



# ETHICS AND ECONOMY

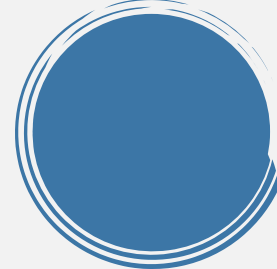
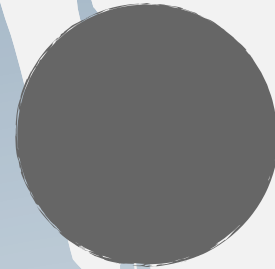
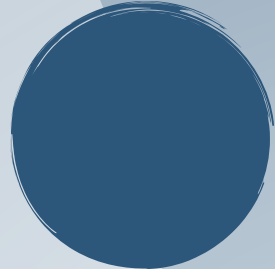
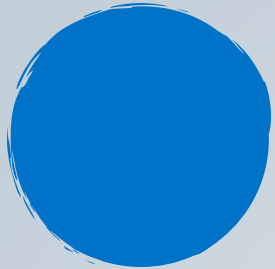
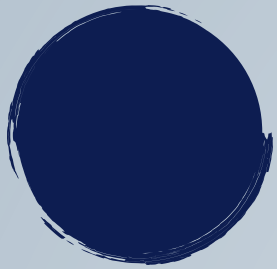
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Is capitalism good? Should we admire hard workers who are motivated to make large profits? Does competition bring out the best in people? These questions juxtapose practices and institutions that economists study (capitalism, profits, competition) with concepts that ethicists use (good, admirable, best).

ETHICAL ISSUES CONNECT INTIMATELY WITH ECONOMIC ISSUES.

TAKE THE ECONOMIC PRACTICE OF DOING A COST-BENEFIT ANALYSIS. YOU COULD SPEND ONE HUNDRED DOLLARS FOR A NIGHT ON THE TOWN, OR YOU COULD DONATE THAT ONE HUNDRED DOLLARS TO THE REELECTION CAMPAIGN OF YOUR FAVORITE POLITICIAN.

**WHICH OPTION IS BETTER? THE NIGHT ON THE TOWN INCREASES PLEASURE. A POLITICIAN'S SUCCESSFUL CAMPAIGN MAY LEAD TO MORE**



**LIBERTY IN THE LONG TERM. WE REGULARLY MAKE DECISIONS LIKE THIS, WEIGHING OUR OPTIONS BY MEASURING THEIR LIKELY COSTS AND LIKELY BENEFITS AGAINST EACH OTHER.**

THIS CONNECTS ECONOMICS DIRECTLY TO A MAJOR  
ISSUE IN ETHICS:

BY WHAT STANDARD DO WE  
DETERMINE WHAT COUNTS AS A BENEFIT OR  
A COST? A LIST OF COMPETING CANDIDATES  
FOR THE STATUS OF ULTIMATE VALUE  
STANDARD INCLUDES HAPPINESS, SATISFYING  
THE WILL OF GOD, LONG-TERM SURVIVAL,  
LIBERTY, DUTY, AND EQUALITY.

THIS CONNECTS ECONOMICS DIRECTLY TO A SECOND MAJOR ISSUE IN ETHICS:

- IS GOODNESS OR BADNESS DETERMINED BY REAL-WORLD PRACTICAL CONSEQUENCES OR BY SOME OTHER MEANS, SUCH AS REVELATIONS FROM GOD, FAITH IN AUTHORITIES OR AUTHORITATIVE INSTITUTIONS, APPEALS TO RATIONAL CONSISTENCY, FELT SENSES OF EMPATHY, OR AN INNATE CONSCIENCE?



THE POINT FOR ECONOMIC ANALYSIS, MOST OF WHICH IS A MATTER OF UNDERSTANDING AND PREDICTING THE CONSEQUENCES OF VARIOUS ACTIONS, IS THAT THE RELEVANCE OF ECONOMIC ANALYSIS TO POLICYMAKING DEPENDS, IN PART, ON WHAT ONE BELIEVES IS THE FINAL SOURCE OF VALUE STANDARDS.



So far, we have two questions of ethics that bear directly on economics: (1) What is the standard of good? and (2) How does one establish that something is good?



A third relevant question of ethics is: Who should be the beneficiaries of the good?

A common assumption of economic analysis is that individuals are rational and self-interested. The third question focuses on self-interest. Is self-interest moral, amoral, or immoral? Is morality a matter of individuals taking responsibility for their lives and working to achieve happiness? Or is morality a matter of individuals accepting responsibility for others and being willing to forgo or sacrifice for them? This is the debate in ethics between egoism and altruism.

STRONG FORMS OF EGOISM  
HOLD THAT INDIVIDUALS  
SHOULD BE SELF-RESPONSIBLE  
AND AMBITIOUS IN THEIR  
PURSUIT OF HAPPINESS, THAT  
THEY SHOULD TREAT OTHER  
INDIVIDUALS AS SELF-  
RESPONSIBLE TRADING  
PARTNERS, AND THAT THOSE  
WHO ARE UNABLE TO BE SELF-  
RESPONSIBLE SHOULD BE  
TREATED THROUGH  
VOLUNTARY CHARITY.



STRONG FORMS OF ALTRUISM ARGUE THE OPPOSITE, HOLDING THAT MORALITY IS PRIMARILY A MATTER OF HELPING THOSE WHO ARE IN NEED, THAT CHARITY IS MORE MORAL THAN TRADE, AND THAT THE MOST MORAL INDIVIDUALS WILL BE MOTIVATED BY A SPIRIT OF SELF-SACRIFICE.

For example:

Carly worked hard and earned \$10 million by the time she was forty. She is now in semiretirement, enjoying the good life of travel, building her dream home, managing her investments, and spending time with her family and friends.

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Jane, by contrast, inherited \$10 million at age forty, gave \$9.9 million away to charity, and lives frugally on the remaining money. Which woman is more morally admirable?

THE MORAL DIFFERENCE BETWEEN EGOISTS AND ALTRUISTS ON THESE ECONOMIC POLICY ISSUES IS BETWEEN THOSE WHO SEE EMPLOYERS AND EMPLOYEES AS WIN-WIN TRADING PARTNERS AND THOSE WHO SEE EMPLOYMENT AS EXPLOITATION; AND BETWEEN THOSE WHO SEE LANDLORDS AND TENANTS AS TRADING VALUE TO MUTUAL BENEFIT AND THOSE WHO SEE POOR TENANTS VULNERABLE TO BEING TAKEN ADVANTAGE OF BY RICH LANDLORDS.



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**THANKYOU**