in economic theory which would allow to construct a theory of self-ownership which does not run counter to moral intuitions about individual liberty. If his argument is correct, then, even in welfarist accounts, moral externalities or moral preferences should not be the basis of granting or withholding rights. Note, however, that his argument only applies to cases where the assignment of rights to a closed group is at stake. It does not rule out considering moral externalities in cost-benefit analysis in general.

The technical details of this argument do not concern us here. More interesting is the meta-theoretical point that while others invoke existing laws (Posner and Sunstein 2017) or refer to non-welfarist moral arguments (Trebilcock 1993: 75) to limit the impact of moral externalities, Hatzis does not want to recur to non-consequentialist arguments – he thinks that economics itself is enough. His argument illustrates how far economic models can contribute to our understanding of moral repugnance in terms of externalities.

We need additional criteria as to what kind of externalities matter and how much weight should be attached to them.

Repugnance against commodification or alienability cannot be easily translated into welfare terms (Hermalin et al. 2007: 47-48). Notions such as inalienability and commodification seem to point to the limits of economic theory in conceptualizing the moral limits of the domain of market transactions. Whether economics can shed light on these issues turns, in part, into a methodological question. As an overview of the economics of contract law admits,

> "both popular morality and legal institutions commonly limit transactions dealing with matters thought to be fundamental to citizenship or personal identity; common examples include prohibitions on slavery, sexual prostitution, and the transfer of political rights such as suffrage or military service. The entitlements subject to such restriction are often described in political terms as inalienable, a concept not easily incorporated into economic accounts of exchange. [...] In some cases, restrictions on alienability can be justified in terms of market failure such as asymmetric information [...] or externality [...]. But many such restrictions are better explained by the idea that exchange of the relevant entitlement injures some fundamental interest of the restricted agent not captured by his utility function, or some social interest that cannot be translated into material or pecuniary terms." (Hermalin et al. 2007: 47-48)

2.2.2 "Merit goods"

In a recent book on the future of law and economics, Guido Calabresi (2016) addresses such methodological issues. While he discusses repugnance, and in particular sentiments against commodification in strictly welfarist terms (referring to costs and benefits), he also reintroduces the somewhat neglected concept of merit goods, distinguishing two types of it.

The first type of merit goods are goods “that a significant number of people do not want to be priced”. In Calabresi’s welfarist language, the fact that people do not want certain goods to be priced is conceptualised as “pricing, in and itself, causes a diminution in utility” for these people (Calabresi 2016: 26). In other words, “the commodification is in itself costly”.

Calabresi argues that some other goods are withheld from a pure market allocation because allocating them “through the prevailing distribution of wealth is highly undesirable to a significant number of people” (Calabresi, 2016: 26). To put it simply, for these merit goods, “it is the capacity of the rich to outbid the poor that renders their allocation through the ordinary market unacceptable, utility diminishing, and therefore, ‘costly’ to many people” (ibid.).

Calabresi seems to be suggesting that in many cases, the moral objections would disappear with a less inequal wealth distribution. More generally, “in some cases, objections against commodification stem more from excessive inequalities of power, gender or wealth rather than from markets as such” (Hodgson 2021: 159)

2.2.3 Eliminative redefinition strategy

In terms of economic modelling, this proposal suggests carving out a type of repugnance that stems from and therefore, at least in principle, is easy to relegate to wealth distribution which is, in turn, a matter of justice but also a matter of politics.

Generalising, economists can partly rationalise repugnance in following what could be called an *eliminative redefinition strategy*. If it can be shown that the opposition to or the lack of some (legal) markets is explicable not only by adherence to sacred values or unintelligible feelings but by (mundane) market failures, underlying injustices then repugnance is rationalised i.e., made tractable in terms familiar to economists. This strategy could be followed by carving out cases other types which are problematic mainly because of other underlying issues that can be discussed rationally. For instance, one might support a universal entitlement to basic education for every child irrespective of its family income not out of repugnance for a market in education services but out of a commitment to equality of opportunity.

This eliminative redefinition strategy is arguably a relatively easy way to channel the substantive problem of repugnance into mainstream economic analysis. As long as it is supervenient on negative third party-effects, specific transaction costs and/or informational imperfections, the limitation of market transactions are considered economically justified: they remedy market failures. As long as it derives from underlying inequalities, at least economics can point at the root of the problem. As long as it suggests repugnance to be analysed rationally, with valid and spurious reasons behind it distinguished, following this strategy is sound advice.

Take, for instance, (female) sex work. One can imagine that if there is gender equality or gender has no social relevance anymore, then certain kinds of commodification of sex is not or less repugnant – and if it is still problematic at least we understand better that the reason for that is not gender-specific. Thus, ideally, following the heuristic inspired by Calabresi, economic analysis can contribute to a process of rational critique of repugnance. We will come back to this below.

2.3. Merits and problems of parsimonious accounts

In the previous section we have seen that rational choice theory is able, albeit with some loss in specificity, to model value-based decisions or moral attitudes, including moral repugnance. But why engage in such modelling?

Sometimes this modelling is meant as a purely analytical exercise. Sometimes a parsimonious model is put forward as an as-if argument *a la* Friedman (1953) for the disregard of unobservable motives behind choice behaviour for macro-level predictions. Sometimes it is presented as a "realist" reconstruction of what "really" goes on behind a surface of moralistic hypocrisy (Tirole 2017, 50). Sometimes the recourse to parsimonious models of human motives serves as an incentive-compatibility constraint in an exercise of institutional design (Kornhauser 2002).

2.3.1 Reasons for parsimony

In a previous paper (xxx), I discussed these issues under the label of "reductionism" and "parsimony" and distinguished three different reasons for parsimonious behavioural assumptions as a starting point for analysing human interactions. There are some good (*pro tanto*) reasons to be parsimonious in this exercise of accounting for values and tastes and to stick to some version of the *homo oeconomicus* model. These arguments go beyond the argumentative strategy of accepting the disciplinary status quo in economics. In this way, they provide rationales for parsimony; conversely, they suggest three different senses in which economic models need to be adequate: empirically, logically, and normatively.

First, there is an empirical argument for economic models built on assumptions of rationality and self-interest, insofar as these assumptions are not only plausible but provide a good empirical approximation of how economic agents in fact behave.

Second, there are logical reasons for modelling human behaviour in a way that assigns a "minimal" version of rationality to individuals. "Minimal" or "weak" rationality (Kirchgässner 2005) can be understood as a heuristic principle in accounts for purposeful human action (in contrast to causal explanations of nun-human action as mere behaviour). More loosely: the explanation of social phenomena in terms of (1) rational (2) intentional (3) individual actions should enjoy heuristic primacy (Sen 1998). For the pragmatic reasons of theory construction, these should be the starting point of analysis, without excluding that when we observe phenomena which can only be explained if one or more of these assumptions are relaxed, then this should be done.

Third, parsimonious models, in particular the assumption of self-interest can be justified by pragmatic reasons of institutional design. A venerable tradition in political philosophy and constitutional theory suggests that we have good prudential, and perhaps even moral, reasons to design incentive-compatible or opportunism-proof institutions (Buchanan – Brennan 1985, Kornhauser 2002). At the minimum, it requires that those who cooperate voluntarily, act virtuously or in a publicly beneficial manner are not at disadvantage. Even if free-riding and opportunism cannot be eliminated, the institutional designer should find ways to avoid that these individuals are exploited.

This consideration provides an argument for parsimony to the extent that it suggests institutional designers not to expect individuals to be too virtuous or at least not rely on their virtue alone to sustain those institutions. Hope for the best (have a vision of virtue and public good as ideals to strive towards, educate towards etc.) but prepare for the worst (make institutions incentive-compatible).

To be sure, this third argument about designing incentive-compatible institutions for large anonymous groups is more complex. In one sense it is about prediction and refers to the general consideration that the institutional designer should make such motivational (as well as epistemic and informational) assumptions about the actors concerned that best predicts their behaviour. But economic analysis does not simply map human motivation in a static manner: it has an impact ("performative effect") both on outward behaviour and arguably on motivation as well. Similarly, discussing attitudes of repugnance in public as "justified", "misguided", "worthy of respect" or "irrational" all may have an impact on the prevalence and expression of these very attitudes. The analysis of these performative effects is beyond the scope of this paper.

2.3.2 Limits of parsimony

Conversely, albeit not exactly corresponding to the three reasons mentioned above, there are three ways that such parsimonious models can fail: empirically when their broad categories of "preference" or "self-interest" make its predictions unfalsifiable; logically, when distinct conceptual categories are conflated; normatively, when its implications or likely performative effects are normatively unacceptable. In the rest of this section, I discuss some problems generated by reductive economic models of morality.

As we have seen, the parsimonious stance of economics is motivated by epistemic or methodological considerations. The theorist tries to remain objective, neutral, or morally agnostic, adopting an external perspective, taking social morality as given. The reductive or parsimonious models often result in analytically sophisticated social science or policy analysis.

This limitation of ambitions has justifications as a modelling strategy and a preliminary step in a policy response.

It also raises a number of questions, both theoretical and practical. Does it make sense to take social norms or moral beliefs as variables in a welfare calculus? Should they be taken into account by an omniscient social planner or more realistically by administrative agencies? When is such an exercise analytically correct and practically helpful? What should be the criteria for declaring certain moral costs "off limit"? Finally, does such talk about moral beliefs and attitudes in terms of preferences and costs inadequately flatten our normative landscape?

To start with the last question: as I see it, this flattening of the normative landscape is both analytically wrong and morally troubling.

The economic approach to tastes and values as preferences comes at a cost in terms of analytical precision. This reductionist way of talking about values as tastes and moral commitments as costs conflates categories. This point has been made emphatically in response to Kaplow and Shavell's discussion of moral arguments in terms of a "taste for fairness" (Kornhauser 2003, 316–323), and later, by several critics in response to Calabresi (2016). As Eyal Zamir summarised, "There is a fundamental difference between preferences and normative judgments. Individuals have the final say on the content of their preferences, but their judgments may be sound, or unsound. Whether a judgment is right or not depends on its justifications, not on the number of its supporters or the intensity of their support." (Zamir 2017: 116)

Judgements, including moral judgements, are, and should be, aggregated differently than preferences. Beliefs can be updated in response to new information and there is scope for rational argument about what is the case about what is the right course of action. This is clearly not the case with matters of taste or preferences, understood as raw data about desires. When attitudes of repugnance indicate (sound or unsound) moral judgement they should be analysed as such.

When economists use the same assumptions but extend from positive to hypothetical normative or policy analysis, they unjustifiably simplify the normative landscape to a single dimension of commensurable value – ironically exemplifying the very idea that was repugnant in the first place.

This reductionist stance represents a type of analysis that, in another context, James Buchanan (2003) called "politics without romance". The stance itself can be scrutinized or given a psychological explanation. There is something attractive in this strive for parsimony or reduction. Not only it suggests a sort of intellectual elegance or purity and in this sense caters to certain epistemic values but may be psychologically attractive or seductive in a deeper sense.

> "If somebody can tell you that you need not bother about a certain aspect of reality because what is *really* going on is this, you have [been] admitted […] to an inner circle of those who know What Is Really Going On; and we all know how immensely appealing that is" (Williams 2018: 23).

There is also something paradoxical about this: behind economists' anti-romantic stance is a romantic search for the "real" reasons, an allegedly rational basis for policy analysis that truncates public reasonableness. These epistemic values, in turn, can be "preferred" by some and rejected by others, and thus the welfarist account can be made entirely recursive and hermetic.

All justified limits on market transactions can be expressed in terms of preferences and costs, i.e., by neither relaxing the rationality assumptions nor resorting to arguments of fairness, justice, or autonomy. Yet this comes at a price of theoretical fruitfulness and practical relevance. The reductionist's promise to reduce all normative concerns to welfare is double-edged. If repugnance is a preference, then within the framework of economic analysis there is no rational basis for questioning or disregarding it. If repugnance is an externality and externality as a market failure is a pro tanto reason for regulation market transactions, then from a purely welfarist economic perspective, there is no principled limit to analytically welfarist but substantively moralistic interventions in the name of these attitudes, whether morally defensible or not. To be sure one could respond by saying that moral repugnance is a contingent fact about culture with little or no independent normative weight but the criteria for such exclusion need to be justified in their turn.

Ultimately, reductionism or parsimony conflates conceptual categories that are important to maintain for both the social science ambitions and the public normative discourse to which economics as a discipline aims to contribute.

2.4. Rationalisation and institutional design: making sense of repugnance

As I argued above, an important contribution of economic theory to rational public discourse is the rationalisation of moral sentiments of "repugnance". To the extent that there are reasonable arguments for limiting the scope of markets and invalidating certain kind of transactions, these should be formulated in terms of practical reasons for action. In other words, if the real problem with commodification lies in the structure or other features of a specific market, in demonstrable consequences of commodification, etc. then we should not assign independent weight to anti-commodification sentiments. When it comes to a rational assessment of sentiments of repugnance, we need both empirical data on the presence and strength of such effects and conceptual and normative tools to analyse and eventually criticise such sentiments – as not all of them deserve respect, let alone legal sanctions.

To the extent that we discuss these matters in economics, there is an epistemic benefit in formulating these in the ordinary terms of economic analysis. A rational analysis of repugnance requires input from both philosophy and economics. "Social meaning does not work on its own: it offers an invitation to normative moral and political philosophy." (Nussbaum 1998: 696) In brief, economists who follow a version of this strategy, are bound to engage in moral reasoning of a certain kind.

Yet, the anti-romantic impulse of economics is not mistaken. In the context of a market economy, a compelling moral or prudential case against commodification or privatisation is required: anti-market sentiments need to be rationally scrutinised. The morally and prudentially justified parameters of interpersonal transactions need to go beyond considerations of welfare and need to be formulated in terms of rights and justice (Shiffrin 2000, Stone 2014).

After carving out what rights and justice require, there might remain an unanalysed and partly unanalysable residual unease with certain transactions, linked to moral intuitions or gut feelings of repugnance. Rationalisation is the process of distinguishing what is a "healthy" gut reaction (a heuristic that stands for and can be given a rational justification) and what is moral panic or self-serving misinformation.

2.4.1 Dealing with the semiotic objection to markets

As mentioned above, a key feature of rationalisation is a direct critique of some of the sentiments of repugnance. Jason Brennan and Peter Jaworski suggest identifying and the refuting what they call the "semiotic objection" to markets. This objection has been discussed in (the philosophy of) economics as well as political philosophy extensively, at least since Anderson (1993). Those of us who work in research and higher education may notice and be especially worried that monetary incentives or the norms of the market conflict time and again with the norms of academic excellence or professional integrity (see examples in Hodgson 2021). In a similar vein, Margaret Radin (1996), in problematising commodification, drew attention to what she called the domino effect, i.e., the tendency that "market rhetoric and manifestations [...] may change and pervert the terms of discourse in which members of the community engage with one another" (cited in Trebilcock 1993: 25–26). Brennan and Jaworksi (2015: 1055–57) quote many more examples. This is how they formulate the objection in abstract terms:

“Independently of noncommunicative objections, to engage in a market in some good or service X is a form of symbolic expression that communicates the wrong motive, or the wrong attitude toward X, or expresses an attitude that is incompatible with the intrinsic dignity of X, or would show disrespect or irreverence for some practice, custom, belief, or relationship with which X is associated” (Brennan and Jaworski 2015: 1055)

Repugnance to markets is temporarily and culturally variable because markets themselves carry social meanings that are local and contingent. “What market exchanges mean depends upon a culture’s interpretative practices. […] [T]hese interpretative practices are themselves subject to moral evaluation and that there can be better or worse interpretive practices.” (Brennan and Jaworski 2015: 1057)

Importantly, however, while semiotic objections to markets are “contingent, culturally specific, and not written into the moral fabric of the universe” (ibid at 1057) this does not make them morally irrelevant.

Even Brennan and Jaworski acknowledge that they may have some moral force “in the way manners have force. We should not give each other the middle finger around here, because around here the middle finger signals disrespect.” Therefore “people have at least a prima facie duty to obey the local norms of good manners *because* they have a duty to express respect for one another.” (Brennan and Jaworski 2015: 1075)

In other words, even though they do not express universal moral truth, the moral sentiments of repugnance may track local, culturally specific expressions of value. So, these institutional practices are partly rationalizable by recognising them as such local expressions of reasonableness. Likewise, as institutional design problems are local and contingent, solving them requires respect for these specifics.

To some extent, sentiments of repugnance are reflected in or map onto a plurality of legal doctrinal categories. These are concerned with transactions that are discouraged, prohibited, or punished in various ways. For instance, contracts that are “immoral” or illegal are not enforceable (XXX). Other behaviours are criminalised.

Law as a culturally contingent and local practice tends to express and thus reinforce these sentiments, although it can also act as a means of reform. Dynamically, law tends to follow changes in social mores (Sunstein 1996). Consider that lending money for interest or the very idea of a market for life insurance were once immoral and hence illegal – it is hard to conceive our modern economy without these practices. Sometimes law contributes to changes in social norms (Kübler 2001). For instance, judicial decisions are either relatively shielded from public sentiment or lead to changes in those; moral entrepreneurs may be able to generate support for legislative changes etc.

An important point which Brennan and Jaworski (2016) do not directly address is that the social meaning of institutional practices is not only contingent but dynamic and subject to deliberate change. Semiotic change is possible. Think about how the meaning of marriage has changed in the last decades.

This point was emphasised by Elisabeth Anderson when she criticised Michael Walzer’s anti-commodification arguments based on “spheres of justice” with their stable and distinct “shared understandings”.

“Walzer is right in maintaining that shared understandings are the proper starting point of political argument. But justification need not be confined to such understandings. It allows for conceptual innovation in the space of reasons. Justification also requires equality of the participants, so as to avoid a false consensus achieved by force or domination.” (Anderson 1993: 143)

In which contexts and to what extent do individual resist repugnant transactions and whether and how the moral and emotional attitudes behind this resistance may change through experience, incentives, and changing social attitudes? Economics as an empirical social science is well suited to identify the mechanisms how these sentiments of repugnance change. What is advised here is empirical research and possibly experimentation in specific contexts (Ambuehl – Ochselfels 2017; Ambuehl – Ochselfels – Roth 2020)

Yet the question of institutional design remains. Here I just discuss a particular example for illustrative purposes.

If what makes a particular market morally objectionable is something like the underlying wealth inequality (or racial or gender-based injustice), is it possible, and what is the best way to remedy such “market failures” that limit our willingness to commodify certain goods or services and build/extend a market-based society.

Michael Trebilcock suggests that many problems raised by commodification can be both reinterpreted with standard analytical tools of economics and better addressed when the underlying economic problems are understood. In particular, he argues for autonomy-enhancing public policies that broaden the opportunities of marginalized and historically oppressed groups for market access. In other words, a presumptive remedy for repugnant markets is to increase market access. As he argues,

“It is, of course, entirely legitimate to decry the absence of a richer menu of non-demeaning and self-fulfilling life choices in many of these contexts and to advocate public policies that would enlarge the choice set. However, amongst these policies, the prohibition of the problematic activity, standing alone, seems unlikely to increase [individuals]’s welfare, while clearly constraining their autonomy.” (Trebilcock, 1995: 374)

Rather, providing access to markets is, in most of the cases, the best institutional designers can do. Yet, there are counterexamples. While “prohibition will almost never have the effect of enlarging the available choice set,” there might be exceptional cases when it might help indirectly, by giving political impetus to legal reforms which in their turn lead to an enlarged set of opportunities in the long run (Trebilcock, 1995: 374). As an example, he refers to British laws against child labour and the subsequent development of public schooling in the 19th century.

2.5 Markets as “communities of advantage”

Is it possible to reinvest market exchanges with social meanings that are opposite to repugnance and can indeed be expressive of respect or even combined with love? This way of emphasising the virtue-generating aspects of markets is not new – think of the *doux commerce* arguments of the 18th century. It is also not entirely implausible – consider repeat personal transactions in a small community or, indeed, pet markets.

In this section I mention some more ambitious economic accounts incorporate philosophical arguments about the virtues expressed in commercial transactions, thereby providing a richer moral account of markets (Hausman, McPherson, Satz 2016: 94–95).

In line with a venerable tradition of economic thought, these "pro-active" responses to the debate around moral repugnance are driven by the ambition to enrich the conceptual and normative tools of (both neoclassical and behavioural) economics, in order to defend markets against aretaic and deontological philosophical criticisms.

The eminent British economist Robert Sugden, both in a co-authored paper (Bruni – Sugden 2013) and in a monograph (Sugden 2018), provides a rich philosophical account of markets in terms of virtues, i.e., their compatibility with and contribution to individual character, and as an expression of an ethic of "mutual advantage".

Sugden's book (2018) is motivated by both methodological and ethical concerns. Methodologically, behavioural economics, of which Sugden has been a pioneer and original contributor, has raised doubts about standard parsimonious assumptions of individual rationality, underlying both positive and normative (welfare) economics. Ethically, Sugden responds to criticisms of markets and commodification, from Aristotle to Anderson (and Sandel) or indeed various other critiques of capitalism. In order to defend markets against aretaic and deontological philosophical criticisms, Sugden suggests enriching the conceptual and normative tools of (both neoclassical and behavioural) economics, identifying virtues that are cultivated and upheld by markets even though individual contracting parties serve their own interest. He faces the challenge how can a liberal market-based order be justified on the basis of weaker assumptions of individual rationality but a richer moral psychology. Inspired by some remarks by Kant on his transactions with builders, he argues that while we do not necessarily find moral significance and authenticity in doing business with others, nonetheless, "the parties to a market transaction can intend to be useful to one another and find satisfaction in being so." (Sugden 2018: 279) And translating this insight to the terms of virtue ethics, he identifies market as a domain of life with its distinct virtues. "If the telos of the market is mutual benefit, the virtues of market life must be those character traits that equip people to play their part in the realisation of mutual benefit. […] The market is not, or should not be, an area of non-moral, instrumental motivation from which practices that are more genuinely social or more intrinsically valuable need to be insulated. Market transactions are a crucial part of the network of cooperative relations that make up civil society." (ibid. 281)

3. Conclusion

In this paper I have argued that in order to account for moral repugnance conceptually, empirically, and normatively we need to combine a number of disciplinary perspectives. Arguably, economics as social science and law as an exemplar of practical reasonableness can be combined; but a few other inputs are also needed to the mix. These can fruitfully address two substantive questions raised by moral repugnance.

The first question concerns rationalisation: to what extent can repugnance as a phenomenon of moral psychology be accounted for as reasonable or track *pro tanto* good reasons against certain (trans)actions. The easier branch of the answer, the one that is typically given by economists is "reduction": reducing repugnance to instrumental reasons against certain (trans)actions within a welfarist framework. To be sure, such analysis is often technical quite complex; it also implies the empirical question: to what extent is repugnance responsive to incentives. The more difficult answer is to identify non-instrumental or non-welfarist moral reasons for not engaging in or collectively prohibiting certain transactions, in terms of justice, rights or dignity.

The second question concerns institutional design, i.e., what is the adequate policy response to repugnance. As it has become obvious this question is closely linked to the former. If repugnance expresses valid practical reasons for regulating or limiting markets, our institutions should acknowledge and express these. If attitudes of repugnance are *not* rationalisable in the sense of instrumental or moral values, we should disregard or eventually counteract or reduce them. In some other contexts, especially when the sentiments of repugnance correspond to instrumental reasons and responsive to incentives, they can also be harnessed, i.e., institutional design should rely on them to support or supplement formal legal rules.

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