

Jain, S. K. “Market, Democracy, and Diversity of Individual Preferences and Values”

(Abstract)

In the contemporary world, market mechanism is the dominant economic institution and democracy the dominant political institution. This paper looks at these two institutions from the perspective of cultural and ethnic diversity.

A characteristic feature of the modern economy is the existence of large scale negative externalities. It is argued that when there is diversity of individuals involving non-pecuniary values then market may not work well along the lines of the Coasean analysis.

One important feature of democracy is the use of the method of majority decision (MMD). It is well known that if there is too much diversity of individual preferences then the MMD may lead to the problem of cyclical preferences. The normative significance of the decisions arrived at by the MMD, however, depends on the nature of individual rationality and societal diversity.