Downloaded from UvA-DARE, the institutional repository of the University of Amsterdam (UvA)
http://hdl.handle.net/11245/2.106201

File ID	uvapub:106201
Filename	2: The boundaries of the market
Version	unknown

SOURCE (OR PART OF THE FOLLOWING SOURCE):

Type	PhD thesis
Title	Decency and the market: the ILO's Decent Work Agenda as a moral market boundary
Author	M.L. Biermans
Faculty	FEB: Amsterdam School of Economics Research Institute (ASE-RI)
Year	2012

FULL BIBLIOGRAPHIC DETAILS:
http://hdl.handle.net/11245/1.387032

Copyright

It is not permitted to download or to forward/distribute the text or part of it without the consent of the author(s) and/or copyright holder(s), other than for strictly personal, individual use.

UvA-DARE is a service provided by the library of the University of Amsterdam (http://dare.uva.nl)
(pagedate: 2014-08-22)

2 The Boundaries of the Market

Many contributions to the debate on morality and the market suffer from the absence of an approach that can be used to frame the discussion. In the last chapter, it was argued that the market will not yield morally beneficial results all and by itself. This stands in contrast with the doux-commerce thesis that sees the basis of a moral justification of the market system in the normative beneficial (unintended) consequences that it is said to produce. The arguments used to defend this position were found to be flawed including its apparent confusion between technological progress and the increase in wealth and the way it fails to take into account individual wellbeing. There is, however, another issue at play here that is not just relevant for this particular account of the interaction between the market and normative but that also rather touches on all such accounts, namely the importance of consequences. In the absence of an approach to structure the debate we are faced with the question of which consequences should be taken into account. In other words, how can or should the distinction be made between the consequences that are to be ascribed to the workings of the market. Without a framework there is of course the risk of 'outcome shopping'—taking into account only those consequences that suit the argument—but more importantly, the absence of a framework that guides the answering of this question makes it rather difficult, if not impossible, to facilitate a coherent debate on the moral desirability of the market system.

Secondly, it would seem that with the focus on consequences the approach is already locked into a consequentialist approach to the normative, whereby other strands of normative thought are overlooked. It is my belief that the way consequences are generated is or should at the very least be as much subject to normative deliberation as the consequences themselves.[23] In addition, it can be argued the regulations such as labor standards (which form a cornerstone in the ILO's Decent Work Agenda) are introduced precisely to ensure that the route towards beneficial consequences is also deemed acceptable from a normative standpoint. However, it can also be argued that these standards, which by definition are normative, were introduced because it was believed that unchecked competition (i.e. the market process) would lead to undesirable outcomes for workers. In short, discussing standards entails discussing the

[23] See also §4.1.3

consequences of the workings of the market and how market outcomes are to be appraised. This is the subject matter of this chapter.

Note that we are now looking at ways in which to appraise the market in normative terms. However, there is one argument that has not been reviewed in this regard, and that is the amoral defense of the market. In many cases, the defense or rejection of the market (system) is based on a normative evaluation of the consequences that it is thought to generate. However, there have also been attempts that follow a different approach in appraising the market. Indeed there have been various attempts at providing a justification of the market without resorting to normative claims. Most of these attempts have at their core the idea that economics is a value-free positive science wherein normative issues have no place.

Therefore, before we look at the proposed framework by which market outcomes can be evaluated in normative terms, we first take a closer look at an attempt to provide an amoral justification of the market. The focus lies with the reasons why it was thought unnecessary to provide any moral arguments for the market system.[24] It will be shown (using the analysis as laid out by Daniel Finn in his 2006 book *The Moral Ecology of Markets*) that this type of justification is in fact not completely devoid of morality. Subsequently, the focus will turn to Finn's framework, which helps in framing questions regarding morality and market outcomes. At the heart of this approach lies the question: under what conditions can the market produce just outcomes? And one of the important elements in this framework has to do with the boundaries that limit market activity.

2.1 An amoral defense of the market

As a response to the dichotomy between the free market and a centrally planned economy, some economists have tried to defend the capitalist system purely in scientific terms whereby any recourse to morality is avoided. Finn (2003 and 2006) shows that any such attempt is ultimately futile; without exception moral arguments are ultimately used to resolve a debate

[24] Please note that amoral is not a synonym for immoral; amoral signifies the absence of morality whereas immorality acknowledges the presence of morals but also indicates that it does not adhere to these.

about the merits of the market. As part of his case, he reviews and dissects the work of, among others, Milton Friedman.[25]

The work of this Nobel laureate is arguable one of the more outspoken examples of an attempt to provide an amoral defense of the market. Over the course of his career, Milton Friedman became a very visible proponent of the market system and was of great influence on policy making. Both of these traits make Friedman's work especially suitable in testing the possibility of an amoral defense of the market.

Characteristic of the work of Milton Friedman is a particular outlook on societal arrangements wherein the blessings of the market system play a pivotal role. To this may be added the attempt to provide purely scientific arguments in defense of the capitalist system. Finn reviews Friedman's attempt at defending the market without (explicitly) resorting to morality and shows how this attempt failed because in the end there is distinct moral reasoning. This is important because once the argument is found to be moral after all—the issue as to *which* line (or type) of moral reasoning is used comes into to play.

Friedman posits three main arguments why a normative defense of the market is unnecessary and even unwanted. The first is that moral argumentation has no place in debates on economics. This argument is closely connected to the idea of economics as value-free and positive science. Secondly, he posits that in most cases the disagreement between people is not about values but rather about the empirical question of how to attain the realization of those values. The third argument is centered on the importance of freedom. Each of these arguments is reviewed in greater detail in the text below.

2.1.1 A value-free and positive science

At the core of many attempts to provide a justification of the market in neutral (i.e. amoral) terms is the view that economics is a positive and value free science. One of the more important contributions to the debate of economics being positive science came from Milton Friedman, most notably in his 1953 publication entitled *The Methodology of Positive Economics*:

[25] Finn also covers the work of James Buchanan and Friedrich Hayek. These three economists are each representative of a specific school of economics, namely the Chicago school (Friedman), Public Choice (Buchanan), and the Austrian school (Hayek).

"Positive economics is in principle independent of any particular ethical position or normative judgments. As Keynes says, it deals with "what is", not with "what ought to be." Its task is to provide a system of generalizations that can be used to make correct predictions about the consequences of any change in circumstances. Its performance is to be judged by the precision, scope, and conformity with the experience of the predictions it yields. In short, positive economics is, or can be, an "objective" science, in precisely the same sense as any of the physical sciences." (M. Friedman, 1966, p. 4).

It should be clear that the emergence of the idea of economics as a positive science and the way economics was approached have contributed to the idea that morality has no place in it.[26] This idea has encountered opposition over the years. Among the major objections is that by applying the tools from the physical sciences it loses sight of the fact that it deals with (actual) people and the communities they live in, hence becoming somewhat detached from reality.[27]

2.1.2 The question of realization

As noted in the previous chapter (§1.4.1), Milton Friedman believed the market system to be the superior system compared to other systems. This led him to conclude that the only debate left is about the *how* to achieve the goals, whereby he considered the basic values as given: "I venture the judgment, however, that <…> differences about economic policy <…> derive predominantly from different predictions about the economic consequences of taking action—differences that in principle can be eliminated by the progress of positive economics—rather than from fundamental differences in basic values, differences about which men can ultimately only fight." (M. Friedman, 1966, p. 5).

A classic example used to illustrate this position is the issue of the minimum wage law. Friedman is of the opinion that no one who would know about the actual effects that such a law would have on employment would support it. To be clear he envisioned a negative effect

---

[26] For more on this topic see M. Friedman (1966), Blaug (1993), Nelson (2006), Marmot (2004) and Yuengert (2004)

[27] This remoteness is especially worrying as economists generally aim to provide a rigorous analysis of the real world. The claim that economics has lost touch with reality is, again, not new: "'Remoteness from reality' is one of the oldest indictments which economists have had to fight from the very beginnings of modern economic theory."(Surányi-Unger, 1939, p. 1) See also von Beckerath (1944, p. 36), Thomas Mayer's *Truth versus Precision* (1993) and John B Davis' book *The theory of the individual in economics* (2003) for a discussion of this issue (also in connection with the positivist approach to economics).

of a minimum wage on unemployment. However, as Finn (2006, p. 13) points out with this position Friedman completely ignores countervailing evidence on this issue. This shows that his resistance against minimum wage conceals a moral argument which he doesn't acknowledge. According to Finn, Friedman ignores the more cautious/careful argument for the minimum wage, namely that there must be a moral consensus that acts as a glue that holds society together (see also Waltman, 2000).

2.1.3 The importance of freedom

Apart from the arguments related to positivism and outcomes, Friedman's position is complemented by a third argument that is related to his belief in the fundamental importance of freedom for humans. Freedom is considered by Friedman as the ultimate goal in judging social arrangements, or as he puts in: "<…> we take freedom of the individual, or perhaps the family, as our ultimate goal in judging social arrangements. <…> in a society freedom has nothing to say about what an individual does with his freedom; it is not an all-embracing ethic. Indeed, a major aim of the liberal is to leave the ethical problem for the individual to wrestle with." (M. Friedman, 2002, p. 12).

In short, Friedman posits that moral issues should be left to the individual for him or herself to solve. Finn summarizes that Friedman's position on freedom is thus: "In a sense, Friedman has taken the classic liberal virtue of tolerance into the public realm and has generalized it into the single moral value that trumps all others, that one moral value which is to structure all of human society." (Finn, 2006, p. 14). Here it will suffice to say that Friedman contended that in order to have political freedom (which for him stood for the "absence of coercion of a man by his fellow men" (2002, p. 15)) there has to be economic freedom.[28] This relation does not necessarily work the other way round in that it is not necessary to have political freedom to achieve economic freedom yet Friedman contends that they usually go hand-in-hand.

This contention raises the question of why if the relation between the market system and individual freedom and liberties is so intimate it is not more commonly invoked? Hausman and McPherson (1996) answer this question: "Indeed we conjecture that economists rarely

[28] A position that Friedman made explicit: "Economic arrangements play a dual role in the promotion of a free society. On the one hand, freedom in economic arrangements is itself a component of freedom broadly understood, so economic freedom is an end in itself. In the second place, economic freedom is also an indispensable means toward the achievement of political freedom." (M. Friedman, 2002, p. 8).

argue for markets on grounds of individual liberties and rights, because they believe that arguments based on premises concerning liberty and rights are more philosophically controversial and ambitious than is the benevolence argument. Justice is one of the "other things" that must be equal, and a Pareto improvement that leads to distributional injustice may be morally undesirable." (Hausman and McPherson, 1996, p. 43/44).

Not explicitly defended but nevertheless put forward by Friedman is that physical force and fraud should be eliminated by law. Society, accordingly, has the obligation to invest the funds to make this possible. And here Friedman is taking a shortcut by not explaining why a government should apply its resources in just these two areas and not in others, such as for the provision of other basic needs. Therefore, in the end, Friedman invokes a moral argument, namely the one that he needs to decide as to what constitutes acceptable government behavior. Based on this insight, Finn concludes that Friedman's vision of the government's role in the market "differs in degree and not in kind" compared to other accounts wherein there is less dependence on the market to bring about desirable outcomes.

The refutation of Friedman's approach leads to the conclusion that a defense of the market in neutral terms does not work because in the end a moral argument (of one sort of another) is always invoked. Nevertheless, as stated in the introduction of this chapter, the idea that the market can be defended based on neutral arguments is widespread and not in the least among economists themselves. To this should be added that the recent global financial crisis has altered the way the market is perceived by the public at large. To some extent it has had the effect of a turning of the tables, whereby the workings of the market are no longer viewed as beneficial but as harmful to societies at large. However, such a claim also supposes that there is an inherent morality to the market.

The views of the market having intrinsic beneficial or harmful consequences is best contrasted with the simple yet very important observation of Rabbi Jonathan Sacks: "[Markets] are about prices and not about morals." (Sacks, 2002, p. 33). In his work, Finn argues that the fact that many still endow the market with an inherent morality is in part the result of a Babel-like confusion when people speak of the market as well as a misconception about what is needed for a market to function in real life. In the next section, we look at his account of the connection between morality and markets.

2.2 The Moral Ecology of Markets

With his 2006 book *The Moral Ecology of Markets,* Finn is trying to create a common framework in which all perspectives about the morality of markets find their place. His aim is not to resolve the various disputes but to create a framework that makes dialogue possible. This dialogue will be about the strength and weakness of market institutions and their moral context.

Finn believes that there is an ethically respectable "economic defense of self-interest" in markets but that this argument is often misunderstood. And this misunderstanding is especially manifest among those who use it. (2006, p. 6) Markets, according to Finn, cannot by themselves be branded as just or unjust. The question "Are markets moral?" is in his view the wrong question to ask. This is quite a break in the debate as this is precisely the question which is raised in most publications on this topic such as in *Is the Market Moral?* by Blank and McGurn (2004). Finn argues that it all depends on the context (political, social, and cultural) wherein a market is allowed to operate. He dubs this context the "moral ecology" of the market. Therefore, the correct question to ask in this respect is the following: 'under what conditions are market outcomes just?'. Note that this approach shifts the focus away from the workings of the market being understood as a separate entity to be analyzed in isolation from society but that the market becomes embedded.[29] Secondly, the key factor in this question is the context (or the conditions under which the market is allowed to operate). This determines whether the market, which by itself is considered to be neither moral nor immoral, generates normative beneficial outcomes.

After reframing the central question, the next step becomes determining which aspects of the context are needed to come to an answer. Finn selects four aspects that need to be reviewed in order to come to a moral evaluation of markets: the character of markets themselves, "the provision of essential goods and services, the morality of individuals and groups, and civil society." (Finn, 2006, p. 108). As for the character of the market, Finn presents a picture (literally as well as figuratively) where the market is depicted as occupying a spatial area within

[29] Note that this use of embeddedness differs from Fourcade and Healy (2007) — as discussed in the previous chapter — where the separation between market and society is completely blurred. With Finn's analyses, however, there is and remains a distinct separation — albeit one that may change over time —— in the form of boundaries.

a society.[30] The next section turns to this particular aspect of his framework where the notion of market boundaries plays a central role.

2.2.1 The character of the Market

The market can be seen as a space in a society, and its boundaries are formed by the prohibitions against practices deemed to be wrong, or immoral. These prohibitions are in place in that it is considered likely that in their absence someone will undertake precisely those practices in order to secure a personal benefit or profit. Therefore, the boundaries can be seen as representing the laws (or regulation) of the society wherein the market is active (see Figure 2–1) or as Finn puts it "the rules that define market operations" (2006, p. 124). In order to secure adherence, it may be necessary to impose punishment on trespassers. An example of a boundary would be the prohibition of slavery found in nearly all countries, i.e. there is no market (allowed to function) for human beings as property. Likewise, there are no officially sanctioned markets where human organs can be bought and sold in the world today—despite that an economic argument invoking efficiency can be made in favor of such a market.

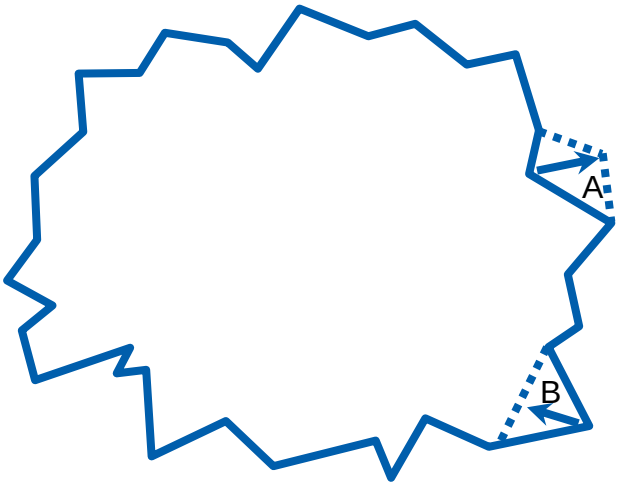
Therefore, what we are talking about here is the notion of boundaries determining where and how the sphere of the market is allowed to function. Nothing as yet is said about the nature and content of these boundaries. Finn's ambition is to offer a framework that can help guide the debate on morality and the market so he is careful not to step too far ahead with assumptions on the nature of these boundaries that could be seen as taking position in this debate beforehand. This way, Finn argues even libertarians who are deeply committed to the least amount of interference in market activity should be able to subscribe to this framework. Even in the most libertarian views, the functioning of markets requires some ideas of morality as well as an institution that will take action against fraud and theft; property rights need to be enforced otherwise there can be no meaningful system of exchange.[31]

---

[30] Finn does, however, recognize that there can be markets outside of society. Here he refers to the work of Polanyi and his theory on the introduction of the market in society that by definition means they (society and the market) were not connected from the start.

[31] When libertarians invoke the word 'free' when discussing "free markets" they are seemingly not acknowledging the fences described here but ultimately will have to acknowledge that they are necessary; Finn refers to "free market" references in this respect as a "disservice" to the debate on markets being nothing more than a "rhetorical technique": ".. Libertarians don't really believe in completely "free" markets. They understand that truly unrestricted interaction of individuals would be unjust." (Finn, 2006, p.119).

Figure 2–1 The market is defined by its fences that can be altered through legalizing or prohibiting activities



Source: Finn (2003, p. 155; and 2006, p. 116)

It should be noted that the representation is not static; in Figure 2–1 we also see how Finn describes the possibility of changes in the composition of these fences. The space wherein the market is allowed to operate, e.g. due to changes in (public) perception or morality, can lead to certain areas, which used to be part of an area wherein the market was allowed to operate, to become off limits for market forces. Such an action would in effect reduce the area wherein the market is allowed to operate; in the figure this is represented by the decrease of area B. An example hereof is already mentioned namely the trading in human beings, i.e. slavery. Over the course of many centuries, the attitude toward slavery changed ultimately leading to the emergence of the abolition movement in the 18th century and its near universal abolition in the 19th century.[32] Similarly, changes may lead to the introduction of market forces in areas previously excluded (such as medical care), and thereby expanding the area of market activity, denoted in the figure by area "A".[33]

[32] In §5.1.2 we shall discuss the abolition of slavery in greater detail

[33] In the past twenty years much research in macro-economics was devoted to the question of why economic growth occurs in some countries and not in others. Much of this research has been on the role of institutions, which can be thought of as nearly anything ranging from the political to the cultural but also the economic. A key component that is vindicated as such, time and time again, is the existence of property rights; but these as Douglas North points out are themselves part and parcel of institutions: "The formal economic constraints or property rights are specified and enforced by political institutions, and the literature simply takes those as a given. But economic history is overwhelmingly a story of economies that failed to produce a set of economic rules of the game (with enforcement) that induce sustained economic growth. The central issue of economic history and of economic development is to account for the evolution of political and economic institutions that create an economic environment that induces increasing productivity." (North, 1991, p. 98) This insight lends itself to an easy translation to the framework presented by Finn, when the institutions mentioned are envisioned as the fences or boundaries wherein the market is allowed to operate. It becomes a carbon copy if under institutions we also introduce the other elements, which according to Finn are needed in the moral evaluation of the market.

The boundaries as discussed here, however, not only indicate in which areas of society we allow market activity, they also outline under which conditions the market is allowed to operate. In other words, the boundaries also determine *how* the market is to operate. Finn puts forward the example of the right or prohibition to hire scabs in case of a strike. Note that we are not discussing whether an employer has the moral right to do so (which deals with the issue of the morality of actors discussed in §2.2.3) but rather whether he or she has the legal right to do so, whether the boundaries of the market allow him or her to do that. And here too we find that attitudes and positions change over time. Much of the contemporary social legislation that guide market operations (i.e. the market boundaries) wasn't necessarily seen as desirable or acceptable by the ruling classes in yesteryears. The place of women in the marketplace is a clear example hereof. First, there was the question to what extent women should be allowed to enter the market (if at all) and then there was (and still is) the issue of under which conditions this should be allowed. The establishment of gender equality (equal pay for equal work for both men and women) in social legislation provides a clear example of how boundaries also determine how the market is to operate. Given the widespread disparities in pay between the genders, this example also serves as an illustration of how the construction of boundaries by way of implementing rules does not automatically equal adherence to these same rules.

In summation, the boundaries to the market not only determine in which parts of society we allow the forces of the market to operate but also *how* we allow the market to operate. In them we can also see the normative deliberations of a society. Discussing the nature of these deliberations means moving beyond Finn's ambition of providing a framework for facilitating debates on the merits of the market. By focusing on the work of ILO and the standards it has set over the years this is precisely what we shall do in the coming chapters.

2.2.2 Provision of essential goods and services

The second of the four elements that Finn considers relevant to evaluate markets in normative terms relates to the provision of 'essential' goods and services. Finn acknowledges that this inclusion may seem controversial as it more or less states that governments should be active in an area that not all, especially those with libertarian views, deem to be appropriate for a government to be active in. However, such reservations depend on what is to be included under the heading of essential provisions. It was already mentioned that given the fact that the

market is encapsulated by (moral) fences there has to be some party to ensure compliance. This requires law enforcement institutions such as a police force and a judicial organization (i.e. courts and the like).[34] The list of possible candidates for essential provisions is of course not confined merely to ones related to security of contract; education and basic medical care (including the guarantee of some form of subsistence) can and have been included in the past.[35] Also the discussion centers on the issue of who should be eligible? Finn lists various positions, notably those of Robert Nozick, John Rawls, and Michael Walzer. He ends this overview with the observation that although there is much discussion on the issue of distribution (what, how much, and to whom) there is agreement on the fact that there should be a distribution of certain essential goods and services; for if they are not, "the outcomes of self-interested action in the marketplace will not be just."(2006, p. 132).

2.2.3 Morality of actors

The next element that is an important part in the composition of the moral ecology of the market is the morality of the actors involved, i.e. the morality of individuals and groups. People are, even in libertarian accounts, social beings and this fact has consequences on a moral level, or as Finn puts it: "One does not need to be a Rawlsian to recognize that a person's sense of self-respect is grounded in the respect shown by others, both in personal life and in the institutional configuration of society." (Finn, 2006, p. 133).[36]

Here, the concept of "self-interest rightly understood" as discussed in the previous chapter re-emerges. In order to be successful in the market, so goes the argument, one has to be respectful of one's business relations and customers. This in effect means that morality is "essential for addressing the problem of allocation in economic life." And this is true for revenues and cost alike; for instance morality may reduce the cost of control and monitoring in the work process.

---

[34] The provision of such institutions and the role they are required to fulfill requires some form of taxation which may explain the hesitation by those who feel that any taxation is a form of robbery to acquiesce to the idea that these institutions are in fact necessary.

[35] See for instance Reuten and Williams (1989) for a dialectical approach to identifying which state held responsibilities should be in place in order to let the market function.

[36] This human trait — the ability and need to form meaningful relationships with others — has been gaining importance in economic theory (Davis, 2003). Here, it will suffice to note that an atomist view of human beings is not suitable in an account of everyday life.

It should be clear that a libertarian conception of the world would not really be a living world given that all of human interaction would be classified in two groups, namely those that are codified in law and those that are not and are, therefore, not considered of use in the realm of the market. The plain fact of the matter is that not all 'evil deeds' can be forbidden or punished by law; any attempt at this, Thomas Aquinas noted in his *Summa Theologiae,* "while aiming to do away with evils it would do away with many good things and would hinder the advance of the common good." (cited in Finn, 2006, pp. 135-136). In the real world, people can expect (and justifiably so) that those around them (in the guise of family, friends, or colleagues) will generally speak the truth and will exhibit other (basic) moral attitudes, such as being civil and cooperative and the like. Here, Finn makes another connection with the Rawlsian framework, which holds that the "minimal expectations of the natural duty of mutual respect form the foundation for the individual's own sense of self-respect." (p. 136)

One further comment on the relationship between morality and law is called for. Although most if not all laws are founded in moral deliberation, they are by no means equal; the law is not a synonym for morality. The fact that a particular activity is legal does not automatically convey to an individual whether it is also morally right.[37] Neither are moral judgments to be equated with public opinion. Using a poll can divulge what most believe to be true or even morally right; this does not mean they are right (see Hausman and McPherson, 1996, p. 5).

Among the various moral attributes that can be deemed relevant is trust, which is the one most commonly invoked as being essential for the workings of the market. Indeed, many economists have written about the importance of trust for economic efficiency (see e.g. Guiso, Sapienza, and Zingales, 2006). And just like in the case of self-interest rightly understood, here too the argument can be made that trust reduces costs. The recent turmoil on the financial markets has provided us a glimpse of what can happen if trust disappears from the economic system and what devastating consequences this can generate.[38] In any case, here too Finn

---

[37] A position often summarized by the quote attributed to the French poet and playwright Bernard Joseph Saurin (1706-1781): "The law often allows what honor forbids."

[38] Note that when we speak of trust, this does not necessarily refer to the trust between individuals or even companies that have the largest impact on the workings of the market. In the wake of the recent financial and economic crisis, the idea emerged that the trust needed for the market to function smoothly has over time been shifting from an interpersonal level to a system level so that trust in the system, for instance the financial system, has become a key element in allowing the market to function.

stops short at stating which moral principles are needed for the evaluation of the market; his aim is merely to show that they play an important part in the normative evaluation of market outcomes.[39]

2.2.4 A working civil society

The last factor of interest in this overview is the question of whether there is a working civil society. The term civil society denotes anything that is larger than the family unit yet smaller than the state; it includes the usual suspects such as labor unions, chambers of commerce, but also hobby clubs and religious organizations. One way of viewing these types of organizations is that they constitute platforms where people cooperate for whatever purpose of the organization. A key element here is that people can join these organizations and associations freely. Having a vibrant civil society is not only a guarantee against totalitarianism but contributes also to the creation or deepening of social cohesion; and both of these examples are by themselves important elements in the evaluation of market outcomes.

It might be argued that it automatically flows from two of the other elements mentioned, namely the provision of essential goods and services and the morality of individuals and groups. You cannot have a civil society if these two are not present or taken care of. This is akin to the theory of basic rights as laid out by Henry Shue in his eponymous titled book published in 1996. At the core of this argument is that if particular goods and services are deemed to be essential to say human existence they become ipso facto goods and services to which people can lay a claim, then they have a moral right to these provisions if a right to life is to be adhered to.

One very important point that emerges from this overview is that the market is a manmade construct. The argument that specific (normative) policies are not possible due to the

---

[39] And it can be argued that self-interest as a guiding force was never deemed to be enough, even Adam Smith did not believe this to be the case. It is a widespread and persistent misunderstanding that Adam Smith propagandized selfishness; his claim was that self-interest, self-love and concern for one's own advantage were what motivates activity in a commercial society. (Heyne, 1998) And a simple or indeed simplified reproduction of Adam Smith's insight that self-interest plays an important role is incorrect in that it is incomplete. Adam Smith included many preconditions that should be in place before the blissful effect on society by private interests would materialize. Among these preconditions are that the bearers of these private interests have a sense of justice and a sense of community. Self-interest by itself does not do the trick. Many authors in fact (albeit mostly tacitly) acknowledge this for instance by invoking an adjective and stating that only rational self-interest brings about prosperity to society at large. This rational self-interest includes a sympathetic regard for the well-being of others. This definition shows incidentally great similarity with the ideas of Thomas Reid, who succeeded Adam Smith at the University of Glasgow in 1766, who wrote about "our self-interest considered upon the whole." (cited in Young, 2003, p. 6).

constraints of the market or of market forces is simply incorrect. At the end of the day the only real truism is that politics (i.e. human deliberation) always trumps economics; recent introductions and innovations, such as the broadening of the usage of cost-benefit analysis notwithstanding (see e.g. Tomain, 2005).

2.3 Chapter Summary

The idea that that economics or more specifically the market system has little to do with ethics is widely shared in the public and academic domain. In part, this position can be explained by the various ideas that contributors have on the market itself. For when the market is presented as something that lies outside the control of any individual or collective then it is almost placed outside the realm of the normative by definition; or as Finn formulates this position: "The Earth's gravity is not a moral issue. Why? Because there is nothing we can do about it." (Finn, 2006, p. 39). And for a long time the mainstream position was that the market system as a whole was to be viewed as being in that category. However, once the realization emerges that this and other institutions can in fact be altered and shaped according to one's preferences they become by default a subject of moral reflection.

An important element in this discussion is to make a distinction between *a* market and *the* market, or in other words between the actual manifestations of market forces, on the one hand, and the workings of the market, on the other hand. The latter is indeed devoid of moral deliberations given its nature as a process. The meaningful question becomes how to appraise the outcomes of the market process. With his framework, Finn offers us four aspects of the market that each influences the answer to this question, whether the market outcomes are just.

The answer depends firstly on the framework of the market, which tells us in which parts of society the market is allowed to operate. The fences that contain the market forces can said to represent the moral boundaries of the market. Secondly, the answer will depend on to what extent the provision of essential goods and services is provided for. The morality of the actors involved in the market process and the presence of a functioning civil society are the third and fourth relevant aspects.

Of this framework, it is the element of market boundaries that is of interest in this thesis. It provides a point of entry to discuss the ways in which the market is steered toward morally

beneficial outcomes. And this in turn offers the opportunity to frame a specific example of a market boundary, namely the ILO's international labor standards.

Influencing market outcomes lies at the very heart of the ILO, with the founders even alluding to this in the 1919 preamble of the organization's constitution stating that unchecked competition between nations would have a detrimental impact on social justice. In order to lead the market to have beneficial outcomes, it would be necessary to lay down the rules regarding the position of labor in these markets not only on a national but also on an international level and thereby create a protective wall for workers around the globe.

With the launch of its Decent Work Agenda in 1999 as a framework for the convergence of its activities, the ILO created a market boundary based on the notion of decency. In the next two chapters, we turn our attention to the normative underpinnings of market boundaries. First, we shall look at one specific normative concept that has been invoked as a grounding principle in various moral traditions and that serves as a key component in the Decent Work framework, namely human dignity. In the subsequent chapter, the focus will be placed on the review of a specific example of a normative theory based on the notion of decency, namely the one devised by Avishai Margalit in his work *The Decent Society*. Here, we will find our first examples of market boundaries wherein the notion of decency plays a pivotal role. These two chapters constitute the second part of this thesis that in turn is followed by the third and last part and focuses solely on international labor standards and the ILO's Decent Work Agenda as moral market boundaries.