

Professor Peter Hammond

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(temporary; course web page will follow)

Winter Quarter 2002-03

Office Hours: Thursday 1:30-3:00

(or by arrangement)

### Economics 143: **Ethics in Economic Policy: Equity, Efficiency and Rights**

Pre-requisites: Math 51 or Econ 50M, Econ 50, 51, 102A

Course reader available at bookstore, to be supplemented by handouts and material that can be made available more easily over the internet.

Grading: to be announced

Questions to be discussed, with suggested reading (to be supplemented as we proceed):

1. What does ethics have to say about judging economic performance?
2. What does ethics have to say about the appropriate objectives of economic policy, combining considerations of both equity and efficiency?
3. Are there economic or other rights which the economic system should respect?
4. When are market systems efficient?
5. Can one separate distributional objectives from efficiency?
6. Can market systems be made more equitable without destroying incentives?
7. In what sense do market forces constrain economic policy choices?
8. When do individuals and nations benefit from less distortionary taxes and subsidies, or trade liberalization, customs unions, the free flow of capital and labor?
9. Is economic inequality even a legitimate ethical concern?
10. From an ethical point of view, how should we measure the cost of living, real income, poverty, inequality, economic progress, or the contribution of the economic system to human development?

Important message:

Dear Faculty and Instructors: We have been asked by the Provost to please include the following statement on all of our course syllabi:

Students with documented disabilities: Students who have a physical or mental impairment that may necessitate an academic accommodation or the use of auxiliary aids and services in a class **must initiate the request with the Disability Resource Center (DRC)**. The DRC will evaluate the request along with the required documentation, recommend appropriate accommodations, and prepare a verification letter dated in the current academic term in which the request is being made. Please contact the DRC as soon as possible; timely notice is needed to arrange for appropriate accommodations. The DRC is located at 123 Meyer Library (phone 723-1066 Voice; 725-1067 TTY).

# Reading List for Econ 143

Items marked (R) are included in the **Course Reader**.

## Books on Reserve in Green Library

1. Arrow, K. (1963). *Social Choice and Individual Values (2<sup>nd</sup> ed.)*. Yale University Press.
2. Broome, J. (1995). *Weighing Goods: Equality, Uncertainty and Time*. Blackwell.
3. Dasgupta, P. and G. Heal (1979). *Economic Theory and Exhaustible Resources*. Cambridge University Press.
4. Dixit, A. and V. Norman (1980). *Theory of International Trade*. Cambridge University Press.
5. Parfit, D. (1984). *Reasons and Persons*. Clarendon Press.
6. Sen, A. (1992). *Inequality Reexamined*. Oxford University Press.
7. Sen A. and B. Williams (1982). *Utilitarianism and Beyond*. Cambridge University Press.
8. Varian, J. (1999). *Intermediate Microeconomics (5<sup>th</sup> ed.)*. Norton.

## Reading List

### Part 1: Formulating Ethical Objectives

1. Larry Summers memo. (R)
2. Spanish medical exam handout. (R)
3. This Little Kidney Went to the Market, *The New York Times*, May 27, 2001. (R)
4. Hammond, P. (1992) "Ethics, Distribution, Incentives, Efficiency and Markets".
5. Sen, Equality of What? chapter 1 of *Inequality Reexamined* (pp. 12-30). (R)
6. Hammond (1997), Rationality in Economics, sections 4—7. (R)
7. Handout with proof of Arrow's Theorem.
8. Arrow (1973), Some Ordinalist-Utilitarian Notes on Rawls's Theory of Justice, *Journal of Philosophy* 70: 245-263 (JSTOR  
<http://links.jstor.org/sici?sici=0022-362X%2819730510%2970%3C245%3A%3E2.0.CO%3B2-C>).
9. Harsanyi (1982), Morality and the Theory of Rational Behavior, chapter 3 in Sen and Williams (pp. 39—62). (R)
10. Parfit, D. The Repugnant Conclusion, chapter 17 of *Reasons and Persons* (pp. 380—390). (R)
11. Hammond, P. (1991), Interpersonal Comparisons of Utility: in Elster and Roemer (eds.) (R)
12. Yaari & Bar Hillel experiment questions handout. (R)

13. Sen (1970), The Impossibility of a Paretian Liberal, *Journal of Political Economy* 78: 152—7 (JSTOR: <http://links.jstor.org/sici?sici=0022-3808%28197001%2F197002%2978%3C152%3ATIOAPL%3E2.0.CO%3B2-U>).
14. Sen (1983), Liberty and Social Choice, *Journal of Philosophy*: 5—28 (JSTOR: <http://links.jstor.org/sici?sici=0022-362X%28198301%2980%3C5%3ALASC%3E2.0.CO%3B2-V>).
15. Dasgupta, P. (1982), Utilitarianism, Information and Rights, chapter 10 in Sen and Williams (pp. 199—218). (R)

## **Part 2: First Best Welfare Economics**

1. Varian, chapters 29 and 30 (pp. 507—555).
2. Dasgupta and Heal, chapter 3, pp. 39—94 (or a handout on externalities)
2. Hammond, P. (2001), Chapter 1 of TPEP. (R)
3. Hammond, P. (1999), How to Limit Greenhouse Gas Emissions (R)

## **Part 3: Market Liberalization**

1. Dixit and Norman, chapter 3 (pp. 65—92) (or a handout on the gains from trade)
2. Hammond, P. “The International Allocation of Labour.” (R)
3. Hammond, P. “Credible Reforms.” (R)

## **Part 4: Information, Incentives, and Second-Best**

1. Varian, chapter 36.
2. Diamond, P. and J. Mirrlees (1971), Optimal Taxation and Public Production I: Production Efficiency, *American Economic Review*, pp. 8—27 (JSTOR: <http://links.jstor.org/sici?sici=0002-8282%28197103%2961%3C8%3AOTAPPI%3E2.0.CO%3B2-Q>).
3. Hammond, P. (2000), Reassessing the Role of Public Institutions (R)
4. Rothschild, M. and J. Stiglitz (1976), Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information, *Quarterly Journal of Economics* 90: 629—649. (JSTOR: <http://links.jstor.org/sici?sici=0033-5533%28197611%2990%3C629%3AEICIMA%3E2.0.CO%3B2-O>).
5. Langouw, J. (2001) A Patent Policy Proposal for Global Diseases, <http://www.brooking.edu/comm/policybriefs/pb84.htm>.

## **Part 5: Ethical Measures of Economic Performance**

1. Sen, A. (1979), The Welfare Basis of Real Income Comparisons: A Survey, *Journal of Economic Literature* 1—45 (JSTOR <http://links.jstor.org/sici?sici=0022-0515%28197903%2917%3C1%3ATWBORI%3E2.0.CO%3B2-4>).
2. Sen, A. (1985), Well-Being, Agency and Freedom, *Journal of Philosophy* 82: 169-221 (JSTOR <http://links.jstor.org/sici?sici=0022-362X%28198504%2982%3C169%3AWAAFTD%3E2.0.CO%3B2-W>) — esp. parts V-VII of the first lecture (pp. 195-202) on capabilities, well-being, functioning, freedom.
3. Cobb, C., T. Halstead, and Rowe, J. (1995) If the GDP is Up, Why is America Down? <http://www.theatlantic.com/politics/ecbig/gdp.htm>.