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Voluntary Exchanges and the Free Market

Dr. Shawn Ritenour and Dr. Steven Jones

Introduction

This paper began as a series of conversations between myself and Dr. Shawn Ritenour of the Department of Economics at Grove City College. On the broadest level, Dr. Ritenour and I are both interested in the relationship between social conditions and human action. We are both advocates of free markets, believing that they contribute more to human thriving than other arrangements. We also agree that there is a moral dimension to human action, and that the system of exchange established in any society is, thus, a moral issue as well as a pragmatic one. Within that common ground, however, there is still much to discuss. In particular, this essay examines what it means for an exchange to be voluntary. In terms of organization, it begins with Dr. Ritenour's analysis on voluntarism and the nature of exchange, and then proceeds to my own examination of how some exchanges are less than fully voluntary, even in the absence of physical coercion (something we both think delegitimizes exchanges). Following our initial papers, which were written independently, we offer brief responses to one another.

Dr. Shawn Ritenour: Voluntarism and the Nature of Exchange

By their very nature, the social sciences are chiefly concerned with how people interact. One of the fundamental social relations that exist between people is that of exchange. It should not surprise us, consequently, that much of economic theory is a product of the development of the implications of the nature and consequences of exchange. Economists have rightly recognized, however, that not all exchanges are the same. There is a categorical difference between exchange that takes place in an environment of peaceful cooperation and an exchange that takes place as a result of coercion. An exchange that takes place in the absence of violence is often called by economists as voluntary or contractual exchange. An exchange that occurs as the result of violence or the threat of violence is often called involuntary or coerced exchange.

Objections have been raised, however, particularly by sociologists, arguing that such a taxonomy defines the concept of voluntary exchange too broadly, because it ignores, dismisses, or at least does not fully appreciate various constraints on exchange that are real and do exist, and yet would not be defined as violence.[1] A mechanic taking advantage of a driver whose water pump went out in a small town in rural Iowa by charging him three times the normal price might be one example. If the driver must get the water pump fixed for him to continue on his necessary journey, can social scientists rightly view such a transaction as truly voluntary from the driver's perspective? What are the implications for social theory and policy by our answer? These are the questions this paper investigates.

In seeking to answer such questions, however, it is important that we do not make the mistake of jumping into the middle of the analysis without properly understanding all of the relevant categories necessary to make sense of the nature of exchange. Before we can pronounce judgment regarding the scope of voluntarism inherent in any uncoerced trade, we need to examine the nature of two more fundamental categories for the social sciences—human action and property.

Human Action and Property

Social interaction is necessarily action. All social activity, therefore, is regulated by existing laws of human action. To understand the nature and consequences of human interaction,

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[1] For a brief outline and critique of the way sociologists in general treat the issue of power and exchange, see Kenneth H. Mackintosh, "Exchange Versus Power: Toward a Praxeological Reconstruction of Sociology," *The Quarterly Journal of Austrian Economics* 2, 1 (Springer 1999): 67-77. Mackintosh provides a helpful sketch of the view of sociology, drawing upon writers such as Max Weber, Peter M. Blau, George Ritzer, Alvin Gouldner, and Émile Durkheim. Unfortunately, Mackintosh is better at identifying weaknesses than providing positive alternatives.

consequently, it is necessary to know something of the nature of human action in general.

Action is applying means according to ideas to achieve ends.[2] The end of any action is the goal the actor seeks to obtain. All action is purposeful in that its objective is obtaining a certain end. Economists define means as the things we use to achieve our ends. The idea present in any action is the thought linking the means and the end. It is the notion that if we apply the means at our disposal, we can indeed achieve our goal.

All action involves choice regarding how we use our means, including our physical bodies. An existential fact of the created order is that, because of our finiteness, it is not possible for all of our ends to be satisfied at one and the same time. If one is at home watching a football game on television, he cannot at the same time be attending a symphony concert in a city fifty miles away. If one flies to Rome for a tenth anniversary Italian vacation, a happily married couple cannot at the same time be flying to Vienna to indulge the husband's interest in the geographical birthplace of his favorite tradition of economic thought. Choice is inherent in all action because economic goods, the means used to achieve ends, are scarce. They are scarce because the number of ends that could be used to achieve is greater than the quantity of goods themselves.

Additionally, because all action involves the use of means, action implies the category of property.[3] In order to appropriate a toothbrush, toothpaste, and water, and use them to obtain whiter teeth and fresh breath, these goods must be at a person's disposal. He must have exclusive use of these goods at the time his teeth are being brushed. Such exclusive use is the right to property. Because goods are scarce, potential conflicts could arise over the use of these economic

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[2] On the nature and first principles of human action see Shawn Ritenour, *Foundations of Economics: A Christian View* (Eugene, OR: Wipf and Stock 2010), 14–37. See also Murray Rothbard, *Man, Economy and State with Power and Market* (Auburn, AL: Ludwig von Mises Institute, 2004) 1–77 and Ludwig von Mises, *Human Action* (Auburn, AL: Ludwig von Mises Institute, 1999), 1–142.

[3] On the importance of the concept of property for the social sciences and its implication from human action in response to scarcity, see Hans-Hermann Hoppe, *A Theory of Socialism and Capitalism* (Auburn, AL: Ludwig von Mises Institute, 2010), 17–22.

goods. A practical benefit of private property is that it makes possible peaceful social interaction as it pertains to the use of scarce means.

Property and Exchange

The right of ownership includes the right to engage in contractual exchange. If one has exclusive ownership over his economic goods, he can use them as he sees fit. He can consume them, save them for future use, give them away, destroy them, or trade them away in exchange for something else. In fact, ownership of goods is a necessary condition for exchange to take place. One cannot trade what one does not own.

All exchanges, therefore, can be classified according to the property relations inherent in the specific exchanges. Aggression is coercion against property and is always undertaken by violence or the threat of violence. A contract, on the other hand, is a nonaggressive relationship between property owners. It recognizes the right to private property on the part of each party, and hence, constitutes a voluntary exchange. In this light, socialism is viewed as an institutionalized policy of aggression against property owners, while the free market is an institutionalized policy of recognition of private property and contractual exchange.

Our earlier description of action as applying means according to ideas to achieve ends implies that all action can be viewed as exchange. It is an attempt to exchange a less satisfactory future state of affairs for a more satisfactory future state of affairs. A person does something because he thinks that by so doing, he will be better off compared to what would happen if he did not act. A person brushes his teeth because he thinks that whiter teeth and fresh breath are better than his state of oral hygiene would be if he does not brush his teeth. Likewise a Christian who attends church services on Sunday morning does so because he prefers worshiping to not worshiping. Notice that the concept of preference is implied in every action and is particularly helpful in understanding the nature of voluntary exchange.

In fact, one of the conditions necessary for exchange to take place is for each party to *value* the goods being traded in reverse order. Suppose two people, Cecily and Helena, each have a toy. Cecily has a doll and Helena has a toy horse and their respective preference rankings are as follows[4]:

Rank	**Cecily**	**Helena**
1st	(Toy Horse)	Toy Horse
2nd	Doll	(Doll)

In this case, a voluntary exchange would not occur because, while Cecily values Helena's toy horse more than her own doll and so would prefer to trade her doll for Helena's toy horse, Helena also prefers the toy horse she already possesses to Cecily's doll. Helena would not be willing to make the trade, because such a trade will leave her worse off than she is without trade. Because both parties value the respective goods in the same rank order, no trade will occur.

Suppose on the other hand, their respective value scales are as follows:

Rank	**Cecily**	**Helena**
1st	(Toy Horse)	(Doll)
2nd	Doll	Toy Horse

[4] The preference rankings here identified have the following properties: a) The rank levels are ordinal rankings, not cardinal; b) goods ranked 1st are preferred to those ranked 2nd; and c) goods in parentheses are goods that are valued, but not owned by the respective person. Cecily, therefore, values a toy horse more highly than a doll, even though she does not own a toy horse, but does own a doll.

In this instance, both Cecily and Helena value the respective toys in reverse order, so both perceive themselves to be better off if they trade toys with each other. After the trade, Cecily will own a toy horse and Helena will own a doll. Both will have a good they value more highly than what they give up. Neither benefit at the expense of the other. Neither wins while the other loses. Both are at a higher level of satisfaction after the trade. Consequentially, a fundamental economic principle is that voluntary exchange is mutually beneficial, not a zero-sum game.

The Nature of Preferences and Voluntary Exchange

When economists use the phrase *voluntary exchange*, they simply mean exchange that is allowed to take place without coercion and coercion has already been defined as violence or the threat of violence. In other words, in a voluntary exchange, neither party is compelled to act against their preferences. A key, then, in understanding the nature of voluntary exchange is to understand the nature of preferences. Preferences are not immutable cosmic wish lists filled with all the goods one could ever want as if scarcity is not an existential fact of life.

A person's preference ranking is established at the time of action, given the entirety of his circumstances. Ludwig von Mises has noted various factors that influence the formation of a person's preferences, and hence, his action. These include the person's biology, family, race, country, social groups, vocation, religion, metaphysical and philosophical ideas, political ideology, and even family feuds; in other words, anything biologically inherited from parents as well as anything that contributes to the environment into which someone is born. Mises goes on correctly to note, however, that these factors do not determine a person's actions. Anyone can change his ideology and mode of action whenever he perceives that such a change will better allow him to satisfy his ends.

Voluntary exchange does not mean that when trading, the people involved are atomistic agents who pay no attention to anyone else or their surroundings. To characterize an exchange as voluntary simply means that *if* people enter into a contract in the absence of violence (including fraud) or the threat of violence, they do so precisely because they prefer that course of action to all other actual alternatives.

Hard Cases

Those who are skeptical of the ubiquitous nature of voluntary exchange in a free society can point to various difficult situations in which people might find themselves as examples of when exchange is more apparently than actually voluntary. Examples such as so-called price gouging in the wake of an emergency or natural disaster and buyers being manipulated by marketing techniques promulgated by powerful corporations come to mind. Investigations into such cases, however, reveal that in none of these cases do we need to dispense with the concept of voluntary exchange. In fact if we do, we eviscerate the very foundation of all social science—human action.

For example, immediately following the terrorist attacks of September 11, 2001, there were several complaints to the government accusing gas stations of so-called price gouging. Several gas stations were selling gas for five dollars per gallon. One married couple who owned their own station saw long lines forming at their pumps and they became concerned that they would be running out of gas soon. They decided to raise their selling price to five dollars so that only those who really wanted it would buy it. The line of customers remained because people were quite willing to pay the higher price. The owners then increased the price to seven dollars a gallon and many buyers were still willing to buy gas.

Were the owners of these gas stations benefiting at the expense of those buying gas? Did the psychological states of the buyers mean that they were not acting voluntarily? No. The logic of action implies that people do what they prefer given their value scales. If gas stations are, in fact, able to sell gasoline to buyers at a price of five dollars per gallon without resorting to coercion, this must mean that buyers think that the gas they purchase is more valuable to them than the money they give up. The sellers of the gas cannot be doing something that harms the buyers because the buyers are doing what they want to do. While the psychology of the buyers may have been affected by the terrorist attacks of September 11th, and hence, had some effect on their preference rankings, those who purchased gasoline did what they wanted to do.

Alleged corporate power and the use of manipulative advertising techniques is another case often cited to demonstrate the ambiguity of voluntarism in market transactions. Again, however, when appealing to asymmetrical power relationships in social interaction, one must properly distinguish between power based on violence and power (if that is even the right word to use in this case) that results from satisfying the wants of society better than anyone else. In a free society, each person is sovereign only over himself.[5] They cannot force anyone to do anything. Buyers cannot force sellers to sell their products if they do not want to. Sellers cannot force buyers to buy their products if they do not want to. Likewise, firms cannot force people to work for them and neither can people desiring employment force businesses to hire them.

Nevertheless, because entrepreneurs want to reap monetary profits, given their preferences, they must serve their customers better than anyone else. The market, therefore, has been likened

[5] By *person* I am here referring to adult persons. Parents do have power over children by virtue of their biological and social relationship. On the concept of personal sovereignty in a free society, see Ritenour, *Foundations*, 251–53 and Rothbard, *Man, Economy*, 629–36.

to a daily plebiscite in which everyone votes with his dollars.[6] In order for entrepreneurs to make profits, they must convince enough buyers to spend their dollars buying their products. In order to continue reaping profits, they must convince buyers to buy their products repeatedly. They cannot rest on the fact that they made profits yesterday. Reaping profits in the past definitely does not guarantee that he will reap profits in the future. Buyers can change their minds and better entrepreneurs can enter the scene.

On the other hand, because the more dollars one has, the more he can express his wishes in the market, some have become concerned about large concentrations of wealth in the hands of large corporations. Just as they fear political power centralized in the hands of the state, they fear economic power centralized in the hands of a few capitalists. When considering this concern, we must keep in mind a very important distinction between political and economic power. Political power is always based on coercion. The state, by definition, has a monopoly on legal violence, and therefore, can, in fact, compel people to do what they do not want to do under the threat of bodily harm, including death. On the other hand, no matter how wealthy a person is, he cannot force anyone to do what they do not want to do. A rich person does not have the legal right to engage in assault, battery, or homicide. At the height of Microsoft's economic success, Bill Gates still did not have the power to jail the competition or punish people for not buying Windows.

Because corporate executives benefit from people buying their products, they understandably spend large sums of their accumulated wealth in advertising, attempting to persuade people to buy their goods. They attempt to convince people that their products serve the needs that they know they have. They also attempt to convince people their products serve needs they do not

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[6] On strength and weaknesses of using democracy as a metaphor for the market economy see Wilhelm Ropke *Economy of a Free Society* (Chicago: Henry Regnery, 1963), 197 and Mises, *Human Actions*, 271-72.

know they have. Some have characterized such influence as manufacturing needs or manipulating consumer behavior. Regardless of the validity of this characterization, the fundamental fact remains that, at most, corporations who use such advertising must still rely only on persuasion. At the end of the day buyers must still voluntarily choose to acquiesce to the arguments and images of the ad men. If buyers do not, there is nothing further corporations can do. The buyers, consequently, are also culpable if they allow themselves to be led astray by what the world says is “cool,” “a must-have,” or merely the next great thing.

A third case that is often cited to make the concept of voluntary exchange seem overly idealistic is the case of the poorly paid and treated worker in a less developed country exploited by a large and wealthy transnational corporation. What concerns us here is not the transnational nature of the firm, but the economic power it seems to wield over and against the poor laborer who appears to have no say in his labor situation. In 2003 Rap music impresario Sean, P. Diddy, Combs came under fire for having much of his Sean John clothing line produced in a factory in Honduras that was accused of paying its laborers unjustly low wages. For every sweatshirt that sold for fifty dollars in the United States, the worker who sewed it together received twenty-four cents. Is this an example of unjust exploitation or one more case of voluntary exchange that benefits all parties involved?

To answer this question, it is again crucial to remember the nature of human action. If the firm is not forcing people to work for them by threatening them with violence if they do not, those who do work in Honduran shirt factories must be working of their own free will. They demonstrate by their action that they prefer to work at that facility sewing shirts to any other alternative that they have. We conclude, therefore, that this exchange is indeed voluntary in that the worker is trading labor for income without any coercion.

One might object that it is only the dire circumstances in which these workers find themselves that cause them to accept such hard work in poor conditions for such low pay. Working at a sweatshop for a pittance versus letting your children go hungry does not seem like much of a choice.

Nevertheless, we cannot change the fact that the decision to work is a free action, and hence, voluntary. That a mother works at a hard, low-paying (by U.S. standards) job demonstrates that, as bad as her employment situation may seem, she still thinks it her best opportunity. Without the threat of violence she could have chosen to work anywhere else or to not work at all, yet she still chose this job.

The question that begs to be answered is why did she choose to accept such low wages for such a hard job? Indeed the answer is that she perceived she had very few alternatives. This is the key to understanding the plight of such workers and their families. Wages for any work are low if the supply of labor is large relative to demand. Wishes and good intentions cannot make it otherwise. This principle of economics points to an important policy implication.

Intervention into the market will not help solve the problems we have been discussing. If people choose to work in poor conditions for low pay because they have very few alternatives, we do not make their life better by reducing their alternatives. A voluntary labor contract is mutually beneficial from the perspectives of the parties involved. As more entrepreneurs recognize opportunities to use lower wage labor in certain locales and invest capital in those regions, the demand for labor increases in those areas and wages increase over time. Any government intervention desiring to help the plight of the workers such as requiring minimum wages, giving special privilege to labor unions, or mandating certain workplace comforts, even if they do not reduce employment in these markets to zero, raises labor costs. Such intervention, consequently, makes capital investment in these areas less attractive and retards the process by which wages and working conditions actually improve.

Conclusion

The issue of the nature of exchange and to what extent it is voluntary is of utmost importance for the social sciences. The division of labor, which is made possible only in an environment of exchange, is fundamental to social interaction, which is the very object of study in the social sciences. Drawing upon their understanding of the nature of human action, economists identify any exchange that occurs in the absence of violence or the threat of violence a voluntary exchange and can demonstrate that such exchanges are mutually beneficial. It is my hope that all thoughtful social scientists, including my sociologist friends, recognize this.

At the same time, all thoughtful economists should understand that no exchange takes place in an environmental vacuum. Certainly all exchanges will be reflective of the preferences of the parties involved, and hence, will be constrained by everything that informs the subjective preferences of the traders. In this sense it is true that voluntary exchange is not unconstrained. It should be recognized, however, that such constraints are manifest in the preferences of the parties to the exchange. This in no way justifies uncharitable actions on the part of market participants and neither does it remove responsibility from the trading parties. It is this concept of voluntary exchange that strikes me as most reflective of reality.

Dr. Steven Jones: Limitations on "Voluntary"

Though much of what follows may seem like a critique of free markets, I wish to affirm here at the outset my preference for the free enterprise system. In fact, it is because I think free markets contribute to human thriving that it is important to identify ways in which those markets might be undermined. I hope my portion of this essay checks back against the assumption that any exchange that takes place, broadly, within a free market will inevitably satisfy the moral and social conditions necessary for that market to function at its highest level. Thus, while it is critical, I hope this is a constructive paper.

In a short but provocative essay in *Wealth, Poverty and Human Destiny,* published by the Intercollegiate Studies Institute, Roman Catholic theologian William Cavanaugh considers the ways a free market might actually promote “unfreedom.” Though an awkward term, “unfreedom” is an intriguing concept. As Cavanaugh notes, ever since Adam Smith’s enormously influential analysis and advocacy of free markets in the late 18th century, at least two conditions have been recognized as necessary for a free economy. All exchanges must be informed, and all exchanges must be voluntary. Professor Cavanaugh provides several points of departure for my continuing conversations with Dr. Ritenour, and much of my essay reflects my attempt to wed his emphasis on the moral aspects of exchange to the sociological canon.

To begin with, an exchange based on faulty or incomplete information should not be taken as an example of a truly free exchange. While a hoodwinked or otherwise ill-informed participant in a given exchange may, in fact, consent to that exchange, such behaviors are not consistent with free markets. Purchasing a used automobile is a stereotypical example of the problems associated with making an informed exchange. Until fairly recently, shopping for a used car was “buyer beware” in the worst sense of that term. It was difficult to determine if a given car may have been in an accident, a flood, or simply had a history of costly mechanical troubles. Used car salesmen were the punch line in many a lament about shady business owners and practices. In the mid 1980s Carfax, Inc., was founded to provide purchasers with information on specific used cars *before* the transaction (based on the unique serial number given to each car). This service is so integrated into the purchase of used vehicles that many dealers now issue free-to-the-customer vehicle history reports independently compiled by Carfax. A more informed consumer is in a better position to make a decision that is in her best interest, thus maximizing her advantage (at least perceptually), which is one of the goals of any exchange. Ideally all parties perceive that whatever reward they obtained was worth the costs incurred, and since misinformation is likely to impact this perception, informed participation is a must if the exchange is to work out.

This is all to the good in terms of informed consumers, but free exchanges must also be voluntary. Again, consent may be present even in non-voluntary exchanges, but such exchanges can hardly be considered free. One infamous, and perhaps exaggerated, example of such an exchange comes from the field of American popular culture. Rap impresario and promoter Suge Knight was rumored to have threatened Robert Matthew Van Winkle, also known as “Vanilla Ice,” with being thrown off a balcony (in some versions of this story Knight actually held Van Winkle over the side) unless Van Winkle signed over the royalties from “Ice Ice Baby,” at the time a hit song.[7] No one thinks an agreement reached with this kind of coercion is a legitimate free market exchange. But what counts as coercion? While all are agreed that threats of physical force render agreements non-voluntary (and, therefore, “unfree”), there is less consensus on other factors that might make agreements non-voluntary. Aside from outright coercion there are other sorts of social constraints that should, in my view, be considered when we think about what it means for an agreement to be voluntary.[8] It is to some of these other types of constraints that I now turn.[9]

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[7] Van Winkle denied these events in a February 2006 interview, though he has apparently spoken of them in the past as if they were fact. In any case, the story has taken on a life of its own.

[8] Even the simple dichotomy between voluntary and non-voluntary might obscure more than it makes clear. I would prefer to think of these as descriptive terms on a sliding scale, meaning that some exchanges are more, or less, voluntary than others.

[9] Sociological theorists have long been interested in how social structures such as the division of labor or inequality constrain human behavior, and thus, much of what I bring to this topic is already widespread within sociology.

On the most general level, most observers recognize that while a given course of action may be voluntary, our options are sometimes constrained by social factors beyond our control. The experience of Michael Hanley is a case in point. In February of 2010 Hanley, a factory worker from Janesville, Wisconsin, received national attention when it was discovered that he was commuting more than 500 miles one-way to work. General Motors had closed the plant where Hanley had worked for more than two decades, and rather than relocate his family or face unemployment, Hanley accepted GM's offer of a position in another manufacturing plant, this one in Kansas. Though the commute is tough on his family life, factors such as his children's schooling, his wife's job and medical needs, and even a depressed real estate market combined to make him voluntarily accept GM's offer. It is not a question of fault on either Hanley's or GM's part, but the decision Hanley had to make, while voluntary, was in some ways not of his own making. Though he had choice in the matter (no small historical accomplishment), his viable options were constrained by macro-level factors such as real estate markets and the corporate interests of GM. Indeed, the very fact that he had to make a choice was beyond his ability to influence.

Though Hanley's story is dramatic, in some ways it is not unique. Any course of action is subject to larger forces. Factors such as resource scarcity, ease of transport, and shifts in customer demand can impact one's career and life chance opportunities. The great French sociologist Emile Durkheim called these factors "social facts," by which he meant that they are both external to the individual (not of his own making) and coercive (no one can avoid their implications). More recently, C. Wright Mills wrote about the necessity of seeing connections between an individual's biography and the historical factors that impact the course of life. The ability to trace these connections Mills called the "sociological imagination" and he held that it was a prerequisite if humans were to understand the progression of their own lives. All of this is not to say that humans are mere dupes, incapable of determining their own fortunes. And it is certainly not to say that because we are subject to things beyond our control, we should be freed from responsibility for our actions, though that is precisely the analysis some advocates of an expanded social safety net offer as support for their various programs. The point is simply this: Even in a free market many of our actions are voluntary but not unconstrained. This is true not just on the very broad level described above, but on more specific levels as well. A few examples will serve to refine and clarify the point.

Let us consider labor unions. Historically, labor unions arose out of the simple recognition that some goods are better obtained through coordinated group effort. Better wages, improved working conditions, etc., are more likely to be forthcoming if a significant portion of the labor force, perhaps all of it, is prepared to slow production in an attempt to force management's hand. One or two employees are easily replaced or otherwise compensated for in the stream of production, but if everyone walks off the floor at once, and, better, if they can prevent new employees from crossing the picket lines, then the union's bargaining position over and against management improves dramatically. Knowing this, labor leaders have long sought to increase their membership rolls. In fact, bringing more laborers or shops into their union can be preferable to getting better wages or other benefits. Thus, unions have often tried to exercise some sort of compulsion over workers (their potential members) that forces them to join the union or face unemployment. In essence, unions guarantee that non-union workers will not find work in a given factory, industry, or geographic location. In this sense, unions are not voluntary for all workers. An artisan or other worker is free to not join the union, but doing so has significant implications for their livelihood, up to and including relocation or the pursuit of a new career. In this case, an individual may be forced to act against their rights (to free association, for instance) and/or their own best interest (in that they may prefer to negotiate with potential or current employers on their own behalf) in order to make a living. This is not to say that labor unions cannot play a necessary and valuable role in the modern workforce; only that an employee's decision to join a union, while requiring consent in the form of signing up, payment of dues, attending meetings, etc, might not be understood as completely voluntary. In fact, this is part of the justification for right-to-work laws that prohibit trade unions, or employers for that matter, from requiring union membership as a condition of employment. In cases such as these, the 'voluntary' act of joining a labor union might undermine an employee's ability and freedom to direct their own working conditions.

Aside from memberships in larger associations, we can examine power differentials in micro-level exchanges as well. It is simply not the case that all exchanges take place between social equals. I hasten to add that the presence of inequality is not evidence that a system is rigged, and it certainly does not invalidate contractual exchanges or the free market more broadly. But we must recognize that in any social exchange one party may have more ability to shape the terms of exchange than the other. Oftentimes, this is not problematic. Individuals can and should benefit from past successes, and it is not their fault (quite the contrary) that their successes give them a position of strength. Not all power differentials, however, are based on past success. Other factors ranging from family connections to race to attractiveness also play a role in social position. African Americans in the Jim Crow South cannot really be said to having voluntarily accepted their social conditions, and yet clearly those conditions impacted their life-chance opportunities, their career options, and just about everything else in their lives. Similarly, a low-level employee that is asked by a supervisor to perform tasks beyond their job requirements might not really have the freedom to say no without incurring costs. Again, the recognition of power differentials does not necessarily negate the goals of the free market, but it does, to my mind, mean that a system that is based on un-coerced action as the key to legitimacy must take account of the many ways something akin to coercion can occur.

Finally, let us examine advertising technologies for their implications for voluntary exchanges. The decades old, and apparently false, story about movie theaters stimulating demand for sodas and popcorn by showing images of these snacks so quickly that the conscious mind did not discern them, maintains its staying power precisely because we do not like to think that we can be "operated" on without our knowledge and consent. But consent in this context is a slippery term. The advent of neuromarketing highlights the difficulty. In neuromarketing, brain-imaging technologies are used to uncover customer preferences that for whatever reason they themselves cannot express. Generally done prior to product release, the hope is that the brain can reveal a customer's "true preferences," thereby making marketing more effective. Beyond that, though, it is at least possible that neuromarketing would elicit information that the subjects themselves would prefer remain hidden. Improvements in brain-imaging technology might make it possible, for instance, for a soda machine to raise prices if the customer "reads" thirsty.[10] Firms could tailor advertisements to take advantage of various neuroses or shifts in mood. While these things are not yet possible, academics and advertising executives alike have recognized the potential of neuromarketing to provoke, rather than satisfy, demand. And if firms can find ways to manipulate a customer's preference or need on a level "below" consciousness, is that truly a voluntary purchase?

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[10] Exactly what is possible at this point in time is a matter of conjecture, but several ethicists, marketing experts, and consumer advocates have raised questions regarding the potential of these new technologies. See Dan Ariely and Gregory Berns, "Neuromarketing: The Hope and Hype of Neuroimaging in Business," *Nature Reviews* 11 (April 2010).

It is not just in the realm of neuroscience that such concerns get raised. For example, our society recognizes (though not uniformly) an age of consent, that is, we recognize that there is a point at which children can give permission, either to themselves or to others, for their participation in certain kinds of activities (movies, getting a job, etc.). But what about consent in terms of purchasing power? Children ages 4-12 spend approximately $30 billion dollars *of their own money* every year, and directly influence another $300 billion in spending. This is a major market by any standard and is no doubt part of the reason that marketing firms have begun to more aggressively court this demographic. Ethnographers, working for marketing firms, spend thousands of hours observing kids' behaviors in an effort to more effectively tailor advertising campaigns. They also engage in peer-to-peer marketing, sometimes giving products away to the "cool" kids, the trendsetters in every school whose tastes dictate what everyone else wears, listens to, and most importantly, buys.[11] Not so long ago, direct marketing to children was prohibited by community consensus and commitment to respecting familial and parental authority. Clearly, times have changed.

William Cavanaugh, in the aforementioned essay, relates the experience of Erik Larson, himself the author of a book on contemporary consumers. A few days after the birth of his second child, Larson received an unrequested package of infant diapers from a national company in the mail. As any parent can tell you, free diapers are appreciated. But how did the company know the Larsons might be in need of their product? Anyone who has ever bought anything online has probably had a similar experience. Make a purchase one day, and for the next several months (years?) every time you go online, new, highly tailored advertisements fill the screen. The fact is that marketers are incredibly adept at building, maintaining, and selling potential customer profiles. This service can be sold to manufacturers of everything from diapers to cars to

[11] See Juliet Schor's essay "The Commodification of Childhood," *Hedgehog Review* (Summer 2003).

financial services. Should companies be allowed to market their goods? Of course. Should they be allowed to gather information on potential customers from other *public* sources? I do not see a good way to prevent this, though I do not always like it when it happens.

In short, several new technologies ranging from brain-imaging to search engines to database construction can at least potentially be used to create demand in ways that previous advertisers could scarcely have imagined. In my view this could serve to undermine the notion of voluntary exchange that lies at the heart of the free market. Indeed, part of the free market's moral appeal is that individuals get to decide for themselves what products they purchase, what firms they patronize, etc.

As I noted at the beginning, my point here is not to be overly critical of the free market. Rather, it is to ensure that the freedom of consumers to purchase goods they deem appropriate is protected at least as much as the freedom of corporations and other peddlers of goods to produce and market their wares. I believe, as I'm sure Dr. Ritenour does, that free exchanges are superior to "unfree" exchanges, but I am perhaps less convinced that the line between these two is always clear.

Jones' Response to Ritenour

There are significant points of agreement between Dr. Ritenour and myself. We both think of ourselves as advocates of free market exchanges. We both think free markets increase individual and communal wealth, and we both would limit governmental action in the market, though I suspect to different degrees. We even both appealed to examples from the world of rap music to make our points! On a more nuanced level, I appreciate Dr. Ritenour's conception of property as exclusive access to the use of goods, or presumably, services. There are also places where our views diverge, however, and these require a bit more elaboration.

Dr. Ritenour focuses his analysis on human action, agreeing with numerous economists, sociologists, and social psychologists that this is the central investigative area of the social sciences. He then hones in on the concept of preference, arguing that all action reveals some preference on the part of the actor and is, therefore, helpful in making sense of voluntary exchanges. I certainly agree that actions tell us something about preferences, but I question too straightforward a connection between observing preferences and finding the action to be voluntary. It is here that what I call power differentials and Dr. Ritenour calls asymmetrical power enters the equation.[12] If I have to choose between two options, it is certainly true that my choice reveals something about my preference. But it is entirely possible that I would have preferred a third option that, for one reason or another, was disallowed to me. In keeping with Dr. Ritenour's example, it is certainly possible, perhaps likely, that either Cecily or Helena really wants both the toy horse and the doll, but realizes that Mom and Dad are not going to let that happen. The relevant point, of course, is that some people get to decide what options are available to other people. In my expanded example it is a third party, supposedly neutral, that disallows the "true" preferences of one, or both, of the actors. It could just as easily be one of the actors themselves. The employer of a friend of mine recently solicited contributions to a charity from people directly beneath him in the chain of command. Several employees, somewhat begrudgingly, donated to the cause. Were these voluntary? Perhaps, but I suspect most people would sense something was amiss. True, the action (donating) revealed something about an individual's preferences (not encountering trouble on the job), but I do not think this satisfies the fullest sense of what we mean when we say the action was "voluntary."

[12] It is worth remembering that neither Dr. Ritenour nor I believe that the mere presence of power inequalities necessarily negates voluntary action on the part of the weaker party, though others in both of our fields make exactly these claims.

If we were to push forward this analysis, I suspect that Dr. Ritenour and I would differ on the conditions for when intervention into the market may be necessary. More precisely, I suspect we would differ on the kinds of intervention that might occur. In my view, we should leave room for organized action by democratically empowered citizens to shape some aspects of the market. I suspect that Dr. Ritenour would argue that market mechanisms themselves (for instance, consumption patterns, etc.) will allow the public to make their views heard, while I think more direct action is, *in some cases*, permissible. This, however, is a topic for a future conversation.

In the end, while both Dr. Ritenour and I believe that voluntary exchanges are superior to non-voluntary exchanges, his emphasis on physical coercion risks missing other ways that exchanges can be "unfree." In my view, voluntary exchanges are not just better for the machinations of the market (which they surely are). They also have a moral dimension to them that is missing from forced exchanges. Thus, if anything, I want to raise the bar on what it means for an exchange to be voluntary.

Ritenour's Response to Jones

I am gratified to find that the views of Dr. Jones and myself are not far apart and am particularly impressed that Jones is willing to risk his position in the Sociology profession by broadly supporting free markets. We both agree that voluntary exchange must be free of fraud. Jones cites abuses made possible due to asymmetric information and identifies one of the productive ways entrepreneurs profitably solve this problem.[13] Jones cogently notes that often union leaders make the lives of their membership more difficult.

Importantly, we also agree that people's choices are affected by many variables which are often shaped by people and forces outside of themselves. Jones rightly recognizes that the

[13] This is the classic "lemons problem" made famous in the economics literature by Nobel laureate George Akerlof.

contextualized nature of action does not remove the person's volition or moral responsibility. We also both agree that voluntary actions including exchange are not unconstrained.

In my opinion, however, Dr. Jones relies too much on part of the sociology literature claiming exchange can be so constrained by external forces that, while volitional, in many cases it is better characterized as "unfree" and virtually involuntary. Durkheim, whom Jones approvingly quotes on this point, makes too much of the reality of constraining "social facts" by labeling them coercive. The word *coerce*, however, is usually taken to imply compelling action by force or threat of force. Merely not being able to avoid implications of external factors does not seem to rise to the common understanding of force or threat of force.

All action requires choosing in concrete circumstances. Hard choices, however, are not, *per se*, involuntary. Exchanges as the result of such hard choices remain volitional, and consequently, are demonstrations of the persons' preferences at the time of exchange.

The very cases that Jones uses show this. Autoworker Michael Hanley, for example, did not, in fact, have to make the choice to commute instead of relocating. He chose to initially work for General Motors and repeatedly chose to keep working there for over twenty years. He chose to commute after weighing all of the variables most relevant to him. Likewise, if a worker foregoes negotiating personally with his employer in order to maintain more favorable employment due to union shop rules, is it not a stretch to view this decision as involuntary? The worker valuing his current employment more than independence of association acts according to his values at the time. To view such exchange as involuntary or coerced would seem to leave social scientists in the position of characterizing acting humans as being coerced by their own preferences.

Additionally, the low-level worker who is asked to do something beyond his job description is not unique in not having "the freedom to say no without incurring costs." Every action incurs a cost, because it requires forgoing something. Freedom does not imply costless. By working, the employee foregoes leisure and gives up income he could have reaped at any other position.

Jones' important concerns about marketing techniques that seek to manipulate buyer behavior warrant serious thought. I would note that marketing to children younger than the age of consent demonstrates that the previous community consent to abstain from such marketing has evidently broken down. Parents whose lives are made more difficult by living in a culture that no longer supports their values in this area of life must not abdicate their responsibility. Additionally, while we are wise to be wary of new marketing technology, the claim that database construction can be used to "create demand" is a bit too strong. Erik Larson did receive, after all, a package of diapers of which he was in need. Such uses of customer profiles might serve a genuine productive function of making the buyer more quickly aware of goods that serve his ends, *even if* the buyer did not know that he had such a need. In any event, such promotion does not remove the volitional, and hence, voluntary nature of exchange.

As I said before, the key to getting at the nature of voluntary exchange is to recognize that a person's preferences are not a cosmic wish list, but a subjective ranking based on everything he thinks relevant to his choice at the time. Instead of concluding that this existential fact implies that exchange is less than voluntary, I suggest we better view free exchange as constrained, yet voluntary.

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