PHILOSOPHY AND ECONOMICS (Ec449)

COURSE OUTLINE AND READING LIST

Lectures: Monday and Wednesday 10:00-11:40

Aims:

The aim of the course is to understand the meaning, relevance, and implications of the ‘and’ in ‘philosophy and economics’. How is, and how ought economics and ethics be related? Is it a relation of limitation, instrumentality or is ethics integral to both positive and normative economics?

Content:

The first part of the course looks at how moral philosophy has been, is and will continue to be relevant to economics. We look at rationality before turning to how moral considerations may play a role in limiting economic transactions or furthering them. It is also important to understand how markets may affect moral behaviour. The second part of the course looks at how we assess actions, outcomes and institutions and focuses on utilitarianism and efficiency in this regard. The third part of the course examines other relevant moral considerations (or “moral theories”): equality, fairness and equity, justice, and rights.

Reading:

The main textbook will be:


In addition, students may wish to consult *On Ethics and Economics,* (1987), Blackwell, Oxford UK by Amartya Sen for a useful bibliography.

However, there is no one single textbook that covers all of the topics adequately and so students are required to read the additional texts as specified in the reading list. Those chapters or articles marked with asterisk are optional.
1. **INTRODUCTION: Ethics and Economics or Economics and Ethics?**

An overview of the issues that run through the course as well as of possible approaches. Why should economics be interested in moral questions? Can economics offer any insights into philosophy?

**Reading:**

HM, chapters 1, 2 and 3.


Nussbaum, M., (1997), Flawed Foundations: The Philosophical Critique of (A Particular Type of) Economics, *The University of Chicago Law Review, 64, 4*

2. **RATIONALITY AND MORALITY**

What is rationality? Rationality and utility theory. Is Rationality a normative concept?

**Reading:**

HM: chapter 4 and 5 (pp 60-72)


3. ETHICS AND MARKETS: The moral limits of markets

We look at one fundamental issue: are there any moral limits to market activities and if not what are the implications for citizenship, voting etc. Are there some things that money cannot or should not buy?

Reading:


4. MARKETS AND ETHICS: Preferences, Behaviour and Norms

What are the underlying preferences behind market behaviour? Is the market a morally free zone? Can there be any departures from the standard assumptions about preferences? We then look at whether there can be a role for ethical considerations if we relax the other Walrasian assumption of complete contracts.
Reading:


HM, pp 80-90


5. SELF-INTEREST AND MOTIVATION

Pluralism and monism. Continuing with our theme from the previous module we look at the importance of self-interest in economic theory (Adam Smith) and departures from it: commitment.

Reading:

*Sen, A. “Adam Smith’s Prudence” in *Theory and Reality in Development*, edited by Sanjay Lall and Frances Stewart.*

6. MARKETS, MOTIVATION AND POLICY

Does the introduction of market mechanisms lead to the crowding out of altruism? We look at the policy implications of markets having an effect on ethical behaviour.

Reading:


*Bowles, S., (2007), Social Preferences and Public Economics: Are good laws a substitute for good citizens?, Santa Fe Institute


7. WELFARE AND CONSEQUENCES

We look at utilitarianism and consequentialism, efficiency and cost-benefit analysis as well as their critiques.

Reading:

HM, chapters 7, 8 and 9.


Nussbaum, M., (1985), Aeschylus and Practical Conflict, Ethics, 95, 2.


Layard, R., (2002), Happiness: Has Social Science A Clue?, Lionel Robbins Memorial Lectures


8. MORAL THEORIES: Liberty and Rights

In assessing economic outcomes, institutions, processes, should economics be concerned about other moral notions? Here we discuss ideas of liberty and rights.

Reading:

HM, chapter 10.
9. **EQUALITY, EQUITY AND FAIRNESS**

Is equality important as a moral ideal and what is the appropriate evaluative space when thinking about equality? What is the relation between equality, priority and justice? Is equality the same thing as equity, fairness?

**Reading:**

HM, chapter 11.


10. JUSTICE AND CONTRACTUALISM

We focus on Rawls’ Theory of Justice and its importance.

Reading:

HM, chapter 12
