

Outline Sociology 125 Lecture 4 & 5
The Market in Theory & Practice: how markets actually work
Monday September 18 & Wednesday September 20

I. HOW WELL DO MARKETS PERFORM ON THEIR OWN MORAL TERRAIN? THE VALUE OF HUMAN FREEDOM

- Negative Freedom
- Positive Freedom

**II. THE PRAGMATIC ISSUE:
INEFFICIENCY & MARKET “FAILURES”**

1. Information failures & consumer vulnerability
2. Concentrated economic power (“Monopoly power”)
3. Negative externalities: imposing costs and risks on others
4. Short time horizons: imposing costs on future generations for our present production and consumption.
5. Free-rider problems and Underprovision of Public goods
 - 5.1 The prisoner’s dilemma
 - 5.2 Public Goods Examples
 - example #1: Tragedy of the Commons
 - example #2: fishing stocks
 - example #3: training skilled workers
 - 5.3 Two kinds of solutions to free riding and collective action failures to provide public goods
 - 5.4 Interdependence of these two solutions

III. CONSEQUENCES OF MARKETS ON NONMARKET SOCIAL INTERACTIONS

1. A fundamental sociological idea: *institutions shape values*
 - Markets promote self-interest over altruism
2. Markets cultivate specific social skills and dispositions:
Exit & voice.
 - Exit: if you don’t like something, you quit, you exit.
 - Voice: if you don’t like something, you actively speak up to try to change things
 - Markets cultivate exit strategies: life as shopping

IV. CONSEQUENCES OF MARKETS ON INEQUALITY

1. Poverty, Dignity
2. Erosion of social solidarity
3. Concentration of wealth is transformed into political power
 - Ford PINTO example

V. COMMODIFICATION OF HUMAN LIFE

VI. MARKETS & DEMOCRACY: LIMITED GOVERNMENT VS THE NECESSITY OF THE AFFIRMATIVE STATE