

## Moral Foundations of Capitalism: Paper Topics

Each student writes **a 6-8 page** term paper as the final exam for this course. The papers should be double spaced and in 12 or 13pt fonts. Complete references should appear at the end of the paper. Normally the papers will include game matrices and diagrams as well as thoughtful prose.

The papers should be turned in by midnight on the day of our scheduled final exam via e-mail. **The papers should be named**

**EC411\_paper\_last\_name\_short\_title.doc** and the e-note the paper is attached to should have **a header** EC411 Final Paper. My email address is roger.congleton@mail.wvu.edu. Word or PDF documents are acceptable, although I prefer papers in word form because it easier to add comments to that format.

The purpose of the paper is to give you the opportunity to think more deeply about one or more of the readings from the semester and/or to apply some of the tools developed to contemporary controversies that involve both markets and ethics broadly interpreted. Grades on the papers will be based on the quality of the reasoning demonstrated and command of the scholars, theories, and tools from class used.

Every paper should include full references. If web sources are used, include the link to the relevant website and source. In many cases direct quotes from the authors of interest will be necessary, and these should be set off with quotes in the case of short quotations or with double indentation for longer ones (as done in the notes for this class).

The use of AI is not permitted, except for spell checking and perhaps

grammar checking. An essay largely written by AI will receive an F as will a paper that is substantially plagiarized.

### Suggested Topics for Final Papers

#### I. Economics, Politics, and Ethics

- i. Use tools from class to show why a work ethic may produce better outcomes in markets and democratic politics than we would observe without one. Note both cases in which a work ethic “helps” and ones in which it does not. Would a work ethic, for example, increase the productivity of an extractive state as much as it would for a productive state? If not, why? Is there anything general that can be said about the impact of a particular norm.
- ii. Use the theories developed in class to explain why markets tend to support particular types of ethical dispositions. (Focus on a couple of examples not reviewed in lectures.) Explain the nature of that support. Show how that support affects the distribution of ethical dispositions in the community of interest. Show how it tends to increase efficiency, if it does, or reduces it, if it does not.
- iii. Find a market in which a reputation for honesty and/or good service has allowed a particular type of market to flourish either in history or in contemporary America. An obvious contemporary example is Amazon’s internet-based business, but there are many others. Explain how the industry or firm of interest attempts to demonstrate that it a moral agent and why it succeeds or fails.
- iv. Explain why three sources of rewards for ethical dispositions play roles in the distribution of ethical dispositions that exist in a community at a point and time. Then explain how differences in social support can explain variations in the efficiency of markets at a point in time and through time. Which ethical dispositions appear to be most important for markets to work well?
- v. It is sometimes argued that simple self-interest is enough for markets to operate perfectly (ignoring externalities). Show that the “right” ethical theories make markets work better and that the

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“wrong” ethical theories can make markets work worse than in settings were all agents are pragmatists.

Explain the definitions of “worse” and “better” that you are using and also why norms have these effects. Which of the ethical theories covered in this class are the most useful for conclusions about “worse” and “better?”

- vi. Mill argues that government should not be allowed to use its coercive power to force individuals or groups to conform to rules except when what contemporary economist would call externalities are important. Explain his point of view.

How does this dividing line shift as problems associated with the environment, corruption, or rent-seeking are added to the analysis? How does it shift when agency problems associated with governance are taken into account?

- vii. Both Bentham and Pigou argue that governments should adopt policies that are consistent with utilitarian ideas. Bentham argued that governments should more or less get out of the way and let markets develop. Pigou argued that governments should play an active role in encouraging markets to develop in a manner that takes account of externalities.

Explain their reasoning as it relates to a specific problem. Analyze how the possibility of government failures (as for example might be caused by bribes and other forms of corruption) would affect their reasoning and conclusions about the best level of government intervention.

- viii. Rand, Mises, and Spencer all favor what some call a “night watchman” state, a state that only prevents violations of “rights” within and among communities. In what circumstances does such a state enhance market activity? Can such a state address externality problems? Does the possibility of government failure justify a watchman state?

- ix. Mill argues that tolerance is one of the most important private and social virtues. Define tolerance. Does tolerance imply indifference to all choices by all other individuals? If not, examine the limits of tolerance. Should fraud, for example be tolerated according to Mill

or any other of the scholars that we studied? How does tolerance with respect to political and religious views allow markets to become more extensive?

- x. Buchanan once argued that “the extent of the market is limited by the extent of the morals.” What exactly did he mean? Show how the tools developed in this class can be used to show the strength and limits of his argument. Describe both markets in which ethical dispositions are important and ones in which they are not (or less so). Use quotes from philosophers and historians to demonstrate that Buchanan was not alone in his conclusion.

- xi. Contrast the private ethical theories of Aristotle and Franklin with the social ethical theories of Mill and Rawls. Discuss shifts in approach and meaning as one shifts from private to civil to social ethics.

Are there cases in which both “act” and “rule” utilitarian philosophy be said to be totalitarian?

- xii. Public choice analysis suggests that utilitarian central planning is impossible. That is to say, there is no reason why an elected official or a dictator would implement their recommendations. What does this approach suggest about (i) the relevance of utilitarian analysis and (ii) the scope for the regulation of markets--given that most commercial societies have historically been the ones with the highest per capita rgdp.

- xiii. Both markets and politics can be said to support (reinforce) a subset of ethical theories. Do markets or democratic politics support utilitarianism? Explain why or why not, and whether it is important.

- xiv. Although the main focus of the course has been connections between ethical dispositions and prosperity, it also applies to other policy issues. For example, with respect to contagious diseases, the Japanese encourage every sick person to wear a face mask. This reduces transmission of all airborne diseases including the flu and corona viruses. Discuss how such a norm can reduce transmission and thereby increase average health and longevity in a community. Discuss tensions between this norm and freedom of choice on the part of individuals in such societies. Is it possible that such a norm

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will emerge in the US if the corona virus continues to be a problem in the Fall? Use game matrices to support your argument.

### II. Deeper analysis of the ideas of a single Author

- i. Discuss why Aristotle believes the ethical behavior is consistent with lifetime happiness. If ethical behavior always increases lifetime happiness, why does Aristotle believe that people engage in unethical behavior? Think of how game matrices can be used to characterize “bad” choices.
- ii. Discuss why John Locke believes that there are three sources of law that characterize ethical behavior. What distinguishes civil conduct from spiritual conduct according to Locke? Are there cases in which the rules from these three sources conflict? If so, provide an illustration, and discuss how the conflicts should be resolved. Use a game matrix to show why cooperation tends to be easier in the Lockean setting than in many others.
- iii. Analyze Ayn Rand’s novel *Atlas Shrugged* from the perspective of any two of the philosophers covered in this class (for example Aristotle and Spencer). How are her theories similar to those of the others? How are they different?
- iv. Analyze Spencer’s evolutionary theory of ethics. Is it plausible that ethical norms emerged from survival properties and change with circumstances (relativist ethics)? Is his idea that evolution has an end point and so a final absolute systems of ethics exist a plausible ethical theory? Is it a useful theory? Discuss and analyze.
- v. Max Weber argues that the emergence of a “spirit of capitalism” was necessary for capitalism in its nineteenth century sense to have emerged. Summarize his argument. Are there obvious weaknesses in his approach? Explain why markets work better when a work ethic (a dutiful calling) is commonplace in the workforce.

### III. Compare and Contrast

- i. Compare and contrast Aristotle’s theory of ethics with that of Adam Smith. Is there a difference between the aim of the two theo-

ries? Is it simply a coincidence that they favor similar rules of conduct given their different approaches? Is it simply a coincidence that some of their ideas about virtue differ?

- ii. Compare and contrast Franklin’s deism with Barclay’s Quaker based ethical theory. What behavior did they both support? How were their rationalizations different? What behavior did they disagree about? Are these disagreements relevant for economic growth and development?
- iii. Baxter and Grotius both suggest that inequality and trade are parts of God’s will. This, Grotius argue is evidence of divine support for free trade. In contrast, More suggests that trade should be minimized in a good society. In this case, inequality would be preserved rather than moderated. Contrast and explain the main differences in their reasoning and in the results of their ideal polices.
- iv. Compare and contrast Spencer and Hayek’s theory of normative evolution. Note similarities and differences. Explain why markets play a role in this evolution and how innovations may change the support provided by market for various ethical dispositions through time.
- v. Compare and contrast Friedman’s analysis of the role of ethics in markets (*Free to Choose*) with that of Spencer in chapter 1 of *Man versus the State*. Does either scholar provide a prominent role for ethics in market activities? If not, discuss how ethics nonetheless affects their arguments. Give specific examples and note differences and similarities in their analysis.
- vi. Compare and contrast Rand and Spencer’s argument against coercive forms of government regulation. To what extent are these arguments explicitly or implicitly grounded in their perspectives on ethics? If markets worked less well, would their arguments have to change? If so how?
- vii. Compare and contrast Mises and Spencer’s characterization of liberalism. To what extent has liberalism changed in the fifty years between the times that the two men were writing? Does Mises, for example, defend or criticize the use of public funds for education and charity? (See Spencer’s *Man versus State* and Mises’ *Liberalism*).

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- viii. Compare and contrast Buchanan's support for the work ethic with La Court's written four centuries earlier. Are there any important differences? How much of La Court's argument takes for granted the merit of saving and hard work (the virtues of frugality and industry).
- ix. Compare and contrast Locke's and Rawls' contractarian approach to the origin and scope of government. Are their points of agreement? How does Rawls' veil of ignorance concept differ from Locke's approach to a social contract. (See the appendix of chapter 11 and/or Rawls' *Theory of Justice*.)
- x. Compare and contrast utilitarian and contractarian welfare economics. Are there any important differences? For example, does the notion of "property rights" play different roles in their analyses? Is the role of government significantly different? If so, explain why.
- xi. Compare and contrast the theories of the work ethic in Congleton and in Buchanan and Yoon. Note similarities in their approach and conclusions. Do these theories complement each other or conflict with each other, or both?
- xii. Rawls argues that the best way to analyze justice or fairness is to assume that persons makes decisions from behind a veil of ignorance. He concludes that this approach leads to two very specific principles of justice: equal liberty and minimax. Analyze his line of reasoning, contrast it with some other's in the course (for example Spencer's argument for equal liberty). What do these perspectives imply about market outcomes?
- xiii. Hayek argues that the knowledge problem and disagreements about goals make utilitarian analysis impossible. Explain why he believes that social justice is a mirage. How does his critique of utilitarianism differ from that of, for example, that by Buchanan or Spencer?

### **IV. Any other analysis of the role of ethics in markets is fine, but ask me first so that I can judge whether your idea is feasible to undertake in the time available.**