

**PROSPERITY:
THE ETHICS AND ECONOMICS OF WEALTH CREATION
POLS1150**

John Tomasi
THE POLITICAL THEORY PROJECT

Content:

10,000 years ago, everyone everywhere was dirt poor. Why are so many people now prosperous? Why do some societies grow rich while others remain poor? What does it take to succeed in societies whose economies are largely market-based? What does it take to deserve to succeed? What are some of the ethical problems that arise from market exchanges, and are there any solutions to these problems?

This course is an interdisciplinary study of what makes societies fair, free, and prosperous. We will evaluate the institutions of the market using the tools of ethics, political philosophy, economics, history, and political science. We will investigate issues concerning the nature of money and prices, the role of the division of labor, business ethics, commerce and entrepreneurship, overconsumption and overpopulation, exploitation and alienation, the relationship between wealth and happiness, the motivations of market actors, the rule of law, liberty and market society, rent-seeking and corporate welfare, and more.

Academic Freedom:

Students have the right to engage in reasoned, polite disagreement with the instructors with no penalty to their grades whatsoever. Everyone has the right to participate in a learning environment that emphasizes mutual respect, tolerance, and free inquiry. The classroom is a forum for critical discussion in the pursuit of truth.

The instructors have the right to challenge any beliefs, world-views, ideology, or attitudes held by the students, even world-views that the students hold sacred. Students likewise have this right against the instructors and each other. Everyone, including those students with opinions in the intellectual minority here on campus, has the right to express his or her philosophical views without fear of bullying or reprisal.

Required Books:

The Price of Everything, Russell Roberts

Politics, Aristotle (Hackett)

Property: The Oxford Introductions to U.S. Law, Thomas W. Merrill and Henry E. Smith

Bourgeois Dignity: Why Economics Can't Explain the Modern World, Deirdre McCloskey

The Social Contract, Jean-Jacques Rousseau

Your Grade:

Introductory Writing Assignment (1-2pp): 5%

Segment 1 Writing Assignment (5-7pp): 25%

Segment 2 Writing Assignment (5-7pp): 25%

Segment 3 Writing Assignment (5-7pp): 25%

Participation: 20%

In addition to class and section participation and other assignments detailed in the syllabus, your final grade will reflect the achievement of three short (5-7 page), required papers done throughout the semester. The course is divided into three main segments

(What Is Wealth?, What Institutions Produce Wealth?, and Who Gets Wealth?). We expect your three papers to be sophisticated reactions to the class discussions and readings of each of these segments. You are required to adhere to the due dates outlined in the syllabus for each segment. Assignments submitted after the due date will incur a penalty of a third of a grade per day late.

Schedule:

INTRODUCTION

Trading Games: An introduction to puzzles of Prosperity

The morality and economics of student activism

The Price of Everything, Russell Roberts

Writing Assignment (1-2 pages)

I. WHAT IS WEALTH?

Wealth, or, What Good Is Money?

What is wealth and what is it for? Do we need to know what is good before we know what counts as an object of value or 'wealth'? What is the relationship between acquiring wealth and living a good life? What is different between and among 'ancient' (Aristotle, Cicero) and 'modern' (Locke, Smith, Marx) views of wealth and wealth acquisition? How has the definition and measure of wealth changed?

- Aristotle Politics, Hackett, Book 1: Chapters 1-4, 7-12 Book 7: Chapters 1,9,10; Nicomachean Ethics, Hackett, 1095a14-1095a28, 1095b14-1096a11, 1177a10-1179a9
- Cicero On Duties Book I: Paragraphs 150-151, Book II: Paragraphs 78, 85-87
- Locke Second Treatise Chapter 5 'On Property'
- Smith Wealth Of Nations, Liberty Fund pp. 10-12, 24, 96, 418-422; Theory of Moral Sentiments, Liberty Fund pp. 50-52, 181-185
- Marx The Marx-Engels Reader p.441

Optional:

- Hume 'On Commerce' (online)

Wealth and Freedom, or, Are We Slaves to the Market?

Are we naturally inclined to pursue wealth, or compelled to? Was Epictetus right that we must disavow external goods to be free? Or is 'Cato' right that a free society is wealthier, and a wealthy society freer? What, according to 'Cato,' is the connection between trade and consent? What does Hayek mean when he says freedom, rather than justice, is the highest good of a market society? How do Marx and Weber argue that the pursuit of wealth has made us less free? In what way do they argue the instrumental goods (money, commodities, organizations) have become ends in themselves, and even rule over us, instead of us ruling over them?

- Epictetus, On Freedom, pp. 72-75, 78-81
- Gordon and Trenchard, 'Cato's Letters', from The English Libertarian Heritage, pp. 127-130, 133-134, 145-149, 172-178
- Hayek, The Road to Serfdom, University of Chicago Press pp. 134-136

- Marx, The Marx-Engels Reader pp. 321-323, 336-339, 430-31, 530-531; Capital vol 1, Penguin edition, pp.896-900
- Weber, 'On the Situation of Constitutional Democracy in Russia', Political Writings pp. 68-72, The Protestant Ethic and the Spirit of Capitalism, trans. Talcott Parsons pp. 179-183

Poverty, or, Are You Poor If You Don't Have a Television?

Based on what we have discussed regarding the meaning of wealth, what kind of deprivation therefore counts as poverty? What is the relation between absolute and relative measures of poverty? Is there a difference between poverty and inequality? How do we measure needs anyhow, and why does Sen recommend 'capabilities' over 'utilities'? Is poverty ultimately about lack of freedom? Why might possession of money, rather than specific goods, be a better (or worse) measure of poverty/prosperity? Looking at existing poverty measures, which ones best capture poverty as deprivation of human needs?

- Martin Ravallion "Poverty Comparisons: A Guide to Concepts and Methods" 4-8, 25(bottom)-35
- Amartya Sen *Inequality Reexamined* 28-34, 36-46, 48-55, 102-116
- Reddy and Pogge "How Not to Count the Poor" pages 1-7, and Sections 6 and 7 (pages 16-21)
- Human Development Report
- Defining Welfare Measures
- Choosing and Estimating a Poverty Line
- Human Development Index
- Census Poverty Definition
- Orshansky
- Living Wage Calculator

Optional:

- Amartya Sen, 'Poor, Relatively Speaking' *Oxford Economic Papers*, (sections 1-7, and conclusion)

The Labor Theory of Value

Adam Smith, *Wealth of Nations*. Bk.I, Chs.5-7, excerpts.
I.5.1-I.5.9, I.5.17, I.6.1-I.6.5, I.6.8-I.6.10, I.6.17, I.7.1-I.7.16, I.7.20, I.7.30

David Ricardo, *The Principles of Political Economy and Taxation*. Ch.1, excerpts.
1.1-1.8, 1.10-1.15, 1.17-1.22, 1.23-1.27, 1.29-1.36, 1.43, 1.73-1.80

Karl Marx, *Das Kapital*. Pt.I, Ch.1, Sec.1, all.

The Subjective Theory of Value and the Marginal Revolution

Carl Menger, *Principles of Economics*. Ch.3, The Theory of Value, Sec. 1 (The nature and origin of value), Sec. 2 (The Original Measure of Value), except from "Examination of a number of particular cases ..." up to "If we summarize what has been said," and end at (C).

Stanley Jevons, *The Theory of Political Economy*. Ch.3, Theory of Utility, III.1-III.3, III.12-III.30, III.38, III.42

Three Sources of Wealth Creation – The Division of Labor, Comparative Advantage, The Informational Function of Prices

Adam Smith, *Wealth of Nations*. Bk.I, Chs.1-3, excerpts.
I.1.1-I.1.10, I.2.1-I.2.4, I.3.1-I.3.3

James Mill, *Elements of Political Economy*. Ch.III, Sec.IV. III.IV.1-III.IV.17

Ludwig von Mises, *Human Action*. Pt.II, Ch.8, Sec.4.

F.A. Hayek, "The Use of Knowledge in Society." All.

Writing Assignment

II. WHICH INSTITUTIONS PRODUCE WEALTH?

The Institution of Private Property in the U.S. as a Cause of Prosperity

Thomas W. Merrill & Henry E. Smith, *The Oxford Introductions to American Law: Property* (2010): Please read pages 1 to 99.

The U.S. Constitution as a Cause of Prosperity

Thomas W. Merrill & Henry E. Smith, *The Oxford Introductions to American Law: Property* (2010). Please read pages 223 to 256. Please also read the essay on "Constitutionalism and Prosperity" and the Supreme Court case: *Kelo v. City of New London*, 545 U.S. 469 (2005) (both available on MyCourses).

Property and Contract in America through the Civil War

- Readings:
 - Bernard Bailyn, "The Apologia of Robert Keayne," *William & Mary Quarterly* 7 (Oct., 1950), 568-587.
 - Morton J. Horwitz, "The Triumph of Contract" in *The Transformation of American Law, 1780-1860* (Harvard, 1977), 160-185 and 201-210.
 - *Laidlaw v. Organ* (US, 1817).
 - *McFarland v. Newman* (US, 1839).
- Discussion Questions: What role did the "triumph of contract" play in developing the U.S. market economy? What is the meaning of *caveat emptor*? How did the relationship between master and servant change to employer and employee?

Prosperity and Inequality in U.S. Industrialization: From Reconstruction to the Progressive Era

- Readings:
 - William Graham Sumner, "The Forgotten Man," (1883).
 - Walter Rauschenbusch, "The Church and the Social Movement," (1907).

- Louis D. Brandeis, "Other People's Money," *Harper's Weekly*, (1914). (Chapter selection TBA.)
- John Dewey, "The History of Liberalism" and "Crisis in Liberalism," in *Liberalism and Social Action* (Amherst: Prometheus Books, 2000), 13-60.
- Discussion Questions: Were there winners and losers of American industrialization? What institutional reforms were proposed to equalize the distribution of wealth and power? How would you characterize Progressive Era reformers and the institutional changes they advocated? How did the nature of liberalism change during this era?

The New Deals: Strategies to Insure Americans Against Inequality

- Readings:
 - John Maynard Keynes, "The End of *Laissez Faire*," (July 1926).
 - Friedrich von Hayek, "Liberty and Liberties" and "The Creative Powers of a Free Civilization," in *The Constitution of Liberty* (Chicago: University of Chicago Press, 1960), 11-38.
 - Eleanor Roosevelt, "The State's Responsibility for Fair Working Conditions," (1933).
 - President Franklin D. Roosevelt, "Four Freedoms," (Jan. 6, 1941).
 - David Kennedy, "What the New Deal Did," in *Freedom from Fear: The American People in Depression and War, 1929-1945* (New York: Oxford University Press, 1999), 363-380.
- Discussion Questions: What were the competing visions for New Deal reform? How did various New Deal programs attempt to socialize market risk? What were the political responses to the U.S. Supreme Court's rulings against national planning strategies in the First New Deal? How did the policy outcomes of the New Deal redefine the meaning of American freedom?

Deirdre McClosky

Bourgeois Dignity: Why Economics Can't Explain the Modern World
(Odyssey Lecture—no class)

Writing Assignment

III. WHO GETS WEALTH?

The Sources, Ends, and Limits of Political Authority

At the heart of liberal democracy lies the idea that political authority is legitimate only if it is grounded in and serves the interests of those subjected to it. John Locke and Jean-Jacques Rousseau provide two hugely influential attempts at articulating this idea and drawing out its implications. In doing so, they use of a number of concepts and ideas that have since become part of the vocabulary of political thought: the social contract, the state of nature, the consent thesis, popular sovereignty, and so on.

Readings: John Locke *An Essay Concerning the True Original, Extent, and End of Civil Government* (= *Second Treatise*), sections 1-15, 22-23, 54, 77, 87-90, 95-99, 119-120, 123-131, 134, 142, 149, 169-174, 199, 243.

Jean-Jacques Rousseau *The Social Contract*, chapters 1-8.

The Priority of Liberty

Another central idea of liberal democracy is that each and every citizen ought to enjoy some basic rights and liberties and that the protection of these liberties is one of the chief ends of government that at the same time restricts how government can pursue other ends. In this lecture I present and discuss some of the arguments liberal philosophers have presented in favor of the priority of liberty.

- Readings: Immanuel Kant, *The Doctrine of Right* (Introduction to the Doctrine of Right, paragraphs A-E).
John Stuart Mill *On Liberty*, chapter 1.
Friedrich August von Hayek *The Constitution of Liberty*, chapters 1 (sections 1, 6-7), 2 (sections 4-9), 9 (sections 1 & 9), 10 (section 7).
John Rawls *A Theory of Justice*, sections 3, 11, 32.

Political Economy and Distributive Justice

Liberalism has historically been closely associated with property rights and limited government interference with the workings of the market. But liberal democracy also carries a commitment to equality of opportunity and a fair division of the benefits and burdens of social cooperation. In this lecture I use Adam Smith, Robert Nozick, and John Rawls to present three different views on the requirements of distributive justice and the relation between liberty and equality.

- Readings: Adam Smith *An Inquiry into the Nature and Causes of the Wealth of Nations*, Book IV chapter 2 and last page of chapter 9 (from paragraph that begins "It is thus that every..." to end of book IV).
John Rawls, *Justice as Fairness: A Restatement*, sections 2, 4, 12, 14, 15, and 18.
Robert Nozick *Anarchy, State, and Utopia*, chapter 7, pages 150-174, skip subsection "Sen's Argument".

It is a commonplace within political philosophy that libertarian/classical liberal political theory and social justice do not mix. In fact, proponents of either view typically disavow the core principles affirmed by the other. In this unit of the course we will examine the historical and conceptual roots of this tension. We will ask whether advocates of free markets and limited government can care about distributive/social justice. In particular this unit introduces students to a new movement in free market scholarship called neoclassical liberalism.

Tomasi, *Free Market Fairness*, Chaps. 1, 2

Tomasi, *Free Market Fairness*, Chaps. 3, 4 and 5

Tomasi, *Free Market Fairness*, Chaps. 6, 7 and 8

Extending Prosperity

Many people in the world are very poor. Do the citizens of rich countries have obligations to help the global poor become prosperous? If so, how can we do this? This

section of the course will consider answers to these questions. In particular, we will consider the ethics and economics of three different approaches to global poverty: aid, trade, and immigration.

Aid

- Peter Singer, "Famine, Affluence, and Morality" *Philosophy and Public Affairs* (1972).
- Nicolas Van de Walle, "Crisis and Foreign aid," in *African Economies and the Politics of Permanent Crisis* (New York: Cambridge University Press, 2001), chapter 5.

Trade

- Martin Wolf, *Why Globalization Works* (New Haven: Yale University Press, 2005), pp. 138-166.
- Dani Rodrik, *One Economics, Many Recipes* (Princeton: Princeton University Press, 2007), pp. 213-222.
- Matt Zwolinski, "Sweatshops, Choice, and Exploitation" *Business Ethics Quarterly* 17 (4): 689-727.

Recommended:

- Chris Meyers, "Sweatshops and Exploitation" *Journal of Social Philosophy* 2004: 319-333.

Immigration

- Lant Pritchett, *Let Their People Come: Breaking the Gridlock on Global Labor Mobility* (Baltimore, MD: Brookings Institution Press, 2006), Introduction and chapters 3.

Writing Assignment

IV. PROSPERITY AND POVERTY: WHAT DOES IT ALL MEAN?