

Paleo Solution - 390

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Robb: Hey, folks. Welcome back to another edition of Paleo Solution Podcast. Robb Wolf here. Six listeners can't be wrong. So, today, I had a great conversation with Professor Peter Jaworski. He is the author of the book *Markets Without Limits: Moral Virtues and Commercial Interest*. Professor Jaworski is an assistant professor teaching business ethics. He was a visiting research professor at Brown University, a visiting assistant professor at the College of Wooster and an instructor at Bowling Green State University.

So, you may be asking why the heck are we talking about markets? This is just one of these topics are near and dear to my heart and I see a lot of people flailing on topics like this. They don't really even know what markets are. There seems to be a lot of negative commentations around terms like capitalism and markets and stuff like that.

You maybe show up here interested in health related topics, performance and what have you but a lot of the issues that we face in healthcare and beyond, our food systems and whatnot, deal with markets and there are interesting ways in which these markets can, in fact, be manipulated and whatnot.

I notice that a lot of people, it's like many of the debates out there in the interwebs, it gets boiled down to this very black or white, not very sophisticated, not very nuanced topic. And so a lot of what this, the book, *Markets Without Limits* talks about is how does morality factor into markets? I think that a lot of people would say that capitalism and markets have no moral values, they're just terrible, horrible entities.

I tend to have a little bit of different perspective on that. We use some examples in this discussion talking about healthcare and a host of other areas that are seriously hamstrung where senses of morality actually intervene in making these markets function more efficiently and could help people.

One of the big examples that we talk about is actually plasma donation which if we were to incentivize people basically creating a market we could help a lot of people all over the world but in particular in the developing world for people that need various bloodborne products that are derived from plasma donations.

Professor Jaworski makes an interesting point in the book that if one could do something for free, why not for money? And this is one of the interesting

conundrums that pops up and everything from prostitution to selling organs or plasma again, these things all kind of fall under that. This episode is likely to make some people uncomfortable. I wouldn't be surprised if a good number of people have already turned this episode off because they seem to think that they don't need to know about this stuff or they've been triggered with the mere suggestion that we're going to have some discussions around markets.

But again, I think this is a really important piece for people to understand. I'm not saying I'm 100% right on this but I will throw out there that I see a lot of pain and suffering that occurs in a variety of areas that comes from folks not really understanding how the world works.

We are going to be nosing around a little bit of this kind of market driven stuff particularly around healthcare and our food system and whatnot because I think that's kind of the most direct place that folks who have been frequenting the Paleo Solution Podcast that we can make some inroads in that topic. So, anyway, hope you enjoy this show and looking forward to talking to you also.

Professor Jaworski, it's such a huge honor to have you on the show today. I generally am in this, I guess, lane line of nutrition and health but I try to inform that whole process with this kind of evolutionary biology template and I've also been a big fan of markets decentralized systems and I also have this sneaky suspicion that this stuff called thermodynamics may have a really big bearing on our world.

Now, I kind of feel like those three areas of economics, evolution thermodynamics or if we don't want to call it thermodynamics maybe just energy, I feel like some of the big pain points in the world that people experience both on kind of a macro and a micro level are kind of misunderstandings in these arenas, like wanting the world to be one way when it's actually another. What are your thoughts around that?

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Peter: So, first of all, thanks very much for having me on, Robb. Let's see here. So, I don't know as much about thermodynamics. I know somewhat a little bit. I guess, everybody does about evolutionary systems. But my area primarily is markets and I like the way that you describe it.

Yes, I think that there are significant misunderstandings and I actually think that there are certain kinds of biases in the way that we evaluate people that get applied to markets. So, let me give you an example. When it comes to certain things -- So, I work in a space of repugnant markets. I'm interested in cases where people are kind of -- They have this gut feeling. They're disgusted by the

idea of having a market in kidneys, for example, markets in blood or blood plasma, markets in body parts in general and so on. And most people respond by kind of feeling disgusted and not being okay with the idea of having markets in those things.

Now, I think the misunderstanding is that what they confuse is evaluating the state of affairs that obtains as a result of having markets in those things. They confuse that with evaluating the people involved in those markets. And so they think that like if you're supposed to, if they think that what you should do is donate a kidney out of the kindness of your heart then they will look askance at a market in something like kidneys. I think that's at least part of the confusion, like we're trying to evaluate people rather than the outcomes that obtain if we use one system rather than another.

Robb: Right. It's such an interesting example. Again, there's some interesting evolutionary biology underpinnings that speak to infectious disease and a sense of disgust and whatnot. And there's some thoughts around even political instability and kind of tribalism and whatnot is actually an outgrowth of trying to protect self from other and that there is this kind of disgust mechanism that's baked into the genetic cake and what have you.

And so it's interesting that in your book, which I'm sorry I did not mention the title yet, *Markets Without Limits: Moral Virtues and Commercial Interest*, which is an amazing book. I've actually read it twice which is I'm usually hard pressed to get through a book once for these interviews but it was just such a phenomenal book.

But in talking about these market interfaces where, to your point, there's kind of a disgust or maybe this kind of moral ambiguity kind of element to it -- I guess, prostitution would somewhat be in that category also where it's something that theoretically can be transacted for free and so then if we put a monetized element to that transaction and somehow there's kind of a moral challenge there.

Where do you think that stuff comes from? Again, I have a kind of a sneaky suspicion that there's something baked in the cake from that evolutionary biology perspective but where do you see that emerging from?

Peter: Boy, I mean, you're asking me a really tough question there. I'm not sure what the origins of that disgust feeling, where it comes from. I think there are clues in what you've said. For example, our kind of innate tribalism might play a significant role here. So, there are certain things that maybe we think we should get for free out of the kindness of somebody else's heart.

And since we can only keep a certain number of people in our minds at one time -- So our tribe consists in what, like a 117 people or something like that? Those insiders and outsiders. And so I want to know who's a member of my tribe, who's an insider? And people who are willing to donate blood to me or donate a kidney to me, those are insiders and the outsiders are the people who would only do it for money.

But in terms of the like foundational origins, that's in a way my speculation about where the disgust comes from and why people are so repulsed by markets and certain things. But I honestly don't know, Robb, and I think you would probably know better than I would about the origins of this kind of disgust.

Robb: Okay. Again, I think it's interesting when we start getting some interface between these different disciplines and getting little bit of maybe systems analysis, like we can maybe unpack some of this. But it's interesting, again, like my lane line is theoretically in this kind of health and medicine space and when I've tried to pop my head up and commentate a bit about hey, maybe we have some misaligned incentives here, these markets are really good at allocating resources, and if we can create competition and what have you, then prices, things tend to get cheaper and better. Like we have this kind of Moore's Law effect in so many areas.

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But medicine is interesting in that the medicine that is 100% cash and carry, like Lasiks, over the counter medications, plastic surgery, this stuff over the course of time has gotten cheaper and better and it follows a pretty nice Moore's Law trend which is that observation back in the 60s that microprocessors tended to get faster and cheaper at about every 18 month level, they get twice as fast and half as expensive.

And we don't really see that Moore's Law effect in the medical section that is insurance reimbursed because we have these elements of moral hazard, third party payers and what have you and it's -- I have just been decapitated online for suggesting that, hey, you know, if we had a little bit market signaling in this story that things could be better.

People have suggested rather vigorously that I just want to see old people die in the street which is when you're in health and wellness and trying to help people, that's probably about as far away as you could get from this. But it's interesting people will hold up examples of like the NHS, like the UK healthcare system.

They're a very laudable considerations to it but it's interesting as our overall population get sicker and sicker these costs are growing exponentially. And

recently the NHS said that smokers and those individuals who are significantly overweight will not receive medical treatment for a host of different ailments.

They need to lose weight, they need to quit smoking or else they're just not going to be treated. It wasn't really discussed what is going to happen to those people and my knee jerk reaction is they're going to let old people die in the street. But where does that -- Why is it so hard to have a conversation around this idea that if we remove some moral hazard and -- I even explained why that is. Why is it so hard to have a conversation these days about this?

Peter: Well, I mean, you're asking questions that are relevant to me personally since I'm Canadian. Our Canadian healthcare system is special. The insurance is provided by the government and it's one of like three jurisdictions in three countries in the world that has a system like ours.

Why is it so difficult to have this conversation? I think part of it is an open question like people don't seem to trust that the rest of us are going to open up our wallets and help old people or help others or figure out ways to lower the price of certain goods and services for people who are poor or otherwise can't access those services.

I think for the most part it comes from a good place. I like to think that the people on the other side, people who disagree with me about, for example, healthcare, I would like to see a more market based kind of healthcare system. I think it comes from good intentions. Like they mean to do well. They would like to see somebody else pay for these poor and old people and they want to ensure that most people get healthcare when they need it. Rather than if they're able to pay they want to make sure that these people get it when they need it.

But you've highlighted something important. Actually, two things that I wanted to comment on. One is the rising cost or at least not the declining cost in certain sectors. We can add education to that list. If you look at goods and services like take a car, for example. Cars have become cheaper when you factor in all of the new things that we've added into a car. Just about everything has become cheaper.

You mentioned technology. Technology is dropping in price significantly much faster than a lot of other things. But when you look at the sectors where the price of the good or service has not declined over time, education, healthcare, a few others, you can look at like the incentives within those places and just how much involvement the government has in those sectors. So, you see, the less market competition that you see the less quickly will the price fall over time, at least that's the kind of thing that I've seen over time.

Robb: Absolutely, yeah. I guess, and it's so interesting with opportunities like Khan Academy, telemedicine and whatnot, there are some really interesting innovative options out there that could create competition, that could create these really robust markets and the main impediment right now is just myriad byzantine system of governmental roadblocks to these things.

It is fascinating that a US citizen could do a medical consult with somebody in South Africa or really anywhere around the world.

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There's really no concern around that. But if somebody in the United States wants a telemedicine consult with a physician who is based in the United States, there's some really remarkable hoops and constraints on that whole system and it makes it more difficult for the physicians to make money and to have a kind of lifestyle that might be amenable to them, say, like they're part time parents or something like that and they want to practice medicine but mainly work from home. It makes it really difficult.

And then you have people in the rural areas that may have to drive hours to get even an initial screening for some sort of medical concern and the telemedicine, although things are loosening with it, it's interesting as things do become more and more expensive, somewhere along the line the incentives are being recognized that, okay, we do need to have more access to these things.

But it's very difficult to get folks excited about or talking about that there really is this sense that there's just going to be a ton of people that are missed and abandoned and this is some of my daily process is trying to explore ways of just coaxing people into thinking that there might be an opportunity. One of those things, I guess, is I talk oftentimes about a suggestion that many of these problems could be perhaps in the United States handled on a state-level instead of a federal level.

And then we might have 50 different reaction vessels chugging through this problem with an opportunity to find a solution. What are your thoughts around that? So, like a lot of people get very nervous about completely pulling government out of the story. And I can kind of appreciate that. And so a middle ground that I've thought about in that regard is just more decentralized and more opportunities for experimentation instead of just one aggregated into that kind of federal level.

Peter: I endorse that kind of decentralized approach. Yeah, if we're not going to go ahead and have more robust markets then I think that like 50 experiments in democracy approach is a good one. You want to see what works and it's tough to

know... It's tough to sit down and just kind of figure out the very best healthcare system just from scratch.

If we allow different states, different provinces in Canada to experiment with medicine and with other things then I think we'll be able to learn from the ones that do well and we'll also learn from the failures. And maybe over time we'll be able to improve things.

I want to mention that not only is telemedicine making it possible for people to sort of communicate with one another across government boundaries like across borders and across different states but it's also true that like medical tourism is on the rise. So, a lot of people, as it becomes cheaper to fly to India, for example, or to fly to Poland or elsewhere, people are getting on airplanes and traveling to those places and taking advantage of some pretty good healthcare systems or at least healthcare domains.

My father was a dentist. I was born in Poland. And his clientele came from West Germany. Most of his customers came from West Germany. So, Poland even under communism had a very good dental system and so people would travel. People would travel to Poland to get their teeth fixed. Now, it was also true that it was like 5% of the cost what you would pay in West Germany but people who had the means and the ability to cross borders even into places like communist Poland, they would do that.

So like medical tourism and telemedicine, both of those things are accomplishing through the backdoor what I would like to see us do like here upfront. It would be nice if we had 50 different experiments in democracy, 50 different experiments in medical care. And then we would learn from that and hopefully it would improve things.

Robb: And I guess kind of the irony there is while people are up in arms about who's going to pay this, who's going to pay that, that there is actually this robust and growing market that is occurring anyway, which always seems to happen. If there's some sort of prohibition it always develops black market and that thing typically gets met. So, ironically, these needs are being addressed via market forces regardless of kind of what the sentiment is around that.

Peter: Yeah. And then it's also true that like as we globalize, as we allow more trade, there are certain products that are relevant to health. I'm thinking of blood plasma and plasma protein therapies, for example. The United States allows compensation for blood plasma donors.

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There's only six countries in the world that allow something resembling compensation but the United States is the most open. 70% of the entire world's blood plasma supply is dependent on the United States but those products cross borders.

So, my own country, Canada, is right now in the midst of having a very controversial discussion about whether or not to permit people to be paid for blood plasma donations for purposes of making these plasma protein therapies like albumin, clotting factor, immune globulin and so on.

Now, Canada imports most the overwhelming majority of its plasma protein therapies from the United States just like everywhere in the world does. Now, you have restrictions in certain parts of Canada. Ontario passed a law in 2014 making it illegal to compensate people for blood and blood plasma donations. That was spurred by a private company. Canadian Plasma Resources said that they were going to open up clinics in Ontario because technically the federal law says it's perfectly legal to pay people for blood plasma donations.

So, this private company comes along, announces its intention to open three clinics in Ontario. Ontario, in 2014 passes this law. The company says, "Okay, fine. We'll move to Alberta." In 2017, that's this year, Alberta passed the same law making it illegal. That private company now operates two clinics. One in Saskatchewan, the other one in New Brunswick.

But meanwhile, Canada is importing over 80% of its immune globulin from the United States where people, of course, are paid for their blood plasma donations. So, it's a little bit of hypocrisy but it's an example of how this product and the different systems that we can use to acquire that product, it's going to cross borders anyways. People are going to find ways around it.

Robb: That's a really fascinating example. It's interesting many folks will hold that up as an example and say that's a failure of markets in capitalism. What are they missing in that story?

Peter: Boy. So, I'm in the middle of trying to do my best to keep Canada from continuing this process of banning paid plasma clinics. I simply don't believe that enough people are willing to do it for free. Now, I think enough people have it in them to donate but then the cost of doing it is pretty high. So, unlike a whole blood donation which takes about 15 minutes, donating blood plasma requires about 60 to 90 minutes of your time.

Even if people want to do it for free, sometimes they can't take that time out of their day to do it. So, I mean, compensation just kind of -- It's an additional thing.

Like I want to do this nice thing although the price is too high but if you were to compensate me for that additional price then maybe I would be willing to do it.

And you see that in the US. People do donate that plasma in huge volumes but they don't do it in other countries. And there's some -- I'm using systems too. Italy, for example, says that they don't compensate people for blood donations but you can take a day off work, a paid day off work. Now, I consider that compensation. According to Italy's law, that doesn't count as compensation. That's just--

Germany is, I think, my favorite example. In Germany you kind of get paid for donating blood plasma. You can get, I think, it's like 25 or 30 Euro or Deutsche Mark or whatever it is. And then in their law they just kind of specify that like a payment of \$30 doesn't count as compensation. That's just making up for the cost to you of donating that blood plasma.

I think they change it in accordance with inflation. They're like, here's 30 Euro. That's not payment because the piece of paper, the law says that that's not payment. It's amusing. But the United States, because they have this compensatory system, they're able to provide to meet the need all around the world.

It's under prescribed and there's not enough of these products to go around and, I think, over time, I mean, it's my hope anyways that Canada does not -- Canada should be a net exporter of these products and not a net importer of these products. We're a wealthy and healthy population and there's many parts of the world that really need these products not just to live but also to improve their lives.

Robb: Right, right. And it's interesting that it is, that interface of the government allowing this private company to effectively create a monopoly or to create this kind of prohibition status then prevents greater access, lower prices and exportation story versus an importation story.

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So, it's interesting. That's not really market. That's kind of crony capitalism collusion between business and the government which is just a devilishly ticklish thing to unpack for people like they get very, very prickly about talking about those things.

At the very beginning of your book, you asked a question, are there some things that money should not buy? You've mentioned quite a number of things. Your point would oftentimes make folks fairly squeamish at the thought of buying and

selling these discussions of tissue or organ markets and whatnot and people having much more direct access to making a choice about if they sold a lobe of their liver or one kidney or different things like that to say nothing of blood plasma and what have you.

What are some things that just probably are outside the realm of good taste that we would have a legitimate market in?

Peter: Outside of the realm of good taste but that we would have a legitimate market in?

Robb: Would not. We would actually say, "Yeah, we are going to draw the line here." Yeah.

Peter: Okay. So, the thesis of the book is anything that you may do have be or exchange for free you can do that for money. That's like the central claim of the book. So, you can tell that that first part is really important. So, the question really becomes like what is it permissible, morally permissible for us to do have or exchange for free?

Now, it turns out that there's lots of things. Every time I go and I give a talk and I say, hey, here's the thesis, this is the book, it's called Markets Without Limits, people respond by saying things like, "Oh, well, what about slavery?" And, "Oh, well, what about assassination contracts?" Now, notice that in both of those cases, it's not the market that makes those things wrong.

Markets don't feature as part of the explanation for the wrongness of slavery. The wrongness of slavery is grounded in the illegitimate removal of the autonomy of another human being. So, notice, for example, that it would be wrong for a king or a queen to make a gift of slaves to somebody else.

It would be just as wrong to have a market in those things but it's not because it's a market. It's because we've removed the autonomy of that person. So, it's not the like for sale part in slaves for sale. It's the slaves part that's wrong all on its own. And it's not the for hire part in like murder for hire that makes murder for hire wrong. It's the wrongful killing that makes it wrong.

These things would be just as bad if we share them or if we gave a gift to them. Those are like two examples of things that like we just shouldn't. We shouldn't have slavery, period, and so we can't have markets in those things. We shouldn't have assassination contracts, period, and so we can't have markets in those things.

I mean, there's a long list of things. You shouldn't lie and so you shouldn't lie for money. You shouldn't defraud people. You shouldn't defraud people for money. We shouldn't have nuclear bombs, I guess, and so we shouldn't have nuclear bombs for money. That's a nice list of things that like are wrong in themselves and so we shouldn't do or have them in the first place.

And the crucial question is exactly what does the market in those things add or subtract from our moral calculus? And my claim and my co-author Jason Brennan, our claim is that markets don't add nothing to the moral calculus. There's nothing that markets change about the wrongness or rightness of certain activities. Nothing at all.

Robb: I bet that just gives people fits.

Peter: Well, they're sure that there's something, right? So, for example, they worry about -- Sometimes it's about the outcomes of markets. So, people worry about wrongful exploitation. Sometimes we're concerned about poverty. And some people might make bad decisions for themselves because they're so enticed by the money.

But notice that that's like a contingent feature of the market that could be removed. How much we pay people, we can pay them more or we can pay them less. That can change. But it's not just the mere fact that we're buying and selling something. It's this additional element of like the price might be too high or too low. But we can change that.

So, it's not an in principle objection to markets. That's like a contingent objection to markets. That's about like the outcomes and the consequences of markets and we could change that.

Robb: Fascinating. Man, I bet some of your public presentations get fairly spicy at some places.

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Peter: They sure do, yes.

Robb: We talked a little bit about this idea of where anti market attitudes come from. Again, maybe leaning a little bit on this kind of evolutionary biology framework, it's interesting to me that we spent most of human history in these small hunter gatherer groups and then even within Neolithic times like we had this extended family groups.

All primates have these really powerfully tuned senses of reciprocity and equality and things are really, really important and it appears to be a biologically conserved feature within all primates. There seems to be a tendency towards collectivism that works reasonably well so long as everybody is, in fact, in the same boat. They all have to really rely on each other for survival and for that reciprocity feature.

I'll help you today. You're going to help me tomorrow. It goes on like that. That really gets lost once we start getting into state and nation state size populations. Everything becomes pretty anonymous. If you have a really culturally homogenized group then maybe there's a little more continuity there and I think that this is some of the at least perceived success of, say, like the northern European socialized democracies which are really interesting and that they are very market driven with a welfare state that is supported by that underlying market.

Do you have any thoughts around helping people understand like the scale story of why markets become a necessary signaling feature versus that collectivism? Like if you live in an Amish community where everybody has similar moral and cultural values and you literally are dependent upon one another for survival, there's probably a pretty strong argument for and kind of a case vetting for collectivism.

But then once we expand beyond that and we can move to different states and we can get different jobs and go here and go there and there's kind of an anonymity to life, what do markets and that type of process provide that is no longer existing within that small collectivist kind of existence?

Peter: I think the most important element, and you touched on it a little bit, it's really important that we can have these kinds of exchanges anonymously. That's crucial. Part of the reason why is because there's a certain amount of knowledge that we have. When we have a small tribe we can gossip amongst one another. We can talk about what kinds of resources are available.

And we know that, for example, if there was a fire at the local forest, we know that that forest is gone and so if we're building ships or we're doing something like that, we're going to need to conserve on what because we're aware of the fact that there was this forest fire.

Now, what markets communicate, what they allow us to know without actually knowing this fact is about resources very, very far away from us. Something may have happened in another country. So now we can have access to more resources from all over the world. All we need to do is exchange money or some other kind or barter for it or something like that.

Now, the price might go up or down and those prices communicate what's happening on the other side of the world. Now, when we can't just kind of talk to our neighbors to find out that there was a forest fire over here which communicates to us that we need to conserve on wood, it's the function of those prices to communicate that information to us.

So, if there was a fire at a forest and we're like in another country, for example, we can find out that we need to conserve on wood when the price of wood goes up. And the more access we have to further and further away places the more we can specialize in focusing on one or another particular kind of thing. If we're really good at making wooden things then we can focus on making wooden things and we can get access to food and agriculture from nearby villages or even further away.

And in this way, we can kind of increase our wealth and we can know things about the world without knowing that there was a fire there through the medium of prices.

Robb: That's fantastic. That was exactly what I was kind of digging at. Fantastic. I guess, there's another element of that. I think the term is Dunbar's limit. It's kind of the number of people that we can keep in our mind as far as like social connectivity and whatnot.

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I think that there's benefits and challenges of that Dunbar's number and it's hard for folks to appreciate that we can have information via these markets that are informing and improving our lives even though we are largely ignorant of that whole process but we're just going about our daily lives.

But if there's an opportunity for free information flow then things tend to optimize and this pretty remarkable way, very, very different than a central planning scenario. But at the same time because of that, that Dunbar's number, there is a profound desire on most people's part to try to control and manage and manipulate.

Nassim Taleb talks about this with regards to medical interventions. If you really dig into the medical research one could argue that a huge amount of what we do on a medical intervention side has no scientific basis and oftentimes is more injurious as opposed to less. We would be better off just leaving people alone.

And oddly enough, the clinic that I'm now on the board of directors was borne out of this process. It was all a bunch of orthopedic surgeons that really started

looking at the evidence base medicine research five years, ten years out looking at these back surgeries they were doing and they were kind of like, man, there is no proof that what we're doing is benefiting people at all. And so they developed an interesting triage and risk analysis process where they would use physical therapy and acupuncture and shock rebalancing, just about anything before they would do surgery.

And so they whittled their pool down to people that they really feel like are now pretty demonstratively benefited from that surgical intervention. It's interesting that we do have this really profound desire to try to control the world around us and in that process with control we end up actually breaking a system that works rather well if left alone.

Peter: Yeah. I agree. I have nothing to add to that. I think that's exactly right.

Robb: Well, Professor Jaworski, it's just been a huge pleasure having you on the program. I want to be respectful of your time. Perhaps what we could do is let this episode go out into the wild and then we can circle back around and maybe get some listener questions and get you back on the show and maybe have you answer some questions from the listeners.

Peter: It's a real pleasure for me, Robb. I would love to answer questions from listeners.

Robb: Okay. Fantastic. Remind folks where they can track you down on the interwebs and also your book.

Peter: So, you can Google my name, Peter Jaworski, you can to marketswithoutlimits.com to find the book. Its' also available on Amazon so you can check it out.

Robb: Fantastic. Well, again, thank you so much for coming on the show and looking forward to having you back on and maybe we'll even run across each other in real life.

Peter: Yeah. Me too, Robb. Thanks very much.

Robb: Okay, take care.

Peter: You too. Bye.

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