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Winter 2011
Hours: Tues, 1:00 - 3:30
(and by appointment)

**INTS 4374:
The Normative Foundations of Global Economic Policy**

Course Content:

This course will explore important facets of what might broadly be called the “philosophy of economics.” Specifically, it will examine the normative commitments (i.e., the deep value judgments) that underlie economic policy prescriptions. Economic theories and the policies they prescribe are always founded upon normative commitments. For instance, the “neoliberal” (pro-market) policies that have been promoted for several decades by many multilateral agencies (such as the IMF/WB) are generally grounded in neoclassical “welfarist” commitments, or alternatively, in libertarianism. In contrast, many heterodox policy prescriptions (such as social democratic governance, socialism, etc.) that seek to override market forces are founded upon various strands of egalitarianism. Moreover, when we consider economic policy debate in the global domain, where matters of cultural and normative difference arise, we find practitioners drawing variously on moral objectivism and cultural relativism to secure their prescriptions. We see this, for example, in the current controversy over “free” and “fair” trade.

Unfortunately, most economists who participate in policy debate pay little attention to the normative foundations underlying their prescriptions. Normative principles are largely taken for granted—often treated as obviously correct and beyond dispute. Yet nothing could be further from the truth. Indeed, much discord in policy matters derives precisely from normative controversy. Reading policy debate critically therefore requires a careful engagement with normative theory, so that we can uncover and scrutinize the normative principles that lay buried beneath policy prescriptions.

In keeping with the above, this course will examine the normative theories that inform contemporary global economic policy debate. Time permitting, we will examine the normative positions mentioned above—welfarism (and utilitarianism), libertarianism, egalitarianism, and objectivism/relativism—and their role in neoclassical, Marxian, Austrian, postmodern and institutionalist economic theory. Though this course will emphasize abstract theory, we will explore in passing the linkages between these normative perspectives and contemporary global economic policy debate.

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 thoroughly prepared to discuss carefully and critically the assigned literature.

Students will be required to write a term paper of approximately 15 pages (50% of grade), and four short reaction papers (600 words each) that address the assigned readings (30% of final grade). Students will also be assessed on the quality of their class participation, including the quality of the discussion questions that they are expected to submit to the Course Blackboard each week, by 9:00 am each Tuesday (20% of final grade). Paper instructions appear at the end of this syllabus.

Books:

I have ordered the following books through the bookstore. I will discuss each in class, including the extent to which we will use it in the course. We will likely use them in the order listed here.

J.J.C. Smart and Bernard Williams, *Utilitarianism: For and Against*. London: Cambridge University Press, 1973.

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

Robert Nozick, *Anarchy, State and Utopia*, New York: Basic Books, 1974.

Amartya Sen, *Inequality Reexamined*, Cambridge, MA: Harvard University Press, 1992.

All required articles listed below are available electronically on-line (library reserve, Blackboard, JSTOR, etc.), except those that appear in the texts listed above.

Part I: Introduction

Week 1: What will we be doing, and why?

Optional:

Daniel M. Hausman and Michael S. McPherson, "Taking Ethics Seriously: Economics and Contemporary Moral Philosophy," *Journal of Economic Literature*, Vol. XXXI (June 1993), pp. 671-731. This is a complex essay that explores a wide range of important questions. You might consider making time for it at some point in the course after we've explored neoclassical theory and the critique. We likely won't discuss it in class.

Week 2: The Presence of Normative Judgments in Science (*Beware: they're everywhere!*)

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

We begin with a claim that many economists would find troublesome: it is that all 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 question, "*Does a parked car move, or not?*"

G. DeMartino, *Global Economy, Global Justice*: Preface and 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.

B. Normative Commitments, Policy and Economics

Weston, Samuel C. 1998. "Toward a Better Understanding of the Positive/Normative Distinction in Economics," in Charles K. Wilbur, Ed., *Economics, Ethics and Public Policy*, Lanham, MD: Rowman and Littlefield: 33-49.

Optional:

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=JnNpdGU9ZWZWhvc3QtbGl2ZQ%3d%3d#db=bth&AN=7707928>

Part 3: Welfarism and Neoclassical Economics

NB: For those who have not studied or who would like a quick refresher course on basic neoclassical theory, I will offer a one-session overview of its basic assumptions and logic during week 3 of the course. I’m most concerned that students understand the logic by which the neoclassical approach reaches the conclusion that the market equilibrium represents an optimal outcome, and the particular meaning that neoclassical economics associates with this conclusion.

Week 3: An Introduction to Utilitarianism and Welfarism

Next, we begin to examine the normative foundations of “neoclassical” economics. We begin with 19th 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.

A. Utilitarianism: Classical and Modern

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. Read sections 3, 4, 6 (ending at the bottom of 37), 7, 9 and 10.

B. From Utilitarianism to Consequentialist Welfarism (and Neoclassical Theory)

G. DeMartino, *Global Economy, Global Justice*: Chapter 1, skim pp. 35 to the middle of p. 38; then read the rest of the chapter (beginning on p 38 at “Initial Assumptions”) CAREFULLY. Then read chapter 2, pp. 53-76 only.

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.

Optional—The classical treatises on utilitarianism include:

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*, 7th ed. (London, Macmillan, 1962).

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

Week 4: Welfarism and Neoclassical Economic Policy

We now begin to explore how neoclassical theory engages consequentialist welfarism 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.

Robert Dorfman, “Some Concepts of Welfare Economics,” in R. Dorfman and N. S. Dorfman, eds., *Economics of the Environment*, pp. 79-96.

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.

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!)

Also take a look at the following from The New Palgrave Dictionary. It’s a tremendously useful resource, which by now may be available on line. If not have someone buy you the set for your next birthday...

C. Welch, “Utilitarianism,” in John Eatwell, Murray Milgate and Peter Newman, eds., *The New Palgrave: A Dictionary of Economics*, 4, pp. 770-776.

Alan M. Feldman, “Welfare Economics,” *The New Palgrave: A Dictionary of Economics*, 4, pp. 889-894 (NB: part of this exposition is technically challenging; focus on the main ideas)

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>.

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*.

For an insightful examination of the rise of "marginalist" economics (neoclassical thought), and the struggle therein over the status of value judgments in economics, see Dorothy Ross, *The Origins of American Social Science* (Cambridge: Cambridge University Press, 1991), esp. chapter 6 ("Marginalism and Historicism in Economics)."

For the thoughts of a preeminent Chicago School neoclassical economist on the place of ethics in economics see George Stigler, "Economics or Ethics?" *The Tanner Lectures on Human Values* (delivered at Harvard University, April 24, 25, and 28, 1980).

Week 5: 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 ...

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

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?

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.

Ruth W. Grant. 2006. "Ethics and Incentives: A Political Approach," *American Political Science Review*, Vol. 100, No. 1.

Optional:

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. A very good text.

James Rachels, *The Elements of Moral Philosophy*, 5th Ed., ch. 7: "The Debate over Utilitarianism."

Ravi Kanbur, "Development Economics and the Compensation Principle," *International Social Science Journal* in 2003. Get full citation...

Jacqueline Best, "Moralizing Finance: the new financial architecture as ethical discourse," *Review of International Political Economy*, 10:3, August 2003, pp. 579-603. Here, Best investigates the presence and exposes the content of the moral arguments that sustain the policy conclusions reached in three recent contributions to the debate over global financial reform.

Robert Samuelson, "It's not the Economy, Stupid!" *The Washington Post*, Jan 7, 1994. pg. a.19
<http://proquest.umi.com/pqdweb?did=72215740&Fmt=3&clientId=48347&RQT=309&VName=PQD>

Richard H. Thaler and Cass R. Sunstein. 2009. *Nudge*, revised and expanded edition, or Dan Ariely, 2009, *Predictably Irrational*, revised and expanded edition. Several Nobel Prizes await the behavioral economists (like Thaler and Ariely) who have taken such pains to investigate whether humans really do act like the rational automatons that neoclassical theory presumes. The results are not reassuring, as you might have guessed. These books tease out the ways in which people act "irrational" in systematic ways, and *Nudge* in particular also explores the policy implications of irrationality. You should read one of these books over vacation sometime and then impress your family and friends with your insights into human behavior.

Jonathan Aldred, *The Skeptical Economist: Revealing the Ethics inside Economics*. See in particular chapter 2, "The Sovereign Consumer." London: Earthscan. (Good, critical discussion of the neoclassical view of rationality, and what that implies about advertising, choice, growth and economic policy).

A. Sen and Bernard Williams, "Introduction: Utilitarianism and Beyond," in A. Sen and B. Williams, eds. *Utilitarianism and Beyond*, Cambridge, Cambridge University Press, 1982, pp. 1-22 (but skip pp. 11 – top of 14).

Mark Sagoff, *The Economy of the Earth*, New York: Cambridge University Press, 1988, chs. 2, 4, and 9. This is a serious, sophisticated, powerful text that delivers an important set of critiques against the "economic" approach to environmental issues. Well worth reading.

John Broome, "Trying to Value a Life," *Journal of Public Economics*, 9, 1978, pp. 91-100.

Week 6: Cultural Relativism

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. We will explore this matter in week 10; for now, we need to examine the debate over cultural relativism.

M. Walzer, "Objectivity and Social Meaning." As good a defense of relativism as you'll find, I think. What if we encounter in another society women who willingly accept their slavery? What should we think, and do?

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.

G. DeMartino, *Global Economy, Global Justice*, pp. 125-127, ch. 4 ("Whose Values, Whose Rules?"), pp. 128-143.

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.

Anna Putnam, “Michael Walzer: Objectivity and Social Meaning,” in Martha C. Nussbaum and A. Sen, eds., *The Quality of Life*, Oxford: Clarendon Press, pp.178-184.

Richard Rorty, “Solidarity or Objectivity,” in Michael Krausz, *Relativism: Interpretation and Confrontation*, Notre Dame, IN: University of Notre Dame Press, pp. 35-50.

Hilary Putnam, “Objectivity and the Science-Ethics Distinction,” in Martha C. Nussbaum and A. Sen, eds., *The Quality of Life*, Oxford: Clarendon Press, pp. 143-157.

Part II: Alternative Normative Perspectives

Week 7: Libertarianism

What possibly could “pleasure machines” and beating cows with baseball bats for the fun of it 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 a “state of nature” approach to moral theory that yields an uncompromising, “deontological” commitment to individual rights. A very important book: challenging but captivating and rewarding, and with tremendous significance for economics and economic policy. Read carefully.

Robert Nozick, *Anarchy, State and Utopia*, New York: Basic Books, 1974. Read chs. 1-3, and pp. 149-174 (of chapter 7), skipping “Sen’s Arguments,” pp. 164-166; and read chapter 10.

Week 8: Chicago and Austrian 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 20th 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, 12 and 13.

Optional:

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.

Ted Burczak, *Socialism after Hayek*. A wonderful book: Burczak argues that one can and should build a vision of socialism on Hayek's chief "postmodern" insights. Hayek must be turning in his grave...

Week 9: Egalitarianism—The Capabilities Approach I (Theory)

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. Don't be put off by Sen's prose—he clearly spends more time thinking important thoughts than he does worrying about how to express them in writing.

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

G. DeMartino, *Global Economy, Global Justice*. In chapter 3, read pp. 91-94 (on Rawls) and 107-124 (on Sen's capabilities approach); then, in chapter 4 read pp. 143-151, which seeks to apply the principle of capabilities equality on a global scale.

Optional:

Martha Nussbaum, "Human Functioning and Social Justice," *Political Theory*, Vol. 20, No. 2, May 1992, pp. 202-246. Along with Sen, Nussbaum is perhaps the most important contributor to capabilities theory. She and Sen differ in critical respects. Be attentive to these differences.

Amartya Sen. 2005. "Elements of a Theory of Human Rights." *Philosophy and Public Affairs* 32 (4): 315-56.

L.A. Duhs, "Sen's Economic Philosophy: Capabilities and human development in the revival of economics as a moral science," *Real-World Economics Review*, issue no. 47. (This is a detailed critique of Sen's capabilities approach).

Week 10: Egalitarianism—The Capabilities Approach II (Applications)

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

DeMartino, *Global Economy, Global Justice*. Read chapter 6, but skip section on "Strategic Trade," 192-194. Then read p. 217 and chapter 7, ending at p. 236, bottom.

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.

Week 11: Egalitarianism and the Marxian Tradition (and a brief look at postmodern economics)

Why is the quarter so short??? Surely we need a “Week 11” to explore the Marxian tradition, and postmodern economics, which are committed to egalitarianism and an ethic of theorizing (and thereby creating) openings, ruptures and potentials (in place of theorizing structures and solidifications and closures...). Fascinating stuff. For those whose passion for normative matters is not yet exhausted, we can arrange a time to meet in the winter quarter to discuss the below...

Handout: Brief Introduction to Marxian Economics—posted to Blackboard.

George DeMartino, “Realizing Class Justice,” *Rethinking Marxism*, 2003, Vol. 15, No. 1, pp. 1-31.

Steven Lukes, *Marxism and Morality*, Oxford: Oxford University Press, 1987. Read chapters 4 (“Justice and Rights”) and 5 (“Freedom and Emancipation”), pp. 48-99. (If you have time and interest in the Marxian tradition, I recommend chs. 1-3 as well.)

J.K. Gibson-Graham, *Diverse Economies: Performative Practices for ‘Other Worlds’*,” *Progress in Human Geography* (2008) pp. 1–20. DOI: 10.1177/0309132508090821

_____. “An Ethics of the Local,” *Rethinking Marxism*, 2003, Vol. 15, No. 1, pp. 49-74.

_____. “Enabling Ethical Economies: Cooperativism and Class,” forthcoming, Oct. 2002.

INTS 4374: Paper Instructions

The following provides instructions for all the written assignments required of you during this course. Please review and follow them carefully. And please see me in advance of writing if you have any questions about what is required of you.

Instructions for Short Reaction Papers

During the quarter you must submit four short “reaction” papers that examine a theme from the week’s assigned reading. You may select those weeks when you will complete these papers. The papers are due at the start of the class meeting when the literature will be discussed; ***late papers will not be accepted***. These papers should be about 600 words in length. They are intended to prepare you for class discussion.

In your short papers, you should identify ***just one theme*** that provokes or perplexes you, or that deserves careful treatment/discussion. You should identify the theme, explicate it carefully, and then engage the ideas that you have raised. In such a short paper there is no need to include an introduction and a conclusion. Though your critique/engagement with the literature cannot be lengthy, it should be careful. ***Emphasis should be placed on precision***. Moreover, given that the purpose of the paper is to prepare you for discussion, your essay might conclude with one or more questions that the material raises in your mind. Has the author pursued a line of argument that you find troubling or otherwise problematic? Is it internally inconsistent in important respects? Are there implicit implications that ought to be brought out? Is something important missing from the author’s argument? What are the implicit assumptions underlying and driving the author’s argument, and are these assumptions notable/problematic? ***BUT BEWARE***: avoid oversimplifying an argument (creating a ‘straw man’) in order to make it more susceptible to criticism. You’ll have a chance to argue points in our discussion that you might not have been able to fit into your paper.

Instructions for Term Paper

DUE: Noon on Friday, March 11—No Exceptions. Late papers will be penalized!

The longer paper should run about 15 pages (double-spaced). This paper should range over more literature than do the short papers, drawing on the work and ideas that we encounter throughout the course. But in crafting this paper you have some latitude in exploring the course material in ways that are most engaging to you. For instance, you might choose to write a paper that focuses on an abstract theoretical matter. Alternatively, you might explore a contemporary domestic or international policy debate concretely, applying one or more of the normative principles that we've explored in the course. Past examples that come to mind are the ethical controversy surrounding medical tourism and trade in human organs, the ethical viability of cost-benefit analysis as a means to decide whether a municipality ought to approve a development project, the case for and against strong intellectual property protections (such as in genetically altered seeds), and, more abstractly, the ethical status of "fear" in the work of libertarian Robert Nozick. These are still short writing exercises, and so you should still be concerned with *analytical precision* rather than lengthy summaries. You will be rewarded for a *careful engagement* with your topic.

Please come see me during the quarter (**no later than week 7**) to discuss your paper topic. Though the papers are not due until March 11th, you might consider completing this assignment earlier in the quarter, before the end-of-quarter rush commences. I will review drafts or outlines and provide suggestions/comments provided I receive them by March 4.

Citations:

Please use in-text references in all your written work during this course, such as:

One prominent critic of Reich argues that his classification of jobs in the contemporary economy is "hopelessly incomplete" (Smith 1992, 23).

(where 23 refers to the page on which this passage can be found, 1992 is the publication year and Smith is the author).

Reference List:

For the longer papers, the body of the paper should be followed by a reference list where all works cited in the paper are fully listed, as in:

References

Smith, A. 1992. "Employment Patterns in the US Economy," Journal of Economic Issues, 7(1), Spring: 18-37.

(Please use one of the assigned articles as a guide to constructing a reference list).