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SIÉ CHÉOU-KANG CENTER, Rm. 165

Fall 2015  
Hours: Mon, 1:00 to 4:00 pm  
(and by appt.)

## **INTS 3701: The Ethical Foundations of Global Economic Policy**

### **Course Content**

This course will explore the normative/ethical theories that underlie the most pressing debates today in global economic policymaking. Most people know that economists typically endorse the policy of “free trade,” or the outcome of “economic growth.” Indeed, economists advocate these so often that it seems self-evident that these are obviously desirable. But why is this so? What is the *ethical* grounding for the economist’s stance on these matters?

Unfortunately, economists speak confidently about their preferred policies without often exploring the ethical foundations that sustain them. They typically write as if these foundations were unimportant, obviously correct and/or beyond doubt. But in fact, the ethical foundations of economics are deeply consequential and hotly contested—both within economics and in philosophy and other disciplines.

In this course we will probe the ethical foundations of economics. We will examine the role of ethical commitments even in “positive science” (the explanation of *what is*). The course then will turn to and focus intensively on mainstream, neoclassical economic theory (the predominant approach to economics today). Following a brief overview of neoclassical theory, we will explore its ethical foundations (utilitarianism/welfarism) and the way in which these foundations affect its policy prescriptions. Then we will examine critiques of utilitarianism/welfarism, before turning to alternative ethical foundations for economics. *We will see how these alternatives often yield very different sets of policy conclusions on today’s most important economic policy debates.* In this connection we will explore libertarianism on the one hand and egalitarianism on the other.

### **Course Structure and Assessment**

Though I will lecture on occasion, the course will be run largely as a seminar. This format requires that students come to each class well prepared to discuss carefully and critically the assigned literature. To that end, I will supply discussion questions in advance of most class sessions which students should consider carefully when preparing for class. Students must write a brief reaction paper on the assigned readings for any three of the classes that are designated as discussion sessions (marked on syllabus as DS). Instructions for these papers are posted on the Course Blackboard.

Students will be required to complete one take-home exam of approximately 2500 words (25% of grade), three short reaction papers (see above; 25%) and a final paper of approximately 12 pages that applies the concepts of the course to a pressing international policy matter (due on March 15 at noon; 35%). Students will also be assessed on the quality of their class participation (15%). Exam instructions will be supplied when the first exam is distributed.

## Learning Objectives

Students who apply themselves to the materials in this course should acquire a capacity to recognize and engage normative/ethical theory in the context of economic policy debates. Students should understand the “positive”—“normative” distinction in the social sciences, and how even positive science is informed by (and indeed, impossible to conceive without) normative commitments. Students should leave the class well-versed in three main (contending) approaches to normative theory—utilitarianism/welfarism, libertarianism and egalitarianism. They should achieve understanding of the virtues and weaknesses of each of these various approaches, and of what each implies in the context of the assessment of economic policies and outcomes. As regards the latter, students should be able to investigate pressing policy debates *normatively*—to discover the presence of normative commitments even when those engaged in policy debate do not make their commitments explicit. My hope is that upon completing the course students have a much greater sophistication regarding the normative assumptions and logic that social scientists and policymakers draw upon in their work.

In addition, students should develop a firm grasp of the definition, initial assumptions, logic, normative foundations and chief policy conclusions of neoclassical economic theory. They should also understand some of the chief normative objections that have been raised against neoclassical theory.

### Books:

I have ordered the following book through the bookstore. The assigned chapters in my book are also available on the Course Blackboard, and you can also access the entire text as an e-book through Penrose.

George DeMartino, *Global Economy, Global Justice*, London: Routledge, 2000.

Daniel M. Hausman and Michael S. McPherson, *Economic Analysis, Moral Philosophy, and Public Policy*, 2<sup>nd</sup> ed., 2006.

Jonathan Wight, *Ethics in Economics*, 2015.

All required articles listed below are available electronically on-line (library reserve, Blackboard, JSTOR, etc.).

### Laptops, Tablets, Phones, Recording Devices

Evidence shows that students who bring laptops, tablets or other electronic devices to class earn lower grades than students who do not. Moreover, using a device for purposes unrelated to the course distracts other students. You **may not** use any electronic devices (without my permission) during the lecture portion of any class; nor may you record lectures or class discussion. You **may** use these devices to pull up readings during the discussion portion of the class.

## **Part I. Introduction: The Presence of Normative/Ethical Judgments in Science (Beware: they're everywhere!)**

### **1. Course introduction: What will we be doing, and why?**

**Tues, 9/15**

*In your view, what makes for a good economic policy, or a good economic outcome?* And when *economists* assess economic policies and outcomes, what do *they* mean? This is a fundamentally important question, and yet it is one that is often suppressed in economic theory and policy debate. What's at stake here? We begin the course with this most basic but deeply contested issue. I will also provide an overview of the course structure, content and requirements.

### **2. "It's all Normative": The Value-laden Nature of Scientific Inquiry**

**DS: Thurs, 9/17**

Here's a claim that many economists would find troublesome: *all scientific inquiry depends upon prior normative/ethical judgments and commitments*. We will return to this theme throughout the course, as we explore distinct approaches to economics. Here we examine the matter in the abstract, beginning with the thorny philosophical questions, "*Does a parked car move?*" and "*Is a zebra like a horse?*"

G. DeMartino, *Global Economy, Global Justice*: pp. 27-34.

Nelson Goodman, "Just the Facts, Ma'am," in Michael Krausz, *Relativism: Interpretation and Confrontation*, Notre Dame, IN: University of Notre Dame Press, pp. 80-85.

Catherine Z. Elgin, "The Relativity of Fact and the Objectivity of Value," in Michael Krausz, *Relativism: Interpretation and Confrontation*, Notre Dame, IN: University of Notre Dame Press, pp. 86-98.

## **Part II: Utilitarianism, Welfarism and Neoclassical Economics**

Next, we begin to examine the normative foundations of "neoclassical" economics. We begin with 19<sup>th</sup> century "utilitarianism," explore its transformation within economics (1930s and beyond) into "consequentialist welfarism," and search for its presence in contemporary neoclassical thought. Read carefully—be prepared to raise questions about whatever arguments you encounter here that you don't understand.

### **3. An Introduction to Utilitarianism**

**DS: Tues, 9/22**

Rachels, chapter 6

Wight, p. 27 (Classical Utilitarianism), to middle of 31.

Hausman and McPherson, chapter 7, pp. 99-middle 106, stopping at the paragraph that begins with "What could this "universal"..."

*Optional—If you find this material interesting, you might want to make time in the future to take a look at some of the more important contemporary and classical treatises on utilitarianism:*

J.J.C. Smart. 1973. "An Outline of a System of Utilitarian Ethics." In J.J.C. Smart and Bernard Williams, *Utilitarianism: For and Against*. London: Cambridge University Press, pp. 3-73. Skip section 8, on "game theory."

Jeremy Bentham, *Fragment on Government and an Introduction to the Principles of Morals and Legislation*, ed. Wilfred Harrison (Oxford, Blackwell, 1948). In this volume see in particular "An Introduction to the Principles of Morals and Legislation."

H. Sidgwick, *Methods of Ethics*, 7<sup>th</sup> ed. (London, Macmillan, 1962).

J. S. Mill, *Utilitarianism*, ed. Mary Warnock (London, Collins, 1962).

#### **4. From Utilitarianism to Contemporary Consequentialist Welfarism and Neoclassical Theory DS: Thurs, 9/24**

Amartya Sen, *On Ethics and Economics*, pp. 29 - 33; 38 –top of 40.

A. Sen and B. Williams, *Utilitarianism and Beyond*, bottom of p. 3 through top of p. 4.

Hausman and McPherson, ch. 8, pp. 118-122, ending at 8.3.

DeMartino, pp. 43-47, top.

#### **5-7. Neoclassical Theory, a Brief Overview Tues, 9/29 – Tues, 10/6 (3 class sessions)**

Neoclassical theory has been the predominant economic theory for the past several decades. *It is also the most influential theory in the history of the modern social sciences*. It therefore behooves us to take some time to investigate this theory carefully, beginning at the very beginning. We will take three class sessions to explore this theory. We start with its initial normative commitments, its self-conception as an objective science, and its assumptions (about human and physical nature). We will examine its logic and then proceed to its powerful policy conclusions. Why should public schools or prisons be privatized, for instance? And what value should we place on environmental amenities, or even a human life, when crafting public policy? Along the way, of course, we will continually investigate the implications of its ethical foundations.

Please download and print the handouts on Neoclassical Theory that appear on the Course Blackboard. Review them carefully as you read the assignment, and please also bring them to class.

**5. Tues, 9/29:** G. DeMartino. Read the Preface and pp. 1-20 of the Introduction. Then review Part I, pp. 27-34 (we read this during week 1 of the course); then read Chapter 1 in its entirety.

**6. Thurs, 10/1:** G. DeMartino, ch. 2, pp. 53-61.

**7. Tues, 10/6:** G. DeMartino, ch. 2, pp. 61-76.

NB: There will be an optional **REVIEW SESSION** on this material on **Weds, 10/7 or Thurs, 10/8**.

## **Applications: Welfarism and Neoclassical Economic Policy**

We now begin to explore how neoclassical theory engages welfarist consequentialism in its policy work. Fascinating and powerful ideas here. If you really come to understand the intuition that informs these essays, you are well on your way to economic literacy.

### **8. DS: Thurs, 10/8**

Robert Dorfman, “An Introduction to Benefit-Cost Analysis,” in R. Dorfman and N. S. Dorfman, eds., *Economics of the Environment*, pp. 297-322.

Watch this short video (9 minutes) for a market-based approach to managing immigration: Ed Lazear, Hoover Institution: <http://www.bloomberg.com/video/popout/6fXBhLD~R5SuhQYWiUxLrw/00:01/>

### **9. DS: Tues, 10/13**

Robert Solow, “Sustainability: An Economist’s Perspective,” in R. Dorfman and N. S. Dorfman, eds., *Economics of the Environment*, pp. 179-187.

Hausman and McPherson, ch. 2, pp. 12-19 only. (Read this first—it’s the memo they write about: [http://isites.harvard.edu/fs/docs/icb.topic1188138.files/Week\\_11/Summers\\_1991.pdf](http://isites.harvard.edu/fs/docs/icb.topic1188138.files/Week_11/Summers_1991.pdf))

Krugman, P.(3/20/1997) “In Praise of Cheap Labor,” *Slate*, available at: <http://www.slate.com/id/1918>. A neoclassical defense of sweatshops in poor countries.

Uwe E. Reinhardt, Nov. 4, 2006. “Kerry Trips over an Economic Truth,” *The Washington Post*. <http://www.washingtonpost.com/wp-dyn/content/article/2006/11/03/AR2006110301372.html>. Who should be sent to war? Economists say, those with the lowest human capital. Does this make sense, within neoclassical thought, and given its normative foundations? (BTW: that statement of Presidential candidate John Kerry in 2006 to which Reinhardt refers is this: “*You know education, if you make the most of it, you study hard, you do your homework, and you make an effort to be smart, you can do well. If you don’t you get stuck in Iraq.*”)

*Optional:*

J. Steven Landefeld and Eugene P. Seskin, “The Economic Value of Life: Linking Theory to Practice, in R. Dorfman and N. S. Dorfman, eds., *Economics of the Environment*, pp. 377-387.

Here’s a piece from NPR, July 9, 2009 that you might find interesting on rational choice models of marital infidelity (I’m not making this up...): “After Sanford’s Affair, Putting A Price On Adultery,” by Chana Joffe-Walt. You can read or listen to it at <http://www.npr.org/templates/story/story.php?storyId=106424888>.

And here’s a piece from the BBC, about an economist who uses economic incentives to increase the consumption of vegetables by his children... [http://downloads.bbc.co.uk/podcasts/worldservice/bizdaily/bizdaily\\_20090709-0928a.mp3](http://downloads.bbc.co.uk/podcasts/worldservice/bizdaily/bizdaily_20090709-0928a.mp3)

For a very nice, concise and intuitive (non-technical) overview of the theoretical changes now underway in economics, see Coyle, D. 2007. *The Soulful Science: What Economists Really Do and Why it Matters*. Princeton, NJ: Princeton Press. If you read the book, look for signs of changing *normative commitments*. I don't think you'll find any, which is notable (hence, I just noted it...). Econ students: this is a book you should own, and keep next to your *Palgrave*.

**No Class on Thursday, Oct. 15<sup>th</sup>. Use the time to write a brilliant exam.**

**Take-Home Exam**

Distributed: Tues, 10/13  
DUE: Tues, 10/20 in class  
(No Exceptions)

**Critical Perspectives on Utilitarianism and Welfarism (and Neoclassical Thought)**

OK, if consequentialist welfarism has so much going for it and has been so influential in economics, why is it that very few political theorists, philosophers or other knowledgeable non-economists have so little use for it? Let's find out what the critics have to say about consequentialist welfarism and about neoclassical economic theory ...

**10. DS: Tues, 10/20**

Rachels, chapter 7.

Wight, p. 31 (Critiques of Classical Utilitarianism) to 33, bottom.

Hausman and McPherson, Chapter 7, middle of p. 112 to the bottom of p. 113 ("Is Utilitarianism Possible?").

**11. DS: Thurs, 10/22**

G. DeMartino, *Global Economy, Global Justice*, pp. 76-90. *So few pages, so many powerful ideas... though most are cribbed from others!*

Hausman and McPherson, Chapter 8, pp. 122-128 (8.3, "Equating Well-Being with Preference Satisfaction")

Robert Frank, "The Theory That Self-Interest Is the Sole Motivator Is Self-Fulfilling," *New York Times*, February 17, 2005. Available at: <http://www.nytimes.com/2005/02/17/business/17scene.html?>

*Optional:*

John Broome, "Trying to Value a Life," *Journal of Public Economics*, 9, 1978, pp. 91-100. Read pp. 91-96, ending at last full paragraph.

Jon Elster, "Sour Grapes," in A. Sen and B. Williams, eds. *Utilitarianism and Beyond*, Cambridge, Cambridge University Press, 1982, pp. 219-238. What if preferences are endogenous to our economic activity? And what if we come not to want what we think we can't have?

Bernard Williams, "A Critique of Utilitarianism." In J.J.C. Smart and Bernard Williams, *Utilitarianism: For and Against*. London: Cambridge University Press. 1973, pp. 77-150. Very good text.

## **12. DS: Tues, 10/27**

Elizabeth Anderson, "The Ethical Limitations of the Market," *Economics and Philosophy*, 6, 1990, pp. 179-205. Some things can't and/or shouldn't be commodified. See what you think.

Hausman and McPherson, Chapter 9, pp. 147 – 151 (9.4, "Objections to Cost-Benefit Analysis")

## **Part III: Alternative Normative Perspectives**

### **Libertarianism**

What possibly could "experience machines" have to do with political or moral theory, and what do they teach us about the salience of the inviolability of rights? Here we encounter an approach to moral theory that yields an uncompromising, "deontological" commitment to individual rights. After a brief introduction in Hausman and McPherson, we turn to a very important book by Robert Nozick that is challenging but captivating and rewarding. It also has tremendous significance for economics and economic policy. Read this material carefully.

## **13. DS: Thurs, 10/29**

Hausman and McPherson, ch. 10: read 159-164, skip section 10.3, then resume with section 10.6, Libertarianism, pp. 168-172.

DeMartino, 49-51 (paying attention to the discussion of Locke, MacPherson and Nozick).

## **14. DS: Tues, 11/3**

Robert Nozick, *Anarchy, State and Utopia*, New York: Basic Books, 1974. Read ch. 3, pp 26-35; 42-51; and chapter 7, pp. 149-174 (but skipping "Sen's Arguments," pp. 164-166).

Please watch this interview with libertarian Presidential candidate (2008) Ron Paul:

<http://www.youtube.com/watch?v=xWn2yjwbMYg&feature=related>

As you may know, the new Tea Party is also deeply inspired by libertarian values. See "Tea Party Patriots Mission Statement and Core Values" at <http://www.teapartypatriots.org/Mission.aspx>.

*Optional:*

Ron Paul article at: <http://www.lewrockwell.com/paul/paul585.html>

## 15. DS: Thurs, 11/5

### The Chicago School of Economics: Normative Commitments?

Now that we've compared consequentialist and deontological perspectives, let's look at the work of one of perhaps the most important economist of the late 20<sup>th</sup> century, Milton Friedman. Friedman is a master rhetorician—but how good is he on normative theory? As you read the book, look carefully for the presence of normative commitments. What kind of theorist is Friedman, anyway?

Milton Friedman, *Capitalism and Freedom*, University of Chicago, 1962: read the Introduction and chs.1, 2, 7, 10, and pp. 200-202 of chapter 13.

*Optional:*

On the Austrian school of economics, which influenced Friedman heavily, see:

Friedrich Hayek, *Law, Legislation and Liberty, vol. 2: The Mirage of Social Justice*, chs.7 and 9. Hayek is a critical figure in “Austrian” economics, an approach to economics that is much more intolerant of government interference in the economy than is neoclassical thought.

F. Hayek, “The Atavism of Social Justice,” chapter 5 in *New Studies in Philosophy, Politics, Economics and the History of Ideas*,” University of Chicago Press: 57-68.

## 16. DS: Tues, 11/10

### Egalitarianism—The Capabilities Approach

OK, now for an antidote to all these advocates of the free market. Many non-neoclassical traditions in economics reject welfarism and libertarianism, and found their economics on egalitarian frameworks (of some sort or other). Many institutionalist, Marxist, environmental, feminist and social economists (to name just the most well-known of this diverse tribe) embrace some sort of egalitarianism. But *what is* egalitarianism? Let's find out by investigating one of the most influential economist/philosophers of our time, Amartya Sen, and his “capabilities” approach.

Hausman and McPherson, ch. 11, read just these pages:

- a) pp. 174-179, stopping at end of 11.1.1.
- b) pp. 181, bottom (beginning at 11.1.3) to 186, bottom, stopping at end of second full paragraph.

DeMartino, p. 107 (“Sen and Capabilities Equality”) to the top of 109 (stopping at “Capabilities Equality and the Difference Principle”). These three pages will give you a very quick, non-technical overview of the capabilities approach. Here I also identify what I take to be some of the virtues of the approach.

Amartya Sen, *Development as Freedom*, chapter 3, read pp. 72 (beginning with “incomes, Resources and Freedoms”) to p. 81, stopping at the end of the first full paragraph, but you can SKIP the discussion that begins at the very bottom of p. 77 (with “In evaluative traditions...”) and continues through the second full paragraph on p. 78 (so you should begin reading again with the last paragraph on p. 78).

## 17. DS: Thurs, 11/12

Sen, *Development as Freedom*, ch. 4, pp. 87-96 (top, ending with “Health Care and Morality”); and pp. 104-110.

DeMartino, pp. 112 (“Capabilities, Freedom and Liberty”) to 124. Then read from the bottom of 143 (beginning with “Although Sen’s chief concern is to...”) to p. 148, stopping at “Conclusion”)

*Optional:*

Ingrid Robeyns. 2005. “The Capability Approach: a theoretical survey, *Journal of Human Development*, 6:1: 93-117, DOI: [10.1080/146498805200034266](https://doi.org/10.1080/146498805200034266).

*Inequality Reexamined*, Cambridge, MA: Harvard University Press, 1992. Skim chapters 4, 6 and 8; read rest carefully.

### **The Capabilities Approach and Economic Policy**

Now let’s explore the policy implications of an egalitarian capabilities framework. What might this approach imply about global policy reform, if anything?

## 18. DS: Tues, 11/17

### **The Free-Trade/Fair-Trade Debate**

What does the relativism of neoclassical theory on the one hand and the capabilities approach to egalitarianism on the other imply about trade policy? Let’s see.

DeMartino, Ch. 6 (“The Trade Debate”), pp. 190-215 (but skip the section on “Strategic Trade,” 192-194). Chapter 6 demonstrates the practical, policy consequences of economists’ embrace of a rather severe form of cultural relativism, and objects to this position from a capabilities perspective. I’ll say a word about relativism in class.

*OR*

DeMartino, 2011. “Free Trade or Social Tariffs?” *The Handbook of Globalisation*, Jonathan Michie, editor, Northampton, Massachusetts, Edward Elgar Publishing, pp. 402-412.

*Optional:*

Dani Rodrik, *Has Globalisation Gone Too Far?* Washington, DC: Institute for International Economics, 1997. See his discussion in ch. 3 of the free trade—fair trade debate.

## 19. DS: Thurs, 11/19

The Capabilities approach has begun to have a significant impact on the normative foundations of policymaking, especially in the arena of development policy. Let’s look at one very important example, and then turn to speculation about how the approach might be used to re-think global policy regimes.

Watch this short UNDP Video on the HDI: [https://www.youtube.com/watch?v=5lx\\_LEBPIpU](https://www.youtube.com/watch?v=5lx_LEBPIpU)

United Nations Development Programme. (UNDP). Please look at one or more of the more recent *Human Development Reports* published annually by UNDP since 1990 (<http://hdr.undp.org/en/>). See in particular chapter 1 and the actual index from the 1992 report, which provides a nice account of the HDR project. Here's the link to that chapter:

[http://hdr.undp.org/en/media/hdr\\_1992\\_en\\_chap1.pdf](http://hdr.undp.org/en/media/hdr_1992_en_chap1.pdf)

Here's the link to the 2014 HDI Click on the link to the HDR Statistical Tables, and look at Tables 1 – 5:

<http://hdr.undp.org/en/content/human-development-report-2014>

DeMartino, *Global Economy, Global Justice*, read p. 217, and chapter 7. Here I try to imagine global economic policy regimes and institutions (for the year 2025) that would promote the global harmonization of capabilities. See what you think...

And listen to this report on questions surrounding international mobility of physicians. What should we think about this matter? <http://media.theworld.org/audio/041420114.mp3>

**Final Papers Due:  
Monday, Nov. 23rd  
at NOON  
No Exceptions!**