

ECON\IIPS 410 ECONOMICS, ETHICS AND PUBLIC POLICY
UNIVERSITY OF NOTRE DAME
MW 3:00-4:15pm
SPRING 2000

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DESCRIPTION: This course will focus on the interaction between ethics and economics, both in economic theory and economic policy. There are three ways in which ethics are important in economics: 1. Economists have ethical values that help shape the way they do economics. 2. Economic actors have ethical values that help shape their behavior. 3. Economic institutions and policies impact people differentially and thus ethical evaluations must be applied in addition to economic evaluations. Philosophical ethics will be used most of the time. Theological ethics will be brought in with special emphasis on the Roman Catholic contribution.

TEXTBOOKS:

Pope John Paul II, *Centessimus Annus* (NCCB, 1991).

Economic Justice for All: Pastoral Letter on Catholic Social Teaching and the U.S. Economy (NCCB, 1986).

Charles K. Wilber (ed), *Economics, Ethics and Public Policy* (Rowman & Littlefield, 1998).

Course Packet: Available in LaFortune.[CP]

REQUIREMENTS: This is a writing intensive course and thus heavy emphasis is placed on writing papers! Each successive paper should incorporate the lessons learned from the previous papers.

1. Class participation/Case Presentations/Journal: There will be some mini lectures and question and answer periods but this is primarily a discussion class. Preparation, in the form of reading the assignments in advance, is essential for good class participation. In order to prepare for the discussions and for writing the papers, you should keep a notebook or journal of reading notes and your reaction to the readings and to the class discussions. The journals should be passed in with each paper. Cases: Two students will volunteer (or be assigned) to each case. Each will prepare a one page reaction to the case and e-mail it to the entire class by 6pm of the night before class is held. The two students will each present a two minute statement of what they see as a key issue and the class will

then discuss the case for 10-20 minutes. Also several debates will be organized during the semester. Additional information will be provided later [40 percent combined]

2. Papers: Each student will write three papers, due on the dates indicated below. Feel free to contact me-- in person, by office telephone, or by e-mail-- to discuss your paper topics.

a. **Experiential Learning:** Each student will contribute 12 hours of voluntary labor to an organization devoted to working for justice: Holy Family Catholic Worker House, South Bend Homeless Center, St. Augustine's Soup Kitchen, et al. If this is not possible for you let me know and other arrangements will be made. More information on volunteer opportunities will be provided at the beginning of the semester. A 5-7 page paper reflecting on this experience and tying it to the readings in the course is required. [20 percent] **Due March 22.**

b. A 10-12 page paper on some public policy such as an aspect of welfare reform, a policy from Part V, or some other issue that interests you. This is a two part paper. The first part should present the question asked and the way in which the question was investigated and answered. For example, the question could be asked, "What are the economic and ethical costs of moving mothers off of welfare and on to a payroll in the state of Wisconsin? What are the economic costs? Job training, day care, etc? What are the ethical costs? Loss of income, loss of medical care, impact on children of no parent at home, etc. How will you find answers? Look for studies by the legislature? Read the main newspaper? Are there any reports from other sources? Are there data from which you can do your own interpretation? The second part of the paper is a writeup of the results of what was found using some consistent ethical viewpoint. A one page proposal must be submitted for approval one month before the due date. [30 percent] **Due April 19.**

c. The third paper (3-5 pages) should contain an analysis of the case-- "Cheap Labor: Children and the Fifty-Hour Work Week." [**CP**] Choose a viewpoint from which to conduct the analysis-- one of the theories of justice, Catholic Social Thought, et al. Do a brief literature review to update the material since 1994. [10 percent] **Due May 3.**

ASSIGNMENTS:

PART I: ECONOMISTS, VALUE JUDGMENTS AND ECONOMIC THEORY

Economists, as persons, bring a viewpoint with them that structures the questions asked, the methods, the evidence, the answers deemed acceptable. Is this merely Schumpeter's "pre-analytic vision" or does it lead to the value permeation of theory? If there is no objective access to the "real" world an economist is forced to see that world through the lenses of theory. Does that mean "facts" are theory laden? And value laden? What would this mean for economic theory?

A. INTRODUCTION

Daniel M. Hausman and Michael S. McPherson, *Economic Analysis and Moral Philosophy* (Cambridge University Press, 1996), pp. 9-16. [CP]

Jerry Evensky, "Ethics and the Invisible Hand," *Journal of Economic Perspectives*, Vol. 7, No. 2 (Spring 1993), pp. 197-205. In EEPP, pp. 7-16.

B. THE VALUE NEUTRALITY DEBATE

Charles K. Wilber and Roland Hoksbergen, "Ethical Values and Economic Theory: A Survey," *Religious Studies Review*, 12:314 (July/October, 1986), pp. 205-214. In EEPP, pp. 17-32.

Samuel C. Weston, "Toward a Better Understanding of the Positive/Normative Distinction in Economics," *Economics and Philosophy*, Vol. 10, No. 1 (April 1994), pp. 1-17. In EEPP, pp. 33-49.

C. EXPERIMENTAL EVIDENCE

Robert H. Frank, Thomas Gilovich, and Denis T. Regan, "Does Studying Economics Inhibit Cooperation?", *Journal of Economic Perspectives*, Vol. 7, No. 2 (Spring 1993), pp. 159-171. In EEPP, pp. 51-64.

PART II: RATIONALITY, ETHICS AND THE BEHAVIOR OF ECONOMIC AGENTS

All evidence indicates that economic actors (consumers, workers, firms) act out of more than calculated self-interest. Thus the assumption of rationality may be insufficient. People's behavior is influenced by many things including ethical norms. What impact does this have upon the ability of economic theory to predict outcomes of economic actions? In addition, given imperfect information actors might be tempted into strategic behavior that will result in sub-optimal outcomes. Morally constrained behavior might reduce that opportunism.

A. HUMAN BEHAVIOR: THE PROBLEM AND THE EVIDENCE

Jon Elster, "Selfishness and Altruism," in Jane J. Mansbridge (ed.), *Beyond Self-Interest* (University of Chicago Press, 1990), pp. 44-52. In EEPP, pp. 69-77.

B. IMPERFECT INFORMATION AND STRATEGIC BEHAVIOR

Robin M. Dawes and Richard H. Thaler, "Cooperation," *Journal of Economic Perspectives*, Vol. 2, No. 3 (Summer 1988), pp. 187-197. In EEPP, pp. 79-91.

Charles K. Wilber, "Trust, Moral Hazards and Social Economics: Incentives and the Organization of Work," in *On the Condition of Labor and the Social Question One Hundred Years Later: Commemorating the 100th Anniversary of Rerum Novarum and the Fiftieth Anniversary of the Association for Social Economics*, eds. Thomas O. Nitsch, Joseph M. Phillips, Jr. and Edward L. Fitzsimmons (Toronto Studies in Theology, Vol. 69, The Edwin Mellen Press, 1994), pp. 173-184. In EEPP, pp. 93-105.

PART III: ETHICAL THEORIES AND THEORIES OF JUSTICE

A. CONSEQUENTIALIST, DEONTOLOGICAL, VIRTUE, AND FEMINIST ETHICS

W. David Solomon, "Normative Ethics." In EEPP, pp. 119-38.

Virginia Held, "Feminist Transformations of Moral Theory," *Philosophy and Phenomenological Research* (1990), pp. 321-44. In EEPP, pp. 151-73

CASE: Henry Hansmann, "The Economics and Ethics of Markets for Human Organs," *Journal of Health Politics, Policy, and Law* 57 (1989) [CP]

B. ETHICS AND DECISION MAKING IN AN ORGANIZATION

Richard P. Nielsen, "Arendt's Action Philosophy and the Manager as Eichman, Richard III, Faust, or Institution Citizen," *California Management Review*, Vol. 26, No. 3, pp.191-201. In EEPP, pp. 175-86.

CASES: *The Beech Nut Company and Fake Apple Juice* [CP]

The Aircraft Brake Scandal [CP]

It May Be Immoral But Not Illegal, The Bottom Line Is Money [CP]

C. SOCIAL ETHICS AND THEORIES OF JUSTICE

James P. Sterba, "Social Justice." In EEPP, pp. 187-215.

PART IV: RELIGIOUS FAITH AND ECONOMIC ETHICS: CATHOLIC SOCIAL THOUGHT

Since 1891, Popes, individual Bishops and national conferences of Bishops have spoken out on issues of economic justice through the issuance of encyclicals and pastoral letters.

They have attempted to articulate a clearly Christian view on issues of economic ethics and justice. Because they tend to speak at a general level there is room for disagreement and thus rival interpretations flourish.

A. THE DOCUMENTS OF CATHOLIC SOCIAL THOUGHT:

Economic Justice for All: Pastoral Letter on Catholic Social Teaching and the U.S. Economy (NCCB, 1986). All.

Pope John Paul II, *Centesimus Annus* (NCCB, 1991). All

Rembert Weakland, O.S.B., "Economic Justice for All' 10 Years Later," *America*, Vol. 176, No. 9 (March 22, 1997), pp. 8-22. [CP]

B. INTERPRETATIONS:

Charles K. Wilber, "Centesimus Annus: 100 Years of Catholic Social Thought," *National Catholic Reporter*, Vol. 27, No. 32 (June 7, 1991), pp. 8, 10. [CP]

Peter L. Berger, Richard John Neuhaus, and Michael Novak, "The Pope, Liberty, and Capitalism," *National Review*, Special Supplement (1991), pp. 2-3, 8-9, 11-12. [CP]

CASE: Henry Hansmann, "The Economics and Ethics of Markets for Human Organs," *Journal of Health Politics, Policy, and Law* 57 (1989) [CP]

C. BEHAVIOR, VALUES, AND ECONOMIC POLICY:

Glenn C. Lowry, "God and the Ghetto," *Wall Street Journal*, February 25, 1993. In EEPP, pp. 107-10.

PART V: ECONOMIC INSTITUTIONS AND ETHICS

Institutions-- such as markets, property rights, the law-- have an impact on peoples welfare that needs to be evaluated in ethical terms. Some of these institutions are created by, or at least made possible by, legal and political structures.

A. THE MORALITY OF MARKETS

Elizabeth Anderson, "The Ethical Limitations of the Market," *Economics and Philosophy*, Vol. 6, No. 2 (October 1990), pp. 179-205. In EEPP, pp. 223-49.

CASE: Henry Hansmann, "The Economics and Ethics of Markets for Human Organs," *Journal of Health Politics, Policy, and Law* 57 (1989) [CP]

B. EXAMPLES

1. Intergenerational Responsibilities

Paul Streeten, "What Do We Owe the Future?," *Resources Policy* (March 1986), pp. 4-16. In EEPP, pp. 251-66.

2. Environment

Larry Alan Bear and Rita Maldonado-Bear, *Free Markets, Finance, Ethics, and Law* (Prentice Hall, 1994), pp.129-171. [CP]

CASE: *Union Carbide in Bhopal* [CP]

3. Surrogate Motherhood

Elizabeth Anderson, "Is Women's Labor a Commodity?," *Philosophy and Public Affairs*, No. 19 (1990), pp. 71-92. In EEPP, pp. 267-86.

4. Discrimination

Stephen Shulman, "Metaphors of Discrimination: A Comparison of Gunnar Myrdal and Gary Becker," *Review of Social Economy*, Vol. L, No. 4 (Winter 1992), pp. 432-52. In EEPP, pp. 287-304.

CASE: *City of Richmond vs. J.A. Croson Company* [CP]

PART VI: ECONOMIC POLICIES AND ETHICS

Economists use the concept of Pareto Optimality as their measuring rod when evaluating economic policies. This, in turn, is based on the notion that individual preferences are the ultimate measure of welfare. This has caused considerable controversy;, i.e., where do individual preferences come from and are some preferences unworthy. Cost-benefit analysis, a primary tool of policy evaluation, is based on the assumption that individual preferences are what count.

A. INDIVIDUAL PREFERENCES AND PARETO OPTIMALITY

Tyler Cowen, "The Scope and Limit of Preference Sovereignty," *Economics and Philosophy*, Vol. 9, No. 2 (October 1993), pp. 253-269. In EEPP, pp. 357-75.

B. COST BENEFIT ANALYSIS

Donald C. Hubin, "The Moral Justification of Benefit/Cost Analysis," *Economics and Philosophy*, Vol. 10, No. 2 (October 1994), pp. 169-194. In EEPP, pp. 377-403.

E. J. Mishan, "Consistency in the Valuation of Life: A Wild Goose Chase?," in Paul, *Ethics and Economics*, pp. 152-167. [CP]

PART VII: REFLECTIONS ON ETHICS, FAITH AND ECONOMIC THEORY

This section is not a proper conclusion. There probably is no such thing. Rather it seems fitting to end the course with a story.

Ursula LeGuin, "The Ones Who Walk Away from Omelas," in her *The Wind's Twelve Quarters: Short Stories* (Harper @ Row, 1975), pp. 275-284. [CP]