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THE ETHICS OF MATCHING MECHANISMS
Economists enjoy fighting over whether economics is a *merely descriptive* exercise, or is also *normative*.

- *Merely descriptive*: Addresses questions about how things are.
- *Normative*: Addresses questions about how things should be.
GENERAL NORMATIVE ASSUMPTIONS IN ECONOMICS

• Question: How do we design markets or other policy interventions to make people better off?
  • Answer: Add up each individual’s utility under different states of the world and compare.
Research on matching mechanisms aims to develop mechanisms that satisfy various “good” properties (stability; strategy-proofness).

• Some of these properties are normative.
You’ve been making normative assumptions all along!
THREE SLIGHTLY SMALLER LESSONS

In particular, we’ll focus on the normative assumptions you’ve made about…

• External preferences
• Repugnance
• Fairness
PLAN FOR TODAY

1. Restricting preference domains on normative grounds
2. Repugnance
3. Fairness: Case study of matching mechanisms for asylum seekers
1. To provide a vocabulary for thinking through ethical issues ("repugnance").
2. To appreciate the ethical questions raised by matching mechanisms.
3. To think about how differing ethical commitments lead to differences in mechanism design.
RESTRICTING PREFERENCE DOMAINS
A social choice function is *dictatorial* if:
1. There are three or more outcomes
2. The social choice function is onto and strategy-proof
3. All strict preference orders are possible
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NEW ASSUMPTION 3’

The agent is indifferent between all alternatives where they receive the same thing.
We motivate a new assumption on:
1. Empirical grounds,
2. Mathematical grounds,
3. Or normative grounds.
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NORMATIVE GROUNDS: PERSONAL VS EXTERNAL PREFERENCES

• Personal preferences: Preferences about one’s own life.
• External preferences: Preferences about how other people live.
• Claim: External preferences should be excluded from the domain of the social welfare function.
1. By example: Consider the discriminatory external preference that no Syrian refugees live in one’s neighborhood.
WHY YOU SHOULD BE INDIFFERENT ABOUT WHAT OTHER PEOPLE GET

2. Including external preferences is “double counting.”
3. External preferences interfere with someone’s freedom to live their own life.
SHOULD WE EXCLUDE ALL EXTERNAL PREFERENCES?

• Some preferences about joint outcomes look external.

• Many plausible principles of justice or moral principles look external.
  • Example: Other people should have the same opportunity to develop certain types of capabilities as me.
REPUGNANT MARKETS
DOES PARETO EFFICIENCY TRUMP OTHER NORMATIVE CONSIDERATIONS?

Larry Summers: “There’s a lot that we don’t understand at the borders of philosophy and economics about certain transactions mediated by the market”
“transactions that some people may want to engage in and that are objected to by people who may not themselves experience any direct harm” (Roth 196).
IS REPUGNANCE MORAL?

Compare the following two cases:

• Think of a color that you object to people wearing (say, neon orange). Now, imagine someone wearing that color.
• Think of a market where people where children sell their labor, or a market where people sell live hearts.

What is the difference in your reaction, if any?
AMENDING THE DEFINITION

General Amendments
• Objection on moral grounds.
• Misalignment with moral values.
• Objectors believe that the transaction is harmful to society

Specific Amendments
• Heightens inequality.
In order to reason about whether the judgment of repugnance is correct, we need to explain that judgment.
EXPLANATION #1: COERCION & EXPLOITATION

No citizen should “be wealthy enough to buy another, and none poor enough to be forced to sell himself.” (Rousseau 1762, 34)
COERCION & DOMINATION

• Coercion occurs when someone is forced to take an option that she doesn’t want.
• Domination occurs when someone submits to an unjust arrangement, either against their will or not.
Exploitation occurs when:

1. One party in a transaction is in a much stronger bargaining position than another, and
2. The stronger party uses that position to keep most or all of the gains from the cooperative interaction.

Example: An employer paying an employee a small fraction of the value of her labor.
EXPLANATION 2: DEGRADING A MORAL VALUE

Commodification reduces or destroys the moral value (nature) of the good.

Example: sex; friendship; parenthood.

See Walzer (1983), and Anderson (1993) and Sandel (2012) for further development.
EXPLANATION 3: UNEQUAL STANDING

Some markets reduce the equal standing of people (particularly in their role as citizens in a democracy) that participate in them.

See Satz (2010), especially Chapter 4.
### Table 1. What Makes a Market Noxious?

<table>
<thead>
<tr>
<th>Source: Weak Agency</th>
<th>Source: Vulnerability</th>
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<tbody>
<tr>
<td>Inadequate information about the nature of and/or consequences of a market; others enter the market on one’s behalf</td>
<td>Markets in a desperately needed good with limited suppliers; markets with origins in poverty and destitution; markets whose participants have very unequal needs for goods being exchanged</td>
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<tr>
<th>Outcome: Extreme harms for individual</th>
<th>Outcome: Extreme harms for society</th>
</tr>
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<tr>
<td>Produces destitution; produces harm to the basic welfare and/or agency interests of the individual</td>
<td>Promotes servility and dependence; undermines democratic governance; undermines other regarding motivations</td>
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Figure taken from Satz (2010).
FROM REPUGNANCE TO BANNING THE SALE OF CERTAIN GOODS

In order to move from judgments of repugnance to banning the sale of a good, we need to consider:

1. The underlying explanation of the repugnance, and whether the values in the explanation are better promoted by banning vs regulating a market, and
2. Moral tradeoffs with other values.
Question: Should states be allowed to pay other states to process applications and provide protection elsewhere?
(Relevant good=services that asylum seekers have a right to: Processing; housing and protection; integration; etc.)
A BROKEN SYSTEM

The asylum system “fails to afford adequate protection to the enormous and growing number” of asylum-seekers (Schuck 1997, 247).
TWO PROBLEMS

1. Political will to accept asylum seekers is small.

2. Asylum seekers, both *bona* and *male fide*, prefer more prosperous countries.
REPUGNANCE

• Applying Satz: Is this a repugnant market?
  • Is an unequal standing of some people reflected or increased via increased harm, vulnerability, or weak agency?

• Could commodification increase the equal standing of asylum seekers?

See Himmelreich (2017) for an argument in favor of commodified asylum markets.
MATCHING MECHANISMS FOR ASYLUM SEEKERS
2015 European Commission proposal for asylum seeker allocation between member states:

• “[I]n order to decide which specific Member State should be the Member State of relocation, specific account should be given to the specific qualifications and characteristics of the applicants concerned, such as their language skills and other individual indications based on demonstrated family, cultural or social ties which could facilitate their integration into the Member State of relocation.” (“Regulation of the European Parliament and of the Council establishing a crisis relocation mechanism…”)
From 2011 to 2014, the number of asylum seekers tripled to 1.7 million.

2015: 2.5 million (48% increase).

The above leaves out the four million or so Syrian refugees in Jordan, Turkey, Lebanon, etc.
EU CONTEXT: 2015 & 2016

- 2015: 1.32 million people applied for asylum
- 2016: 1.26 million people applied for asylum.
  - 745,155 people applied for asylum in Germany.
  - 122,960 applied in Italy.
  - 84,270 applied in France.

EU: FIRST TIME APPLICANTS

“Syrians, Nigerians and Afghans were the top 3 citizenships of asylum seekers, lodging 21,100, 9,800 and 9,700 applications respectively.” (EU Asylum Quarterly Report, second quarter 2017)
BIG PICTURE QUESTION

How can refugees be fairly matched with hosts?

• Two sub-questions:
  • Which properties of mechanism design that you’re discussed in class are plausible candidates for fairness?
  • What considerations of fairness do existing models leave out?
Guiding idea behind many definitions of fairness: A fair procedure or outcome is one that participants would agree to without knowing which position they occupy.

See Rawls’ *A Theory of Justice*. 
PROCEDURAL VS OUTCOME FAIRNESS

• *Procedural fairness*: A fair procedure is one that participants would agree to without knowing which position they occupy.

• *Outcome fairness*: A fair outcome is one that participants would agree to without knowing which position they occupy.
FAIRNESS

• Stability
• Strategy-proofness
• [We won’t discuss Pareto efficiency]
STABILITY

• Stable outcomes are ones where there is no blocking pair.

• Stability and fairness:
  • A reduction in inefficiency/“social waste.”
  • The outcome doesn’t favor anyone’s preferences over another person’s.
STABILITY AND ENVY-FREENESS

- Strong envy-free (equity): No individual prefers another’s allocation.
  - Stability doesn’t imply strong envy-free.
- Justified envy-free #1: No individual’s most preferred available item was allocated to another individual.
  - Some stable markets will be JEF.
- Justified envy-free #2 (school choice): An individual prefers school X to her assigned school and is higher priority than another individual who is assigned to X.

The claim that a stable matching in the school-choice case eliminates justified envy goes back at least to Abdulkadiroğlu and Sönmez (2003).
ENVY-FREENESS AS STABILITY

• Is Justified Envy-Free #2 too weak a definition?
  • Consider a housing market problem where David owns the largest and most expensive house due to intergenerational wealth transfers.
  • Don’t the individuals who started out with the least expensive houses have a justified complaint?
STRATEGY PROOF-NESS

• A mechanism is strategy-proof if there is no incentive for agents to report false preferences.
• Strategy-proofness as fairness: No agents can game the system.
  • Outcome or procedural notion of fairness?
OTHER CONSIDERATIONS OF FAIRNESS

Stability and strategy-proofness may be necessary for procedural and outcome fairness, but are they sufficient?
• Equality of opportunity: Everyone should have a roughly equal chance to occupy scarce and advantageous positions in society.
• Say that poorer parent’s preferences over various school options are strongly influenced by the proximity of the school, whereas wealthier parents’ preferences are strongly influenced by the quality of the school. Say as well that better schools are located in wealthier areas.

• Assume that student-proposing DA is used and that poorer students end up in closer, worse schools, and wealthier students end up in better schools. Is this fair?
The EU has come to you and asked you to design a fair mechanism to match asylum seekers with EU host countries.
What design problem is asylum seeker allocation best modeled as (and what associated allocation mechanism should be used)?

Are some asylum seekers higher priority than others?

Should member states be allowed to have preferences over types of asylum seekers?

“Asylum seekers who have higher employability, have more consistent asylum testimonies and severe vulnerabilities, and are Christian rather than Muslim received the greatest public support.” (Bansak, Hainmueller, and Hangartner 2016)

Do you want to maximize the number of matches? How does that interact with respecting citizens’ preferences?
REFERENCES