

Prof. George DeMartino  
George.DeMartino@du.edu  
SIÉ CHÉOU-KANG CENTER, Rm. 165

Fall 2010  
Hours: Tues, 2:30 – 3:30  
Thurs, 2:30 – 4:00  
(and by appt.)

Phone: 1-3089 (though better to email me rather than leave phone messages)

## **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 November 23 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.

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

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

**Course introduction: What will we be doing, and why?**  
**Tues, 9/14**

*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.

## **“It’s all Normative”: The Value-laden Nature of Scientific Inquiry** **DS: Thurs, 9/16**

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.

### **An Introduction to Utilitarianism** **DS: Tues., 9/21**

Rachels, chapter 6;

Hausman and McPherson, chapter 7, pp. 99-middle 112, but SKIPPING from the middle of 106 (the paragraph that begins with “What could this “universal”...”) to 107, middle, resuming with section 7.3, and ending at section 7.5.

*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. “An Outline of a System of Utilitarian Ethics.” In J.J.C. Smart and Bernard Williams, *Utilitarianism: For and Against*. London: Cambridge University Press. 1973, 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).

## **From Utilitarianism to Contemporary Welfarist Consequentialism and Neoclassical Theory DS: Thurs, 9/23:**

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.

## **Neoclassical Theory, a Brief Overview Tues, 9/28, Thurs, 9/30 and Tues, 10/5**

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 (or four) 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 a human life when crafting policy? Along the way, of course, we will continually investigate the implications of its ethical foundations.

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, and Chapter 2, pp. 53-76.

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.

## **Is Economics Really Value Free? And how does this Self-Conception affect its Policy Analysis: DS: Thurs, 10/7**

Robert H. Nelson. “What is ‘Economic Theology’”? Speech delivered to the Second Abraham Kuyper Consultation on “Theology and Economic Life: Exploring Hidden Links,” Princeton Seminary, March 22, 2003.

Douglas J. Amy, “Why Policy Analysis and Ethics are Incompatible,” *Journal of Policy Analysis and Management*, Vol. 3, No. 4, Summer 1984, pp. 573-591. Available at: <http://0-web.ebscohost.com.bianca.penlib.du.edu/ehost/detail?vid=3&hid=5&sid=ec9c103e-bda2-4a8a-9d1a-071875f098c6%40sessionmgr11&bdata=JnNpdGU9ZWVhc3QtbGl2ZQ%3d%3d#db=bth&AN=7707928>

## **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.

**DS: Tues, 10/12**

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

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

Lawrence Summers, "Let Them Eat Pollution," *The Economist*, 2/8/92, p. 66.

**DS: Thurs, 10/14**

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.

Krugman, P.(3/20/1997) "In Praise of Cheap Labor," *Slate*, available at:  
<http://www.slate.com/id/1918>.

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, of course!)

*Optional:*

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*.

**Take-Home Exam**

Distributed: Thurs, 10/14  
DUE: Tues, 10/19 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 ...

### **DS: Tues, 10/19**

Rachels, chapter 7.

Hausman and McPherson, Chapter 7, middle of p. 112 to the bottom of p. 113.

### **DS: Thurs, 10/21**

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

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.

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.

## **Cultural Relativism versus Moral Objectivism**

In recent debates over global policy regimes prominent neoclassical economists have come to embrace cultural relativism to defeat the demands by labor, human and women's rights advocates (and others) for harmonized global rights-based standards. How did they land upon this normative perspective? How does it fit with the initial assumptions and broader normative commitments of welfarist consequentialism? Here we explore the debate over cultural relativism, and its appropriation in neoclassical thought.

### **DS: Tues, 10/26**

Michael Walzer, “Objectivity and Social Meaning.” A strong defense of relativism. What if we encounter women who willingly accept their slavery? What should we *think* about their situation, and what should we *do* to change it?

G. DeMartino, *Global Economy, Global Justice*, pp. 125-127, ch. 4 (“Whose Values, Whose Rules?”), pp. 128 – middle of 143;

Optional:

Martha C. Nussbaum and Amartya Sen, “Internal Criticism and Indian Rationalist Traditions,” in Michael Krausz, *Relativism: Interpretation and Confrontation*, Notre Dame, IN: University of Notre Dame Press, pp. 299-325. A careful examination of how to manage cross-cultural judgments.

### **Cultural Relativism and the Free-Trade/Fair-Trade Debate**

**DS: Thurs, 10/28**

DeMartino, Ch. 6 (“The Trade Debate”), pp. 190-204 (but skip the section on “Strategic Trade,” 192-194). Chapter 6 demonstrates the practical, policy consequences of economists’ embrace of cultural relativism.

*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.

### **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.

**DS: Tues, 11/2**

Hausman and McPherson, ch. 10.

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

**DS: Thurs, 11/4**

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>

### **The Chicago School of Economics: Normative Commitments? Tues, 11/9**

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.

### **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.

### **DS: Thurs, 11/ 11**

Hausman and McPherson, 130 (middle) to the top of 133, ending at section 8.6; then read ch. 11, pp. 174-192, ending at 11.3.

Amartya Sen, *Development as Freedom*, chapter 3 (“Freedom and the Foundations of Justice”), pp. 72 (beginning with the section “Incomes, Resources and Freedoms”) to the middle of 81 (SKIP the section entitled “Capability Information,” from the middle of p. 81 to the top of p. 85), then read 85-86. Then read all of chapter 4 (“Poverty as Capability Depredation”).

**DS: Tues, 11/16**

DeMartino, p. 107 (“Sen and Capabilities Equality”) to the top of 109 (stopping at “Capabilities Equality and the Difference Principle), then read from 112 (“Capabilities, Freedom and Liberty”) to 124. Then read middle of 143 (“An Internationalist Ethic”) to p. 151.

*Optional:*

*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?

**DS: Thurs, 11/18**

United Nations Development Programme. 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.

DeMartino, *Global Economy, Global Justice*, read p. 217, and chapter 7.

## **Final Papers Due:**

**Tuesday, November 23, at Noon. No Exceptions**