Course description

This course does not offer a survey or a theory of ethical thought. We do not attempt to seriously canvas the demands that morality makes, still less to justify them. Our main project is to consider ethical issues in application - as they arise in the course of social exchange, priced and unpriced.

All human action has a moral dimension. Market behavior and theories of it are no exception. No one denies that ethics are relevant to normative ("welfare") economics. When economists judge economic arrangements to be good or bad, right or wrong, they use, as they must, ethical criteria. But ethics plays a role in "positive" economics too, both as an input and as an output. Ethical commitments affect economic thought, and economic thought can affect ethical commitments.

The input role is easier to see. Ethical commitments affect the choices individuals make and thereby have economic consequences. "People are motivated by ethical considerations," Amartya Sen argues, "whether or not they, in practice, wholly abide by what they morally defend." To the extent that morality is important to economic life, it is important to economic theory. Economic actors, for example, regard some prices (and wages, and interest rates) as unjust; they care about the distribution of gains; they think that some business practices are wrong, and will pay to avoid them; they believe that reward should be connected with effort (and sometimes with performance), but also that the dispersion of income has moral implications; they think that some goods should not be traded, or should not be priced, and they sometimes have a view of what, if anything, the state can rightly do to promote these and other ethical judgments.

The output effect is more indirect, but no less real. Economic thought, whether or not it explicitly considers the ethical inputs to decision making, influences government policies. And government policies, which have ethical consequences of themselves, affect the ethical choices of citizens, choices made in markets and elsewhere. Finally, the very terms in which economists conceptualize and explain individual choices themselves have moral implications (Hausman and McPherson 1996: 214-15), and may even affect the ethical views of persons influenced by them.
Personnel

My office is Fisher 314, 258-4036; tleonard@princeton.edu. My office hours are TuTh 1:30-3:00p.m. My assistant is Ms. Annamarie Scarpati, Fisher 208, 258-6237, scarpati@princeton.edu. The course Al is Andrei Hagiu, 258-0301, hours TBA. ahagiu@princeton.edu.

Requirements

Your grade in the course will derive from four sources: (1) three written assignments (papers of 5-6 pages each), (2) a take-home mid-term examination, and (3) a take-home final examination, and (4) class participation. In determining your course grade, we will use the following weights: papers (27%), mid-term examination (25%), and final examination (43%), and class participation (5%). In all cases, no late submissions will be accepted. Assignments will be posted on the course page, and are due to Annamarie Scarpati no later than 4:00 p.m. of 7 days thereafter.

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<th>Assignment</th>
<th>Posted to Course Page on</th>
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Graded assignments can be retrieved from Ms. Scarpati in Fisher 208, Tu Th 2-4pm.

Readings


Other readings listed in the course outline that follows are on e-reserve, accessible through course page or Firestone page, (and) or are posted on course page under “documents”, (and) or have direct URL links provided below.
I. Introduction

1) Political Economy out of Moral Philosophy
   A) Vignette 1: Should the World Bank encourage migration of dirty industries to LDCs?
      Hausman and McPherson, *EAMP* pp. 9-16.
   
      Carlyle, a critic of capitalism, defends the racism and brutal slavery that Economists attack.
      
      
      A wealth of primary and secondary historical sources can be found at:
      [http://cepa.newschool.edu/het/essays/texts/negroquest.htm#links](http://cepa.newschool.edu/het/essays/texts/negroquest.htm#links)

2) Some preliminaries that deserve more time than they’ll get: Rationality, Ethics, Welfare and Utility

   A) Rationality
      
      Hausman and McPherson, *EAMP* pp.27-37.
      
      [http://links.jstor.org/sici?sici=0013-0133%28199107%29101%3A407%3C751%3ARCA5OC%3E2.0.CO%3B2-6](http://links.jstor.org/sici?sici=0013-0133%28199107%29101%3A407%3C751%3ARCA5OC%3E2.0.CO%3B2-6)
      

   B) Ethics
      

   C) Welfare and Utility: Is it always good to get what you prefer?
      
      Hausman and McPherson, *EAMP*, pp. 71-83

3) Inter-temporal Choice: Ulysses and dynamic inconsistency

http://links.jstor.org/sici?sici=0022-0515%28199803%2936%3A1%3C18%3APAE%3E2.0.CO%3B2-B

http://links.jstor.org/sici?sici=0895-3309%28198923%293%3A4%3C181%3AAIC%3E2.0.CO%3B2-K

4) Less liberty by agreement: Can welfare maximization (Paretianism) threaten liberty? When?

http://links.jstor.org/sici?sici=0022-3808%28197001%2F197002%2978%3A1%3C152%3ATIOAPL%3E2.0.CO%3B2-W

http://slate.msn.com/?id=46376


II. Norms, conventions and cooperation

5) The reason of rules: What are norms and conventions and what do they do?

Hausman and McPherson *EAMP*, pp. 51-65.


http://links.jstor.org/sici?sici=0895-3309%28198923%293%3A4%3C99%3ASNAET%3E2.0.CO%3B2-M

6) Where do norms and conventions come from: stone tablets, moral philosophers, evolutionary hard wiring or shock-perturbed multiple equilibria in coordination games?

Frank, Robert, 1988. *Passions within Reason: the Strategic Role of the
7) Why does *homo economicus* sometimes cooperate? Does he observe norms out of duty, in consent, to reciprocate, in fear of reprisal?

A) How do people divide a surplus, and why? How would they?


B) Covenants without the Sword: norms in collective-action problems


8) Enforcement costs: How much will individuals pay to punish unethical behavior and to reward ethical behavior?

A) Meta-norms: how moral force attenuates at higher orders

B) Prices of life saving drugs: Might price discrimination help the impoverished sick? Might enforcing one price hurt them?

C) Fair Trade: what is fair about politically correct coffee?
   http://www.milken-inst.org/poe.cfm?point=review

D) Investors and “socially responsible” mutual funds

III. The just price: trade and exploitation

9) Terms of trade: Unjust prices (wages, interest rates) and unjust changes in prices (gouging).

   A) Is trade positive- or zero-sum? Is usury trade?
      *Thomas Acquinas. Summa Theologica in Barry Gordon

   B) Who’s gouging whom?
      http://links.jstor.org/sici?sici=0002-8282%28198609%2976%3A4%3C728%3AAPSR%3E2.0.CO%3B2-I
      http://links.jstor.org/sici?sici=0002-8282%28199106%2981%3A3%3C385%3APATMFT%3E2.0.CO%3B2-M

10) Terms of trade: Can non-fraudulent, informed consensual exchange be exploitive?
   A) Distinguishing coercive threats (your money or your life) from non-coercive offers (take it or leave it).
      *Katz, Leo 199x. Ill-gotten Gains.
B) LDC labor markets: a choice among evils
Kristoff, Nicholas and Sheryl WuDunn (2002) “Two Cheers for Sweatshops” (note the vituperation of the respondents).
http://web.mit.edu/krugman/www/smokey.html
http://www.pkarchive.org/column/42201.html
Krugman, Paul, “A Raspberry for Free Trade” in Slate
http://web.mit.edu/krugman/www/berries.html
*Kkrugman, Paul (1993) “What do Undergrads need to know about trade?”
http://links.jstor.org/sici?sici=0002-8282%28199305%2983%3A2%3C23%3AER toppings%3E2.0.CO%3B2-T

C) DC Labor markets: a living wage at Harvard
http://www.harvard-magazine.com/on-line/010238.html
“The Connection” radio program on Harvard’s living wage
http://realserver.bu.edu:8080/ramgen/w/b/wbur/connection/audio/2001/05/con_0507a.rm

D) Are the gains (and losses) from technological improvements morally different from gains from trade, especially trade with foreigners?
Landsburg, Steve. Chapter two of Fair Play
http://www.netacc.net/~fairplay/chapter.htm
Cook, Clive. Economist Survey of Globalization (Sept 29, 2001)

IV. What property should be exchanged?

11) Everything for sale? Should some goods not be tradable (votes, endangered animal skins, cocaine, liberty)?

A) Should some goods be tradeable but not (explicitly) priced (sex, human organs, human blood, blackmail-quality information). If some trade is good, why isn’t more better?


i) Human blood


ii) Human organs


Against organ sales: [http://sunsite.berkeley.edu/biotech/organswatch/pages/nsh.html](http://sunsite.berkeley.edu/biotech/organswatch/pages/nsh.html)

B) Do trade prohibitions work or is this cure worse than the disease?


V. What the state can do

12) Paternalism: When does the state know best? When is this sufficient for intervention?


A) Paternalism or utility interdependence? Payments in kind or cash transfers?

VI. Distribution

13) Ethics of Distribution: (1) who gets what; (2) what do they get; (3) why do they get what they get; (4) should they be getting something else; and (5) does what they get have economic consequences of its own?

A) Well being or resources?

B) What’s so great about equality, anyway? How to regard Pareto-improving increases in income dispersion?
Hausman and McPerson, EAMP, pp. 135-149.

C) Do changes in pie slicing shrink or enlarge the pie? Do the pie-slicers-in-chief care about pie shrinkage?

D) Should we regard the distribution of natural talents as morally arbitrary? Should individuals own their inherited human capital? What about their acquired human capital? And if individuals don’t own their own human capital, who does and can they be trusted?

E) How do we measure performance, effort and need?
VII. Other

14) Consumption ethics: is more always better? Does greater consumption increase happiness?

A) Puritanical school: Too much is indecent, or doesn’t express “true” preferences.

B) Relative consumption school. Too much is an inefficient arms-race.

C) Skeptical school: Is happiness the ultimate goal, anyway?

AS TIME PERMITS:

15) Do economists’ views of human behavior influence the behavior of those exposed to them?


