ReservationHop and the Effect of Unrestricted Marketization on Society

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Abstract

The aim of this thesis is to conduct a case study examining the intrusion of marketplace ideals on various aspects of everyday life. In this thesis, I provide a case study of a new business in San Francisco, ReservationHop, that transforms the previously first come, first serve restaurant reservation service into an auction style scalping (resell at a higher price) system, thereby affecting the distribution of an economic service, or good.

In order to investigate this phenomenon, this thesis is organized into six main sections. First, I will provide a brief introduction to the thesis, presenting my aim and purpose in writing and why I believe that this is an important topic. I then introduce ReservationHop and describe the site and its business model, the controversy that it has evoked, and the app’s creator Brian Mayer’s attempts to defend the app’s legitimacy. Thirdly, I will provide considerations in support of the ethical permissibility of the ReservationHop business model, using two neoclassical economic arguments: consumer choice theory and the Pareto-efficiency argument. Fourthly, I will counter these arguments, claiming that this service is not a Pareto optimal improvement because it involves deception, which is incompatible with genuine Pareto optimality. In the fifth section, I will introduce my main argument against ReservationHop in which I introduce the idea that there is something inherently wrong with the service even if its deceptive characteristics were corrected for. I argue that there should be “things that money cannot buy” because unfettered marketization erodes the nonmarket value of community, or commonality.

In conclusion, this thesis argues that the intrusion of marketplace values on all aspects of society should be resisted, and that we must rethink the increased influence of marketization for it crowds out other important non-market values, e.g., our sense of community solidarity.
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I. Introduction

In this thesis, I will explore an important issue within the specialized area of business ethics within the field of applied ethics. Specifically, the aim of this thesis is to conduct a case study on a new start up company called ReservationHop. In investigating ReservationHop, I wish to illustrate the increased influence of marketization on society, and to introduce the adverse effect of unfettered marketization crowding out our non-market, societal values of community and solidarity.

Business ethics is concerned with the morality of various market activities, i.e., the buying and selling of goods or services. It deals with ethical issues or dilemmas that may occur within the business environment. Business ethics forces us to examine various types of business behaviors, and deliberate on whether or not this conduct can be considered ethical, and if not, how best to proceed in the future so as to avoid these ethical dilemmas. Recently, this interest in business ethics has intensified as a result of globalization and the adverse effect of the new digital, technological world on society and marketization. (Madrigal, 1) In the past couple of years, we have seen various new start-up companies emerge and thereby complicate and merge the interactions between the two, society and the marketplace. One such company is ReservationHop. ReservationHop is a new start up company that sells reservations online (Madrigal, 1). ReservationHop uses the extreme convenience of technology to merge this relationship. What ReservationHop illustrates is the negative effect of marketization on our everyday lives. The convenience that ReservationHop may give us comes at a cost. The adverse effect is the crowding out of non-market norms, i.e., norms and values in educations, sports, and even in our personal relations with each other, by market values. By examining ReservationHop, I wish to illustrate that with the increased influence of marketization, ethical thinking and deliberation in business ethics is of the upmost importance.

In this thesis, I will, first, examine as a case study the newly created application software ReservationHop. By fully investigating and examining this case, I wish to show how market values are infringing upon everyday situations, i.e., making dinner reservations, and investigate the effect this site has had on the public and the controversy
and disagreement that it has evoked among critics. Thus, I will look at both arguments in support of and against from an economic basis. The second part of this thesis will use Michael Sandel’s *What Money Can’t Buy*, as justification for claiming that there is something inherently wrong with ReservationHop that goes far beyond the simple descriptive characteristics of the site, and that is the erosion of an egalitarian service that stresses commonality among individuals.

This thesis is organized in the following way: First, I will introduce the case study ReservationHop, and the initial controversy surrounding this site. In this section, I will, also, present ReservationHop and its creator, Mayer’s defense of the site in the face of its controversy. In section three, I will provide economic considerations in support of Mayer’s arguments that I briefly presented in section two. The two economic arguments that I am choosing to rely upon for Mayer’s justification are: consumer choice theory and Pareto-efficiency theory. In section four, I will offer an exploitation counterargument to the economic justifications of ReservationHop, saying that ReservationHop relies on deception and bargaining in order to inaccurately achieve its “economic efficiency.” I will, then, introduce the Categorical Imperative as means for rectifying ReservationHop’s business practice of deception. Lastly, in section five, I will examine a further consideration against Mayer’s site, this time, from the very essence of the site itself. Here, I will argue that even if all the deceptive characteristics section four argues against were corrected for, there is a deeper issue at the heart of what makes ReservationHop unethical. In this section, I will provide an egalitarian argument against ReservationHop, saying that it is not justified because it commodifies a socially free and public good. The inherent flaw in the site comes as the result of the intrusion of market values of efficiency and consumerism on the non-market norms of community and commonality, thereby introducing the aim of this thesis. Thus, this thesis concludes that complete marketization of all aspects of society must be resisted for the sake of preserving these important societal non-market norms, and as a result of this preservation there exists “things that money cannot buy.”
II. Case Study: ReservationHop

In this section, I will provide the framework for the case study of ReservationHop that this thesis will, then, continue to explore throughout the rest of the paper. I will, first, examine the descriptive and formal characteristics of the business site ReservationHop. I will then introduce the controversy and criticisms surrounding this enterprise, and the revolution of the site to its new form OK Shift as result of these criticisms. Lastly, I will examine Mayer’s personal arguments in support of his site in the face of these criticisms.

In a September 2nd NPR (National Public Radio) broadcast, Alexis Madrigal (tech contributor) brought to the attention of the public a new shift in consumer interactions, involving dinner reservations, that has come as a result of technological innovation (Madrigal). When it comes to the old, traditional practice of making restaurant reservations, there is no special process or procedure that is involved in ensuring that I get the specific time of dinner reservation that I may want. All I have to do is call the restaurant ahead of time and ask if they are available for my preferred time and book it if it is available. Once this is done, all that is left for me to do is show up at the restaurant for the time I booked and enjoy my dinner. Of course, there are many factors that affect how far in advance I must call to book my reservation, i.e., how many people in my party, if it is a popular restaurant or popular eating time. But, in general, it is a really simple procedure. The reservation system is egalitarian in nature. We all have an equal opportunity, if we have the means, to make the reservations; we just have to call early enough in advance to get the booking that we may want. Restaurant dinner reservations are first come, first serve. The first people to book get the reservation. This cultural tradition has remained basically unchanged since its introduction in early 18th century France (Madrigal, 1). But more recently, a group of tech-savvy entrepreneurs and restaurateurs are looking to revolutionize this established cultural practice with the creation of various new apps and websites that redefine what its takes to make a dinner reservation, with “some of [these innovations] fall[ing] within our established societal traditions while others break entirely from the established way of doing things” (Madrigal, 1).
Two such systems that have had little trouble blending in to the established societal tradition are OpenTable and Alinea’s ticketing system. OpenTable is a free (for consumers) online reservation system that basically replicates the already existing system, but it makes reservations and cancellations easier. OpenTable places their available reservations on its site. Potential restaurant goers can then search through these different options and book the restaurant and time they want. OpenTable works with and serves around 30,000 restaurants and over 15 million people a month (Madrigal). Also, many restaurants work in partnership with OpenTable, paying a monthly subscription fee to OpenTable in exchange for OpenTable booking tables for them (Duckor, 1). Even though OpenTable does use technology to make the restaurant reservation process easier, it does not disrupt, or really even challenge the basic practice. It just makes the available practice more convenient. But it is still only booking a reservation at a restaurant for an allotted time; however, the process is made more convenient through the use of a computer. Although the basic process of reservations is the same as it was in its initial form (in 18th C. France), the means in which these reservations are created have changed with the times, i.e., through phone, computer. Unlike with OpenTable, co-owners of Alinea restaurant in Chicago, Nick Kokanus and Chef Grant Achatz, have introduced new software to their reservation process that has disrupted the traditional process of dinner reservations. Instead of accepting reservations, Alinea has instituted a ticketing system (Madrigal). With Kokanus’s ticketing system, Alinea’s customers prepay for their meal by buying a ticket online. This ticket serves as their reservation and bill. The price of the ticket includes the cost of the meal they are going to eat, the tax, and also the tip (Duckor, 1). One advantage of this system is that “having already spent the money, almost everybody who books shows up” (Madrigal), and Alinea since instituting this system has seen an increase in their earnings by 38 percent (Madrigal). As a result of these positive results, many restaurants are now thinking of adopting a similar ticketing reservation system.

Although OpenTable and Alinea do incorporate technology to the established system of reservations, they do not completely disrupt the simple fact that restaurant reservations are free, and thus do not abandon the ethics behind the current system. The same cannot be said of a new start-up company called ReservationHop. Over 4th of July
weekend 2014, John Mayer launched his new site and app ReservationHop to the San Francisco area. But what makes ReservationHop different from OpenTable and Alinea? And why has it acquired so much more criticism? For instance, at first glance, this site sounds very similar to the previous two; it is just another site in which we can make reservations. But this is not the case. ReservationHop is a site in which reservations are sold online to the highest bidder (Madrigal). On his blog, site creator John Mayer, describes the descriptive and formative characteristics of the site, by saying, “it’s a simple site with a simpler backend. I book reservations under assumed names, list them on ReservationHop, and price them according to the cost of the restaurant and how far in advance they need to be booked up. I don’t use OpenTable; I call the restaurants directly” (Mayer, “How I Became the Most Hated Person in SF for a Day”). Thus, ReservationHop is distinguishable in two very important factors. First, ReservationHop does not just provide an easy platform for potential restaurant patrons to find possible bookings, but it is a business that charges its customers for the service that it is providing; the reservation process is now no longer free. There is a special charge to diners, just for the making of the reservation itself (thereby also distinguishing it from Alinea’s ticketing system that does not charge an extra fee for the reservation). Second, ReservationHop does not work in partnership with the restaurants that they are booking at, i.e., “after you pay, ReservationHop tells you the fake name to use” (Gross, 1). Thus, because of these differences, ReservationHop has acquired a great deal of criticism and controversy with people questioning the morality behind such a site.

In order to respond to all this criticism, Mayer created a blog post in which he discussed and defended ReservationHop. Mayer titled the blog post on July 3rd (the day he launched ReservationHop) “How I Became the Most Hated Person in San Francisco, for a Day.” And, if we look at some of the social media (e.g., twitter) responses to the app, you might believe that Mayer was right. One twitter writer wrote about ReservationHop, “this is irresponsible and sleazy and exactly what people hate about startups sucking the life out of San Francisco” (Madrigal), just to give an idea of the type of responses ReservationHop generated. In his blog, Mayer states, “I anticipated some mild interest when I launched this morning” (Mayer, “How I Became the Most Hated Person in SF for a Day”), but “I never expected a maelstrom of internet hate” (Mayer,
“How I Became the Most Hated Person in SF for a Day”). Mayer then acknowledged and admitted to “understand[ing] the frustration many people have with SF’s particular brand of ‘innovation’” (Mayer, “How I Became the Most Hated Person in SF for a Day”) for “it seems that everywhere you look cherished public resources are being claimed by start-ups” (Mayer, “How I Became the Most Hated Person in SF for a Day”), (e.g., parking spaces). Despite this fact, Mayer claims, “he built this site as an experiment in consumer demand” (Mayer, “How I Became the Most Hated Person in SF for a Day”). And, if we look at his arguments in its defense, we can see what exactly he means by ‘experiment in consumer demand’. 

Firstly, Mayer addresses the criticism regarding the selling of restaurant reservations when restaurant reservations are generally free. In response to this argument, Mayer replies that, in fact, dinner reservations are not necessarily free. (Mayer, “How I Became the Most Hated Person in SF for a Day”). For instance, he says, “reservations take time and planning to make and the restaurant assumes an opportunity cost from booking them” (Mayer, “How I Became the Most Hated Person in SF for a Day”). Thus, with restaurant reservations, the opportunity cost is one’s time and effort; one’s time and effort that can be better spent doing something else more important. After all, the initial idea for ReservationHop was founded based on Mayer having waited in line for a burrito for over 30 minutes, and realizing “that there’s got to be a market for the time people spend waiting for tables at our finest city’s dining establishments” (Mayer, “How I Became the Most Hated Person in SF for a Day”). As Mayer mentions, popular restaurant tables are a precious commodities; they book up fast, and are therefore in high demand. This high demand illustrates that these reservations have an important value to consumers, and thus “clearly the service of booking a reservation in advance has value to patrons” (Mayer, “How I Became the Most Hated Person in SF for a Day”), and “if someone pays for it willingly, is it really unethical” (Mayer, “How I Became the Most Hated Person in SF for a Day”)?

Secondly, Mayer, in his blog, also addresses concerns regarding the potential harm to the restaurants’ business. For example, he states, “I am aware that the ethical conundrum is around the ‘what if’ question: If I book a table and no one buys it, the restaurant loses business” (Mayer, “How I Became the Most Hated Person in SF for a
And in answer to this question, Mayer states that he is not completely convinced that this is true. He believes that because ReservationHop works on such a small scale that it should not greatly affect the restaurant’s business. He also states that he is cancelling reservations enough in advance (approximately four hours) for those reservations that are not bought on his site. And he believes that because the restaurants he is booking at are so popular, they will not have trouble filling those bookings with walk-ins (Mayer, “How I Became the Most Hated Person in SF for a Day”). Lastly and most importantly, Mayer cites efficiency and profitability for restaurants. For instance, he states, “paid reservations might reduce no-shows” and references Alinea and its ticketing system as support for this argument, stating, “that when Alinea introduced ticketing (pre-paid reservations), they dropped their rate of no-shows by 75%” (Mayer, “How I Became the Most Hated Person in SF for a Day”). As a result of this fact, Mayer believes that paid reservations can be a more efficient modification to the current reservation system, and thereby, not harming restaurants, but actually helping to improve their profits.

Despite these arguments, Mayer does admit that the site did not quite get the approval and excitement that he first anticipated, and he has thus evolved ReservationHop into a completely different site: OK Shift. Responding to the above criticisms on his blog, Mayer agrees and states in an apology, “a business needs customers, and most of all, trust” (Mayer, “ReservationHop Does a Soft Pivot”), and “this means that ReservationHop will be evolving, as all early-stage startups do, as we experiment to find a product-market fit” (Mayer, “ReservationHop Does a Soft Pivot”). Thus, after several phases of experimentation (which include: a reservation system, a ticketing system, restaurant table and server management, and lastly, a restaurant scheduling software), Mayer decided to abandon the idea of paid reservations, and thereby transform ReservationHop into OK shift, a site that will “allow service workers to easily get their shifts covered in a way that fits into their existing workflow, is a niche in which he has seen the most traction” (Mayer, “ReservationHop Does a Hard Pivot”). Mayer states two reasons why, he eventually decided to abandon ReservationHop. First, after researching out and speaking with many restaurants, Mayer concluded that ReservationHop was not adding enough of an incentive to make restaurants and their customers change their behavior. Second, there are only a small number of restaurants
(e.g., Alinea) in which customers are willing to spend money on paid reservations, and in order to have a successful business plan, Mayer needed to expand beyond this very small number. Thus, paid reservations were abandoned, and OK Shift created. Despite this fact, ReservationHop does illustrate an important trend in society, that of profitability and marketization, and consumer’s reactions to this trend.

In this section I have examined the evolution of ReservationHop. I have provided a brief background into the influence of technology on the current reservation system, illustrating a new trend towards ticketing, which has led ReservationHop to introduce the concept of paid reservations. I then examined both the controversy behind ReservationHop and Mayer’s arguments in its defense.
III. Neoclassical Economic Justifications

Although ReservationHop did have a lot of critics, Mayer’s core arguments can be supported by two neoclassical economic arguments: consumer choice theory and optimal efficiency theory. In this section, I will examine these two economic considerations in support of ReservationHop. First, I will provide a brief introduction to neoclassical micro-economic theory, and introduce the utilitarian principle of maximization. I will then discuss consumer choice theory in support of ReservationHop. Thirdly, I will examine Pareto-optimality, and efficiency arguments in support of ReservationHop. Lastly, I will conclude that both these arguments rely strongly on a utilitarian principle for their justification and support of ReservationHop.

Economics is the study of the allocation of scarce resources among competing ends (Burkett, 1). Two very important assumptions that this definition draws upon are: first, resources are scarce. And second, individuals are self-interested. We compete against each other for these scarce resources. Economic theory seeks to reconcile and explain all the possible allocations of the world’s finite set of resources among our competing individual needs, and thereby find the optimal allocation. Neoclassical economics focuses upon this allocation using a utilitarian maximization principle as its justification for the determinations of prices, outputs, and income with supply and demand. For instance, when discussing what differentiates neoclassical economic theory, notable economist Becker states, “in the economic approach people are assumed to have stable preferences and always behave so as to maximize (some utility or wealth function), and markets are assumed to coordinate the actions of individuals and firms in a way that makes their behavior mutually consistent. Prices are a means to this coordination” (Helgesson, 16). Within economic theory, microeconomics “is generally described as the branch of economics that studies the decisions of individual households and how individual markets work” (Helgesson, 17). Thus, using these general economic assumptions and the more specific field of microeconomics, we can begin the justification for ReservationHop.
Firstly, we have consumer choice theory. When defending ReservationHop on his blog, Mayer writes, “If someone does pay for it willingly, is it really unethical? The consumer has made a choice, the reservation stands, the restaurant gets a table filled as planned, and I have made money for providing the service” (Mayer, “How I Became the Most Hated Person in SF for a Day”). Specifically, Mayer is referencing one of the most basic assumptions of consumer choice theory: the assumption of economic rationality. So, what exactly is this theory and why is it so important to justifying ReservationHop?

First, microeconomics is the study of individual’s economic decision making. And the driving force behind what this decision making process is the basic assumption that economic agents act rationally. For instance, as mentioned above, one of the many motives behind this decision making process may, in fact, be self-interest, thus “agents seeking their own material welfare is what makes economies run” (Helgesson, 17). He states, “economic phenomena are the consequences of rational choices that are governed predominately by some variant of consumerism and profit maximization” (Helgesson, 16-17). According to Becker, our consumption behavior is motivated “by a much richer set of values and preferences” (Becker, 2), and the “analysis assumes that individuals maximize behavior as they conceive it, whether they be selfish, altruistic, loyal, spiteful, or masochistic” (Becker, 2). Microeconomic theory is so focused on individual’s maximization behavior that economist Helgesson claimed that contemporary economic theory is synonymous with rational choice theory (Helgesson, 18).

Thus, what is rational decision making, and why does it lead to consumer maximization? A rational choice is defined as “the best available action [an agent makes] given her preferences and beliefs” (Satz and Ferejohn, 71). Also important is that the agent is fully aware of all her possible choices, i.e., the various alternative actions that are possible given the agent’s budget constraint. These various choices make up the agent’s opportunity set, or consumption bundle (Burkett, 99). These various choices are then ranked according to increasing utility, thereby making up the consumer’s preferences (Burkett, 101). And there are three key criteria for an action, and an agent’s decision making process, to be considered rational: completeness (all the available options in the set can be compared), transitivity (if an agent prefers option a to option b, and option b to option c, then the agent prefers a to c), and continuity (the preference of one bundle over
another is not affected by small changes in the price of either bundle) (Helgesson, 19). And if our preferences satisfy these three criteria, then they can be diagramed using a utility function, or “a continuous mapping of the space of goods into the real numbers” (Burkett, 104). By calculating the various utility curves, we can find a consumer’s maximum utility function, or preference.

Lastly, another central element to consumer choice theory is the concept of opportunity cost. The opportunity cost of a specific action “is the forgone benefit of the best alternative activity, using the same available resources” (Burkett, 4). Simply put, this means that no matter what economic agents decide to spend their limited resources on, there will always be opportunities forgone (or missed opportunities) (Helgesson, 26). Thus, the opportunity cost is the value of the best alternative action, i.e., “it is the cost of missing (the value of) these other things” (Helgesson, 26). For instance, say I trade one hour of leisure for an extra hour’s work. My opportunity cost for one hour of leisure would be the wage I would have earned if I worked that hour.

Now that we understand the basic assumptions and concepts behind consumer choice theory, we can see how it can be used to defend ReservationHop. First, as Mayer believes ReservationHop’s customers are fully rational economic decision makers. They act out of their own interest. They know how the site works, how much they are paying, and also the other reservation service options that are available to them (e.g., OpenTable, calling restaurants directly, or walk-in reservations). They are willingly choosing to take part in ReservationHop’s service. Being rational decisions makers, in the process of deciding to book a reservation through ReservationHop, these customers have performed their own cost-benefit analysis, which is a type of utilitarian calculation in which “an activity is worth undertaking if and only if its cost is less than its benefit” (Burkett, 4). Thus, in this calculation, the costs of booking through ReservationHop are weighed against the benefits of booking a reservation through some other means, and vice versa. If the cost of booking the reservation is higher than the benefit of saved time (time would have spent searching for a reservation elsewhere), then the rational agent will not use ReservationHop. But if this cost is lower than the benefits of the next best alternative (the opportunity cost), than the rational economic agent will choose to book through ReservationHop. Thus, the time that the ReservationHop customer does not spend on
searching for a reservation equals the market value of that booking through ReservationHop. The opportunity cost is equal to the market value of that booking (the price of the reservation booking) (Helgesson, 27), which then leads us to the Pareto efficiency justification for ReservationHop.

Efficiency is defined as the “performance of a task with little or no waste” (Helgesson, 164). Being efficient means accomplishing some goal to its highest degree (Helgesson, 164). And this definition is essential to economic theory. When efficiency is applied to economics, it still describes an action being performed to its highest potential, but this time in relation to the distribution or allocation of our natural resources. For instance, efficiency is so very closely related to the definition of economics that it is, often, defined as “the property of society getting the most it can from its scarce resources” (Helgesson, 163). Again, just like with consumer choice theory, economic efficiency is directly connected to maximization. How do I efficiently allocate these scarce resources in order to best maximize consumers’ demand and producers’ supply?

The answer to this question is Pareto efficiency. Pareto efficiency, also known as Pareto optimality, states that “an economy is Pareto efficient if and only if it is impossible to make someone better off (by changing the allocation) without making someone else worse off” (Fergusson, 169). This means that in order for an allocation to be Pareto efficient, it must not be possible for there to be “another allocation of resources in which at least one agent is better off” (Berthonnet and Delclite, 130). It is the best possible scenario, and any other situation will lead to someone being worse off, in terms of his or her utility, i.e., preferences. At this Pareto efficient position, there is a “competitive general equilibrium as a position in which all individual utilities are at their maximum” (Berthonnet and Delclite, 130). Because this situation is the most efficient (and best allocation), it is, also, the point of a competitive equilibrium, with supply equaling demand. And any change to this allocation, on either side, will result in a less efficient allocation, and a market failure.

But what does this mean for ReservationHop? Does ReservationHop provide a Pareto-optimal improvement to the current system of booking reservations? In defending ReservationHop, Mayer states, “there is a validated secondary market for restaurant reservations. Paid reservations are not only desirable, but the market is heading that way
as people awaken to the inefficiencies in the current system” (Mayer, “ReservationHop Does a Soft Pivot”). According to Mayer, both consumers and producers (restaurants) are unhappy with the current system. First, there is a limited supply of bookable tables at restaurants. And in order to book these scarce tables, customers have to dedicate a certain amount of time and planning. Second, restaurants have a problem with no shows and last minute cancellations, and are already switching to ticketing systems as means of preventing these losses in profits. Thus, because of these inefficiencies, “a paid reservation system makes sense as a way to dissuade no-shows, distribute covers throughout the week, and even increase fairness for its customers” (Mayer, “ReservationHop Does a Soft Pivot”). In other words, ReservationHop will decrease the amount of no-shows and cancellations, just as ticketing helped Alinea drop these rates by 75%. (Mayer, “How I Became the Most Hated Person in SF for a Day”) and even increased the restaurant’s earnings by 38% (Madrigal, 1). Having already spent money on the reservations, customers will feel more invested in their reservations, which will lead to a decrease in cancellations.

But how is ReservationHop a Pareto improvement? Firstly, it is related to consumer choice theory and the principle of maximization of consumer preferences. ReservationHop assumes that those individuals that are willing to pay for a booking through its site are those that place the highest value in that reservation. They value the reservation more than others. Without ReservationHop, they might not be able to receive this booking. But by paying, they can ensure that they do receive their booking, thereby making them better off, but at the same time, also not affecting others, who did not value the reservation enough to pay for it. Secondly, with paid reservations, the market price that the reservation sells for on ReservationHop more accurately represents the value of that reservation for the buyer. For instance, that price then equals the consumer’s willingness to pay (or the opportunity cost). Consumer demand sets the price. And the resulting fact is a general equilibrium, and a decrease in producer surplus (empty tables). Thus, in terms of market efficiency, ReservationHop corrects a market failure and provides a Pareto improvement to the existing system “and toward that end [we] should leave people free to make their own choices and leave markets to work their magic” (Gayer et al., 152).
In conclusion, consumer choice theory illustrates how through agent’s maximizing their behavior; the market is able to achieve Pareto efficiency. Using the utilitarian principle of maximization, both arguments consumer choice theory and Pareto efficiency theory are able to justify the economic service of ReservationHop. For instance, according to this principle, the moral, and best, action is the action that maximizes aggregate utility. By trying to maximize their individual preferences, economic agents are maximizing their utility. Thus, ReservationHop using the economic presumption of consumers maximizing their behavior (utility) is able to achieve Pareto optimality, where consumers efficiently set the price of the service equal to the demand, thereby providing a Pareto improvement to already existing reservation systems.

In this section I have examined how ReservationHop can be supported and justified by the use of two neoclassical arguments: consumer choice theory and Pareto efficiency. First, I introduced the utilitarian theory of maximization, and examined its importance in consumer choice theory. I then illustrated how consumer choice theory can justify ReservationHop through its assumption of rational economic agents. Thirdly, I connected this theory of consumer choice to Pareto-efficiency, and examined how it leads to Pareto improvement to the system of booking reservations. Lastly, I concluded that these two arguments could justify ReservationHop because of their basis on a utilitarian principle of preference maximization.
IV. Exploitation Counterargument

Although these arguments are very compelling, the utilitarian principle of maximization of utility, which underpins consumer choice theory and Pareto efficiency, allows and even justifies for the sake of aggregate utility the exploitation of its customers (both restaurants and consumers). In this section, I will argue that ReservationHop is not a Pareto optimal improvement because it relies on deception and dishonesty, which is incompatible with genuine Pareto optimality, in order to provide its service. First, I will argue that ReservationHop does not provide a Pareto optimal improvement to the existing reservation system. Second, I will argue that consumer choice theory fails to apply to ReservationHop because not all the agents involved are fully rational and informed participants. I will then use this argument to highlight the fact that ReservationHop’s profitability relies on deceiving, and thereby, exploiting restaurants. Lastly, I will examine an egalitarian consideration of justice and fairness to ReservationHop, and introduce the Kantian perspective of the Categorical Imperative, as a guiding principle in business ethics, and I will end by relating Kant’s Categorical Imperative to ReservationHop.

Before examining the formative characteristics of ReservationHop’s business structure, we can first question whether or not it actually provides a Pareto improvement to the established reservation system? Central to determining this fact is re-examining the utilitarian philosophy that it resides upon. Does ReservationHop make consumers and restaurants better off, and therefore maximize the aggregate utility of all those involved? Utilitarian principles are consequentialist, i.e., only the results matter when determining the morality of an action. Using these ideas as justification, ReservationHop can be seen as a type of beneficent paternalistic measure, whereby Mayer declares that he will determine what action is permitted/not permitted by his customers based on the presumption that he is acting in the best interest of the market and its citizens (e.g., seat belt laws, speed limits). ReservationHop is justified because it maximizes aggregate welfare, where the greater good of society, i.e., better overall welfare and safety, is prioritized over an individual’s right to liberty (since state is claiming to know what is in
the best interest of us its citizens). ReservationHop justifies its institution of paid reservations on the grounds that they are maximizing total welfare by creating a more efficient market. Because ReservationHop claims to make the established system more efficient by creating less of a waste in resources, i.e., cancellations and no-shows, its service can be justified, and is thus a Pareto improvement. But I will argue that it is not a Pareto improvement, and does not make consumers and restaurants better off, in terms of their utility.

First, look at the consumers, ReservationHop’s potential clients, and the rationality assumption of consumer choice theory. According to an article discussing false name bids and their effect on the driving up of prices in online bidding at a GVA (Generalized Vickrey Auction), Yakoo et al. claim, “if agents can submit false-name bids, it is theoretically impossible for a combinatorial auction protocol to satisfy all of the three conditions” (Yakoo et al., 355). The three criteria that they are speaking about are: individual rationality, Pareto efficiency, and incentive compatibility, which are required for a Pareto optimal equilibrium (Yakoo et al., 355). The reason for this is that “an auction protocol is incentive compatible if bidding the true private values of goods is the dominant strategy for each agent, which means the optimal strategy regardless of other agents’ action” (Yakoo et al., 357). And the agents participating act rationally “if the payment never exceeds the participant’s evaluation value of the auctioned goods” (Yakoo et al., 358). But with false bids, this is not the case; the auction participants are not bidding their valuation of the good, but a higher valuation in the interest of increasing other participants’ bids. This is because in these GVA auctions the winner of the auction (the individual with the highest bid) pays the price of the second highest bid, and not his own. (Yakoo et al., 359)

Unlike with ReservationHop, GVA auctions deal with false bids rather than false names. Bidders submit false bids, misrepresenting their willingness to pay. Despite this difference, GVA auctions illustrate the fundamental issue preventing ReservationHop from being a Pareto improvement. By allowing bidders to pay the price of the second highest bid, GVA, bidders can submit false bids, with high price tags, knowing they will not have to pay these prices, in the hopes of ensuring that they win. The structure of the games does not only change because we introduce the elements of bidding and paid
reservations, but most importantly because the element of deception is introduced. In bidding for the second highest price, we introduce the element of transparency in business strategies. Deception is presented as a possible business strategy. And in introducing deception, consumers’ incentives change as a result of this basic change in the business structure and strategies. With GVA auctions, consumer incentives are changed because bidders now have to rely on the actions and bids of the other bidders. Similarly, with ReservationHop, in switching from a first come, first serve basis for dinner reservations to an auction style format a new, third economic agent is introduced (previously there existed only the consumers and the restaurants): that of ReservationHop. ReservationHop affects consumers’ incentives in much the same way as second price bidding affects the bidders’ incentives in the previous example. Although ReservationHop does not completely operate in this same way as GVA auctions, by allowing customers to outbid and buy reservations through his site, the resulting sell may not perfectly align with consumers’ willingness to pay, or opportunity cost, thereby misrepresenting consumers’ preferences and incentive compatibilities. And as a result, not leading to a more efficient allocation for there now exists a loss in consumer surplus with consumers now having to compete against others in order to obtain a reservation with those who may have a higher willingness to pay. Secondly, in terms of consumer utility, consumers may be better off in terms of time and energy that they have spent on looking for a reservation, but not so financially. But this cost-benefit analysis differs from person to person, and ReservationHop assume that those customers who are willing to pay for a restaurant reservation are the customers who value that reservation the highest. Secondly, although it may seem as if ReservationHop improves upon everyone’s situations (the restaurants, consumers, ReservationHop), the fact is that in the long term, ReservationHop does not make the restaurants better off. Firstly, in creating the reservations for the restaurants, the restaurants then become dependent on ReservationHop. Mayer states that in the case of cancellations, he gives the restaurants enough time to fill these cancellations using their high availability of walk-in traffic. (Mayer, “How I Became the Most Hated Person in SF for a Day”). But is this the case? Would restaurants be able to completely fill these spots? This is questionable. For instance, the restaurants do, in fact, lose business as a result of ReservationHop if they are
unable to fill in these bookings. Mayer’s defense relies strongly on the assumption that these restaurants are very popular, but this is a very large what if, and not strong enough to offer support to Mayer’s claim. A second factor affecting restaurants’ utility is their reputation, or credit among their customers. When Mayer began reaching out to restaurants, in response to the initial criticisms, he found “that the value add we were bringing to the table wasn’t compelling enough to inspire a change in behavior” (Mayer, “ReservationHop Does a Hard Pivot”). Another important influence in maximizing their utility is their reputation, i.e., how the public perceives them and their particular brands. Thus, in most cases, “there was a real hesitance on the part of restaurants to mark up their prices in the form of paid reservations, for fear that they would lose control over dictating the value of their product” (Mayer, “ReservationHop Does a Hard Pivot”). Thus, because of these combinations of factors affecting a restaurant’s utility function, the maximization of its profits and the possibility of less no-shows and cancellations is not a sufficient enough of a reason for restaurants to switch to paid reservations. ReservationHop also uncompromisingly pits consumers’ desire for a reservation against their intuitive perceptions of what is ethically right and wrong. When discussing why the public found ReservationHop so unsettling, Mayer states that most of the criticisms he received were related to the fact that ReservationHop relies on the strategy of deception in order to provide the service of dinner reservations (Mayer, “ReservationHop Does a Soft Pivot”). In order to have reservations to sell on ReservationHop, in the first place, Mayer has to call the restaurants and book the tables himself. The strategies of the consumers now depend on what Mayer and ReservationHop are doing for the consumers’ ability to make the reservations completely depends on ReservationHop’s use of deception. Thus, ReservationHop is not a Pareto optimal improvement because it relies on deception and dishonesty in making its restaurant reservations.

And despite his paternalistic justifications of creating a more efficient market, ReservationHop greatly interferes with restaurants’ natural rights to liberty in deceiving them to make a profit. We all, as individuals, have natural, unalienable rights, and any interference on these rights is a violation of human dignity (Nozick, 149). Since any paternalistically sponsored redistribution of economic resources violates this constraint, Nozick claims, “the minimal state is the most extensive state that can be justified. Any
state more extensive violates people’s right” (Nozick, 149). Thus, ReservationHop fails to be considered a beneficent paternalistic measure because it violates the restaurants’ natural right to liberty. A right, which according to Nozick coincides with a natural right to self-ownership, which states that “the most important rights are rights over oneself—the rights which constitute self-ownership” (Kymlicka, 108). And this right to self-ownership also translates as ownership over the ideas, gifts, talents and products, which are an extension of one’s self, i.e., “if I own my talents, then I own whatever I produce with my self-owned talents” (Kymlicka, 109). And the distribution of restaurant reservations through ReservationHop would, according to libertarians, definitely violate this right to self-ownership. For instance, it would allow for the fruits of the restaurants’ production to be redistributed to Mayer and ReservationHop, and not just to those who directly contributed to its production, i.e., the restaurants. Because of this redistribution, ReservationHop can be seen as a direct violation of self-ownership. For example, with ReservationHop, restaurants are forced to share their talents with others; they no longer have complete and full ownership over them (Nozick, 163). And because of this dishonesty, ReservationHop cannot be justified, for it violates people’s rights to self-ownership and therefore liberty. Although libertarianism and its argument of self-ownership can provide a response to Mayer’s use of deception and restaurants, it can also be used to defend the site of ReservationHop in the first place and is thus not applicable, nor the strongest argument to be used in disputing ReservationHop’s use of deception.

The core of the problem with ReservationHop’s use of deception is that it “fails to treat people as equals, as ends in themselves” (Kymlicka, 109). And thus, deception, even for paternalistic reasons, is not justified. In an article, discussing dishonesty in lawyer/client relationships, Menkel-Meadow discusses the institution of a Golden Rule of Candor for all lawyer/client interactions. According to interviews conducted on different lawyers, she found that lawyers are more likely to deceive clients in order to not only get and maintain business, but also for paternalistic reasons, i.e., that they know what is in the best interest of their clients (Menkel-Meadow, 761). Despite the two types of deception having very different motives, one being selfish and the other more altruistic, Menkel-Meadow concludes that deception in both instances is morally wrong. By acting selfishly, lawyers are taking advantage of their customers; they are exploiting their status
as caring and helpful professionals. Secondly, lawyers cannot claim to know how their clients feel and what they would want (Meadow-Menkel, 771). Because of this fact, Menkel-Meadow proposes one simple rule for monitoring lawyer/client interactions: the Golden Rule of Candor, which states, “the lawyer should be as truthful to clients as she expects the clients to be with her” (Menkel-Meadow, 780).

In order to create this Golden Rule, Menkel-Meadow draws upon Kant’s Categorical Imperative. Although the Golden Rule of Candor is different from Kant’s Categorical Imperative, the principles behind it are very similar. For instance, the Categorical Imperative states, “act that you use humanity, whether in your own person or in the person of any other, always at the time as an end, never merely, as means” (Tännö, 61). This requires that we only act upon the action that we could will into being a universal law of nature (Tännö, 60-61). If we were to generalize, or universalize the business strategy of lawyers being able to lie to their clients, then the very system and occupation of lawyers would collapse for the very practice of being a lawyer relies on trust. And if lying was universalized this trust would be destroyed. This is what ReservationHop does the restaurant reservation system. It undermines the very business practice in which it is claiming to improve and make more efficient. For instance, imagine if everyone in order to book tables used deception. Because everyone does this, no one would believe that the person who is calling to book the table is honest. There would be mistrust, and ReservationHop would fail, thereby destroying the entire practice in the first place. Thus, according to the Categorical Imperative, ReservationHop would not endorse deception and dishonesty as an acceptable business practice.

In this section, I have argued against the utilitarian justifications for ReservationHop. I first, examined how ReservationHop fails to provide a Pareto efficient improvement to the existing reservation system since it does not completely justify rationality assumption of consumer choice theory. I then argue against ReservationHop’s use of deception in creating dinner reservations. Lastly, I introduce Kant’s Categorical Imperative as means of rectifying ReservationHop’s business structure.
V. “What Money Can’t Buy”

Even if ReservationHop were to reconstruct its business model to not include deception as a business strategy, there is something inherently wrong with its service even if its deceptive characteristic were corrected for. ReservationHop is an example of the negative effect of unfettered marketization on society. With no restrictions, marketization undermines and encroaches on the shared commitments, values, sacrifices, and opportunities that define a common social life. In this section, I will argue that unfettered marketization, such as with ReservationHop’s innovation, erodes societal non-market values of community and commonality. First, I will introduce three examples illustrating how unrestrained markets erode common civic life. Secondly, I will argue that commonality is necessary for a well-functioning democratic society, thus we have an ethical obligation to resist these disruptive market innovations. Lastly, I will argue that ReservationHop is an impermissible business model, and there should exist “things that money cannot buy.”

ReservationHop illustrates the erosion of nonmarket values by unrestricted marketization. As mentioned in the previous sections, ReservationHop’s innovation to the current reservation system is that it provides efficiency and both profit and consumer maximization to the restaurant reservation business through its innovation of paid reservations. With the introduction of the market values of efficiency and consumer, profit maximization, ReservationHop undermines the previously egalitarian system of making restaurant reservations. For instance, Madrigal states, “the practice of making a restaurant reservation, outside of a tiny minority of snooty places, is egalitarian. Tables are given on a first-to-reserve basis” (Madrigal, 1). Egalitarianism, in this case, means equality of opportunity, where the opportunity is the ability to book a restaurant table. If there was an unlimited amount of time to make dinner restaurant reservation, everyone who wants one, could, in fact, receive one. Because restaurant reservations are free, all restaurant goers have the same opportunity, or likelihood of making and then receiving their dinner reservations. It is first come, first serve. There is no special selecting process
for who can and who cannot receive a dinner reservation. All that is required is that customers must wait their turn, this is what contributes to it being egalitarian.

In specifying that egalitarianism, in relation to restaurant bookings, means equality of opportunity, I wish to acknowledge the fact that this degree of shared egalitarianism is, in fact, mixed with market elements. For instance, except in special “spheres” of goods where we think pure egalitarianism is required by demands of justice (the basic rights of citizenship, equality before the law, welfare, etc.), we allow some element of market or monetary influence. Even when we consider such basic goods as education and health care, we allow a significant degree of inequality based on wealth (e.g., private schools). This is also the case when it comes to access to the arts, culture, sports, and other social forms of entertainments (like restaurants). A truly poor person doesn’t really have access to expensive fine dining (which are the types of restaurants that require reservations) since they cannot afford the extravagances. This being said, we can still distinguish in these mixed cases between aspects that are more egalitarian and the ones that are purely market based (ReservationHop), and clearly people of more modest middle-class means have access to the culinary experiences in the current regimes and would be completely priced out if we switched to a purely market based auction approach such as ReservationHop. The aim of rejecting ReservationHop and similar marketplace innovations is that they reduce the sphere of egalitarian common cause, encroaching on our communal common life.

In *What Money Can’t Buy*, Sandel examines this encroachment and invasion of the marketplace and its values into all spheres of life even “into aspects of life traditionally governed by non-market norms (Sandel, 20). For instance, he states, “today the logic of buying and selling no longer applies to material goods alone but increasingly governs the whole of life” (Sandel, 17). In such a society, almost anything can be put up for sale. But this has a very devastating effect on society: the erosion of our nonmarket value of community, or commonality. Marketplace values highlighting individualism and competition through efficiency and profit maximization crowd out common societal values of solidarity and community. By not restricting the marketplace and its values from invading and disrupting all “spheres” of society and their non-markets, we are allowing money to become the defining feature in society.
In order to illustrate how unrestrained markets erode common civic life, I am going to examine three examples from Walzer and Sandel. But first, what is it about the marketplace and its values that cause them to be so disruptive to nonmarket goods? In *Spheres of Justice*, Walzer examines the appropriate role and spheres of money. Money is defined as a universal medium of exchange (Walzer, 96), and Walzer adds that if we conceive of it abstractly, we can, also, define it as a representation of value (Walzer, 97). Money creates values. It attaches a price tag to things, and implies that they can be bought and sold. The problem with money, then, is “that often enough money fails to represent value; the translations are made, but as with good poetry, something is lost in the process” (Walzer, 96). According to Sandel, there are two characteristics of the marketplace and its values that lead to this disparity in representation of values. One of these reasons had to do with “inequality; the other is about corruption” (Sandel, 23).

First, in order to illustrate this distinction, Walzer examines The Enrollment and Conscription Act of 1863. This act instituted, for the first time, a national draft as means of winning the Civil War. Men, if eligible to fight (based on age, health, etc.), were required by law to enlist to fight. But there was one provision to this draft. Men who could pay someone else three hundred to fight in their place were exempted from fighting (Walzer, 98). With the Enrollment and Conscription Act, a monetary value was attached to a human life, and in so doing creating a valuation of one’s right to life. Because wealthy individuals can pay their way out of fighting, they were considered, at least in practice, as more worthy of life than poorer individuals, who could not buy their way out of fighting. Not only does this act misrepresent the value of a human life, turning our inalienable right to life into something that can be bought and sold, but it also commodifies a civic duty. The civic duty of military service is transformed into a marketable good. It can be bought and sold. Its value now becomes analogous to its price tag, and not to the intrinsic good of performing one’s duty. This feeling of patriotism, of fighting for a cause one believes in are lost and replaced with only monetary values.

Secondly, Sandel also exemplifies this effect through his “jumping the queue” example. Today, there are many cases in which individuals can pay to jump long lines (e.g., first class on an airplane; fast trek freeway lanes) (Sandel, 45). Because queuing is very time consuming, it is a very undesirable activity. Noticing this undesirability,
queuing has become a profitable business venture. Companies or individuals now profit off of waiting in line for other individuals who do not have the time to wait or just do not want to (Sandel, 45). This business transaction has become very popular in New York where, every summer, the New York City Public Theater puts on free Shakespearean plays in the park. Because these plays are so popular, people line up hours prior to the play in order to make sure they will receive tickets since the seating at these events are limited. As a result of this fact, queuing became very time consuming. Thus, many New Yorkers began offering, for a price of $125, to stand in line for individuals willing to pay them (Sandel, 55). The arguments in support of these companies are, again, as with ReservationHop, utility maximization and efficiency. These companies and entrepreneurs claim that the tickets should go to those most eager to see the plays, and the people most eager to see these plays are those who are willing to pay the most for the ticket (Sandel, 82). But, this is not true. For instance, Sandel states, “the willingness to pay for a good does not show who values it most highly. This is because market prices reflect the ability as well as the willingness to pay” (Sandel, 83). Maybe those who value the Shakespearean plays the most cannot afford to spend the money on a ticket. The original egalitarian queue, where “fairness means waiting your turn” (Sandel, 48) may, actually, be the more accurate means of maximizing social utility, and not markets after all. Secondly, Sandel, also, highlights the link between how a good is allocated and the meaning of the good itself. For instance, he states, “the Public Theater sees its free outdoor performances as a public festival, a kind of civic celebration” (Sandel, 88). These plays are meant to be a gift to society. A common public resource meant to be shared by all of society for everyone’s enjoyment, and not just the enjoyment of a select few. It is a celebration for the community.

Lastly, a third relevant example comes from the changing culture of sporting events. Previously, sporting games had been a venue where both rich and poor alike could enjoy a game together by practically rubbing shoulders. There was not much of a difference between ticket prices. Baseball fans could go to the game and share with everyone present a common love and appreciation of the game. There is a shared sense of community in knowing that everyone present is there to enjoy the game, a sense of solidarity bonding all baseball fans. The baseball stadium was common grounds where
fans of all types could come and join the game together. It was a public space, there for the enjoyment and use of everyone. Now, sporting events are the luxury of the wealthy and their skyboxes. Seats are rare and often very expensive, and there is a dramatic difference between the types of seats, i.e., the cheap ticket seats (Sandel, 468). Thus, we can see very clearly that “the money in sports has been crowding out the community” (Sandel, 465). With their skyboxes, the wealthy can completely “segregate themselves from the rest of the public” (Sandel, 470). There is a clear division within society. There is no longer the camaraderie of a shared love of baseball, but in its place, there is competition, a survival of the rich versus the poor; a competition that Sandel coins the skyboxification of life (Sandel, 470).

Clearly some intrusions are more severe than others (paying to get out of military service seems especially grievous), but all show how unfettered market absolutism undermines our collective sense of solidarity. First, they illustrate the corrupting nature of the marketplace and its valuations. Money transforms goods and services. Sandel defines this transformation by saying, “to corrupt a good or social practice is to degrade it, to treat it according to a lower mode of valuation than is appropriate to it” (Sandel, 92). Money transforms goods and services. It can provide an incentive, as with Conscription Act, to do something or not do something, but “whether an incentive ‘works’ depends on the goal. And the goal, properly conceived, may include values and attitudes that cash incentives undermine” (Sandel, 156) with “monetary incentive undermining the intrinsic one” (Sandel, 159). Secondly, Sandel tells us, to “consider inequality. In a society where everything is up for sale, life is harder for those of modest terms. The more money can buy, the more affluence (or the lack of it) matters” (Sandel, 24). With wealth, you have access to all sorts of basic goods (e.g., the best education, insurance, entertainment). The marketplace determines the best allocations of these goods. And thus unfair “because it discriminates according to the standard of a market oriented society: ability and willingness to pay” (Sandel, 163). Greed and competition crowd out our common societal values of community and solidarity, and individualism and personal interest take priority over the common good.

These three examples demonstrate how the forces of unconstrained marketization erode and undermine the sphere of egalitarian civic life necessary for a well-functioning
democratic society. Democracy requires these shared social values of community and solidarity. These shared values provide the foundations for a democratic society. Unless we can all participate in some shared civic life, degrees of societal dysfunction are inevitable. Well-functioning democratic societies require these shared responsibilities and opportunities (that these examples undermine). In order to cooperate, we need to see each other as being connected and involved in a shared community, a common narrative. Without these feelings of commonality, or solidarity, how can we come together politically?

ReservationHop is different from the above examples in that restaurant dining is a luxury service; it requires its customers to have the ability to be able to eat out. Despite this fact, these cases do illustrate the fundamental problem with ReservationHop. ReservationHop both devalues and corrupts the practice of making dinner reservations, and encourages inequality in the reservation making process. For instance, Sandel states, “the ethic of the queue, ‘First come, first served’, has an egalitarian appeal. It bids us to ignore privilege, power, and deep pockets—at least for certain purposes” (Sandel, 105). In transforming this process into a private transaction, ReservationHop abandons this egalitarian appeal. Equality in opportunity is lost and is replaced by a competitive auction system. Individualism and competition is emphasized over the community, and a shared interest in the culinary experience of dining out. Waiting ones turn implies a type of sacrifice (of course small when compared to the sacrifice involved in first example of the Conscription Act). But it fosters a sense of communal fairness. All individuals are subjected to the same wait. There is a natural and just order for who receives a ticket or reservation. Waiting ones turn implies a sense of humility and awareness of others and those around you. It fosters and encourages a communal, societal expectation that one cannot just be allowed to buy one’s way out of society, of queuing, of reservations, etc. Thus, because ReservationHop reduces this sphere of egalitarian common cause, and encroaches on our communal civic-shared life, which is necessary for a well-functioning democratic life, ReservationHop is an ethically impermissible business model.

In conclusion, because unfettered marketization undermines our common social values of community and commonality, we have an ethical obligation to resist these disruptive market innovations, such as ReservationHop. In this section, I have examined
the effect of unrestrained marketization on societal values of community and commonality. First, I argued that unfettered marketization undermines on the shared values of community and solidarity that make up a common social life. I then illustrated three examples of how unregulated marketization erodes the sphere of egalitarian civic life. Thirdly, I argued that this common civic life is necessary for a well-functioning democracy. Lastly, I argued that ReservationHop is an impermissible business model because it corrupts these non-market, social values of community and commonality that are essential for a well-functioning democracy.
VI. Conclusion

In this thesis, I have constructed a case study of ReservationHop in order to examine the intrusion of marketplace ideals on society. First, I have examined the brief history behind and the formative aspects behind the site ReservationHop. I, also, discussed the initial controversy regarding the site’s creation and the arguments that its founder Mayer has used in its defense. I, then, examined these arguments using two economic considerations of consumer choice theory and Pareto efficiency as their support. Thirdly, I argued that ReservationHop did not provide a Pareto optimal improvement since it relied on deception to exploit restaurants. Lastly, I argued that ReservationHop is not a permissible business model because it reduces the sphere of egalitarian common cause, encroaching on our communal civic shared life.

ReservationHop illustrates the negative effect of technological innovation on society. Technology allows markets to, more easily, infiltrate society and societal norms with its continual pursuit of maximizing efficiency. The restaurant reservation market is full of inefficiencies (cancellations, limited seating). These factors do affect the restaurant’s business, thus many new business innovations have tried to remedy this fact. Alinea, Open Table, and ReservationHop are “connected by the notion of extreme convenience, and using that convenience as a tool to pry people away from established notions and old habits” (Madrigal, 1). Society has become so transfixed by this convenience that we have stopped asking ourselves whether these innovations really make our lives better and are they good for the community? Oftentimes, as with ReservationHop, morality is compromised for the sake of this convenience. This thesis is significant because it illustrates the importance of ethical deliberation in examining new business innovations in society.
Works Cited


