In “Psychology and Markets,” (*Rationality in Economics*,) Vernon Smith summarized variations in experiments with upside and downside risk from standard economic theory, which is based on the hypothesis that agents have a “self-aware, calculating process of maximization” (157.) While the hypothesis led to the strongest theoretical results, “Tractability is what motivated the hypothesis, not its plausibility” (150.) He clarified that “economic theorists have identified rationality almost entirely as expected utility,” but posed the question “is this the concept of rationality that best explains either behavior or what agents seek and want?” (158.) His intent is clear: “I intend no defense of the standard theory of decision making under risk; quite the opposite” (154.)

Smith’s argument recalls Michael Sandel’s question regarding gift giving whether “the utility-maximizing conception of friendship is morally the most appropriate one” (What Money Can’t Buy, 103; see wk. 3.) Both Smith and Sandel rejected utility maximization as reflecting agent motivation in economic and social relationships, but important differences remain between them.

Though he did not consider morals in markets at length, Smith briefly discussed forms of fairness that “enabled *H. sapiens* to evolve premarket exchange systems to support specialization in small-scale social economies” (162) prior to extended markets; Smith saw evolutionary, ecological forms of fairness in markets. Following Hayek, Smith recognized personal and impersonal exchange as different orders; experiments have shown that agents’ stated beliefs that might influence personal interactions “need not persist or be strong enough to change … myopically self-interested response in impersonal exchange” (165.) Buyers may complain self-servingly about “unfair” price gouging to keep costs down (164.) Critically, Smith cited Kahneman et al. that “the rules of fairness cannot be inferred either from conventional economic principles or from intuition and introspection,” and accepted ideas of fairness can change (166.)

As a communitarian, constructivist approach, fairness was integral to many of Sandel’s arguments. While I resonate with some of Sandel’s concerns about the pervasiveness of markets, in the light of Smith’s results, Sandel’s arguments from fairness may require clarification to bear the theoretical weight he placed on it.

* *This is adapted from a series of one page papers I wrote for an independent study in micro- and macroeconomics; the material included the excellent text* The Economic Way of Thinking *by Heyne, Boettke, and Prychitko, as well as several texts I brought in from communitarian, market anarchy, and experimental economic perspectives.*

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