

THE MORAL LIMITS OF THE MARKET FOR BLOOD

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How should economics view the market for blood? John Tate argues that given the current social organisation for whole blood, economists must help to optimally allocate these scarce but highly valuable resources. Through incentivising and coordinating supply, imbalances can be mitigated, while the need for illegal markets is reduced.

Introduction

“The economic system is, in effect, a mere function of social organisation”

(Karl Polanyi, 1924)

There has been a quiet revolution where we have drifted from being a market economy to a market society. The rise of “forehead advertising” as a body billboard is just one example of such a phenomenon. Little discussion has taken place over what role money and markets should play in our society, and without such a discourse markets have gradually expanded. Consequently, the notion of what goods and services that should or should not be bought or sold has changed. In some cases non-market norms of importance are crowded out, and such effects are often hard to reverse. Karl Polanyi, the economic anthropologist cited above, argued that allowing the market mechanism to be the sole director of humans would result in the demolition of society.

No matter what the outcome of the expansion of markets is, a public discussion must take place to avoid this passive encroachment. The aim of this paper is to spark such a debate around a particularly awkward case, the market for blood. First, one must clarify whether the market is undesirable and therefore open to being paternalistically banned as an expression of community values. Given such preferences, economists must attempt to optimally allocate these scarce resources. The market is only one mechanism, of many, to allocate resources, and as a social construct should be a benefit not a curse to society. The economic system must reflect the societal organisation.

Is the Market for Blood Undesirable?

Whether an outright market in blood or an in-kind exchange is morally defensible depends, at least in part, on which stance towards the body and human personhood is correct. We have to decide what kind of good blood is and how it should be valued. This requires a moral judgment that economists hesitate to make. To answer such questions economists must rekindle their roots in moral and political philosophy.

Robert Nozick (1974), an American philosopher, infamously attacked the forms of paternalistic government that “forbid capitalistic acts between consenting adults.” Such an argument would not care about whether a market is undesirable, as long as the individuals gave consent. If actors are well informed and rational, they are deemed to be able to make the best decisions for themselves. By that logic, the market for blood should be allowed to operate, as selling blood is by no means an addictive activity, which could corrupt consent.

However, severe inequality may undermine the voluntary nature of exchange. Without other options consent may be given despite moral objections. Such coercion may occur, as needy people are forced to donate blood due to economic circumstances. Hagen (1982) argues an individual may become so dependent upon the sale of blood that they may be tempted to endanger their own health. Such behaviour is reflective of the notion of hyperbolic discounting, where varying discount rates are applied over a decisions time horizon. In this case, lower income groups may discount the future heavily meaning the short-term monetary gains outweigh the long-term consequences.

Setting a fixed legal limit on the quantity and frequency of donations may prevent such events from occurring. However, the effectiveness of such a policy is contingent upon the regime. Under the Somoza dictatorship, Nicaraguans had plasma extracted from poor citizens for meagre money with little regard for their health (Hagen, 1982).

Such policy may not be perfect, but J.S. Mill would argue it is the best “not because it is the best in itself, but because it is his own mode”. A problem with such reasoning is that it fails to account for interdependent utilities, where actions of others affect your utility. Such a case can be made for banning the market for blood as it crowds out non-market norms of moral importance, leading to a socially sub-optimal outcome. It is often implicitly assumed in textbooks that the price of a good does not change its meaning, which is not always the case. Attempting to buy friendship, clearly exhibits this effect, as it corrupts the product, as a hired friend is not the same as the real thing (Sandel, 2013).

Despite the potential efficiency gains from the expansion of markets, the allocation of resources may not necessarily improve as non-market norms of importance can be crowded out. A growing body of research confirms what this common sense suggests, and the Gneezy and Rustichini (2000) study is one example of such a case. From studying childcare centres in Israel, the authors found that implementing fines for delayed pick-up of children actually increased late pick-ups as norms changed. Such a phenomenon is not

new, and was previously coined to be the “commercialisation effect” by Hirsch in 1976. Interestingly, such an effect is hard to reverse. After the fine was cancelled the problem of late arrivals continued, as the non-market norms were eroded.

Does such an effect hold for the market for blood? By comparing the UK and US system British sociologist Richard Titmuss argued paying for blood would reduce donations because volunteers, donating for altruistic reasons, would be less willing to donate if paid. Such a finding was not without its critics one of which was Kenneth Arrow, the Nobel laureate, who invoked two assumptions. Firstly Arrow questioned, “Why should it be that the creation of a market for blood would decrease the altruism embodied in giving blood?” Such a critique disputes the existence of the “commercialisation effect” for donating blood. Michael Sandel rebutted this claim by arguing that blood donation may be seen as an unfair labour practice depriving a needy person of employment for selling their blood. Would it be better to donate blood yourself or to donate \$50 to buy an extra pint of blood from homeless person who needs the income?

Secondly, Arrow assumed that ethical behaviour is a good that should be economised. He believed that ethical behaviour is depleted with use, and should not be recklessly used when the market can operate (Arrow, 1972). Such a concept seems strange outside the world of economics. Aristotle taught that virtue is something we cultivate with practice: “We become just by doing just acts, temperate by doing temperate acts, brave by doing brave acts.” Rousseau held a similar view that the more country asks of its citizens, the greater devotion to it. Such philosophical underpinnings reflect that altruism, is similar to the process of building muscles, they develop more with use. Slonim et al. (2014) find evidence in support of such claims in the current state of the whole blood market, as countries with higher percentages of volunteer donors are associated with a higher quantity of blood donations, even after controlling for per capita income.

Does it matter that social norms are crowded-out? In short, yes. As the economic system is a function of social organisation, prohibited markets are an expression of community values. Roth (2007) recognises moral objections to the commodification of certain social practices, when he writes of “repugnance as a constraint on markets”. The market for blood appears to be an example of repugnant or undesirable market, as it objectifies a person by encouraging us to view our bodies as property, as collections of spare parts to be used for profit.

Even if monetising the market for blood might not itself be objectionable, it may cause society to slide down a slippery slope to genuinely repugnant transactions. If the market for blood is widely accepted it may mean blood can be used as collateral in contracts, which commoditises humans further. Such activities may disadvantage those who do not wish to participate as Basu (2003) highlighted with a sexual harassment example. In this case, legalising labour contracts that allowed sexual harassment would put workers who did not wish it, at a relative disadvantage to the status quo. So despite Mellström and

Johannesson (2008) finding that crowding out can be resolved by adding an option to donate the payment to charity, such evidence does not suggest the expansion of markets are beneficial.

Therefore, due to interdependent utilities a market may be banned as an expression of community repugnance. Expanding markets to such areas may crowd-out non-market norms of importance and potentially cause society to slide down to genuinely repugnant transactions.

A Historical Perspective

The market for blood has not always been seen as repugnant, like other markets, what is seen as socially acceptable changes. Since the outset there were volunteer and paid blood donors. Individuals could earn \$35 to \$50 per donation in New York in 1923, which was a large amount of money given that the average annual income was around \$1,200 (Whitely, 1999).

However, public perception largely shifted in the 1960s and 1970s as the importance of blood safety was increasingly stressed. Titmuss' work on blood donation being safer had large policy implications, which shifted global focus to the volunteer system. Such a case is evident with the World Health Organisation's aim to move towards a 100 per cent voluntary blood donation scheme. Despite such claims of potential adverse selection of market-based schemes, Slonim et al. (2014) argue there is no evidence to support such a claim. Despite this there still appears to be a community preference for donating whole blood.

The same cannot be seen with blood plasma. The US has become the dominant world supplier of plasma with its market-based scheme. In 2004, the United States collected almost 70 per cent of the world's plasma, 81 per cent of which was collected from paid donors (Flood et al. 2006). Objectively, repugnance arguments should apply equally between whole blood and blood plasma. One may argue that such a phenomenon is evidence of market-norms altering societies perceptions of what is deemed to be repugnant.

Current Problems

With no market price and limited storage length for whole blood, coordinating volunteer supply and demand has been subject to episodes of both excess supply and shortage.

Supply shocks often occur after disasters, due to the suppliers' altruistic responses. After the terrorist attacks of 9/11 an additional 570,000 additional units of blood were collected. Due to the limited shelf life, 6 weeks, and virtually no change in the demand for blood an estimated 100,000 to 300,000 units were discarded, which had an estimate minimum cost of \$21-63 million (Starr, 2002). The well-publicised images of lines outside blood donor centres likely exacerbated the problem by signalling that donating was the appropriate social response.

On the other hand, shortages often occur during winter and holiday periods, as more people have colds or travel, and are therefore unable to donate. If attempts to boost supply via media campaigns are inadequate, usage must be prioritised and elective surgeries postponed. Toner et al. (2011) report that 58 per cent of US hospitals surveyed have postponed transfusions and 46 per cent have postponed surgeries.

In extreme cases, illegal markets can arise in an attempt to mediate such imbalances in supply and demand. With no rule of law, a form of Nietzschean anarchy arises, as the strong dominate the weak. Such a case is evident in Cairo where five people were sentenced for trafficking blood taken from street children (Egypt Independent Online, 2013).

How Economists can Improve the Market for Blood

If a social organisation was not constrained to the volunteer system for whole blood, the market mechanism would clear itself, and illegal markets would not arise. Given that whole blood in developed countries, like Ireland, tends to be characterised by volunteer supply, motivated by altruism, there is an absence of a price mechanism to balance supply and demand. Economists can help provide an effective information and incentive system to encourage supply, and reduce the imbalance.

Thaler and Sunstein (2003) advocate a form of Libertarian Paternalism, which attempts to “nudge” individuals to choices that will make actors better off, as judged by themselves, whilst still maintaining the ability to choose. Recent research supports the success of such a policy. Lacetera and Macis (2010) report higher donations from symbolic rewards (medals) and social recognition (newspaper recognition) among all donors in an Italian town. Even unconditional gifts to donors who had not donated for at least 28 months increased donations, due to the reciprocity nature of gifts (Slonim et al., 2013).

On the other hand, non-price signals can help to raise awareness of need. Under the current system donors may donate when it is not needed and may not when it is needed. Despite the lack of price mechanism a clearinghouse can provide such coordination. By targeting long-lapsed donors in Australia, Slonim et al. (2014) found that the registry increased donations during shortages. Such a result provides evidence that introducing non-price signals and nudging people to donate can improve the imbalances in whole blood supply.

Conclusion

As a social construct, markets should be a benefit not a curse to humankind. If a community perceives a market to be repugnant or socially undesirable, it can crowd out non-market norms and lead to a moral slippery slope. Public debate is necessary to ensure the expansion of markets is a reflection of the social organisation. The recent move towards a market society, where everything is up for sale, may not necessarily be socially optimal

as market values seep into every aspect of our lives.

By focusing on the market for blood, it is evident that markets crowd-out non-market norms of importance. Such an effect occurs as the community values blood donation to be a moral responsibility of society. This preference has not always been present, evident with the historical evolution of the market. However, given the current social organisation for whole blood, economists must help to optimally allocate these resources. Incentivising and coordinating supply can mitigate current imbalances, and reduce the need for illegal markets. Thus, by reflecting the social organisation the allocation of resources in the economic system improves.

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