

Subject Guide

PHIL 20044 The Ethics of Capitalism



Semester One, 2017

Lecture Schedule

- Mon 10:00am Engineering C407 (C1 Theatre),
- Weds 11:00 Old Geology Lecture Theatre 2 (B25)

Instructor (and tutor): Daniel Halliday – email: daniel.halliday@unimelb.edu.au

Textbooks:

No purchases necessary! We'll be reading a draft of a textbook I'm currently co-authoring with John Thrasher of Monash University, called *The Ethics of Capitalism*. This will be available on LMS.

We'll also be drawing a fair bit on two primary sources:

- Adam Smith *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776)
- John Stuart Mill *Principles of Political Economy* (1873)

Both texts are old enough that their copyright has expired and they are freely available online, e.g. through Adelaide University's ebook program:

- Smith: <http://www.econlib.org/library/Smith/smWN.html>
- Mill: <http://www.econlib.org/library/Mill/mlP.html>

Note: If you do buy hard copies, avoid abridged editions, as you might miss out on some of the content we'll look at.

Some readings for this subject are, very old, and not necessarily the easiest to read. *Don't let this put you off!* I'm here to help you find your way through these works and to get closer to their main ideas. We won't read any really old texts in their entirety, skipping bits that are outdated or of limited philosophical interest. The textbook, and selected contemporary readings will make the material easier to digest.

Assessment:

Students will be assessed on two essays of 2000 words each, both of which contribute 50% to the overall grade for the subject. Essay one is due during the mid-semester essay break. Essay two will be due during the exam period at the end of the semester. Precise dates will be

issued soon. Essay questions, and instructions for submission, will be made available later in the semester.

LECTURE SCHEDULE AND READINGS

I have abbreviated the textbook as *EoC*.

I have abbreviated Smith and Mill as *WoN* and *PPE* respectively. The references are to the book/chapter (in roman numerals), which are easy to use when navigating the online editions. Many printed editions and other internet sources will use the same numbering system, though this cannot be guaranteed.

All other readings will be available electronically through the Learning Management System.

Many readings are flagged as ‘optional’. This means that *you should feel under no pressure to read them*. You might simply look at them if you are especially interested in the material or want to read around text that I’ve highlighted in lectures/tutes, or you want to write an essay on that week’s topic.

Week One: Introduction – Capitalism’s Definitions and Controversies, and the Project of Political Economy

The subject will start by laying out some foundations for a philosophical approach to evaluating capitalism. This will involve getting clearer on the aims and methodology of political economy, particularly with regard to using old texts to approach contemporary problems about economic justice.

- *EoC Chapter 1*

Week Two: The Escape from Feudalism

Prior to the industrial revolution, European economies were arranged along feudalist lines. Most people lived in great poverty and had little freedom. The church, monarchy, and aristocracy had great power, and controlled the economy. International relations were characterized by destructive wars rather than uninterrupted peaceful trade. Adam Smith regarded “commercial society” as the chief alternative to such an unjust and inefficient way of organising society. Comparison with feudalism remains, however, an excellent starting point for considering the moral foundations of a capitalist order even though feudalism is considered to be long gone. Indeed, many objections to contemporary capitalism may prove to be worries about a return to feudalism rather than a commitment to communism or socialism.

- *EoC Chapter 1*
- Elizabeth Anderson *Liberty, Equality, and Private Government - Tanner Lectures on Human Values* (2015)

OPTIONAL

- *WoN III.i-iv (479-520)*

Week Three: Market Order and Market Failure

Command economies, evidenced by feudalism and communism, are apparently quite bad at getting goods produced and distributed. Markets apparently do a much better job, without anyone being entirely in control. This idea of the ‘spontaneous order’ is perhaps what did the

most to make Adam Smith famous. But Smith was not a free-market libertarian: He made it clear that commerce could not function properly without a range of state-supported institutions. Mill, too, rejected the idea of *laissez faire*. This suggests that spontaneous orders need to be combined with some amount of government intervention in the economy, much of it motivated by concerns about social justice. The task for political economy is to work out what is meant by the idea of spontaneous order, and what sort of moral requirements constrain its operation.

- EoC Chapter 3
- WoN I.i-iii (109-126)
- Matthew Zwolinski “The Ethics of Price-Gouging” *Business Ethics Quarterly* 18(3) (2008): 347-378

OPTIONAL

- WON V.i (310-348)
- PPE I.viii (134-148); V.i (727-733); V.xi (856-882)
- F.A.Hayek “The Use of Knowledge in a Society” *American Economic Review* 35(4) (1945): 519-530
- Ha-Joon Chang “There is No Such Thing as a Free Market” from *23 Things They Don’t Tell You About Capitalism* (2010)

Week Four: Inequality, part one – Competition, Low Wages, and Lousy Jobs

For Smith, capitalism was supposed to emancipate common labourers from the poverty endured under feudalism. How well has it done this? Many of Smith’s followers were less optimistic than he was, partly because they believed that an increase in wages would always stimulate population growth, leading to a reduction in wages through worker competition. Mill insisted that capitalism had its good side. But competition means winners and losers, which really means material inequality of some sort. Mill conceded that capitalism would maintain a degree of economic inequality, but apparently considered this to be a necessary side effect of an overall defensible economic system. Is this the right view? The answer may depend, in part, on what we might take to be bad, or unjust, about economic inequality and poverty. It may also depend on what we might mean by ‘competition’, and how it might be encouraged and constrained by different ways of regulating private property and pursuing redistribution.

- EoC Chapter 4
- Karl Marx “Estranged Labour” from *Economic and Philosophical Manuscripts* (1844)

OPTIONAL

- WON I.viii (167-190); V.i (348-375)
- PPE II.ii (224-240)

Week Five: Inequality, part two - Remedies

Mill believed that wages could be increased by empowering women, and recognised the existence of a gender pay-gap. How far does this go? Is the welfare state a solution, and/or a minimum wage, or stakeholder grants? What about Smith’s claims in favour of providing free education so that people have sufficient skills to avoid menial work? What about the fact that irrespective of the level of wages, some jobs will remain incredibly boring and/or unpleasant and/or dangerous? Can capitalism be regulated in ways that make this problem go away?

- EoC Chapter 5
- PPE II.xi-xiii (332-369)
- Christian Schemmel “How (Not) to Criticise the Welfare State” *Journal of Applied Philosophy* 32(4) (2015): 393-409

OPTIONAL

- Ben Jackson “Property-Owning Democracy: A Short History” in M. O’Neill & T. Williamson (eds.) *Property-Owning Democracy: Rawls and Beyond*, Blackwell (2012).

Week Six: Unearned Income? The Problem of Economic Rents

Some people get rich without performing any labour, and some companies generate revenue without apparently adding any value. Such income has been called ‘rent’ rather than ‘profit’. This distinction featured prominently in the work of Smith and Mill, but has since somewhat fallen out of usage – we now tend to refer to all non-wage income as ‘profit’, irrespective of how it’s generated. The concept of rent seems to equip us with an important way of isolating parasitic or unjust uses of private property, providing a moral foundation for some interesting policy proposals. But the concept is difficult to work with. Is there a clear distinction between profits and rents? What should we say about the grey areas, such as income from intellectual property rights? What exactly is bad, if anything, about idleness?

- EoC Chapter 6
- Robert Reich, “The New Monopoly”, Ch.5 of *Saving Capitalism*, Knopf Press (2015).

OPTIONAL

- David Ricardo, *Principles of Political Economy & Taxation* (1817): Chapter 2
- PPE II.xvi (402-413); V.x (849-850)

Week Seven: Where’s the Money Going to Come From? Justice in Taxation

Taxation can seem like a boring topic, more administrative than philosophical. And yet moralized disagreement about taxation is both pervasive and central to political economy. Tax policy provides one of the main mechanisms for addressing many of the shortcomings of capitalism identified over the last few weeks. The core philosophical questions concern what to tax (the base) and how much to tax it (the rate). The range of possibilities is enormous. Most contemporary societies rely on a mixture of income and consumption taxes, e.g. Australia’s GST. Is this fair? Smith believed that consumption taxes should be designed to impose a larger burden on the rich. Mill favoured a tax on rents from private property, along with an inheritance tax. These proposals differ quite markedly from the *status quo*, and from other more recent proposals about just taxation.

- EoC Chapter 7
- WON V.II.ii (415-418; 465-469)
- PPE V.ii-V.iii (733-763)

OPTIONAL

- Kristi Olson “The Endowment Tax Puzzle” *Philosophy & Public Affairs* 38(3) (2010): 240-271
- Stuart White “What (if Anything) is Wrong with Inheritance Tax?” *The Political Quarterly* 79(2) (2008): 162-171

Week Eight: Keeping up with the Jones’s (and Kardashians) - Consumerism and Positional Goods

Capitalism has apparently made many basic necessities affordable to much larger numbers of people than was possible in the past. One result seems to be that consumption has become more competitive: People are increasingly committed to buying ‘positional’ goods that confer

relative advantage, such as private education, luxury clothing, and larger than average houses. Should this be viewed as some sort of moral decline among consumers, as Smith suggested? Or is it evidence of how capitalism has got us trapped in a sort of social conflict that cannot be escaped without revising our assumption that there must always be something valuable about continued economic growth? Whichever view is right, identifying the right solution presents us with an important challenge for the future.

- EoC Chapter 8
- Fred Hirsch, “A Duality in the Growth Potential” from Ch.1 of *Social Limits to Growth* (1977)

OPTIONAL

- Adam Smith, “Of the effect of utility upon the sentiment of approbation” IV.i of *The Theory of Moral Sentiments* (1790)
- Judith Lichtenberg “Consuming Because Others Consume” *Social Theory & Practice* 22(3) (1996): 273-297
- Harry Brighouse & Adam Swift, “Equality, Priority and Positional Goods” *Ethics* 116(3) (2006): 471-497

Week Nine: Why are We Still Working So Hard?

Mill’s discussion of the “stationary state” shows one way in which capitalism might be viewed as a transitional phase in social evolution. Unlike Karl Marx, he thought capitalism could lead peacefully to a state in which constant economic growth no longer represented a core political goal. Why is such a state desirable? Is the fact that we have not reached such a state evidence of any injustice associated with continued efforts to maintain economic growth?

- EoC Chapter 9
- David Ricardo *Principles of Political Economy & Taxation* (1817): Chapter 31
- Robert Reich, “When Robots Take Over” Ch.22 of *Saving Capitalism*, Knopf Press (2015)

OPTIONAL

- *PPE* IV.vi (688-693)
- J.M.Keynes, “Economic Possibilities for Our Grandchildren” (1930), from *The Essential Keynes*, Penguin Books (2015)

Week Ten: So, Why Not Socialism?

The last few weeks have identified what appear to be failings, at least in the long term, of capitalism. Mill is often interpreted as defending socialism and capitalism at the same time. His arguments on this topic are somewhat unusual: Mill rejected the ‘standard’ line that socialism removed necessary incentives for production – an argument on which many contemporary proponents of capitalism continue to rely. Instead, Mill worried that widespread state control would suppress individuality and hold back human flourishing. This led him to propose some interesting hybrids of capitalism and socialism.

- EoC Chapter 10
- *PPE* II.i (209-224); IV.vii (693-726)

OPTIONAL

- Dale Miller “Mill’s Socialism” *Politics, Philosophy & Economics* 2(2) (2003): 213-238
- Jonathan Riley “JS Mill’s Liberal Utilitarian Assessment of Capitalism versus Socialism” *Utilitas* 8(1) (1996): 39-71

Week Eleven: Are Markets Going Where They Don't Belong?

Some markets have a long history of being outlawed even though there might be high demand for the good or service in question, like sex work and human organs. There is a lingering sense, for many, that these markets have something morally suspect about them. The internet has also enabled markets that seem, if not exactly wrong, rather bizarre, like the selling of used underwear and virtual romantic relationships. Some opposition to these markets draws on a kind of conservatism – that some things (especially the human body) are ‘beyond price’ and become corrupted when given a cash value, as opposed to being given voluntarily. Another view is that certain markets should be prohibited when they reinforce objectionable social norms. In addition to giving these views a hearing, we’ll also look at attempts to defend the view that whatever can permissibly be given for free can permissibly be given for money.

- EoC Chapter 11
- OTHER READINGS TBC

Week Twelve: Markets and the Environment

Notably, the early philosophical proponents of capitalism did not appreciate the way in which the planet is a fragile and finite resource. Accordingly, they did not factor this into their assessment of markets. Nowadays, there is plenty of opposition to the damage that capitalism is apparently doing to our natural environment. We’ll discuss the problems associated with pollution and resource depletion, which are compounded by the problem of waste generated by such practices as ‘planned obsolescence’. We’ll also look at some ways in which markets might, perhaps surprisingly, play a role in protecting certain aspects of our environment.

- EoC Chapter 12
- OTHER READINGS TBC

POLICIES

(these are important – please read carefully)

Plagiarism and Academic Honesty

The penalty for plagiarism can be quite severe. For more on what the university considers to be plagiarism, and some helpful advice on how to avoid it, go to the following URL:
<https://academichonesty.unimelb.edu.au/>

If you are in any doubt as to what counts as plagiarism, please get in touch with me *before* submitting any written work.

Extensions

I’m open to granting extensions on essay deadlines, so long as requests are submitted **before** the deadline. I take privacy seriously: Your reasons for an extension are your business, and you shouldn’t feel under pressure to disclose them.

Please be advised that subject coordinators (e.g. me) have no power to issue extensions for longer than 10 working days. Longer extensions can only be granted by the university’s Special Consideration officials:

http://ask.unimelb.edu.au/app/answers/detail/a_id/5921/~special-consideration-applications