Ethical, Moral and Philosophical Foundations of Capitalism

**Tentative Course Schedule:** The instructor reserves the right to change the syllabus and assigned readings in consultation with the students; however this outline and list of readings represents a good example of the scope of the readings that would be required from class participants.

**Class Description:** This course is designed to explore the moral, ethical, and economic foundations of a capitalist system. The vehicle we will use for this pilgrimage is Ayn Rand’s fictional novel, “Atlas Shrugged.” Ms Rand was the founder of objectivist philosophy and a strong proponent of laissez faire capitalism. In “Atlas Shrugged,” Rand stakes her position that capitalism is the only economic system that leads to a moral and just society.

As we work our way through the novel we will use additional materials to give you both supporting and contrasting viewpoints. These additional materials will include addresses, speeches, interviews, video documentaries, guest speakers, and various readings. Many of the interviews, speeches and addresses are available on YouTube. The idea is to expose you to as broad a view as possible while keeping your workload to a manageable level.

**Learning Goals**
1) Students will make effective presentations to the class.

2) Students will have a basic understanding of the ethical foundations of economic decision making.

3) Students will demonstrate a basic knowledge of how alternative economic systems address the question of the allocation of scarce resources.

4) Students will have a basic knowledge of the conditions of market efficiency and market failure and the economic role of government.

**Section 1: Introduction and Course Overview**

**A Few Definitions and Measures**
- What is morality and ethics
  1. Adam Smith, *Theory of Moral Sentiment, ch1, Part 1 and 4.*
  2. Yaron Brook, [http://www.youtube.com/watch?v=CYU8KZz91OA](http://www.youtube.com/watch?v=CYU8KZz91OA)


• Milton Friedman interview. http://www.youtube.com/watch?v=RWsx1X8PV_A
• Ayn Rand, Atlas Shrugged, Part I Ch.1-2

PART I: FOUNDATIONS OF CAPITALISM

Section 2: Classical Economics
• Adam Smith. *The Wealth of Nations*. Book I, Ch 1-3; Book IV, Ch 2.
• Levine, David. *Wealth and Freedom*. Ch. 3-4: “Capitalism” and “The Self-Regulating Market.”
• Ayn Rand, Atlas Shrugged, Part I Ch.3-4

Section 3: Government (The Big “G”)
• Hobbes, Leviathan, Ch 11 and 13
• Locke, Of Civil Government, Ch 2 and 9
• Ayn Rand, *The Virtue of Selfishness*, Ch 14
• Ayn Rand, Atlas Shrugged, Part I Ch.5-6

Section 4: Economic Views of the Government and Capitalism
• Brook Yaron, President of the Ayn Rand Foundation, Presentation:
P1. http://www.youtube.com/watch?v=aoU_64zEiRE
P2. http://www.youtube.com/watch?v=YCx_mRC92bk&feature=related
P3. http://www.youtube.com/watch?v=-veryOu60uY&feature=related
• Ayn Rand, Atlas Shrugged, Part I Ch.7-8
• Michael Parkin, *Microeconomics 8th* ed., Ch. 5

Section 5: The Critics of and Defenders of Capitalism and of the Purely Free Market
• Karl Marx and Friedrich Engels. *The Communist Manifesto*. (Chapters 1, 2, and 4)
• Noam Chomsky: http://www.youtube.com/watch?v=HFxYyXGMfZM&NR=1 http://www.youtube.com/watch?v=fOIM1_xOSro&feature=related
• F. A. Hayek, *The Road to Serfdom* (selections from)
• David Henderson, *the Joy of Freedom*, Ch 1, 8
• Jagdish Bhagwati, *Why the Critics of Free Trade and Globalization are Mistaken*
Section 6
• Ayn Rand, Atlas Shrugged, Part I Ch.9-10

PART II: CAPITALISM AND DEVELOPMENT

Section 7: Development
• Income convergence (Barrow, Solow)
• Paul Krugman – Income Inequality and the Middle Class http://www.youtube.com/watch?v=5kwA-CwFK5A&feature=related
• Ayn Rand, Atlas Shrugged, Part II Ch.1-3

Section 8: Economic voting
• Voting with your feet http://www.youtube.com/watch?v=YewL0BoL1Lk
• The Tiebout Hypothesis and Public Goods
• Ayn Rand, Atlas Shrugged, Part II Ch.4-6

Section 9
• Ayn Rand, Atlas Shrugged, Part II Ch.9-10

PART III: THE WELFARE STATE

Section 10: Distribution and Inequality
• Ayn Rand, Atlas Shrugged, Part III Ch.1-3

**Supplementary Readings and Discussion Papers:**

**Section 11**
• Ayn Rand, Atlas Shrugged, Part III Ch.4-6

**Section 12: “Can capitalism survive?”**
• Paul Krugman – Income Inequality and the Middle Class [link](http://www.youtube.com/watch?v=5kwA-CwFK5A&feature=related)
• Ayn Rand, Atlas Shrugged, Part II Ch.7-8

**Section 13**
• Ayn Rand, Atlas Shrugged, Part III Ch.9-10

**Grading**
Your grades will be determined in the following manner

- In Class Quizzes: 25%
- Paper: 25%
- Presentations: 50%
**Guidelines for Presentations**

Each team is responsible for bringing new material for the class. The new material may be a video, article, reading, expert witness, … (you have a lot of latitude on this). The material must be related to the section assigned.

The team is responsible for about 60-70 minutes of class time. This should be split between presentation of the new material and discussion. The team is responsible for leading the discussion. To facilitate the discussion, please come to class with a list of at least 10 questions. The questions are meant to be a spring board for discussion. Turn in your list of questions to me at the end.

Grading scheme for presentations:

You are being graded on the following (equally weighted) criteria

1) Relevance of the new material to the section  
2) Quality of the new material  
3) Presentation to the class  
4) Discussion Questions (how relevant are the questions? is the discussion interesting/lively?)

**Paper**

Your paper is due at the end of the semester. We will discuss the parameters as the semester goes on. The paper topics from Fall 2010 were:

- Be it Resolved: The Globalization of Markets is an Unfair Burden on the World’s Poor.

- Should Markets Be Allowed to Solve the Shortage in Body Parts? [Issue 5, Taking Sides 11th ed. (2004)]

- Be it Resolved: Capitalism creates a system of inequality that creates poverty (relative/absolute) for the vast majority of people.

- According to John Galt, selfishness is both moral and practical. Explain what he means by this and how events of the story illustrate and dramatize his point.

- Explain the meaning and wider significance of the following quote: “The words ‘to make money’ hold the essence of human morality.” According to the story of *Atlas Shrugged*, what ideas underlie the opposing maxims that “money is the root of all evil” and that “money is the root of all good”?
• Capitalism’s defenders usually appeal to the “public good.” Contrast their approach to capitalism to Ayn Rand’s approach in *Atlas Shrugged*.

• Should We Sweat About Sweatshops? [Issue 14, Taking Sides 11th ed. (2004)]

• Be it Resolved: Capitalism promotes democracy.

• Be it Resolved: The love of money is the root of all evil. Is Government Intervention justified in the case of Asymmetric Information (such as Moral Hazard, Adverse Selection, and the Principal-Agent problem)? In what ways can these problems be overcome by private action?

• Does intergenerational transfer create permanent classes of Haves and Have Nots that will lead to the end of Capitalism?

• Should Pollution Be Put to the Market Test? [Issue 16, Taking Sides 11th ed. (2004)]

• Present a summary of the comparison between Capitalism and Collectivism as presented in Atlas Shrugged.

• With such a difference between policy of the US and Nazi Germany, How did The Ominous Parallels come about and how does that relate to the Economic position of both countries?

• **Life on the Bubble**: The breakthrough equilibrium and its implications for development