

U8216 Microeconomics and Policy Analysis  
Fall 2000  
Group Project 3

Some things can be bought and sold legally; other things cannot. Wigs made of human hair are marketable, but livers, kidneys, and hearts are not. People can sell labor, and make cigars with saliva, and get paid to lick stamps and seal envelopes. But they cannot enter into short-term contracts for sex, or long-term contracts for labor. They can risk their lives for a price as trapeze artists or coal miners, but since the Civil War have been unable to buy themselves out of compulsory military service.

The Baby M case raised the question of whether surrogate-motherhood transactions should be permitted. More fundamental is the question of whether outright sales of babies should be permitted. Adoption fees for healthy infants are now in the \$10,000 to \$20,000 range, but they are not treated as purchases; the money goes for legal fees and some of the mother's documented expenses. Many people pay these fees; many more are apparently willing to do so, but are constrained by the availability of infants.

The sale of organs (other than blood) raises similar questions. Congress prohibited these sales several years ago. The current system of procuring and distributing organs does not seem to be working well. About one-fourth of the individuals needing heart transplants, for example, will die before a donor heart is located for them. On the other hand, less than a fourth of potential donors become actual donors. Fewer than 4000 organs were available for transplantation even though there were 16,000–20,000 accident or trauma-related deaths. In addition, many transplants fail earlier than they would otherwise because the tissue in the new organ is not a close enough match to the recipient's own tissue.

Both surrogate motherhood and organ transplants also raise questions about timing, enforcement, and renegeing. Donors sometimes agree to post-mortem donations, but after they die their families feel differently. Who owns the organs? Similarly, the way surrogate-motherhood litigation seems to be evolving is for courts to look the other way on "gestational service" contracts, but refuse to enforce contracts that deprive mothers ex ante of the right to decide whether to keep a baby after its birth.

These are important issues for the Ramapough nation. Having finally won recognition by Congress after having been turned down several times, the Ramapoughs are considering establishing a market of some sort in surrogate-motherhood contracts or organs or blood or all three on their newly-recognized reservation in the hills above Mahwah, New Jersey. A large donation from Donald Trump allowed them to study their heritage more closely and discover that their religion prohibited gambling, and so they are considering other ideas for the reservation. The Ramapoughs have asked you to analyze the issues and make recommendations about what they should do.

You should consider some or all of the following questions: What are the advantages of markets for these items? Are people deprived of rights that they should have by market prohibitions? If completely free markets for some of these things are not desirable, are there

ways to regulate these markets? For instance, should there be a maximum age limitation on babies who can be sold? Should there be limitations on who can buy? Should a futures market be permitted? What should happen to people who violate contracts? What reasons are there for prohibiting markets? Are these reasons also reasons for doing things by compulsion instead of voluntarily? What would be the effect of markets on such things as abortions and education?

Please bear in mind that the fact that only desperate people use fire escapes is not an argument for banning fire escapes.

Your job is to convince us, a group of well-meaning Ramapoughs, to support your recommendations. Assume we are not fools, and have a propensity for asking difficult, even obnoxious questions. Your presentation therefore should anticipate as many objections to your proposal as possible, state them honestly, and answer them. You should plan to talk for about 20 minutes, after which there will be questions. Use cartoons, dance, or drama if you feel they would help you; don't feel bad about planting somebody in the audience either, or using other tricks, if you think that's the best way to go.

You should also provide the Ramapough leaders with a draft of a press release you want them to issue.

PUAF 8216 Microeconomics Section 3  
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Group Project 3 Members



**David Garten**

Orlando, FL

Social Work  
Ferrum College

Case manager  
Orlando, FL

*School of Social Work*  
dpg14@columbia.edu

*The Empire Strikes Back*



**Daniele Schiffman**

New York, NY

Political Science  
University of Chicago

Think tank researcher  
Washington, DC

*MPA 1*  
dms248@columbia.edu

*The Usual Suspects*



**Christopher McGowan**

Woodbridge, NJ

Environmental Engineering  
US Military Academy

US Army Engineering  
Officer

*MPA 1*  
luke4erin2@aol.com

*Star Wars*



**Zeyu Xu**

Suzhou, CHINA

Linguistics

University student  
Shanghai, CHINA

*Teachers College*  
zymxu@yahoo.com



**Shinichi Murota**

Fukuoka, JAPAN

Philosophy  
University of Tokyo

City official  
Kyoto, JAPAN

*MPA 1*  
sm1170@columbia.edu

*Cube*



**Yumiko Yamamoto**

JAPAN

American Literature

Bank officer  
Tokyo, JAPAN

*MPA 2*  
yy136@columbia.edu

*Besieged; Betty Blue*