A paper presented at the 2004 PRRES conference.

The Contemporary Ethics of Property Price: conclusions from the history of moral thought on property & price.

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Abstract:

Recent debate on dummy auction bidding tends to be grounded in ethical terms. This paper surveys the various moral theories that have been applied to pricing and property in the Western tradition as well as insights from non-Western cultures.

Property price is linked to both the institution of property and concepts of ethical commerce. In this way ethical pricing stands at the midpoint of two central economic institutions. Acceptable price is found vary culturally, as well as theoretically. Some theorists tend to be offering as much a defence of their culture's behaviour as a freestanding defensible argument. It is possible that some cultures live more in harmony with their ethical positions than others, giving their apologetic theoreticians a considerably easier task.

Conclusions from this study go beyond domestic issues of auction pricing to include suggestion that international property may fall foul of cultural difference if the latter is not taken into account when considering price and terms of transfer. Suggestions are also made regarding possible implications from ethical pricing for the globalisation process.

Keywords:

Ethical pricing; property institutions; moral commerce; just price; property theory; history of property; history of commerce

Introduction

Property auctions have been commended as the most perfect practical instance of the free market in operation. Vendors and purchasers meet to directly determine price without compulsion. While purchasers are prompted purely by competition from their peers, sometimes vendors stimulate this competition by using agents who make bids also. These bids, commonly referred to as dummy bids[1], or vendor bids, are not intended to win the sale but only to goad purchasers into actively bidding up the price to somewhere near to what the purchasers consider reasonable. It has the attraction of preventing sales from occurring at unreasonably low prices, at least in the eyes of the vendor. The practice is generally covert and generally carries a negative ethical stigma. The

[1] A dummy bid is a bid made by an agent of the vendor to convey the appearance of competition in order to encourage genuine bidder to make higher bids. Dummy bids are only a necessity where a paucity of genuine demand means that there is not sufficient competition to push prices up to the limit genuine purchasers may be prepared to pay for the property.

practice weakens the purchasers' prospects of getting a bargain and by its very nature is a dishonesty, since a bid is an expression of willingness to buy at a particular price and vendors cannot buy what is already theirs. Supporters of dummy bidding refine their defence of the practice by arguing that it is only used to raise bids to the reserve price, and since bids below the reserve price do not lead to a sale then the charge of dishonesty is averted. This raises questions regarding the appropriateness of the reserve price as a justified price that become difficult to resolve. For the purposes of this paper, dummy bidding will refer to any bids made by the vendor, or the vendor's agents, that appear to be genuine bids in a property auction. In some cases the significance of their relationship to the reserve price will be considered.

Dummy auction bidding has attracted some debate in recent times with the reality of the behaviour sitting uncomfortably with public perception of fair play. Those opposed to the practice consider it to be a mechanism for feigning stronger demand than actually exists, and hence distorting the market, while supporters note that it is a high risk method of merely exposing bidder's real estimate of the worth of properties in the absence of effective competition.

This paper will examine the ethical validity of the practice from the perspective various moral systems in order to better understand the weight of the various ethical perspectives. In doing so it will also examine other issues pertaining to the relationship between ethics, price and value.

Auctions and Morality

Roman law considered that *willing parties to a contract could not be harmed*, a principle that has continued within the European legal tradition as one principle amongst the many that must be weighed in questions of fair pricing (Langholm 1992). During the medieval period additional principles were added to the public understanding of fair pricing to develop an approach to pricing that became known as the just price principle. These fell out of use with the transition into modernity, however they still provide a useful approach for resolving problems that modernity finds difficult to treat effectively. In the case of auction bidding, bidders are under no compulsion to bid, and the application of the Roman principle would appear to suggest dummy bidding has no effect on the bidder's freedom and hence the bidder cannot claim to be harmed. This runs counter to the popular opinion of purchasers who consider that they are harmed as a result of being coerced into paying higher prices for property than they otherwise would have done.

The question of harm, or even the terms of the debate, indicate that this is a moral problem. Moral issues are those that are discussed in terms such as right and wrong, should or should not, just or unjust, or good and bad. Classically, a moral is *a principle for appropriate relations between intelligent beings.* Humans tend to spend a great deal of time discussing morals and have developed a number of systems for understanding them. There has been a long debate between economists and moral philosophers regarding whether economics is a branch of moral philosophy or not. Until the end of the nineteenth century economics was recognised to be a moral science, but Alfred Marshall claimed that a purely amoral positive science would better serve the moral ends envisioned for economic enquiry and since then the two sciences have tended to move apart (Marshall 1920/1938). This has made possible a great deal of economic enquiry that may not have been otherwise possible, but Small (2000) demonstrated that the connection between economics and morals is still fundamental. Pricing is one area where debate, especially at the popular level, is often couched in moral terms. To resolve this debate people look partly to economists to provide insights into the was various ways price affects the community but this does not mean that economic theory necessarily provides appropriate conclusions, since economics is no longer practiced as a moral science.

The Market as Ethical Grounding for Price

The current approach to economics places great reliance on the market to solve pricing problems. It could be argued that dummy bidding weakens the buyer's position by creating the illusion that there are more purchasers than actually exist. Conversely, the absence of sufficient buyers could be viewed as a market defect that dummy bids corrects. These arguments imply that not all market situations return acceptable prices and further that there is some price outcome that is desirable and that will be provided by a market operating in particular way. Adam Smith (1778/1910) claimed that the community prospered optimally under a free market where every market participant was permitted to pursue no more than self interest. The optimum material outcome for the community is a substantial good, and this approach provides a moral argument for liberal self-interested commercial action. Later theorists have further developed the requirements for an effective market. There are two species of market, the efficient market that provides the optimal community outcome as opposed to the inefficient market that is more common in practice. VonKettler (1981) concluded that only efficient markets could be moral. Economic theory and the current popularity of market solutions for various economic problems are based on this conclusion.

An efficient market is one in which several conditions are satisfied. These include a plurality of buyers and sellers, all of whom have perfect knowledge and mobility and a product that is desired but not needed. The practical effect of an efficient market is that economic rents will be eliminated and price will find equilibrium at the normal cost of production. Market imperfections, such as monopolies, have the effect of producing prices that include economic rents and the community is usually keen to find ways to minimise them. Several strategies exist, including fostering competition and direct political intervention.

Applying market theory to property auctions tends to support dummy bidding. An insufficiency of buyers is a market defect that could produce an economic rent in favour of the purchaser. Given that the introduction of competition is a common strategy for correcting these situations, then dummy bidding could be renamed *synthetic competition* and promoted as a way of making the market truly competitive.

However, closer inspection of this particular market reveals that it is very difficult to claim that economic rents will be eliminated with a greater number of buyers. This is because real property contains a large proportion of land and land by nature has no normal cost of production. Whatever cost of production may be associated with the provision of an undeveloped land site (say adjacent road works or site re-grading), is actually the departure of the apparent land site from the essential land factor– vacant sites are actually products and not purely the factor of production known as land. This means that for the purpose of moral pricing, the market cannot ever return an ethical price in the same way that it can for a product such as wheat or beer. This problem has been known to classical economists for some time. William Petty (d.1687) addressed it when he enquired into the pricing of land (Roll 1942) and it was best treated by David Ricardo. The fact that land property is commonly traded in a market that appears similar to other markets does not mean that these markets are capable of the same underlying moral objective.

Ricardo (1817/1973) with in his law of rent that claimed that land rent may be computed differentially as equal to the difference between the productivity of respective sites. Land prices capitalised from rents following Ricardo's law would likewise be distributed relatively following the fundamental causal factor of productivity Ricardo's law of rent assumes a market that has similar characteristics to an efficient market, but prices particular land assets relative to alternatives, rather than to costs of production.

If prices are set relative to other properties, and demand is weak, then it would appear to be unfair to artificially produce synthetic demand through dummy bidding. Assuming that there will be similar demand for these alternate properties, a bidder could argue that dummy bidding is a distortion that prevents the otherwise bargain price that would obtain from a similar auction for a similar alternate property not blighted by dummy bids. Unfortunately this argument reduces to the appeal to reject dummy bids on the basis that other similar auctions may not include them. To this the vendor could quite reasonably reply that dummy bids could be expected in other similar auctions as well. At this level Ricardo does not resolve the problem.

Another aspect of Ricardo's theory of rent is that it refocuses attention onto rental potential rather than market behaviour as the cause of property price. This is in accordance with experimental results that have shown that in an efficient market, rental potential causes land price, not the reverse (Small and Oluwoye 1999). If land price is a function of rental income, and rental income may be objectively estimated, then value will follow, not as a market artefact, but as an underlying reality that market price either manifests or ignores. This approach is consistent with common practice as evidenced in the capitalisation approach to valuation and is a particular expression of the financial definition of value as the *present value of future returns* (Wilson and Keers 1990). Supporters of dummy bidding could argue that weak demand for property makes it possible for property prices to fall below this underlying fundamental value and therefore needs some correcting mechanism.

Cycles

There is ample evidence that rents do not follow the same patterns of fluctuation that are found in property prices[2]. This causes yields to fluctuate. The difficulty here is the notion of an underlying *right* price, which depends on an objective estimate of rents and a knowable yield. If yields fluctuate, then weak demand at an auction may be indication that prices are in a correction phase and that a higher yield is appropriate than that anticipated by the vendor.

[2] (Watson 1995; Clayton 1996) are two examples of studies that have found that rents and property prices follow cycles of different shape and phase.

This would be an argument against dummy bidding. It suggests that prices for property fluctuate, and weak demand is a signal for a natural downward turn.

The argument from a belief in an underlying correct value suffers an additional practical problem. At least in the Sydney residential market, auctions become popular during market upswings but often tend to return weak results as the market nears the top of the cycle. At the top of the cycle yields are generally very low, often supported only by the bullishness of the market itself. To artificially support prices in this environment by the use of dummy bids would appear to be an attempt to sustain the unsustainable, under these circumstances dummy bidding could be viewed as an attempt to unload vendors of properties at unsustainable price levels at the expense of the buyers.

Insert Exhibit 1 here

There may be an argument for dummy bidding in the low phase of the cycle on the basis that the auction process will return a price below the fundamental value, but this turns on the related questions of both the true yield, hence price, and why vendors should be supported in times when the market is against them while exploiting excessive demand during the boom phase. If it is ethical to support prices using dummy bids in depressed markets in order to push prices back up to some more appropriate price, then it would also be ethical to restrain prices in overheated markets. Quite simply, if the auction is a valid sale mechanism in some parts of the cycle, then it should not be tampered with in other parts of the cycle. Perhaps the need for symmetry of opportunity for market imperfection is the strongest argument against dummy bidding encountered so far.

Ethics Markets & Prices

The difference between sale price and investment value that underlies the foregoing discussion raises further issues relating to the question of whether it is the market form, or some level of price, that determines whether a transaction is made at the appropriate price. If it is a market form, then either an auction is, or is not, an ethical market form and the prices that come from it are irrelevant. If the market form is validated by that form’s ability to reliably achieve some knowable level of price, then the market form is justified by its ability to return appropriate prices. It has been suggested that it is the minimisation of economic rents that is the justification of the free market, that is, particular price outcomes justify market forms, and not the reverse.

Arguing for, or against, dummy bidding on the basis of cyclical aberrations in price from their underlying relationship to investment value implies further that the true, proper, or ethical price for property is related to this underlying investment value. This means that the marketplace, whether auction or otherwise, is only useful in returning valid prices when the prices fulfil an external condition. It is consistent with the position that the market is not a reliable mechanism for ensuring *proper* prices. This is not surprising since it has been established that it is only when the market is perfect that it is ethical.

The preponderance of imperfect market experience has made it difficult to fully appreciate the form and mechanics of a perfect market, or even to critique the moral efficacy of the efficient market. O'Neill (1998) reviewed a range of ethical defences for the market and found that in every case the market either failed, or returned indeterminate ethical outcome. Simply put, the market is not the moral force that Adam Smith claimed through his famous invisible hand doctrine. This conclusion is echoed in the introduction to the Everyman edition of Smith's Wealth of Nations where the editor noted that it was unlikely that Smith himself believed in the validity of his invisible hand doctrine and possibly used it as something akin to a satire[3]. Samuelson (1975) introduced the market by observing that economists adopt the perfect market as the foundation for their science but use supply and demand functions that are known to only operate in imperfect market situations. He pointed out that under the strict conditions for a perfect market both demand and supply would collapse to the normal average cost of supply curve, but then proceeded to adopt the more familiar functions for the rest of his text. Jones (1976) demonstrated that the theory that is adopted to explain the supply function did not operate in practice, but then concluded his work with an appeal to adopt it anyway, while Boland (1992) was more comfortable to merely lay out the internal inconsistencies in market economic theory. None of these authors are against the market economy, but they all demonstrate that theoretically it has major problems, especially when it is used as an ethical defence of commercial behaviour. Frey and Pommerehne (1993) investigated community approval of market pricing and found that there was an overall rejection of market mechanisms to use price for such things as rationing of scarce goods.

VonKettler's moral approval of perfect markets is therefore important in the consideration of ethical pricing. It has been shown that the absence of economic rent is an indication of perfect market behaviour, and economic rent can been defined objectively as the difference between price and the normal cost of production of a thing. The normal cost of production of commodities is sometimes argued to be unknowable, however this would imply that financial managers cannot do their job. The profit and loss statement includes a summary of costs and financial managers usually use it to prepare budgets towards target profit levels. Any accountant is able to compute the price at the estimated level of sales that would result in normal levels of profit for the firm. This would be the price level at which a perfect market would find equilibrium. Despite this price being objectively quantifiable at the level of the firm, the practical persistence of economic rents has given rise to a relativistic definition that replaces the objective one. Economic rents are now commonly defined as the difference in income resulting from the application of a resource compared to its next most profitable, penultimate, application. This definition is useful in a consistently imperfect market since the penultimate use of a resource is often observable. It also dovetails well with Ricardo.

[3] As an empiricist and heavily aligned with Hume's anti-metaphysical philosophy, the very suggestion of an invisible ordering principle in human relations ran counter to Smith's fundamental method. Although it has been adopted as a central metaphor by many economists it runs so counter to Smith's moral thought that it is only intelligible in this interpretation.

The relativistic definition of economic rent is valid only when the penultimate use of a resource returns only normal profit levels. Clearly if the penultimate use also contains objective economic rent[4], then its contribution to the actual economic rent involved is lost to view. The relativistic definition therefore acts to make at least part of the economic rent invisible. If economic rent is a measure of the impropriety of a price, then defining it relatively disguises the level of impropriety.

If most prices contain objective economic rent, which is the conclusion induced from the popularity of its relativistic definition, then dummy bidding is no more than a strategy by some vendors in some circumstances to gain more. If economic rent is ethically acceptable in some circumstances, then it is difficult to sanction it in others. Dummy bidding is as ethical as other strategies for economic rent maximisation, and these include many of the techniques of marketing and financial management at the level of the firm[5]. In this light, dummy bidding is ethically consistent with much of our contemporary commercial life.

So many of the arguments from economic theory appear to support dummy bidding that strategies for fostering market inefficiency begin to appear reasonable. This line of thought could be pursued to the conclusion that anti-trust legislation, anti-monopoly policies and even consumer protection laws are all misdirected. That conclusion is consistent with the majority of classical economists who followed Smith in arguing for minimum external intervention in market operation. Although there is a rising cohort of liberal market apologists who would be comfortable with this position, generally community sentiment is otherwise, as evidenced by the persistence and growth of these policies. The difficulty is that our culture and its economic theory have considerable difficulty articulating a cohesive argument against economic rent taking.

Other cultures do not feel as comfortable with this outcome. Nowhere is this more evident than in the case of real property where few non-Western cultures abide commerce in land. Through an array of different cultural traditions virtually all customary people proscribe trade in land. Likewise, rent taking by one person in a customary community against another is considered hideous, especially through land rights. Western culture itself has experienced a major turn about on this issue. Modern commerce, beginning approximately in the sixteenth century was a reversal of many of the commercial mores of the previous era. Absolute property in land and its widespread commerce were virtually unknown in the centuries before 1500AD and price setting before that date was seen as a moral obligation rather than a natural market process. To explore the question of appropriate price in the present, it is useful to revisit the way that property was owned and commodities priced in pre-modern Europe.

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[4] That is, there is market inefficiency associated with the penultimate use. This is because in order to achieve an efficient market at the highest and best application of the factor it is not sufficient to merely raise market efficiency in that application to the level of that encountered in penultimate use, since the returns from the latter are also affected by the distortions of an inefficient market.

[5] The emphasis on branding and its exploitation can be interpreted as a method of creating an artificial monopoly. Likewise, techniques such as cost control and credit provision are financial management techniques aimed at either reducing costs or increasing revenues – both ultimately aimed at increasing economic rent collection by the firm.

Just Price

Pre-modern Europe openly acknowledged that price was a moral issue and that practical market places were always prone to power imbalances between the parties. Under these circumstances it was a moral obligation for the person with the greater economic power in a commercial relationship to voluntarily will not to use that power to exploit the other in a contract. While the greater economic power could be in the hands of either the vendor or purchaser, it is more common for the vendor to have the upper hand, so this discussion will adopt that perspective, though it works equally well for the reverse case.

It is one thing to accept that one should not overcharge, but another thing to specify what a fair price is. The fair price was known as the just price, implying its moral pedigree. Moral action is always free and willed. Usually, when a difficult moral decision is to be made it involves choosing against a course of action that would have greater personal attractiveness in favour of the moral alternative. In the past, a person who regularly exercises the self-restraint implicit in moral action was considered to be the more civilised, and in some systems of thought, more human, hence an immoral person is still sometimes referred to as a *beast*, or guilty of *inhuman* behaviour. This understanding of moral action is well suited to the pricing problem, although the person holding greater market power may be able to command the more attractive deal, that person is also able to choose not to exploit the opportunity. Just price is the principle of freely willing a reasonable price, that is one without economic rent, even though one has the power in the market place to negotiate a more self-beneficial outcome.

The difference between a just price market place and a modern one is that in the former commercial actors freely choose the common good by accepting prices that do not contain economic rents, even though they have the power to obtain better, while in the latter, the force of competition is hoped to return the same positive outcome. In the former it is the socialisation of the commercial actor that leads to a free personal choice, while in the latter the commercial actor intends exploiting the situation but is prevented by external factors of the market, mainly competition. It is an old question in philosophy whether the moral actor is free in willing the good, or un-free in being aware of the expectations of moral action, but it is certainly evident that the person forced by market pressure to accept a lean price is not free, even though not restrained by moral scruple. It is also evident that in a society where market actors are directed by generally accepted moral principles of pricing, the pricing outcome will be closer to the goal of minimised economic rents, than in one that relies on perfect market competition since the real world is particularly miserly in the provision of that market form.

While the Achilles' heel of modern market is its expectation of perfect competition, the just price approach only operates in when a society is largely agreed as to the importance of the just price ethic. The reality has been that while most people appreciate its merit, too many fall prey to the easy income that follows from ignoring it when the opportunity arises. Historically this is exactly what happened during the fifteenth century leading to various strategies for its abandonment in the sixteenth.

The estimation of the value of the just price is also an issue. While many stable businesses can cost its activities with fair precision, many cannot. Also, within a single industry there can be different technologies, scales of production, or other differences that would mean that each producer would set a different just price. When just price flourished many of these problems did not exist. Most businesses were of similar size and technology was shared. Today, the economic world is too complex and too distant from the virtues of solidarity to countenance a just price approach. Auctions do not fit into the just price approach to pricing very well at all. In a market place where buyers and sellers are aware of the just price of a thing, bidders would be morally bound to bid no less than that price and sellers would be morally bound not to accept bids above it – not a very exciting spectacle. Perhaps the just price doctrine could be engaged to argue that dummy bidding up to the reserve is licit, assuming the reserve is just and purchasers would otherwise abuse their market power in taking the property for a lower price. However, it would then be equally arguable that the vendors had no right to accept bids over that price.

The just price doctrine creates a further complication when applied to land property. Since all of land value is economic rent, a just price becomes problematic. To the extent that land is usually resold and it is notionally unchanged in use, then a fair expectation could be that it should sell for the same price as it was purchased for, as it is the same property. This would justify charging that original purchase price, perhaps inflated by changes in the value of money, but no more. This was not an issue at the time when just price was being practiced as land tended not to be traded and it usually had attached feudal obligations that negated its investment value. Applied to property auctions this would infer that dummy bidding could be licit up to a price that represented the purchase price inflated by some appropriate growth rate.

One of the curiosities of the just price approach is that it results in conclusions that are very similar to other approaches to the problem. It was earlier concluded that dummy bidding might be justifiable in the depressed part of the property cycle, but not in the high section. This conclusion can also follow from the just price approach. Moreover, it would suggest that vendors have no right to expect prices above those implied by the investment fundamental of the property. This could lead to an ethical challenge of the auction system itself.

A final consideration can be taken from the just price approach. St. Thomas Aquinas who was one of the best classical authors on just price concluded that price should not be influenced by the circumstances of the purchaser, as they constituted something that was already the possession of the purchaser and you cannot licitly sell something to a buyer that the buyer already owns (Aquinas 1981). St. Thomas concluded that price could be the greater of either the value of a thing itself, or its value to the vendor. In the case of land, the value to the vendor is the capitalised rental value. Any strategy that returns the just price without compromising the freedom of the purchaser is therefore probably licit. The capitalised value of the rental return tempts other principles that made up the pre-modern economic ethic, especially the usury doctrine and the notion of property itself. Usury can be best understood as economic rent, though it was more frequently discussed with respect to interest on money loans, since it was argued that pure interest is also purely economic rent. Pre-modern property theory upheld private property but only when combined with common use. In practice at the time this was largely accommodated through the feudal system with its complex obligations attached to property. The net impact of these was that the private rental value of land was considerably mitigated by obligations to others in the community. This would mean in modern terms that the net capitalised rental value was considerably less than it appeared.

The net effect of this aspect of just price would be to recognise the value to the vendor as the just price, but also that the private investment value of land was rather limited.

Current cultural realities

There does appear to be lingering sense of the just price notion, but generally our culture assumes that property is absolute and the vendor is justified in expecting the highest price achievable. Notions of common use have little conscious impact on our culture, though they implicitly animate planning and environmental policy. The tradition of property ownership being associated with success and security, especially as an absolute private right, is deeply ingrained in our culture. There is also a broadly held belief that since everyone has the opportunity to own property, and the majority of people in Australia own at least some, then everyone benefits, or has the potential to benefit from rising markets. For most people, property ownership is taken as a vehicle for earning the pure economic rent that follows from market growth and that strategy is universally accepted. To some extent this means that property markets exist to return monopoly-like rents to owners and it has been recognised at least since Adam Smith observed that land behaves as a monopoly.

Given the generally negative public perception of monopolies this creates an anomaly. Property pricing will always contain flaws due to its monopoly nature, though the existence of a large market of buyers and sellers its defects are obscured. Then the market thins, as is the case when dummy bidding is necessary, these shortcomings become more apparent. Consequently, much of the complexity of the debate over dummy bidding can be traced ultimately to a community-approved property institution that offends deeply felt notions of justice. So long as the argument is based on what is community approved, the conclusion will tend to favour dummy bidding, despite the lingering intuition that it is immoral.

Conclusion

Dummy bidding definitely arouses polarised views of what is ethical in property sales with most people holding strong opinions despite seldom exploring the issues systematically. There is much that can be learned about the acceptability of the practice from investigation of property and pricing theory that should more reliably inform conclusions.

Despite the initial inclination to condemn dummy bidding as unethical, many lines of ethical thought lead to its acceptance. Dummy bidding synthesises demand in a market environment that is demand deficient, so it could be argued that it actually improves market efficiency. Many other lines of argument lead to similar conclusions. Conversely, popular opinion is definitely against the practice, and this position implies that demand should not be exploited even though it is one parameter of the market process. Popular rejection of demand as a basis for price has also been shown empirically.

It has been shown that the tendency towards dummy bidding is likely to be related to the property cycle, where there would appear to be circumstances where the practice may be reasonable. Conversely, it could be observed that if some parts of the property cycle could justify enhancing demand, there are also parts of the cycle where supply should be enhanced. Since there is an asymmetry in market interference if demand is the only market parameter tampered with, thereby giving enhanced power to one party in the market, it may be concluded that this is sufficient reason to reject the practice.

Property markets, especially to the extent that they relate to land, can be shown to demonstrate a fundamental shortfall in the claim that the market will provide an ethical price. While markets provide a forum for free commercial decisions from all participants, it does not ensure that all parties have equal power in the relationship, nor does it ensure that economic rents will be eliminated.

It has been shown that the auction form of selling is difficult to reconcile with notions of just price, where this is defined as a freely adopted economic rent free price, as there is no relationship between the price struck through the auction process and the justifiable price. The auction hopefully provides the possibility for errors in pricing from the justifiable price to be randomly and symmetrically distributed, at least over the longer term. In this way, vendors and purchasers may expect an eventual balance of power in gaining a pricing advantage, even though the balance may shift cyclically.

Overall, dummy bidding exposes curious issues pertinent to the more general issue of pricing and the reliability of the market as an ethical mechanism. Considering the current popularity of the liberal market as the preferred tool for solving pricing problems, reflection on the ethical implications of dummy bidding provides insights into far more than the auction situation.

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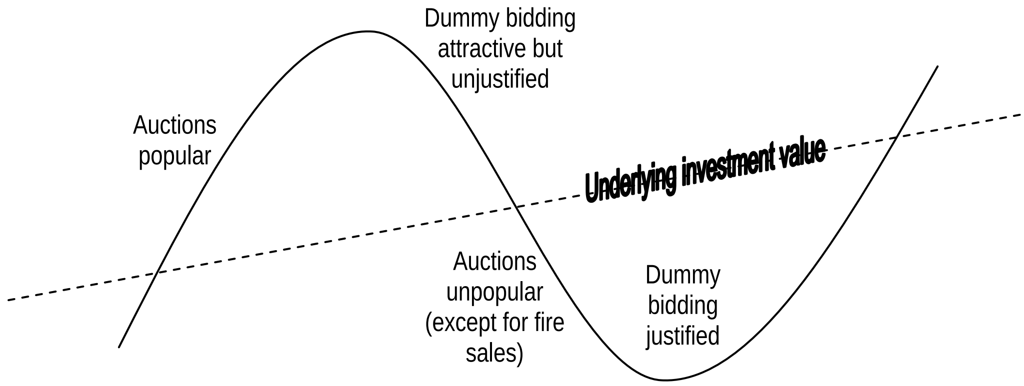

Exhibit 1:
Cyclical popularity of auctions and justification for dummy bidding