**The Ethics and Economics of Wealth Creation**

Rutgers, Camden: Masters in Liberal Studies Program

56:606:621:J1 Spring 2013 Session I

Monday/Wednesday 6pm – 8:40pm
JBMDL Campus, Education Center Building 3829, Room 203

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**Office Hours:** By appointment

\*I won't hold regular office hours, but am happy to arrange to meet at a mutually convenient time and place. As a general rule, I would prefer to meet either before or after class if at all possible. I will also generally be available by email if you have questions/concerns that can be addressed that way.

**Course Description:**

This course is about how wealth is created, broadly speaking, and about ethical concerns that arise as a result of the creation of wealth. We will explore a number of issues that lie at the intersection of philosophy and economics and will utilize methodologies from both disciplines, but the course presupposes no background in either area. The course will be based around relatively short readings drawn from historical and contemporary sources to be done outside of class. Because the readings will be short, I expect you to do all of the reading, multiple times if necessary. Keep in mind that the point of the readings is primarily to introduce ideas and stimulate discussion. It is ok if you don't understand everything in the readings, as long as you come prepared to discuss what it is that you did not understand. Classes will be a combination of lecture and student discussion based on the readings. I will try to lecture in short chunks, rather than for extended periods in order to break the class up and give you a better chance to absorb the lectures. We will also utilize a number of in-class experiments to illustrate ideas and further motivate discussion. Because this is a graduate course I expect class to be largely driven by student discussion and a large portion of your grade will reflect your participation in and contribution to these discussions. The rest of your grade will be based on short discussion papers and a final term paper. There will not be tests or exams, with the possible exception of short quizzes to test whether you have absorbed some of the technical ideas introduced in class.

The course will be divided into 3 units. In the first unit, we’ll look at what human life might be like without the most basic possibilities for wealth creation, and then at the social institutions needed to get wealth creation off the ground. In the second unit, we’ll look at some of the more specific grounds of wealth creation, and continue to explore the ethical implications of those grounds. In the third section, we’ll look at some contemporary ethical problems which arise in the economic sphere and we’ll ask whether those problems are better solved by leaving them to the market or by looking to the government to provide a solution.

**Texts:**

Required Text:

*Creating Wealth: Ethical and Economic Perspectives,* 2nd ed., eds. David Schmidtz & John Thrasher, Cognella Press, 2012 (Readings in the textbook will be marked with **CW**)

**\*\*\***Readings not in the required texts are freely available online or will be distributed by the instructor**\*\*\***

Online Texts:

Liberty Fund's Online Library: <http://oll.libertyfund.org/>

Many of the readings not in the textbook will be available from this website run by the Liberty Fund, which is a private publisher that has sought to preserve and make available many important texts in philosophy, economics, and political thought. (Readings available here will be marked **OLL**)

**In-class Experiments:**

Throughout the course of the semester we will do a number of in-class experiments in order to illustrate some of the ideas being discussed in class and motivate further discussion. You will be expected to participate in the experiments and to discuss the results. Either extra credit or excuses from weekly discussion papers may be awarded to some experiment participants in order to facilitate the running of the experiments. The experiments will be run using online software created by the Virginia Econ Lab (<http://veconlab.econ.virginia.edu/>). Because the experiments are run online you will need to bring a laptop computer to class in order to participate in the experiments. If you do not have a laptop that is OK, we will make arrangements to have some students work cooperatively (which will in no way impact your grade or the opportunity to receive extra credit).

**Assessment:**

Your grade will be based on class participation, short discussion papers which will be assigned most weeks, quizzes which may be assigned to test knowledge of technical concepts introduced in class, and a final term paper due at the end of the half semester (date TBD). Attendance is not required, but you be graded on the basis of your participation in class discussions so it is recommended. Simply showing up will not earn you credit for this portion of your grade, though. If you have a legitimate conflict (i.e. illness or job obligations) that prevents you from attending class your participation grade will not be affected, but you will be required to make up the missed assignments. I reserve the right to ask for evidence corroborating any excused absences (e.g. deployment orders).

Grades will be computed as follows:

Discussion Papers / Quizzes: 50%

Term Paper: 25%

Participation: 25%

**University Policies:**

Academic Integrity

**If you cheat or plagiarize you will fail the course.** You will also be reported to the Office of Student Conduct. There are no exceptions to this policy.

For additional information on the Rutgers University policies on academic integrity, go to <http://academicintegrity.rutgers.edu/>.

**Lecture Schedule:**

**Unit 1: The Foundations of Economic Activity**

**Week 1 (Jan 23):**  **The ‘State of Nature’ and the Rule of Law**

Introduction and Course Overview

What is the rule of law? What would the world be like be without a rule of law? Specifically, what are the prospects for economic activity?

*Readings*:

Hobbes (1651): *Leviathan*, Part 1, Chapters 13 and 14 **OLL**

Locke (1689): *Second Treatise of Government*, Chapters II, IV, and IX **CW** **/ OLL**

*In-class experiment:* Prisoner’s dilemmas and stag-hunts

**Week 2: Property Rights**

We’ve seen that the rule of law is important to get economic activity off the ground, but what sorts of things should the law protect? Are property rights important? Why? If they are important, how do we decide who has these rights? What are they rights to?

**Jan 28 Initial Acquisition and Common Resources**

*Readings:*

Locke (1689): *Second Treatise of Government*, Chapter V **CW**

Garrett Hardin: “Tragedy of the Commons” **CW**

David Schmidtz: “The Institution of Property” **CW**

De Soto: “Five Mysteries of Capital” from the *Mystery of Capital* **CW**

*In-class experiment:* Common-pool resources

**Jan 30 Externalities and Efficient Allocation of Rights**

Myerson: "Optimal and Efficient Auction Design"

Ronald Coase: “The Problem of Social Cost”

*In-class experiment:* Externalities

**Unit 2: Aspects of Wealth Creation**

**Week 3: Division of Labor and Trade**

Does it make sense to be self-sufficient? Why have people typically lived together in communities? What are the benefits of trade and specialization? How should we organize society in order to capture the benefits of specialization?

**Feb 4**

*Readings:*

Leonard Read: “I, Pencil”

Adam Smith (1776): *Wealth of Nations*, Book I, Chaps. I-VII **CW**

Ricardo (1817): *On the Principles of Political Economy and Taxation,* Chapter 7 **OLL**

Plato: *Republic*, Book II

Adam Smith: excerpt from *Theory of Moral Sentiments* on ‘man of system’ **CW**

*In-class Experiment:* Gains from Trade

**Feb 6 Prices**

*Quiz:* Comparative Advantage

*Readings:*

[Hayek (1945): ‘The Use of Knowledge in Society’](http://www.econlib.org/library/Essays/hykKnw1.html) **CW**

Smith: Price Fixing **CW**

Bastiat: An Immense Discovery! **CW**

Aquinas: selections from *Summa Theologica* on ‘just price’ and ‘usary’

*In-class experiments:* Auctions, Information Markets

**Week 4: Division of Labor and Trade continued…**

What are the costs associated with trade and the division of labor?

**Feb 11**

*Readings:*

Marx (1844): “Alienation” and “Critique of the Gotha Program" **CW**

Smith: *Wealth of Nations* Book 5 **CW**

Marx: Wage Labor and Capital **CW**

Marx: Excerpts from Das Kapital on labor theory of value and exploitation

**Feb 13 Wages**

*Readings:*

Ricardo: Chap. 31 "On Machinery"

Lecture on relationship between technology, trade, and wages

**Feb 18 (Presidents Day) TBD**

**Unit 3: Problems with Markets and Governments**

**Week 5: Price Gouging and Sweatshops**

What are some of the problems associated with free markets? Can the government always fix them? What’s wrong with price gouging? Do sweatshops benefit the people who work in them? Do they exploit those people? Can the answer be yes to both?

**Feb 20**

*Readings:*

Zwolinski (2008): ‘The Ethics of Price Gouging,’ *Business Ethics Quarterly* 18 (3): 347-378 **CW**

Snyder (2009): ‘What’s the matter with price gouging,’ *Business Ethics Quarterly* 19 (2): 275-293

Zwolinski (2007): ‘Sweatshops, Choice, and Exploitation’, *Business Ethics Quarterly* 17 (4):689-727 **CW**

Meyers (2004): ‘Wrongful Beneficence: Exploitation and Third World Sweatshops’, Journal of Social Philosophy, 35 (3): 319-333

**Week 6 (Feb 25 and 27): Public Goods and Prospects for Government Intervention**

Are some goods too difficult for the market to provide? Why? Can government intervention solve social problems that the free market ignores? How?

*Readings:*

Coase: "The Lighthouse in Economics"

Keynes Selections: ‘The End of Laissez-Faire’ (1926), ‘The General Theory of Employment’ (1937), ‘The General Theory of Employment, Interest, and Money’

Robert Goodin: The Classic Case for Collectivization Restated **CW**

Norman Daniels (1981) “Health Care Needs and Distributive Justice”, *Philosophy and Public Affairs*

*In-class experiment:* Public Goods, Market Failure

**Week 7 (Mar 4 and 6): Worries About Government Intervention**

What are some of the problems associated with government intervention in the market?

*Readings:*

Bastiat: “The Seen and the Unseen” **CW**

David Schmidtz (1997): ‘Guarantees’ **CW**

Jason Brennan (2007): “The Paradox of Good Intentions” **CW**

James Buchanan: “Politics Without Romance” **CW**

*In-class experiment:* Rent-seeking

**Week 8 (Mar 11): Corporate Responsibility**

Do businesses have responsibilities to groups other than their shareholders? Who? Why?

*Readings:*

Friedman: "Social Responsibility of Business"

Goodpaster: "Ethics and Stakeholder Analysis"

*Case Study:* Bankruptcy and Limited Liability

What are the costs and benefits of bankruptcy protection? How does the existence of limited liability affect the way we think about corporate responsibility? What are the costs and benefits of government backing of private debts and obligations? What does it mean to be too big to fail?

**Week 8 (Mar 13): Poverty**

Do we have obligations to aid the global poor? If so what’s the best way for us to meet those obligations

*Readings:*

[Singer (1972): ‘Famine, Affluence, and Morality’ *Philosophy and Public Affairs* 1 (1): 229-243](http://www.utilitarian.net/singer/by/1972----.htm) **CW**

[Hardin (1974): ‘Lifeboat Ethics: the case against helping the poor’, Psychology Today, Sept. 1974](http://www.garretthardinsociety.org/articles/art_lifeboat_ethics_case_against_helping_poor.html)

Schmidtz: "Islands in a Sea of Obligations" **CW**