

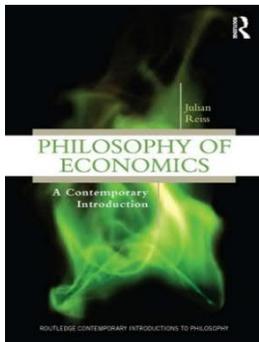
Course Description

This is an introductory course in philosophy of economics. The course consists of 10 lectures and 3 tutorial sessions. The lectures will provide students with a basic understanding of the significant views, ideas and lines of arguments regarding methodology of economics and ethical issues concerning economics. The lectures will cover topics such as models & explanation in economics, welfare economics, rational choice theory, game theory, ethical boundaries of markets and their moral standing, and theories of justice in ethics and political philosophy.

The tutorials will train students to think of societal challenges and ethical issues for business in a more coherent, thoughtful and systematic way. During the tutorials students will study and discuss texts that address social challenges and ethical issues at three adjacent levels of analysis: the level of the market, the level of the firm and the level of individual stakeholders. The tutors will coach students to read texts and analyze the main claim and arguments in them in a precise and rigorous way. Students will also be trained in role- and perspective-taking and in improving their own reasoning and writing skills.

Practical Matters

TEXTBOOK



Philosophy of Economics
A Contemporary Introduction
by Julian Reiss

Routledge, 2013
Paperback (ISBN-10: 041588117X, ISBN-13: 978-0415881173)
E-textbook (ISBN-10: 0415881161, ISBN-13: 978-0415881166)

Students are required to read the following chapters: 1, 2, 3, 4, 7, 12, 13, 14, and 15. Reading for each lecture will be specified below.

Readings

You are expected to read the required readings before coming to the lectures. Recommended readings are optional. If you would like to gain a deeper understanding of the course topics and related debates, you are advised to read the recommended material.

Reiss 2013 will be our main textbook. You are required to read the following chapters: Chp. 1, 2, 3, 4, 7, 12, 13, 14, 15. Readings for each week are clearly indicated in the weekly schedule of the course. Note that we will not assign the following chapters: 5, 6, 8, 9, 10, 11.

In addition to the book, you will read the following articles for the tutorials.

- Bruni, L., and Sugden, R. (2013). Reclaiming virtue ethics for economics. *The Journal of Economic Perspectives*, 27(4), 141-163. (Tutorial 1)
- Falk, A., and Szech, N. (2013). Morals and markets. *Science*, 340(6133), 707-711. (Tutorial 1)

- Goodpaster, K. E. (1991) 'Business Ethics and Stakeholder Analysis', Business Ethics Quarterly, 1(1), p. 53. doi: 10.2307/3857592. (Tutorial 2)
- Benabou, R. and Tirole, J. (2010) 'Individual and corporate social responsibility', Economica, 77(305), pp. 1–19. doi: 10.1111/j.1468-0335.2009.00843.x. (Tutorial 3)

Attendance

Attendance is required in the sense that in exams you are responsible for grasping the topics covered in lectures.

Important! Studying from slides is no substitute for attendance. Lecture slides are not lecture notes. They do not contain everything we will discuss during the lectures. Of course, they can serve as a reminder of what the lecture was about. However, if you do not attend the lectures to take notes, lecture slides will not help you much. Consider the following case. You are reviewing the slides and read a controversial claim about economics. How should you interpret that claim? If you had attended the lectures you would have known that we had spent half an hour to discuss that claim and raised several important questions about it. Also, you would have known that we rejected some parts of that claim and discussed how the premises of this claim relate to other parts of the course. So, if you do not attend lectures you will have no way of knowing why some quotation is there, and what to think about it. Consider another example. The second lecture's slides contain a picture of a chameleon. If you attend the lecture, you will see that we will spend a considerable amount of time discussing whether models that employ unrealistic assumptions could serve any useful purpose. We will also lay the foundations of what we will discuss in two other lectures. If you do not attend, however, it is just a picture. You will have no way of knowing why it is there. To cut a long story short, slides are not lecture notes. You need to attend the lectures to take your own notes. You should not expect slides to be comprehensive. They are just teaching aids.

Assessment

The assessment system is based on marks from 1 (very bad) to 10 (outstanding). 5.5 is the minimum pass mark. Your final grade for the course will be comprised as follows:

- Exam (multiple choice, 29 questions): 70%
- Essay: 30%
- 3 optional assignments: 1 bonus point on the essay grade

$$\text{FINAL GRADE} = a*0.7 + (b+c)*0.3$$

Exam (70% of your final grade):

The exam consists out of 29 multiple choice questions about the content of the lectures and required readings from your textbook. There is only one correct answer for each question.

Final Essay (30% of your final grade)

The essay task is specified below. Please check the assessment criteria from the student manual.

The topic of the final essay (max. 1000 words) will be announced on Blackboard.

Last year's essay question was the following (this year we will formulate another question):

Assuming that increasing socially responsible, prosocial behavior by firms is desirable, discuss what things (if any) have to be changed, at the societal, market level (by changing the "market design", e.g.), at the managerial level of the (organization of the) firm and/or at the level of individual stakeholders to increase socially responsible, prosocial behavior

by firms. Must those changes be coordinated somehow – and if so, how - to be successful?

Due: 18 June 2018 (submit before 23:59)

Notes: (i) Note that if you do not submit the essay you can still take the exam, but your essay grade will be 0. (ii) There is no resit for the essay, which means that the grade that you receive for the essay will still count if you decide to retake the exam in July.

Assignments (bonus)

The assignments are optional. If at least two out of three assignments are graded with a pass, you will receive 1 bonus point on your essay grade. The task of each assignment is specified in the weekly plan (see below). Also, please check the assessment criteria at the end of the student manual.

Contact Information

Always contact your own teaching assistant first if you have any questions about the tutorials or the assignments. If you have questions about the organization of the course, you can send an email to the coordinating teaching assistant. Office hours of course coordinators will be announced on Blackboard.

Course coordinators:

Jack Vromen: vromen@fwb.eur.nl

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Coordinating teaching assistant

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TA's: Måns Abrahamson, Hester Bartelsman, Reindert Engwerda, Anne Albert van der Galiën, Annikka Lemmens, Flavia Nuta, Vincent Schuttevaar, Dave Teeuwsen, Hidde Witteveen

COURSE SCHEDULE

Lecture	L1. 07 May 2018 Monday, 15:00-16:45 Theil CB-1 INTRODUCTION
Lecture	L2. 14 May 2018 Monday 15:00-16:45 Theil CB-1 WHY STUDY PHILOSOPHY OF ECONOMICS
Lecture	L3. 22 May 2018 Tuesday 15:00-16:45 Theil CB-1 INCENTIVES, MARKETS & THE INVISIBLE HAND
Lecture	L4. 28 May 2018 Monday 15:00-16:45 Theil CB-1 MORALS AND MARKETS
Tutorial	T1. 30 May 2018 – 1 June 2018 MARKETS AND MORALITY
Assignment	Submit the 1st assignment 3 days after your tutorial session, before 23:59
Lecture	L5. 04 June 2018 Monday 15:00 - 16:45 Theil CB-1 EXPLANATION
Lecture	L6. 05 June 2018 Tuesday 15:00 - 16:45 Theil CB-1 MODELS, IDEALIZATION & EXPLANATION
Tutorial	T2. 06 – 08 June 2018 BUSINESS ETHICS & STAKEHOLDER ANALYSIS
Assignment	Submit the 2nd assignment 3 days after your tutorial session, before 23:59
Lecture	L7. 11 June 2018 Monday 15:00 - 16:45 Theil CB-1 RATIONALITY & GAME THEORY
Lecture	L8. 12 June 2018 Tuesday 15:00 - 16:45 Theil CB-1 WELL-BEING
Tutorial	T3. 13 – 15 June 2018 CORPORATE SOCIAL RESPONSIBILITY & INDIVIDUAL ETHICAL BEHAVIOR
Assignment	Submit the 3rd assignment 3 days after your tutorial session, before 23:59
Lecture	L9. 18 June 2018 Monday 15:00 - 16:45 Theil CB-1 INEQUALITY & DISTRIBUTIVE JUSTICE
ESSAY	SUBMIT YOUR ESSAY ON 18 JUNE 2018 BEFORE 23:59
Lecture	L10. 19 June 2018 Tuesday 15:00 - 16:45 Theil CB-1 BEHAVIORAL ECONOMICS
Exam	26 June 2018 Tuesday 13:30 - 16:30 Mandeville TBA EXAMINATION
Exam	13 July 2018 Friday 09:30 - 12:30 Mandeville TBA RE-EXAMINATION

Detailed Course Schedule

The lecture outlines are provisional. The most recent version of each lecture outline will be posted on Blackboard before the lecture.

L1. 07 May 2018 Monday, 15:00-16:45 Theil CB-1

INTRODUCTION

Lecture 1 introduces the course, its structure and topics. In the first part of this lecture you will learn about this course, and how to approach it. In the second part, we will start introducing some of the topics of this course with a discussion of a familiar question: what is economics?

Part 1. The Course

- Brief introduction to the course
 - What is philosophy of economics?
 - Why do you need to take a course in Philosophy of Economics? What will you learn?
- Introduction to the general structure of the course
 - Weekly plan
 - Practical matters
 - How to read the textbook?
 - What do you need to do to pass this course with a good grade?
- Q&A session where you can ask your questions concerning the course.

Part 2. Economics, its definition and aims (Reading in focus: Reiss: pp. 8—11.)

- What is economics? What is its subject matter?
- What kind of science is it? An explanatory science, predictive science, or both?
- Explaining Macro-phenomena (material welfare vs. wellbeing), micro-behavior (behavior of individuals), or both?
- Can there be an objective & value free science of economics?

Readings

- **Required:** Syllabus!
- **Required:** Reiss, 2013, Chapter 1. The Why, What and How of Philosophy of Economics, pp. 1—11.
- **Recommended:** Backhouse, R. E. & S. G. Medema (2009) "On the definition of economics", *Journal of Economic Perspectives*, 23 (1): 221—33.

L2. 14 May 2018 Monday 15:00-16:45 Theil CB-1

WHY STUDY PHILOSOPHY OF ECONOMICS

On July 18th 2009 the science of economics was on the cover *The Economist*.^{*} The question was: "what went wrong with economics?" Later that year Nobel laureate Paul Krugman was asking a similar question in his column for the *The New York Times Magazine*.^{*} "How did economists get it so wrong?" As you will see during the lecture, these are just two examples out of large bunch. The explanatory and predictive power of economic models as well as their policy relevance are commonly questioned in

mainstream media and academic articles. You may think that this concerns only the academic world and does not have any real-world relevance for an economics student, but this is not the case. As an economist working in the private or public sector, you are going to use the toolbox of economics in research, decision making, forecasting, policy design, etc. For this reason, it is important for you to be aware of the criticism, and possible ways to address it. You also need to understand the power of your tools as well as their weaknesses. Philosophy of economics will help you in these respects. But the relevance of philosophy of economics is not limited to providing insights about the power and limits of economic models. There is more. Economists are sometimes accused of behaving selfishly or promoting selfish behavior at the expense of public interests. Remember the documentary entitled *Inside Job* (2010)? It criticized economists for misconduct and unethical behavior before and during the Great Recession.* Likewise, several businesses are criticized for being selfish and greedy, and for not taking their social responsibilities and for evading taxes. Obviously, for an economics student, there is no easy way out of these questions. As a CEO of a large firm, as an economist consultant to a CEO, or as a researcher, you will have to face these questions. So, it is better to be aware of them, and to learn how to address and evaluate the criticism against your main set of tools. In this lecture we will introduce and discuss some of the current and past debates concerning the explanatory and predictive power economic models, and explain how this course will be helpful in thinking about the questions and problems raised in these debates. Similarly, we will introduce questions concerning business ethics. The plan of the lecture is as follows:

- Topics of philosophy of economics in the media
 - The Great Recession and its aftermath (Reading in focus: Reiss: pp. 4—6.)
 - Critics of economics
- An introduction to methodological debates in economics: the antimarginalist criticism of the neoclassical theory of the firm.
 - How did economists defend their “unrealistic” assumptions against the antimarginalist criticism?
 - Friedman’s “as if” rationality, explaining firm behavior vs. explaining industry behavior
- Roadmap of the tutorials

Readings

- Recommended: Krugman, Paul R. 2009. “[How Did Economists Get It So Wrong?](#)” *The New York Times Magazine*, September 2.
- Recommended: Vromen, Jack (1995) *Economic Evolution: An Enquiry into the Foundations of New Institutional Economics*, London: Routledge. Chapter 1.
- Recommended: Friedman, M. (1953) ‘The Methodology of Positive Economics’, in *Essays in Positive Economics*. Chicago: The University of Chicago Press, pp. 3–43.

L3. 22 May 2018 Tuesday 15:00-16:45 Theil CB-1

INCENTIVES, MARKETS & THE INVISIBLE HAND

In this lecture, we will enter the territory of philosophy of economics with a discussion of what are probably the most popular concepts in economics: incentives and the invisible hand. Many textbooks introduce “incentives matter” as one of the core principles of economics. We will start with a discussion of this principle and connect it to the invisible hand, Pareto efficiency, and market failures. Note that your textbook starts discussing issues concerning ethics right away. During this lecture we will focus on the basics and next week we will start discussing ethics. The outline of the lecture is as follows.

- Incentives matter!
- From individual incentives to market order!
 - Invisible Hand
 - Adam Smith
 - Modern invisible hand
 - Welfare Economics
 - a. Pareto Efficiency
 - b. First & Second Theorem of Welfare Economics
- Discussion: market Failures and the invisible hand

Readings

- **Required:** Reiss, 2013, Chapter 13. Markets and Morals, pp. 230—245. (Read until the heading “Commodification: What Money Can’t Buy”. You will read the rest of the chapter next week)

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L4. 28 May 2018 Monday 15:00-16:45 Theil CB-1

MORALS AND MARKETS

In the last lecture, we discussed the incentives-matter principle and the invisible hand. We explored the some of the presumptions of the theorems of welfare economics, and discussed the implications of market failures for the invisible hand. In the present lecture we go on discussing the relation between markets and morals. First, we will discuss the Coase theorem and its moral limits. Then we will look at some economic experiments that shed doubt on the usefulness of monetary incentives as policy tools. These experiments are important because they open the way to an interesting kind of criticism against economics, which is crudely summarized by Bruni and Sugden (2013, p. 141) as follows:

“The market depends on instrumental rationality and extrinsic motivation; market interactions therefore fail to respect the internal value of human practices and the intrinsic motivations of human actors; by using market exchange as its central model, economics normalizes extrinsic motivation, not only in markets but also (in its ventures into the territories of other social sciences) in social life more generally; therefore economics is complicit in an assault on virtue and on human flourishing.”

In this lecture we will learn about the basic concepts and tools that will help us understand and address this criticism. In Tutorial 1, you will have a chance to use these concepts and tools to further explore these issues. The outline of the lecture is as follows:

- Moral limits of the Coase theorem
- The case of intellectual property rights
- What money can’t buy
- Bruni and Sugden’s defense

Readings:

- **Required:** Reiss, 2013, Chapter 13. Markets and Morals, pp. 236-240, 245—252.
- Recommended: Bruni, L., and Sugden, R. (2013). Reclaiming virtue ethics for economics. *The Journal of Economic Perspectives*, 27(4),141-163.
- Recommended: Sandel, M. J. (2013) ‘Market Reasoning as Moral Reasoning: Why Economists Should Re-engage with Political Philosophy’, *Journal of Economic Perspectives*, 27(4), pp. 121–140. doi: 10.1257/jep.27.4.121.

T1. 30 May 2018 – 1 June 2018

MARKETS AND MORALITY

In depth discussion of the following articles:

- Bruni, L., and Sugden, R. (2013). Reclaiming virtue ethics for economics. *The Journal of Economic Perspectives*, 27(4), 141-163.
- Falk, A., and Szech, N. (2013). Morals and markets. *Science*, 340(6133), 707-711.

Study questions

Bruni and Sugden's Reclaiming Virtue Ethics for Economics

- What do you take the main claim that Bruni and Sugden are defending to be?
- Bruni and Sugden argue that the telos of the market is "mutual benefit". Do you agree?
- Does that conflict with economists viewing individuals and firms as, respectively, utility and profit maximizers?
- If market participants seek mutual benefit for their own self-interest, is that virtuous?
- Are there other 'market virtues' than the ones listed by Bruni and Sugden?
- Even if we accept that markets can **in theory** promote virtues, is it the case **in practice**?
- Bruni and Sugden acknowledge that the market virtues may conflict with other domains. To what extent is this a problem for their account?

Falk and Szech's Morals and Markets

- What conclusion do Falk and Szech draw on the basis of their found evidence?
- Do you think the experimental setup warrants the conclusions Falk and Szech make?
- The article presents experimental findings. Do you think the results are **externally valid**, i.e. do they say something that is meaningful outside of experimental populations?
- What do we know about the subjects' characteristics? Male, female? Young, old? Does that make a difference?
- Some societies are more sensitive to animal suffering, could that make a difference?
- Mice generally don't have such a good reputation, what if kittens had been killed instead?
- Can the interactions really be said to represent 'market' interactions?
- Can the results be reconciled with Bruni and Sugden's claim that markets promote virtues?
- Is there a trade-off, e.g. markets may erode certain values, but promote others?

Assignment 1

Write a short essay (max. 200 words) about the following question:

Bruni and Sugden, on the one hand, and Falk and Szech, on the other hand, seem to voice opposing messages about the prospects of moral behavior to thrive in market economies. Could their messages be rendered compatible nonetheless (i.e., in what senses could they be true at the same time)?

Due: 3 days after the tutorial at 23:59

L5. 04 June 2018 Monday 15:00 - 16:45 Theil CB-1

EXPLANATION

This lecture introduces an important topic in philosophy of science: scientific explanation. The philosophy of explanation provides many concepts and tools that will help us address questions concerning the explanatory power of economics. During this lecture you will learn about a prominent philosophical account of scientific explanation: the Deductive-Nomological (D-N) model of explanation. As you will see, today, almost no one thinks that the D-N model is an accurate account of scientific explanation. For this reason, you may wonder why you need to learn it. The reason is that by addressing the objections to the D-N model, we will be able to have a better grasp of what to expect from a good account of explanation. With the help of the D-N model, we will also introduce important contemporary views concerning explanation. The views, concepts and distinctions that are introduced in this lecture will help you in understanding explanations in economics, and how economists use models to explain. The plan of the lecture is as follows:

- Scientific explanation
- Explanation as an aim of economics
- Introductory concepts
 - Explanandum and Explanans
 - Singular vs. generic explananda
 - Scientific Laws & Laws in Economics
 - Deduction, induction, validity and soundness of an argument
 - Deductive and non-deductive Inference (Reiss Chp. 9 pp. 162-166)
 - Deductive and non-deductive Inference in Economics
- The D-N Model & objections
- Alternatives to the D-N model
 - Causal accounts
 - Unificationist accounts
 - Pragmatic accounts

Readings:

- **Required:** Reiss, 2013, Chapter 2. Explaining Economic Phenomena, pp. 15—26.
- **Recommended:** Rosenberg, A. (2001) "Explanation, causation and laws" in Philosophy of Science: A Contemporary Introduction, London: Routledge, Chapter 2.

L6. 05 June 2018 Tuesday 15:00 - 16:45 Theil CB-1

MODELS, IDEALIZATION & EXPLANATION

Lecture 6 takes a closer look at theoretical models in economics. As we have seen in Lecture 2, economists are often criticized for employing unrealistic assumptions in their models. Lecture 6 asks whether models that employ unrealistic assumptions have explanatory value. In this lecture, we will encounter an interesting and somewhat confusing paradox: the explanation paradox. To come to grips with this paradox, we will discuss a famous model in economics: Hotelling location model. With the help of Hotelling's model, we will discuss alternative views concerning the explanatory value of theoretical models in economics. You are advised to study (not just read!) the Chapter 7 of your textbook before coming to the lecture. Also, note that in this lecture we will make use of the concepts and distinctions we have introduced in Lecture 3. It is for this reason advisable to review the previous lecture before coming to this one. The plan of the lecture is as follows.

- Models, idealization and explanation
 - Hotelling location model
 - Three criteria for explanatoriness:
 - Logical validity
 - Representational adequacy
 - Models and representation
 - Idealization, isolation, similarity
 - Robustness
 - The explanation paradox
 - Is there a way out of the explanation paradox?

Readings:

- **Required:** Reiss, 2013, Chapter 7. Models, idealization, explanation, pp. 119—141.

T2. 06 – 08 June 2018

BUSINESS ETHICS & STAKEHOLDER ANALYSIS

In depth discussion of the following article:

- Goodpaster, K. E. (1991) 'Business Ethics and Stakeholder Analysis', *Business Ethics Quarterly*, 1(1), p. 53. doi: 10.2307/3857592.

Study questions

Goodpaster's Business Ethics and Stakeholder Analysis

- What does Goodpaster mean with the terms fiduciary and multi-fiduciary?
- What Paradox does Goodpaster identify?
- Do you agree with Goodpaster's claim that the two main approaches (i.e. strategic and multi-fiduciary) about stakeholder analysis lead to a paradox?
- Presumably, if managers follow the strategic approach there will be positive consequences for some stakeholders. Is it therefore ethically empty?
- Isn't the relationship between management and stakeholders **already** multi-fiduciary, at least in some dimensions? For instance, don't citizens trust that corporations will not harm the collective interest when they allow corporations to exist through laws?
- What is Goodpaster's alternative approach, and do you think that it is relevantly different from the strategic one or multi-fiduciary?
- Even if we accept Goodpaster's approach as the correct **normative** one, can we expect that, in practice, corporations will follow it?

Assignment 2

Write a short essay (max. 200 words) about the following question:

Does stakeholder analysis have ethical presuppositions and implications? And if so, what are they? What sort of things have to be added to stakeholder analysis according to Goodpaster to arrive at an ethically meaningful stakeholder synthesis?

Due: 3 days after the tutorial at 23:59

L7. 11 June 2018 Monday 15:00 - 16:45 Theil CB-1

RATIONALITY & GAME THEORY

Lecture 7 extends our discussion concerning the explanatory value of theoretical models to more specific topics. 3rd and 4th chapters of your textbook reviews some of the material you already know from your economics courses. It is a good idea to read these chapters before you come to the lecture. During the lecture, we will not repeat what you already know. Instead, we will approach rationality and game theory from the perspective of philosophy of economics. Particularly, we will discuss the explanatory and predictive power of rational choice theory. We will ask whether it is supposed to explain the behavior of individuals, or macro-social phenomena (e.g., industry behavior, market equilibrium, etc.). Note here that this discussion relates to the marginalism debate we introduced in Lecture 2. We will also ask similar questions about game theory and discuss the explanatory power of game theoretical models. We will particularly focus on Prisoners' Dilemma and coordination games, and ask whether game theoretical models can explain the emergence of cooperation, or coordination. Also note that Lecture 7 prepares the ground for our discussions in the following lectures. The plan of the lecture is as follows.

- Rationality
 - Axioms of Rational Choice Theory (RCT)
 - Criticism of rationality
 - "Anomalies" and explanatory power of RCT
 - Explaining the behavior of individual agents vs. explaining macro-social phenomena.
- Game Theory
 - Coordination games and the emergence of conventions
 - Prisoners' Dilemma and explaining cooperation
 - What does game theory explain?

Readings:

- **Required:** Reiss, 2013, Chapter 3. Rational Choice Theory, pp. 29—53.
- **Required:** Reiss, 2013, Chapter 4. Game Theory, pp. 55—81.
- **Recommended:** Tversky, A. and Kahneman, D. (1986) 'Rational Choice and the Framing of Decisions', *The Journal of Business*, 59(4), pp. S251–S278. doi: 10.1086/296365.
- **Recommended:** Satz, D. and Ferejohn, J. (1994) 'Rational Choice and Social Theory', *The Journal of Philosophy*, 91(2), pp. 71–87. doi: 10.2307/2940928.
- **Recommended:** Schelling, T. C. (1984b) 'What is game theory?', in *Choice and Consequence*, Cambridge: Harvard University Press, pp. 213–242.

L8. 12 June 2018 Tuesday 15:00 - 16:45 Theil CB-1

WELL-BEING

In this lecture we will introduce a deeper analysis of the modern conception of the invisible hand, which forms the basis of welfare economics. We will survey three kinds of well-being accounts (preference-satisfaction, hedonist, objective list), and the objections to these accounts. We will ask whether welfare economists make a moral judgement by subscribing to a particular theory of well-being, or not. Moreover, we will investigate the conditions under which self-interested choices could lead to optimal market outcomes. It will turn out that an important presumption of welfare economics is that individuals are good judges of what is good for them. This lecture connects Lecture 3 (invisible hand, market failures), Lecture 4 (moral dimension of markets) and Lecture 7 (RCT, preference satisfaction), to Lecture 10 (behavioral economics)

- Well-being and satisfaction of preferences
 - a. What is Well-being?
 - b. Hedonism
 - c. Desire Theories
 - d. Objective List Theories
 - e. Satisfaction of Preferences
 - f. The Evidential View of Preferences
- Nudge and Libertarian paternalism (a brief discussion of how Lecture 8 relates to Lecture 10)

Readings

- **Required:** Reiss, 2013, Chapter 12. Welfare and Well-Being, pp. 211—228.

T3. 13 – 15 June 2018

CORPORATE SOCIAL RESPONSIBILITY & INDIVIDUAL ETHICAL BEHAVIOR

In depth discussion of the following article:

- Benabou, R. and Tirole, J. (2010) 'Individual and corporate social responsibility', *Economica*, 77(305), pp. 1–19. doi: 10.1111/j.1468-0335.2009.00843.x.

Study questions

Bénabou and Tirole's Individual and Corporate Social Responsibility

- Can we talk of 'responsibility' when it appears individuals and corporations have some self-interested motives?
- Is it the individual or corporate responsibility to respond to 'market and redistributive failures'? Particularly, is the state also 'responsible'?
- Is society's demand for more individual and corporate responsibility evidence for a **moral** failure in our societies?
- A common principle in ethics is that "Ought implies can". How does this article relate to this principle?
- Relatedly, is the 'fact' that people behave the way they do now 'universal' or 'natural'? Couldn't people act altruistically without the need of extrinsic motivation?
- Are policies that encourage socially responsible behavior on the basis of economic incentives self-defeating?

Assignment 3

Write a short essay (max. 200 words) about the following question:

Bénabou and Tirole argue that image concerns, both at the individual and at the corporate level, have their light(er) and dark(er) sides. What do they mean by this?

Would it be better, or preferable, if individuals did not have image concerns for engaging in prosocial behavior? Would it be better if they instead acted on intrinsic, moral motivation (“a genuine desire to do good”)? In what sense(s)? Why? Or why not?

Due: 3 days after the tutorial at 23:59

L9. 18 June 2018 Monday 15:00 - 16:45 Theil CB-1

Lecture 9. INEQUALITY & DISTRIBUTIVE JUSTICE

Lecture 9 presents a familiar topic, economic inequality, under a new light. Many people think that inequality is unfair, and that governments should intervene to redistribute the available income or wealth to correct this situation. Are they right? Is inequality unfair? Should governments intervene? In the present lecture we will try to find answers to these questions by reviewing facts about inequality and philosophical views concerning distributive justice. The outline of the lecture is as follows:

- Inequality and distributive justice
 - Inequality
 - Distributive Justice
 - Utilitarianism
 - Rawlsian Theory of Justice
 - Libertarianism
 - Capability Approach

Readings

- **Required:** Reiss, 2013, Chapter 14. Inequality and Distributive Justice, pp. 254—277.

18 June 2018: Submit your final essay

L10. 19 June 2018 Tuesday 15:00 - 16:45 Theil CB-1

Lecture 10. BEHAVIORAL ECONOMICS

Lecture 10 covers one of the hot topics in modern economics and policy circles: behavioral economics and Nudges! You probably know that Richard Thaler, the co-author of *Nudge: Improving Decisions about Health, Wealth, and Happiness* (2008), was awarded the Nobel Memorial Prize in Economic Sciences for his contributions to behavioral economics in 2017. Probably, you also know that today many governments have Nudge Units.* It is highly likely that you are currently taking another course in experimental or behavioral economics.

Not only do findings of behavioral economists have important implications for our understanding of the explanatory power of economic models, but Nudge policies also presents us with significant challenges concerning the limits of policy interventions. Lecture 10 relates to most of the topics of this course in interesting ways. For this reason, it is a good topic to end a course like this. In the first part of the course, we will briefly introduce experimental economics and findings of behavioral economists, where we will highlight the implications of these findings for our understanding of the explanatory power of economic models. In the second part of the lecture we will discuss Nudge policies and libertarian paternalism. The outline of the lecture will be as follows:

- Experimental Methods in Economics (Brief introduction, Reiss Chp. 10)
- Behavioral economics and nudge
 - Failures of Rationality
 - Prospect Theory
 - Nudge
- Libertarian Paternalism,
- Philosophical Issues concerning Libertarian Paternalism

Readings

- **Required:** Reiss, 2013, Chapter 15. Behavioral Economics and Nudge, pp. 278—302.

26 June 2018 Tuesday 13:30 - 16:30 Mandeville TBA

Examination

13 July 2018 Friday 09:30 - 12:30 Mandeville TBA

Re-examination

Additional Resources

Modified and amended version¹ of the resources provided at: <http://jreiss.org/>

Lecture 1. Introduction

Philosophy of Economics

- Backhouse, Roger, 2008, '[Methodology of Economics](#)', in Steven N. Durlauf and Lawrence E. Blume (eds), *The New Palgrave Dictionary of Economics*, Second Edition, London: The MacMillan Press.
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