

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

THE POLITICAL THEORY PROJECT

Content:

10,000 years ago, everyone everywhere was dirt poor. 500 years ago, the world hadn't much changed. Today is a totally different story. Why are so many people now so prosperous? Why have some societies grown so rich in such a short period of time, while others remain poor? Can prosperity be replicated in the under-developed world? How do societies that foster growth, structure the distribution of wealth therein? What are some of the ethical issues that arise from market economies relative to other systems? How do market economies relate to various ethical standards of justice such as poverty, equality, fairness, power relations and environmental quality?

This course is an interdisciplinary study of what makes societies fair, free, and prosperous. We will evaluate the institutions of market economies using the tools of ethics, political philosophy, economics, history, and political science. We will investigate issues concerning the nature of human rationality, trade, property rights, prices, the division of labor, interventionism, entrepreneurship, and economic growth. We will critically look at the major alternative systems of economic organization applied amidst the twentieth century: socialism and capitalism. Lastly, we will survey the potentials and limitations for promoting economic development in poverty stricken environments around the globe today.

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

Law, Legislation and Liberty Vol. II: The Mirage of Social Justice F. A. Hayek

Free Market Fairness John Tomasi

Why Not Socialism? G.A. Cohen

Why Not Capitalism? Jason Brennan

Doing Bad by Doing Good: Why Humanitarian Action Fails Christopher Coyne

POLS1150 Prosperity Coursepack

Your Grade:

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

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

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

Participation: 25%

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 five main segments. We expect your three papers to be sophisticated reactions to the class discussions and readings of the segments preceding them. 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

Week 1-a Welcome

Trading Games: An introduction to the puzzles of Prosperity

Part One: Spontaneous Order and Emergent Justice

Week 1-b How Does Stuff Get Made?

Required:

Roberts, R. (2009). *The Price of Everything*. Princeton.
BOOK

Read, L. (1958). *I, Pencil: My Family Tree as told to Leonard Read*. Foundation for Economic Education.
<http://www.econlib.org/library/Essays/rdPncl1.html>

Week 2-a What are Spontaneous Orders?

Required:

Mandeville, B. (1705). "The Grumbling Hive, or Knaves Turn'd Honest"
<http://andromeda.rutgers.edu/~jlynch/Texts/hive.html>

Hayek, F. (1966 [1978]) "Dr. Bernard Mandeville" in *New Studies in Philosophy, Politics and Economics*. Routledge. pp. 249-66.
IN PACKET

Hayek, F. (1973). "Chapter 2: Cosmos and Taxis," in *Law, Legislation and Liberty Vol. 1: Rules and Order*. Chicago University Press. pp. 35-54.
IN PACKET

Recommended:

Barry, N. (1982). "The Tradition of Spontaneous Order," *Literature of Liberty*. v(2): 7-58.
<http://econlib.org/library/Essays/LtrLbrty/bryTSO.html>

Week 2-b Evolutionary Approaches to Justice

Required:

Hayek, F. (1976). "*Law, Legislation, and Liberty, Vol. 2: The Mirage of Social Justice*. University of Chicago Press.
BOOK

Week 3-a Justice by Process versus Justice by Outcomes

Required:

Nozick, R. (1974). "Preface and Chapter 7: Distributive Justice," in *Anarchy, State and Utopia*. Basic Books. pp. ix-xiv and 149-164.
IN PACKET

Recommended:

Schelling, T. (1978). "Chapter 4: Sorting and Mixing: Race and Sex," in *Micromotives and Macrobehavior*. W.W. Norton & Co. pp. 135-66.
IN PACKET

Week 3-b What do Markets Do? The Stylized Facts of Economic History

Required:

Clark, G. (2007). "Introduction: The Sixteen-Page Economic History of the World," in *A Farewell to Alms*. Princeton. pp. 1-16.
<http://press.princeton.edu/chapters/s8461.pdf>

Rosenberg, N. and Birdzell, L. (1986). "Chapter 1: Introduction," in *How the West Grew Rich: The Economic Transformation of the Industrial World*. Basic. pp. 3-36.
IN PACKET

Recommended:

Beinhocker, E. (2006). "Chapter 1: The Question, How is Wealth Created?" in *The Origin of Wealth: Evolution, Complexity, and the Radical Remaking of Economics*. Harvard Business School. pp. 3-20
IN PACKET

Part Two: How do Markets Work? (The Mechanisms of Prosperity)

Week 4-a Rational Choice

Required:

Elster, J. (2007). "Chapter 11: Rational Choice and Chapter 12: Rationality and Behavior," in *Explaining Social Behavior: More Nuts and Bolts for the Social Sciences*. Cambridge. pp. 191 -229.
IN PACKET

Recommended:

Becker, G. (1962). "Irrational Behavior and Economic Theory," *Journal of Political Economy*. 70(1):1-13.
<http://m.cdn.blog.hu/el/eltecon/file/JPE-Becker-1962.pdf>

Kirzner, I. (1962). "Rational Action and Economic Theory," *Journal of Political Economy*. 70(4): 380-5.
<http://ideas.repec.org/a/ucp/jpolec/v70y1962p380.html>

Week 4-b Opportunity Cost

Required:

Bastiat, F. (1848). "What is Seen and What is Not Seen," in *Selected Essays on Political Economy*.
<http://www.econlib.org/library/Bastiat/basEss1.html>

Recommended:

Buchanan, J. (1969). *Cost and Choice*. Chicago.
<http://www.econlib.org/library/Buchanan/buchCv6.html>

Week 5-a Diminishing Marginal Value

Required:

Menger, C. (1871). "Chapter I: The General Theory of the Good," in *Principles of Economics*. New York University. pp. 51-74.
<http://mises.org/etexts/menger/one.asp>

Bohm-Bawerk, E. (1891). "Book III, Chapter IV: The Marginal Utility," in *The Positive Theory of Capital*. Macmillan.
<http://www.econlib.org/library/BohmBawerk/bbPTC16.html#Book III,Ch.IV>

Recommended:

Horwitz, J., List, J. and McConnell, K.E. (2007). "A Test of Diminishing Marginal Value," *Economica*. 74: 650-63.
<http://karlan.yale.edu/fieldexperiments/papers/00160.pdf>

Week 5-b Supply and Demand

Required:

Mankiw, G. (2008). "Chapter 4: The Market Forces of Supply and Demand and Chapter 5: Elasticity and Its Application," in *Principles of Microeconomics, Sixth Edition*. South-Western Cengage. pp. 65-109.
IN PACKET

Recommended:

Friedman, D. (1986). "Chapter 7: Markets--Putting It All Together," in *Price Theory an Intermediate Text*. South-Western.

http://www.daviddfriedman.com/Academic/Price_Theory/PThy_Chapter_7/PThy_Chapter_7.html

Week 6-a Comparative Advantage and the Division of Labor

Required:

Smith, A (1776). "Book I, Chapters 1-3," in *An Inquiry into the Nature and Causes of the Wealth of Nations*. Glasgow.
<http://www.econlib.org/library/Smith/smWN1.html#B.I, Ch.1, Of the Division of Labor>

Krugman, P. (1996). "Ricardo's Difficult Idea,"
<http://web.mit.edu/krugman/www/ricardo.htm>

Recommended:

Ricardo, D. (1817). "Chapter 7: On Foreign Trade," in *On the Principles of Political Economy and Taxation*. John Murray.

<http://www.econlib.org/library/Ricardo/ricP2a.html#Ch.7, On Foreign Trade>

Week 6-b Price Controls and Minimum Wage

Required:

Mankiw, G. (2008). "Chapter 6: Supply, Demand, and Government Policies," in *Principles of Microeconomics, Sixth Edition*. South-Western Cengage. pp. 111 -28.
IN PACKET

Klein, D. and Dompe, S. (2007). "Reasons for Supporting the Minimum Wage: Asking Signatories of the 'Raise the Minimum Wage' Statement," *Econ Journal Watch*. 4(1): 125-67.

http://econjwatch.org/file_download/141/2007-01-kleindompe-econ_practice.pdf

Leonard, T. (2005). "Retrospectives: Eugenics and Economics in the Progressive Era," *Journal of Economic Perspectives*. 19(4): 207-44.

<http://www.princeton.edu/~tleonard/papers/retrospectives.pdf>

Recommended:

Card, D. and Krueger, A. (1994). "Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania," *The American Economic Review*. 84(4): 772-93.

<http://davidcard.berkeley.edu/papers/njmin-aer.pdf>

Week 7-a **Price Ceilings, Taxes and Drug Prohibition**

Required:

Thornton, M. (1991). "Chapter 4: The Potency of Illegal Drugs, " in *The Economics of Prohibition*. University of Utah Press. pp. 89-110.

<http://mises.org/books/prohibition.pdf>

Recommended:

Friedman, M. and Stigler, G. (1946). "Roofs or Ceilings: The Current Housing Problem," *Popular Essays on Current Problems*. 1(2).

http://c457332.r32.cf2.rackcdn.com/pdf/books/Roofs_or_Ceilings.pdf

Part Three: Moral Models for Evaluating Market-outputs

Week 7-b **Rawlsianism**

Required:

Rawls, J. (1985). "Fundamental Ideas" in *Justice as Fairness: A Restatement*. Belknap Press. pp. 1-52.
IN PACKET

Week 8-a **What's so bad about Sweatshops?**

Required:

Zwolinski, M. (2007). "Sweatshops, Choice and Exploitation," *Business Ethics Quarterly*. 17(4): 689- 727.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=901689

Week 8-b **Free Market Fairness I**

Required:

Tomasi, J. (2012). "Introduction and Chapters 1-4," in *Free Market Fairness*. Princeton University Press.
BOOK

Week 9-a **Free Market Fairness II**

Required:

Tomasi, J. (2012). "Chapters 5-8 and Conclusion," in *Free Market Fairness*. Princeton University Press. pp.
BOOK

Part Four: Socialism versus Capitalism

Week 9-b **Prosperity and Justice Without Markets?**

Required:

Cohen, G. (2009). *Why Not Socialism?* Princeton University Press.
BOOK

Recommended:

Krause, S. (2010). "Beyond Capitalism?: Why Not Socialism" *Political Theory*. 38(6): 884-90.
<http://ptx.sagepub.com/content/38/6/884.full.pdf>

Week 10-a **The Socialist Calculation Debate**

Required:

Mises, L. (1920). "Economic Calculation in the Socialist Commonwealth," in F. Hayek (ed.) *Collectivist Economic Planning*. Routledge. pp. 87-130.
<https://mises.org/books/economicplanning.pdf>

Lange, O. (1936 and 1937). "On the Economic Theory of Socialism, Parts I and II," *The Review of Economic Studies*. 4(1): 53-71 and 4(2): 123-42.
Available on JSTOR

Hayek, F. (1945). "The Use of Knowledge in Society," *American Economic Review*. 35(4): 519-30.
<http://www.econlib.org/library/Essays/hykKnw1.html>

Recommended:

Lavoie, D. (1981). "A Critique of the Standard Account of the Socialist Calculation Debates," *The Journal of Libertarian Studies*. 5(1): 41- 87.
https://itunesu.mises.org/journals/jls/5_1/5_1_4.pdf

Boettke, P. (1998). "Economic Calculation: The Austrian Contribution to Political Economy," *Advances in Austrian Economics*. 5: 131-58.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1531112

Week 10-b A Moral Case for Capitalism

Required:

Brennan, J. (2014). *Why Not Capitalism?* Routledge.
BOOK

Part Five: Development Economics

Week 11-a What Cannot Explain Growth?

Required:

Olson, M. (1996). "Big Bills Left on the Sidewalk: Why Some Nations are Rich and Others Poor," *Journal of Economic Perspectives*. 10(2): 3-24.
<http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.10.2.3>

Sachs, J. and Warner, A. (2001). "Natural Resources and Economic Development," *European Economic Review*. 45: 827-38.
<http://earth.columbia.edu/sitefiles/file/about/director/pubs/EuroEconReview2001.pdf>

Week 11-b What Can Explain Growth?

Required:

La Porta, (2008). "The Economic Consequences of Legal Origins," *Journal of Economic Literature*. 46(2): 285-332.
<http://pubs.aeaweb.org/doi/pdfplus/10.1257/jel.46.2.285>

Acemoglu, D., Johnson, S., Robinson, J. (2009). "The Colonial Origins of Comparative Development: An Empirical Investigation," *American Economic Review*. 91(5): 1369-1401.
<http://economics.mit.edu/files/4123>

Recommended:

Easterly, W. and Levine, R. (2012). "The European Origins of Economic Development," *NBER Working Papers*.
<http://ideas.repec.org/p/nbr/nberwo/18162.html>

Week 12-a How Good is the World we Live in?

Required:

Shleifer, A. (2009). "The Age of Milton Friedman," *Journal of Economic Literature*. 47(1): 123-35.
http://scholar.harvard.edu/files/shleifer/files/jel_2009_final.pdf

Leeson, P. (2010). "Two Cheers for Capitalism," *Society*. 47: 227-33.
http://www.peterleeson.com/Two_Cheers_for_Capitalism.pdf

Gwartney, J., Lawson, R., and Hall, J. (2013). Economic Freedom of the World Annual Report. Fraser.
<http://www.freetheworld.com/2013/EFW2013-complete.pdf>

Week 12-b Does Foreign Aid Work?

Required:

Coyne, C. (2013). *Doing Bad by Doing Good: Why Humanitarian Action Fails*. Stanford Economics and Finance.
BOOK