

Economics, Ethics & Public Policy

ECON 33210

Spring 2010

Class time: Mondays and Wednesdays, 3:00-4:15, 241 DeBartolo

Office Hours: Office Hours: Mondays and Wednesdays, 1.45 -2.45 PM, Tuesdays, 2.00-3.00 PM, and by appointment

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1. Course Description

This course examines how economics and public policy are closely linked with ethical issues. It argues that the claim made by many economists that (at least a part) of economics can be value neutral is unwarranted, and discusses especially how values enter into what is called positive economics. It then provides a brief discussion of ethical and justice theories, by way of background. The bulk of the course then explores different ways in which ethical considerations enter economic and policy analysis. First, it examines the consequences of the fact that people have ethical values. We are not just self-interested optimizing agents, but have values which affect their behavior. It examines the implications of this for how the economy functions when people interact with each other in markets and other economic arenas. Second, it examines normative issues such as: whether and to what extent markets and other economic institutions are moral; and whether economic processes, outcomes and policies should be evaluated in terms of utility and social welfare functions and cost benefit analysis, and quantitative measures such as GDP and national income. Finally, it examines the importance of ethics for several subfields of economics, including development economics, international economics, labor economics, environmental economics, and the economics of the firm.

2. Prerequisites

Students are required to have already taken a principles or introductory courses in economics and statistics; intermediate courses in micro and macroeconomics, and econometrics, also provide useful background but are not required. Some of the material covered will be more sophisticated in nature than is normally covered in principles courses but, if necessary, the course will cover the material required to prepare students for that material.

3. Course plan

For the first couple of days I will provide a brief overview of the material covered in the syllabus and reading list. After that you have to select two topics of your choice on which you will write papers and make in-class presentations and lead discussions. You can formally select topics after discussing it with me and sending an email to confirm. All students are required to participate in discussions on each topic. The final version of one paper is due on or before **March 3** (the last days of class before the mid-semester break) and the other on or before **April 30** (the last day of class). The recommended length of each paper is 14 to 16 pages (including notes and references). **You are required to turn in an outline and at least one draft of each paper before submitting the final versions by dates mentioned below.**

13	Introduction	
18	Ethics and Economics	Dutt and Wilber 1
20	Economics without ethics?	Dutt and Wilber 2, Hausman and McPherson 2, 3
25	Economics without ethics? cont	Hausman and McPherson, App, Dasgupta
27	Approaches to Ethics and Justice	Dutt and Wilber 3, Solomon
1	Approaches to Ethics and Justice, cont	Sterba, Hausman and McPherson 7, 10
3	Approaches to Ethics and Justice, cont	Rawls, Sen, Hausman and McPherson 12, Held, Nozick
8	Individuals, norms and ethical values	Dutt and Wilber 4, Hausman and McPherson 4
10	Individuals, norms and ethical values, cont	Hausman and McPherson 5 6, <i>Konow, Outline of 1st paper due</i>
15	Social interactions and ethical values	Dutt and Wilber 5, Hausman and McPherson 14
17	Social interactions and ethical values, cont	Axelrod, Fehr and Gächter
22	Markets and ethical values	Dutt and Wilber 6, Anderson, Evensky, <i>Draft of 1st paper due</i>
24	Markets and ethical values, cont	Akerlof and Shiller, Platteau, Blank and McGurn
1	Morality of markets	Dutt and Wilber 7, Sen
3	Morality of markets, cont	Anderson, Titmuss, 1st paper due
8	Midsemester break	
10	Midsemester break	
15	Morality of government intervention	Mellstrom and Johannesson, Sandel
17	Individual preferences and efficiency	Dutt and Wilber 8, Hausman and McPherson 8, 9
22	Individual preferences and efficiency, cont	Hausman and McPherson 13, Hubin
24	Individual preferences and efficiency, cont	
29	Production, income, growth	Dutt and Wilber 9
31	Production, income, growth, cont	Sen
5	Easter holiday	
7	Production, income, growth, cont	Easterlin Dutt and Wilber 10, Hausman and McPherson 11, <i>Outline of 2nd paper due</i>
12	Fairness, distribution, equality	
14	Fairness, distribution, equality, cont	Dworkin, Scanlon
19	Fairness, distribution, equality, cont	Sen, Singer, Sandel
21	Ethics and Applied Economics	Dutt and Wilber 11, <i>Draft of 2nd paper due</i>
26	Ethics and Applied Economics, cont	Hausman and McPherson 15, 16
28	Ethics and Applied Economics, cont	Crocker 1991, Wilkinson
30	conclusion	Dutt and Wilber 12, <i>2nd paper due</i>

READINGS

*Dutt, Amitava Krishna and Wilber, Charles, *Economics and Ethics: An Introduction*, New York and London: Palgrave and Macmillan, forthcoming, 2010.

**Hausman, Daniel and McPherson, Michael, *Economic Analysis, Moral Philosophy and Public Policy*, Cambridge, UK: Cambridge University Press, 2006.

**Wilber, Charles, editor, *Economics, Ethics and Public Policy*, New York: Rowman and Littlefield, 1998.

SYLLABUS AND READING LIST

PART I INTRODUCTION AND BACKGROUND

1. INTRODUCTION

*Dutt and Wilber, Chapter 1

**Hausman and McPherson, Chapter 1

**Blackburn, Simon (2001). *Being good: An introduction to ethics*, Oxford: Oxford University Press.

**MacIntyre, Alasdair (1967). *A short history of ethics*, London: Routledge and Kegan Paul; Routledge classics edition, London: Routledge, 2002.

2. ECONOMICS WITHOUT ETHICS?

*Dutt and Wilber, Chapter 2

**Hausman and McPherson, Chapters 2, 3

**Hausman and McPherson, Appendix: How could ethics matter to economics?

**Blaug, Mark (1990). *The Methodology of Economics: Or How Economists Explain*, Cambridge: Cambridge University Press.

*Weston, Samuel C. (1994). "Toward a better understanding of the positive/normative distinction", *Economics and Philosophy*, 10, 1-17, reprinted in Wilber, ed. *EEPP*.

*Dasgupta, Partha (2005). “What do economists analyze and why: Values or facts”, *Economics and Philosophy*, 21, 221-78.

*Frank, Robert H.; Gilovich, Thomas; and Regan, Dennis T. (1993). “Does studying economics inhibit cooperation?” *Journal of Economic Perspectives*, 7(2), Spring, 159-7, reprinted in Wilber, Charles K., ed. *Economics, ethics and public policy*, London: Rowman and Littlefield.

**Myrdal, Gunnar (1954). *The political element in the development of economic theory*, trans. by Paul Streeten, Cambridge, Mass.: Harvard University Press.

3. APPROACHES TO ETHICS AND JUSTICE

*Dutt and Wilber, Chapter 3

**Solomon, W. David (1998). “Normative ethical theories”, in Wilber, ed. *EEPP*, 119-38.

**Sterba, James (1999). “Social justice”, in Wilber, ed. *EEPP*, 187-215.

**Rawls, John (1971). *A theory of justice*, Cambridge, Mass.: Harvard University Press.

**Nozick, Robert (1974). *Anarchy, state and utopia*, New York: Basic Books.

**Sen, Amartya K. (2009). *The idea of justice*, Cambridge, Mass.: Harvard University Press.

**Hausman and McPherson, Chapters 7, 10, 12

*Held, Virginia (1990). “Feminist Transformations of Moral Theory,” *Philosophy and Phenomenological Research*, 50, Supplement, Fall, 321-44, reprinted in Wilber, Charles K., ed. *Economics, ethics and public policy*, London: Rowman and Littlefield.

**Sandel, Michael J. (2009). *Justice. What’s the right thing to do?* New York: Farrar, Straus and Giroux, chapters 1, 2, 3, 5

PART II ETHICAL VALUES, INDIVIDUAL BEHAVIOR AND SOCIAL INTERACTIONS

4. INDIVIDUALS, NORMS AND ETHICAL VALUES

*Dutt and Wilber, Chapter 4

**Hausman and McPherson, Chapters 4, 5, 6

*Simon, Herbert A. (1976). “From substantive to procedural rationality”, in S. J. Latsis, ed., *Method and Appraisal in Economics*, Cambridge, UK: Cambridge University Press, 129-48.

Griffith, William B. and Goldfarb, Robert S. (1991). "Amending the Economist's 'Rational Egoist' Model to Include Moral Values and Norms", in Kenneth J. Koford and Jeffrey B. Miller (eds.), *Social Norms and Economic Institutions*, Ann Arbor: The University of Michigan Press.

*Konow, James (2003). "Which is the fairest one of all? A positive analysis of justice theories", *Journal of Economic Literature*, 41, December, 1188-1239.

*Smith, Adam (1759). *The theory of moral sentiments*, ed. D. D. Raphael and A. L. Macfie, Vol. 1 of *The Glasgow edition of the works and correspondences of Adam Smith*, general editors, D. D. Raphael and A. Skinner, Oxford: Clarendon Press, 1976.

**Diamond, Elezier (1998). "The earth is the Lord's and the fullness thereof: Jewish perspectives on consumption", in Crocker, David C. and Linden, Toby, eds. (1998). *Ethics of Consumption. The Good Life, Justice and Global Stewardship*, Lanham: Rowan and Littlefield.

5. SOCIAL INTERACTIONS AND ETHICAL VALUES

*Dutt and Wilber, Chapter 5

**Hausman and McPherson, Chapter 14

**Axelrod, Robert (1984). *The evolution of cooperation*, New York: Basic Books, 1984, chapters 1-3, 5.

*De Quervain, Dominique J.-F., Urs Fischbacher, Valerie Treyer, Melanie Schellhammer, Ulrich Schnyder, Alfred Buch, and Ernst Fehr (2004). "The neural basis of altruistic punishment", *Science*, 305, 1254-64.

*Fehr, Ernst, and Gächter, Simon (2000). "Cooperation and punishment in public goods experiments", *American Economic Review*, 90(4), 980-94.

**Seabright, Paul (1993). "Managing local commons: Theoretical issues in incentive design", *Journal of Economic Perspectives*, 7(4), Autumn, 113-34.

Skyrms, Brian (1996). *Evolution of the social contract*, Cambridge: Cambridge University Press.

6. MARKETS AND ETHICAL VALUES

*Dutt and Wilber, Chapter 6

**Akerlof, George A. and Robert J. Shiller (2009). *Animal spirits*, Princeton, New Jersey: Princeton University Press.

*Anderson, Elizabeth (1990a). "The ethical limitations of the market", *Economics and Philosophy*, 6(2), 179-205, reprinted in Wilber, Charles K., ed. *Economics, ethics and public policy*, London: Rowman and Littlefield.

*Evensky, Jerry (1993). "Ethics and the Invisible Hand." *Journal of Economic Perspectives*, 7(2), 197-205, reprinted in Wilber, Charles K., ed. *Economics, ethics and public policy*, London: Rowman and Littlefield.

*Granovetter, Mark (1985). "Economic action and social structure: The problem of embeddedness", *American Journal of Sociology*, 91(3), 481-510.

*Greif, Avner (1997). "Contracting, enforcement and efficiency: Economics beyond the law", *Annual World Bank Conference on Development Economics 1996*, Washington DC: World Bank, 239-65.

*Platteau, Jean-Philippe (1994). "Behind the Market Stage Where Real Societies Exist-Part I: The Role of Public and Private Order Institutions." *The Journal of Development Studies*, XXX(3):533-577.

*Platteau, Jean-Philippe (1994). "Behind the Market Stage Where Real Societies Exist-Part I(The Role of Moral Norms." *The Journal of Development Studies*, XXX(4):533-577.

**Blank, Rebecca M. and William McGurn (2004). *Is the market moral?* Washington DC: Brookings.

**McCloskey, Deirdre (2006). *The bourgeois virtues. Ethics for an age of commerce*, Chicago, Ill.: University of Chicago Press.

PART III ETHICAL ISSUES FOR EVALUATING ECONOMIES AND ECONOMIC POLICY ANALYSIS

7. THE MORALITY OF MARKETS AND GOVERNMENT INTERVENTION

*Dutt and Wilber, Chapter 7

*Sen, Amartya K. (1985). "The moral standing of the market", *Social Philosophy and Policy*, 2(2), reprinted in Deiter Helm, ed., *The Economic Borders of the State*, Oxford: Oxford University Press, 1993, 92-109.

*Anderson, Elizabeth (1990). "The ethical limitations of the market", *Economics and Philosophy*, 6(2), 179-205, reprinted in Wilber, Charles K., ed. *Economics, ethics and public policy*, London: Rowman and Littlefield.

*Anderson, Elizabeth (1990). "Is women's labor a commodity?" *Philosophy and Public Affairs*, 19, 71-92, reprinted in Wilber, Charles K., ed. *Economics, ethics and public policy*, London: Rowman and Littlefield.

*Anderson, Elizabeth (1993). *Value in ethics and economics*, Cambridge, Mass.: Harvard University Press.

*Titmuss, Richard M. (1971). *The gift relationship: From human blood to social policy*, New York: Pantheon Books.

*Mellström, Carl and Johannesson, Magnus (2008). "Crowding out in blood donation: Was Titmuss right?", *Journal of the European Economic Association*, 6(4), 245-63.

*Sandel, Michael J. (2009). *Justice. What's the right thing to do?* New York: Farrar, Straus and Giroux, chapter 4.

8. INDIVIDUAL PREFERENCES, EFFICIENCY AND COST-BENEFIT ANALYSIS

*Dutt and Wilber, Chapter 8

**Hausman and McPherson, Chapters 8, 9, 13

*Cowen, Tyler (1993). "The scope and limits of consumer sovereignty", *Economics and Philosophy*, 9(2), 253-69, reprinted in Wilber, Charles K., ed. *Economics, ethics and public policy*, London: Rowman and Littlefield.

*Hubin, Donald C. (1994). "The moral justification of benefit/cost analysis", *Economics and Philosophy*, 10(2), 169-94, reprinted in Wilber, Charles K., ed. *Economics, ethics and public policy*, London: Rowman and Littlefield.

9. PRODUCTION, INCOME AND GROWTH

*Dutt and Wilber, Chapter 9

**Sen, Amartya K. (1999). *Development as Freedom*, New York: Anchor Books, chapters 1-3.

*Easterlin, Richard (2001), 'Income and happiness: towards a unified theory', *Economic Journal*, **111**, July, 465-84.

10. FAIRNESS, DISTRIBUTION AND EQUALITY

*Dutt and Wilber, Chapter 10

**Hausman and McPherson, Chapter 11

*Dworkin, Ronald (1981). "What is equality? Part 2: Equality of resources", *Philosophy and Public Affairs*, 10(3), 283-345.

*Scanlon, Thomas (2003). "The diversity of objections to inequality", in Thomas Scanlon, *The difficulty of tolerance: Essays in political philosophy*, Cambridge: Cambridge University Press, 202-18.

*Sen, Amartya K. (1983). "Poor, relatively speaking", *Oxford Economic Papers*, 35, July, 153-59.

*Singer, Peter (1978). "Is racial discrimination arbitrary?" *Philosophia*, 8, 185-203, reprinted in Peter Singer, *Unsanctifying human life*, Oxford: Blackwell, 2002.

*Sandel, Michael J. (2009). *Justice. What's the right thing to do?* New York: Farrar, Straus and Giroux, chapters 6, 7.

PART IV APPLICATIONS AND CONCLUSION

11. ETHICS AND APPLIED ECONOMICS

*Dutt and Wilber, Chapter 11

**Hausman and McPherson, Chapters 15, 16

*Crocker, David (1991). "Toward development ethics", *World Development*, 19(5), 457-83.

Crocker, David (2008). *Ethics of global development: Agency, capability and deliberative democracy*, Cambridge, UK: Cambridge University Press.

*Dutt, Amitava Krishna and Wilber, Charles K. (2010). "Development ethics and development economics" in Charles K. Wilber and Amitava Krishna Dutt, eds., *New Directions in Development Ethics: Essays in Honor of Denis Goulet*, Notre Dame: University of Notre Dame Press.

*Wilkinson, T. M. (2004). "The ethics and economics of the minimum wage", *Economics and Philosophy*, 20, 351-74.

12. CONCLUSION

*Dutt and Wilber, Chapter 12