

# **MARQUETTE UNIVERSITY**

*Spring 2004*

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## ***Economics and Ethics (Economics 181)***

TuTh 9:35 – 10:50 375 David Straz Hall

***Dr. John B. Davis***

***Marquette University and University of Amsterdam***

403 B David Straz Hall, 288-5438, john.davis@marquette.edu  
Office Hours MWF 10:00 – 12:00 or by appointment

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### ***Course description and aims***

This course examines the relationship between economics and ethics, or how normative values and ethical reasoning underlie both the science of economics and the operation of the economy. The aim of the course is to introduce students to the role of ethical reasoning in economics and economic life, and thereby help create a capacity on their part for ethical reflection and action in connection with economic policy and individual economic experience.

The course begins by first critically evaluating the widely accepted but questionable assumption found in most economics textbooks and held by many economists that economics is a positive, value-free science. It then goes on to survey and identify the specific normative assumptions that underlie standard microeconomic reasoning, and examines how the claim that economics is value-free serves to promote these values and the normative vision they entail at the expense of other values and other normative visions that might equally be associated with economics and economic life. Following this, the course turns to three main topics of investigation, and then finishes with attention to a number of additional issues of contemporary importance.

The first main topic is ethical problems associated with development of the global economy. The increasingly international character of the world economy is manifest in new political conflicts (such as over the scope and activities of the IMF and WTO) which reflect competing normative visions for the future of the world economy. Some have argued that these conflicts cannot be resolved, because different cultures have incommensurable normative visions. Are there, then, ethical principles that apply to all societies, and which might underlie the development of the international economy? This issue is addressed particularly in connection with the elaboration of economic policy strategies aimed at addressing some of the main problems associated with globalization.

A second main topic is economics and ethics in relation to the environment. Here we examine the concept of sustainability, benefit-cost analysis used in public policy analysis, and the nature of our responsibilities to future generations. Is economic growth and development inevitably in conflict with concern for the environment? What relationships are there between normative values and policy that specifically target the environment and normative values and policy that specifically target the economy? Is the frame of thinking in economics too short-term relative to the frame of thinking about the environment as long-term? How might the future development of science in general influence the relationship between economics and the environment? This section of the course is introduced by a class guest, Professor Douglas E. Booth, an expert in economics and ethics in relation to the environment and a former member of the Marquette economics department.

A third main topic is virtue ethics from an Aristotelian perspective. The virtue ethics perspective is highly personal. In contrast much of the subject matter of how ethics relates to economics has a more macro or systems-type focus. A virtue ethics is thus valuable for thinking about individual decision-making. But the backbone of economics – the theory of rational choice – also seeks to explain individual decision-making. Indeed one of the reasons that ethics is regarded by many economists as irrelevant to economics is that the theory of rational choice is typically believed to apply to all human decision-making. Yet conventionally people say that ethics applies to all human decision-making. Is there a way of reconciling these alternative visions?

Three additional topics that are given one-week attention are: (i) religion and economics, (ii) determining the economic value of life, (iii) altruism and commitment, and (iii) bio-engineering. The religion and economics topic is introduced by another class guest, Professor Laurence Iannaccone, an international expert on religion and economics and a member of the economics department of George Mason University.

### ***Course procedure and organization***

The course is organized as a hybrid between the seminar and lecture/discussion formats. I will begin each class with a brief summary and introduction to the reading and material for the class. After this I will provide a list of questions on the material, the first few of which are then to be worked on in small groups of students for ten to fifteen minutes. Following this, we will have class discussion of the results of group discussions for another ten to fifteen minutes. This is followed by more group work on additional questions, further discussion from the whole class, etc. until almost the end of class when I will offer summary remarks regarding the overall discussion and the issues discussed.

For this type of class to be successful reading must be done before class. Reading assignments average about 25 pages per class. Students should read globally before class, concentrating on the structure of the reading and its main arguments, while also noting any particular points of interest to you, and then saving more close examination of the readings to after class as determined by class discussion of the questions.

Students should also (see below) maintain their class materials in the form of a notebook or log, with (i) brief summaries, outline remarks, points of interest from the first global reading, (ii) notes on the discussion of questions and results in class next, and (iii) remarks on conclusions reached in class linked back to a review of key parts of the readings last.

### ***Course requirements and grading***

There are two exams, a midterm and a non-cumulative final, each worth 30 percent of the course grade. Questions will be based on those distributed and discussed in class.

Class discussion counts for 10 percent of the course grade. Evaluated at midterm and the end of class.

Notebooks count for 10 percent of the course grade. Evaluated at midterm and the end of class.

An ‘argument paper’ constitutes the remaining 20 percent of the course grade. (i) Papers first state in one paragraph standing on a page by itself a specific thesis or position based on the topics and arguments examined in class (2 points); then provide two arguments in favor of this thesis or position, each argument consisting of no more than one page at most (3 points per argument). Due at the end of Spring break. (ii) Each paper is then given randomly to another member of the class whose responsibility is to write a critical reply to each of the two arguments, each reply consisting of no more than one page at most (3 points per reply). Due after Easter break. (iii) Papers are returned to the original authors, who then write a response to each critique, each response consisting of no more than one page at most (3 points per response). The final version of the paper is due the last day of class.

The grading scale is: A = 90 and above, AB = 85 to 89, B = 80 to 84, BC = 75 to 79, C = 70 to 74, CD = 65 to 69, D = 60 to 64, F = below 60.

### ***Course readings***

(\**electronic reserve*, \*\* *bookstore*, \*\*\* *distributed in class*)

\*\*\*Douglas E. Booth, “Environmental Values and Getting Unhooked from Growth,” forthcoming in *Hooked on Growth: Economic Addictions and the Environment*, Lanham: Rowman and Littlefield.

\*Rodney Brooks, “The Merger of Flesh and Machines,” in *The Next Fifty Years: Science in the First Half of the Twenty-First Century*, ed., J. Brockman, New York: Vintage, 2002: 183-193.

\*John Broome, “Trying to value a life,” in *Ethics out of Economics*, Cambridge: Cambridge University Press, 1999: 177-182.

- \*\*\*Edgar K. Browning and Mark A. Zupan, *Microeconomic Theory and Applications*, fifth edition, New York: HarperCollins, 1996: 3-4.
- \*\*George DeMartino, *Global Economy, Global Justice: Theoretical Objections and Policy Alternatives to Neoliberalism*. London: Routledge, 2000.
- \*\*\*John J. Fialka, “Balancing Act: Lives vs. Regulations,” *The Wall Street Journal*, May 30, 2003.
- \*Laurence Iannaccone, “Introduction to the Economics of Religion,” *Journal of Economic Literature*, vol. 36, 1998: 1465-1496. <http://www.jstor.org/>
- \*Aldo Leopold, “Land Ethic,” in *Sand County Almanac*.  
[www.tipiglen.dircon.co.uk/landethic.html](http://www.tipiglen.dircon.co.uk/landethic.html)
- \*Bryan Norton, “The Ignorance Argument: What Must We Know to be Fair to the Future?” In D. Bromley and J. Paavola, eds., *Economics, Ethics, and Environmental Policy: Contested Choices*, Oxford: Blackwell, 2002: 35-52.
- \*Hilary Putnam, *The Collapse of the Fact/Value Dichotomy and other essays*, Cambridge, MA: Harvard University Press, 2002: 7-45
- \*Alan Randall, “Benefit-Cost Considerations Should be Decisive When there is Nothing More Important at Stake,” in D. Bromley and J. Paavola, eds., *Economics, Ethics, and Environmental Policy: Contested Choices*, Oxford: Blackwell, 2002: 53-68.
- \*Susan Rose-Ackerman, “Altruism, Nonprofits, and Economic Theory,” *Journal of Economic Literature*, vol. 34 (June 1996): 701-728. <http://www.jstor.org/>
- \*Kurt W. Rothschild, *Ethics and Economic Theory: Ideas, Models, Dilemmas*, Aldershot, Elgar, 1993: 105-115.
- \*Amartya Sen, “Rational Fools: A Critique of the Behavioral Foundations of Economic Theory,” *Philosophy and Public Affairs*, vol. 6 (1977): 317-44.
- \*Amartya Sen, *Development as Freedom*, New York: Anchor, 1999: 3-11.
- \*\*Irene van Staveren, *The Values of Economics: An Aristotelian Perspective*. London: Routledge, 2001.
- \*Charles K. Wilber and Roland Hoksbergen, “Ethical Values and Economic Theory: A Survey,” in C. Wilber, ed., *Economics, Ethics, and Public Policy*, Lanham: Maryland: Rowman & Littlefield, 1998, 17-32

\*Anthony M. Yezer, Robert S. Goldfarb, and Paul J. Poppen, "Does Studying Economics Discourage Cooperation? Watch What We Do, Not What We Say or How We Play," *Journal of Economic Perspectives* 10 (1), 1996: 177-186. <http://www.jstor.org/>

## **Course Schedule**

### **I. Introduction:**

***Economics and ethics, the positive-normative distinction, and the studying economics***

January 13, 15                      *Browning and Zupan, Yezer et al, Wilber and Hoksbergen*  
January 20, 22                      *Putnam, Sen(1999)*

### **II. Eliciting value in standard economic theory**

January 27, 29                      *DeMartino, Part I*  
February 3, 5                      *DeMartino, Part I*  
February 10, 12                      *van Staveren, Chs. 1, 2*

### **III. Global Economy, Global Justice**

February 17, 19                      *DeMartino, Intro., Part II*  
February 24, 26                      *DeMartino, Part II*  
March 2                              *Exam*

### **IV. The environment: sustainability and cost-benefit analysis**

March 4                              *Guest, Douglas Booth, Leopold, Booth*  
March 9, 11                      *Spring break*  
March 16, 18                      *Norton, Randall*

### **V. Virtue ethics: The Aristotelian approach**

March 23, 25                      *van Staveren, Chs. 5, 6*  
March 30                              *van Staveren, Chs. 7, 8*

### **VI. Additional topics**

April 1, April 6                      *Religion: Guest, Laurence Iannaccone, Iannaccone, Easter break*  
April 13, 15                      *Value of life: Rothschild, Broome, Fialka*  
April 20, 22                      *Altruism: Sen (1977), Rose-Ackerman*

*April 27, 29*  
*May 3*

*Bio-engineering: Brooks, and to be determined*  
*Final exam*