

**UNIVERSITY OF RICHMOND**  
**LEADERSHIP STUDIES 390(6)/ECONOMICS 260(3)**  
**ETHICS AND ECONOMICS**  
**SPRING 2006**

**CLASS MEETINGS:** Tuesdays and Thursdays, 2:15 – 3:30 pm, Robins Sch. of Business, 201

**INSTRUCTORS:** Dr. Douglas A. Hicks  
Jepson School of Leadership Studies (Jepson 134) and Center for Civic  
Engagement (THC 201)

TEL: 484-1601(o) E-mail: [dhicks@richmond.edu](mailto:dhicks@richmond.edu)

Office Hrs: T/Th 3:30-5:00 p.m. and by appointment

Dr. Jonathan Wight

Robins School of Business (Room 311)

TEL: 289-8570 (o) E-mail: [jwight@richmond.edu](mailto:jwight@richmond.edu)

Office Hrs: T/TH 10:00 – 11:00 a.m. and W 3-4 p.m. and by appointment

Campus and off-campus events occasionally conflict with posted office hours. If you definitely need one of us, please e-mail or call for an appointment.

In case of inclement weather, please call 289-8760 to check if UR classes are being held.

**TEXTBOOKS**

1. Daniel M. Hausman and Michael S. McPherson [H&M], *Economic Analysis, Moral Philosophy and Public Policy* (Cambridge, UK: Cambridge University Press, 2006).  
*Note: This book will be published in February. Early chapters will be available on-line.*
2. Amartya Sen, *Development as Freedom* (New York: Anchor Paperback, 2000).
3. Peter Singer, *One World: The Ethics of Globalization*, 2<sup>nd</sup> edition (New Haven: Yale University Press, 2002).
4. ALTERNATE book for persons who have already read Peter Singer's *One World*: Deen K. Chatterjee, ed. *The Ethics of Assistance: Morality and the Distant Needy* (Cambridge, UK: Cambridge University Press, 2004).

**PREREQUISITES**

a) Economics 101 AND Leadership 101 or 201; or b) permission of instructors

**COURSE RATIONALE AND OBJECTIVES**

This course is designed to prepare students of economics, business, and leadership studies for positions of responsibility in a complex and interdisciplinary world. This course makes use of insights learned in Principles of Economics and Foundations of Leadership Studies. The concepts and frameworks of microeconomics will serve as tools in our analysis, and they will also be subjects of that analysis. Concepts of leadership, including ethical ideas, will similarly serve as both tools and subjects of our analysis. In the most basic sense, learning any discipline

(whether it be accounting, finance, or biology) without attention to how values-based assumptions are made leaves students ill-prepared for critical thinking about real-world problems. Ethics matters in the evaluation of economic and business outcomes and for governmental policies.

Public policy choices usually entail trade-offs between intersecting and conflicting moral demands (e.g., between efficiency and equity). Economics students will be stronger economists when they are able to understand and model ethical approaches within positive economic models. Beyond this, students should understand the ethical premises that under-gird or ground economic thinking (e.g., the ethical precepts needed to define efficiency). By the same token, students from leadership or other disciplines lacking an understanding of how markets allocate resources using decentralized prices will be hampered in formulating public policy solutions. Leaders need literacy in economics and ethics in order to clarify various policy-based and other public choices.

Accordingly, this course aims to enable students:

- to understand the value-based assumptions in the basic microeconomic framework;
- to understand the value-based assumptions in some common accounts of leadership;
- to employ economic tools in the analysis of issues of leadership and public choices;
- to develop an understanding of economic and ethical frameworks;
- to clarify their own frameworks about key concepts including efficiency, justice, freedom, and equal opportunity within a global context.

Please let us know of your special needs, interests, and concerns in meeting these objectives.

### KECK GRANT AND THIS COURSE

This course is made possible by a grant to the University of Richmond from the Keck Foundation, administered by the Jepson School of Leadership Studies. The grant, “Leadership and the Liberal Arts,” is intended to foster new courses, discussions, and research across the schools and departments of the University of Richmond (as well as at Claremont McKenna and Loyola University). This course is part of the first ones being offered, and it provides a unique learning opportunity for the instructors and the students.

### HONOR SYSTEM

The University of Richmond has an Honor System which is in full force for any material submitted for grade in this course.

### GRADES

The following weights apply:

Class participation:	20 %
Mid-term exam:	25 % (March 2)
Group project:	25 % (April 17)
Final exam:	30 % (May 2)

*Participation:* This course will build upon class participation, which includes attendance, discussion, and preparation of occasional writing assignments. In order to encourage students to come prepared for thoughtful discussion, occasional quizzes on readings may be given. To receive maximum class participation points, please arrive on time and be prepared to participate. A seating chart will be made so we can take roll quickly. Students arriving late may request

partial credit by seeing us after class. Excessive tardiness or absences will result in a geometrically reduced grade. (Please make your travel plans for school breaks accordingly.)

Please show consideration to others by showing up on time. Refrain from eating or engaging in private conversations while class is in session. Cell phones must be turned off during class time. Treat others with courtesy and respect when discussing their ideas. If something concerns you, please let your instructors know – your help and insight can make this a better class than it otherwise would be.

*Written Work:* The course will include, in addition to possible brief quizzes, a mid-term examination, to be written in class, a final examination, to be written in the University-assigned exam period, and a group project. More instructions will be provided for the group project by the end of February. All graded materials should be taken or submitted at the stated time unless you have a valid university excuse (death in immediate family, illness requiring you to seek a doctor's care, etc). Unless circumstances preclude it, advance notice is requested. No make-ups are given for class participation activities; students with a valid excuse will receive a heavier weight on other assignments.

*A Note on Evaluation.* It is usually difficult to get an A, which reflects mastery of material and excellent writing and thoughtful analysis *beyond* what we did in class; a B reflects solid work that reflects mastery of key material from class and readings; a C reflects adequate understanding of material and performance.

*Deadlines.* Assignments turned in after the deadline will be accepted with a reduced grade. Our sympathies go out to those who fall victim to a computer crash. However, no extension of time is granted for computer glitches. While you cannot anticipate a crash, you can reduce its serious consequences by making frequent back-up copies as you work, and by not waiting until the last minute to get assignments done.

*Formatting Written Work.* All written work that is turned in should be typed and double-spaced, in 12-point Times New Roman font with one-inch margins on each side. Please do NOT send work to us as an e-mail attachment unless specifically requested to do so.

*Proper Citations.* Please use care not to use anyone else's ideas without proper attribution. Good writing entails the careful citation of all sources *using proper citation form*. Use either Turabian or APA reference styles, and *be consistent*. For manuals of style, please consult the following for both print and electronic sources:

<http://library.richmond.edu/help/citing/index.htm>

## OUTLINE OF TOPICS AND READINGS

**Assignments are subject to change** depending on class progress. All changes will be announced at the beginning of class, so please plan to arrive on time and be alert for announcements. You are responsible for any announcements that you may miss due to absence or lateness.

**LO = Learning Objective**

Day	Date	Topics and Readings
<b>Part I – Introduction to Economic Models and Welfare Analysis</b>		
1	Jan 17  DH/JW	<p>Introduction: Overview of the Course</p> <p>Case Analysis: Pollution in LDCs</p> <p style="padding-left: 40px;">a) H&amp;M, Chapter 2 “Ethics in Welfare Economics” (reading provided in class)</p> <p><b>LO: The moral and economic issues of globalization are complex.</b></p>
2	Jan 19  JW	<p>The Role of Ethics in Science: Facts, Theories, and Values</p> <p style="padding-left: 40px;">a) Charles Dickens, <i>Hard Times</i>, excerpt (on reserve)  b) John Godfrey Saxe, “The Blind Men and the Elephant” (on reserve)  c) Henry Skolimowski, “Knowledge and Values,” <i>Ecologist</i> (1975) (on reserve)  d) Thomas Kuhn, “The Function of Measurement in Modern Physical Science” (up to 171). (on reserve)</p> <p><b>LO: Facts and theories are inseparable. Values permeate scientific discovery, measurement, and interpretation.</b></p>
3	Jan 24  JW/DH	<p>The Moral Foundations of Political Economy</p> <p style="padding-left: 40px;">a) Thomas Kuhn, “Revolutions as Changes of World View,” in <i>The Structure of Scientific Revolutions</i>, excerpts from ch 10. (on reserve) For an overview of Kuhn’s model see: <a href="http://www.des.emory.edu/mfp/Kuhn.html">http://www.des.emory.edu/mfp/Kuhn.html</a>.</p> <p style="padding-left: 40px;">b) “A Conversation with Amartya Sen,” up to p. 141 only (on reserve)</p> <p style="padding-left: 40px;">c) Kenneth E. Boulding, “Economics as a Moral Science” <i>AEA Presidential address</i>. (on reserve)</p> <p style="padding-left: 40px;">d) H&amp;M, Chapter 1: “Ethics and Economics?” (handout)</p> <p><b>LO: World view and ideology influence positive economics. Science progresses at the margin, but also through upheaval and revolution.</b></p>

	Jan 25	SPECIAL ASSIGNMENT: Attend talk by Michael Sandel, Wed. Jan. 25, 7 p.m., Jepson Alumni Center. Before you go, read Michael J. Sandel, "What Money Can't Buy" <a href="http://www.tannerlectures.utah.edu/lectures/sandel100.pdf">http://www.tannerlectures.utah.edu/lectures/sandel100.pdf</a>
4	Jan 26 DH	<p>What Can (and Should) Money Buy?—The Limits of Markets</p> <p><i>Review Sandel's article and be prepared to discuss in class.</i></p> <p>Paul Heyne, "Moral Criticisms of Markets," <i>The Senior Economist</i> 10.4 (April 1995): 3-8. (On reserve)</p> <p><b>LO: There is a difference between economic value and moral value.</b></p>
5	Jan 31 JW	<p>Market Equilibrium and Its Welfare Interpretations I</p> <p>a) Hubbard and O'Brien, "Economic Efficiency" (pp. 99-111). (on reserve)</p> <p>b) Homework: Complete the homework (handout) before class.</p> <p><b>LO: Assuming no externalities, markets achieve allocative efficiency; market interventions produce inefficiency.</b></p>
6	Feb 2 JW	<p>Market Equilibrium and Its Welfare Interpretations II</p> <p>a) Ticket scalping case (handouts)</p> <p>b) H&amp;M, "Welfare" (Ch 8)</p> <p>c) Tyler Cowen, "The Scope and Limits of Preference Sovereignty" (on reserve)</p> <p><b>LO: Any measure of efficiency is an ethical concept.</b></p>
7	Feb 7 JW	<p>Market Equilibrium and Its Welfare Interpretations III</p> <p>a) H&amp;M, "Efficiency" (Ch. 9)</p> <p><b>LO: Further analysis of efficiency as an ethical concept.</b></p>
8	Feb 9 JW	<p>PUBLIC POLICY ANALYSIS ON THE SALE OF BODY PARTS</p> <p>Readings TBA</p> <p><b>LO: Application of theory to a real world problem.</b></p>

9	Feb 14  DH	Rationality and Self-Interest I  a) H&M, “Rationality” (Ch. 4)  b) Amartya Sen, “Rational Fools” (on reserve)  c) “A Conversation with Amartya Sen,” pp. 141-end (on reserve)  <b>LO: Our notions of what is “rational” contain ethical judgments.</b>
10	Feb 16  JW	Rationality and Self-Interest II  a) Richard H. Thaler, “Anomalies: The Ultimatum Game” (on reserve)  b) Vernon L. Smith, “Human Nature: An Economic Perspective” (on reserve)  <b>LO: Human nature is concerned with the ethical process.</b>
<b>Part II – Globalization, Development, and Ethical Frameworks</b>		
11	Feb 21  DH	Are There Global Obligations? I  a) Peter Singer, Preface, “A Changing World,” and “One Atmosphere” (Chs. 1, 2) b) Alternate assignment: Deen K. Chatterjee, ed., <i>The Ethics of Assistance</i> , selected essays  <b>LO: Analyze one Utilitarian approach to global issues.</b>
12	Feb 23  JW	Are There Global Obligations? II  a) Singer, “One Economy” (Ch. 3) b) Alternate assignment to Singer: Chatterjee, ed., <i>The Ethics of Assistance</i> , selected essays c) Other readings TBA  <b>LO: Examine multiple approaches to global trade.</b>
13	Feb 28	Catch-up Day
14	Mar 2	<b>Mid-term Exam to be Written in Class</b>

15	Mar 14  DH	Utilitarianism and its Critics  a) H&M, “Utilitarianism and Consequentialism” (Ch. 7)  <b>LO: Understand philosophical foundations of Utilitarianism as present in standard neo-classical economic theory.</b>
16	Mar 16  DH	Development and Well-being  a) Sen, “Development as Freedom” and “The Perspective of Freedom” (Intro., Ch. 1) b) Additional reading TBA  <b>LO: Understand moral, social, economics ends of economic development.</b>
17	Mar 21  DH	Freedom, Rights, and Justice  a) Sen, “The Ends and Means of Development” and “Freedom and the Foundations of Justice” (Chs. 2, 3) b) H&M, “Liberty, Rights, and Libertarianism” (Ch. 10)  <b>LO: Examine role of freedom in economic frameworks.</b>
18	Mar 23  DH	The Capability Approach  a) Sen, “Poverty as Capability Deprivation” (Ch. 4) b) Martha Nussbaum, <i>Women and Human Development</i> , selections (on reserve)  <b>LO: Introduce one alternative framework to Utilitarianism.</b>
19	Mar 28  DH	Equality  a) H&M, “Equality and Egalitarianism” (Ch. 11) b) Douglas Hicks, “Inequality of What?: Interdisciplinary Perspectives” (on reserve) c) <i>World Bank Report 2006</i> , selections (on reserve)  <b>LO: Understand the role(s) of equality in economic and moral analysis.</b>

20	Mar 30  DH	Democracy and the Market  a) Sen, “The Importance of Democracy” (Ch. 6); optional: “Famines and Other Crises” (Ch. 7) b) Additional reading TBA  <b>LO: What is the relationship of markets and democracy?</b>
21	Apr 4  DH	Gender and Economic Justice  a) Sen, “Women’s Agency and Social Change” (Ch. 8) b) Douglas Hicks, “Gender, Discrimination, and Capability: Insights from Amartya Sen” (on reserve)  <b>LO: Apply insights of capability approach and Utilitarianism to gender.</b>
22	Apr 6	Catch-Up Day
<b>Part III: Leadership, Business, and Social Responsibility</b>		
23	Apr 11  JW	Role of Profit and Corporations in Global System  a) Milton Friedman, "The Social Responsibility of Business Is To Increase Its Profits," (1970) (on reserve) b) John McKay, “Rethinking the Social Responsibility of Business” (2005) (on reserve)  <b>LO: What responsibility do corporate leaders have to society?</b>
24	Apr 13  JW	The Meaning of Smith’s Invisible Hand  a) Jonathan Wight, “The Treatment of Smith’s Invisible Hand” (on reserve) b) Douglass North, “Economic Performance Through Time” (on reserve)  <b>LO: Adam Smith’s view of moral role of economic activity.</b>
<b>April 17: All written projects due at noon.</b>		

25	Apr 18	<p><b>Groups A, B, and C – Student oral presentations in class</b></p> <p><b>LO: Students apply course insights to understand real-life ethical economic dilemmas.</b></p>
26	Apr 20	<p><b>Groups D, E, and F – Student oral presentations in class</b></p> <p><b>LO: Students apply course insights to understand real-life ethical economic dilemmas.</b></p>
27	Apr 25  JW	<p>Responsibility</p> <p>a) Singer, “One Community” and “A Better World” (Chs. 5, 6) b) Additional readings TBA</p> <p><b>LO: Draw together course material with focus on responsibility in global context.</b></p>
28	Apr 27  DH/JW	<p>Wrap-up and Conclusions</p> <p>a) readings TBA</p> <p><i>Last day to notify us in writing if you plan to use the alternate exam time.</i></p>
		<p><b>FINAL EXAM: Tuesday, May 2, 2-5 p.m.</b></p>