Economics, Ethics and the Environment: Syllabus

Econ 4999
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This syllabus is a work in progress.

Course Description

Our intent is to answer four questions:

1. What is ethics?
2. What is economics?
3. What is the environment?
4. And, how do they all relate?

Put simply, *ethics* are *limitations* a society imposes upon it members.

> I started to say *constraints* rather than limitations but ethics don't always bind; rather, they guide and suggest behavior. The presumption is that if most abide by the ethics, society will be better off.
>
> Ethics typically apply to behaviors, as in doing behavior A is ethical, doing behavior B is unethical.
>
> Said another way, ethics is a list of principles or rules to determine which behaviors are good, which are acceptable, and which are bad.
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> For example, the ethics of a society might allow the killing of animals or slaves (because their preferences do not count in the societal calculus – they have no *moral standing*) but not allow the killing of citizens of the State, except, of course, by the State (executions).
>
> The 10 commandments are ten rules for ethical behavior accepted by Christians and Jews. Other ethical principles include stuff like "do no harm," and "do unto others as you would have them do unto you."
>
> The principle that *increasing efficiency is a good thing* is an ethic; the principle that *the market is a good way to allocate resources and distribute goods and services* is an ethic.

Quoting from Aldo Leopold (a famous, dead, environmentalist) taking about an ecological ethic vs. a philosophical ethic

> An ethic, ecologically, is a limitation on freedom of action in the struggle for existence. An ethic, philosophically, is a differentiation of social from anti-social conduct. These are two definitions of one thing. The thing has its origin in the tendency of interdependent individuals or groups to evolve modes of co-operation. The ecologist calls these symbioses. Politics and economics are advanced symbioses in which the original free-for-all competition has been replaced, in part, by co-operative mechanisms with an ethical content. (From the *Land Ethic*)

Note the expressions *limitation on freedom*, *cooperation*, *symbioses*.

Ethics can stand alone or be based on philosophical, religious or historical principles.

> For example, *sins* are unethical acts, where what is and is not a sin is determined by religious beliefs – for example, some believe homosexuality is both sinful and unethical. There are many different, and often conflicting, foundations for ethics: religion, to increase happiness/decrease pain, inalienable rights, precedent/historical, etc.

Simply put, the ethics of economics are *efficiency*, *equity* and sometimes *sustainability*.

***Economics* is two things:** (1) the development of models to explain the allocation of resources and distribution of goods, including how the allocation and distribution will change if things exogenous to the models change (e.g. government policy),

And (2), Economics addresses whether one allocation and distribution is better or worse than another. The former is typically called *positive economics* because it is devoid of judgments, the latter called *normative economics*.

The *environment,* simply put, is where everything comes from and where everything goes. All that we produce and consume has its origins in the environment.

> Commodities are arrangements of materials taken from the environment. We call the process of arrangement, *production*. Production produces three things: things we want (the stuff the producer will sell or self consume), waste, and pollution. In the process of production no matter is created or destroyed
>
> Consumption of the wanted things is, again, nothing more than a rearrangement – the stuff doesn't disappear, rather most of it is discarded back into the environment as waste and pollution, a bit is recycled.

When we investigate how economists think about good and bad (whether one allocation is better or worse than another), two or three words come to mind: always *efficiency* and *equity*, and sometimes *sustainability*.

We will need to understand these concepts and why economists use them to determine good from bad. Put another way, what are the ethical and philosophical foundations of normative economics?

Whether something is good or bad from an economist's perspective typically comes down to whose preferences count and whose preference don't count (white men? foreigners? women? future generations? animals?). We will return to this question of who is and who is not a member of society many times.

For those of you wondering, there is nothing in neoclassical economics, as I read it, that precludes animals from being members of society; making them members (having moral standing) is an assumption one can choose to make or not make.

That said, most economists assume, without thinking about it, that only humans are members of society (maybe because few non-human animals choose careers in economics).

As an aside, note that there is nothing that says all member of society need be treated equally; that would be an additional assumption. For example, most would consider U.S. citizens, independent of age, to be members of the U.S. society, but most would not advocate equal treatment for babies and adults.

This is only my fifth time teaching this course; I am getting better at it but still have a ways to go.

In my defense, I have been thinking and playing with the issues for quite a while. I need your input and suggestions in terms of topics and presentation.

There is a lot of flexibility in terms of the material I present. I need your input and suggestions.

My proposed objectives for the course (as of January 11, 2010) are pretty simple:

1. To make us think hard and long about economics and its foundations – make us think critically

2. To investigate the philosophical and ethical foundations of economics – think a philosophy course. Some of you will find this more a philosophy course than an economics course.

3. To think about how economics defines "good" and "bad". That is, how do we, as economists, decide whether some allocation of resources and distribution of goods is better or worse that some other allocation and distribution.

   Put another way, how do economists decide whether a policy is good or bad? A policy is good (bad) if it moves society to a better (worse) allocation.

4. Related to all of the above will be detailed discussions of "efficiency", "equity" and "sustainability".

5. To do a lot of the above in the context of environmental and natural resource applications – what I know the most about. I am willing to consider other applications as well, particularly in your essays for the course. However, the more you wander from environmental and natural resource applications the less I will know about the facts and the literature.

6. To motivate you to spend great effort writing essays that investigate issues and policies from an economic and ethical perspective. My job is to help you to produce two excellent essays. You will choose the topics for your essays with my help.

   Writing well is a critical component of the course. When I use the word "essay", I don't mean term paper; rather, I mean something more in the five to ten page range; something that could become a future reading for the course.

   You will write two essays during the term. Each essay will go through at least three versions of refinements and improvements.

   You and I will discuss your essays in class; you will discuss your essays and ideas with your classmates outside of class. Read, as soon as you have a chance the materials at http://www.colorado.edu/economics/morey/4999Ethics/essays/4999writingessay.html. We are on a very tight essay schedule.

7. In addition to the essays, you will likely have a few additional assignments.

8. Class participation will also be an important part of the class and your grade. If you don't want to attend class on a regular basis and participate when you are here, you will not want to take the course.

9. Many of the class meetings will be structured around a specific reading or question. You will need to prepare for class by doing the appropriate prep work – gratuitous bullshitting will not cut it.

If all you care about is "thinking in the box" and simply think of an economics major as a path to making money - you did not get in the business school - this might not be the course for you.

Some proposed topics (in no special order) are:

- The basic philosophical underpinnings of economics (based on the welfare of individuals, rather than groups, humans only? which ones?)

- Materials balance (what goes in must come out): everything we take from the environment eventually ends up back in the environment in one form or another - how an environmental economists should view the system.

- The importance of defining society in questions of efficiency and equity

- Animal rights: Do non-human animals, plants, and ecosystems have rights independent of man? How about women and foreigners? That is, who does and does not count in our definition of society. Should animals have limited rights? All animals or just some of them? We will consider the distinction between animals having rights and people caring about animals.

- If other species have rights are the rights held by individuals of the species or simply the species itself – the distinction between Buba the bear having rights and bears as a group having rights.

- The extent to which ethics affects the magnitude and extent of market failures (to be defined). That is, is instilling ethics one way to reduce inefficiencies in the market place? Said another way, is one purpose of ethics to increase efficiency? (Can we make over-polluting go away by making polluting unethical?)

- The pursuit of happiness for both the individual and society. Isn't that what economics is all about? We will ask how psychologists and neuroscientists think about stuff like preferences – they don't all believe we have them. Does giving people more stuff make them happier?

- Ceteris paribus, why does a cleaner planet with more natural areas make us better off?

- Locating highly-polluting entities in poor neighborhoods and poor countries. An ethic held by some is *environmental justice*.

- Environmental protection as a luxury good.

- Occupational safety and product safety as luxury goods (think, for example, mine safety in China vs. the U.S., or organic vs. milk chuck full of growth hormones)

- Discounting – how much should future generations count and what exactly is a future generation

- Discounting and global warming

- Global warming effects on us versus poor countries such as Bangladesh vs. rich countries such as the U.S.

- Law, the environment, and economics. Do laws exist to increase efficiency and equity?

- Business/corporate ethics (that said, this is not a course in corporate ethics)

- Benefit-cost analysis and how economists measure benefits and costs – the underlying assumptions.

- **Your topic here**

One of my goals will be to provoke you and to disagree with you (independent of the extent to which I really do or don't agree with you). The objective is to make you think.

Send me an email with your thoughts about what you would like to get from the course, include topics of interest to you. Why are you taking this course? Don't comply at your peril. What will happen in the course will depend a lot on what you do or don't tell me. Thanks.

An aside: what is *environmental economics*?

This course, per sec, is not a course in environmental economics. I include the following so you know how a course in environmental economics differs from what we hope to accomplish. A number of you have taken a course in environmental economics, maybe from me.

Environmental economics considers the efficient and equitable use of society's scarce environmental resources. Environmental resources include air, water, land, wilderness areas, parks, wildlife and genetic diversity, and other ecological systems. The environment is where we get the stuff that sustains us and determines, to a large extent, the quality of our lives.

Environmental economics accepts, without much discussion, efficiency and equity as goals for environmental policy – we will question these goals.

A course in environmental resources considers environmental resources from four perspectives: the market allocation, efficient allocations, equitable allocations, and government attempts to achieve more efficient and more equitable allocations.

Environmental economics is applied welfare economics (how to increase the welfare of society). It considers market failure (particularly externalities and common property resources), and the economic valuation of environmental amenities such as clean air, wilderness and ecological systems.

Courses in environmental economics and natural resource economics both consider natural resources but differ in that natural resource courses have historically dealt with the inter-temporal utilization of conventional renewable and nonrenewable natural resources such as fish, trees and minerals; whereas environmental courses have considered pollution and other environmental issues, historically from a static perspective. This distinction between environmental economics and natural resource economics is blurring.

I want to make a few comments about what environmental economics is not. Economics and environmental economics are not about making money or how to run a firm. Economics is the study of the allocation of society's scarce resources.

Economics per sec is not pro-market or pro-government. The purpose of a course in environmental economics is not to argue that government action to protect the environment is bad or good; sometimes it is bad, sometimes it is good. The purpose of an environmental-economics course is not to extol the virtues of the market. Markets have many virtues, but, when it comes to the environment, they also have many faults. An environmental- economics course is a course on market failures with respect to the environment, and government actions to correct those failures.

An important component of environmental economics is estimating the costs, in $, of decreasing pollution, cleaning up the environment and protecting scarce ecological systems such as

wetlands and wilderness. I want to stress that, equally important, environmental economics is estimating the measuring the benefits of decreasing pollution, cleaning up the environment and protecting scarce ecological systems. An important issue is the costs and benefits to whom.

Environmental economists don't consider society's production and distribution of goods and services as separate from the environment; put simply, what we take from the environment to produce our goods and services ultimately ends up emitted back into the environment in terms of emissions, pollution and wastes. Very simply, the total weight of what is taken from the environment to produce goods and services must eventually equal to weight of what we put back into the environment ("what goes in must come out"). This fact is often referred to as "materials balance". The same balance holds for energy – we change its form but do not create or destroy energy.

Course Details

Web page: My web site is located at http://www.colorado.edu/Economics/morey/index.html . From it you can link to the web page for Econ 4999ethics, or you can go directly to the web page for the course, http://www.colorado.edu/Economics/morey/4999Ethics\4999ethics-home.html

Lecture notes, readings and review questions will be put on the web page, or updated, on an as-need basis.

You might want to visit the web sites for the natural resource and environmental courses that I teach. You will find overlap. The undergraduate environment and natural resources course for economics majors can be found at
http://www.colorado.edu/Economics/morey/4545/4545home.html
and
http://www.colorado.edu/Economics/morey/4535/4535home.html .

My natural resource and environment course for M.A. students (the M.A. program is now extinct) is at http://www.colorado.edu/Economics/morey/6535/6535home.html , and my PhD level environmental course at
http://www.colorado.edu/Economics/morey/8545/8545home.html

Some papers by past student of Econ 4999 can be found on the course web page. You will want to read and study these. I will be adding more.

Some papers by past student of Econ 4545 and Econ 4535 can be found on the web page for Econ 4535(http://www.colorado.edu/Economics/morey/4535/4535home.html)

Office hours: My office hours will be on Tuesdays from 1:00 to 1:45, Thursdays from 3:15 to 4:00, and by appointment. If you can't make it to the office hours, catch me before or after class to schedule a time. My office is Econ 122. Please feel free to contact me by email Edward.Morey@Colorado.edu about setting up an appointment. Sometimes it will take a day or so for me to get back to you.

Prerequisites: Intermediate micro. The following sorts of courses would be helpful but are not necessary: environmental economics, natural resource economics, public finance, ethics courses, philosophy courses, etc. You should view 4999 a critical thinking course for serious students of economics who are getting close to finishing their undergraduate studies.

Readings: There is no text book for the course. I will post all of the required readings on the course web page. Many readings are already there. Producing your essays will require additional reading.

Your required readings consist of journal articles, magazine articles and newspaper articles. They vary in length from a few newspaper columns to twenty-page journal articles.

The articles on the course web page are in either .pdf or .html format. Note that some of these files are large. See the course web page for details.

I will be revising and updating the list of articles during the semester.

You will write two essays: You will spend much time writing, working on, and revising your essays (each in the five to ten page range, no more). You will choose your topics with my guidance, and the guidance of other students in the class.

Each essay will go through three iterations. The intent of the first essay assignment will be to nail down your topic and produce a rough working draft. The second will be your essay. From your perspective it will be your best shot, from my perspective it will be a draft on which I comment. You will revise based on my comments, and the comments of others, and turn in the final version of your essay a few weeks later.

You first draft of your first essay will be due soon.

The essay process will then restart for your second essay.

If you work hard and give me your best effort on the different versions of your essay, I will give you lots of help and feedback. If an intermediate assignment is based on little thought and little work, I will simply say that and provide few suggestions. To comment productively, I need something to work with.

I am worried about the large size of the class. I will not be able to give each of you as much feedback as I would like; hopefully some of you will get scared away.

Some of the essays will become readings for the course. (I need to add more essays to the web page.)

Each of you has a responsibility to help others improve their essays.

Once you and I agree on your topic, you need to recruit a mentor, a mentor who will devote considerable and productive effort to critiquing and improving your essay. I would market my topic and abilities; you need to find a mentor that will improve your work. I will be happy to forward emails about your topic to the class.

When you turn in the first version of your essay, you will append to the end of it the name of your mentor, along with a report on how they helped you, or did not help you. You need to be specific – comments like "Joe was a big help" will not help you or Joe. The mentor will separately send me description of how they helped to improve your essay. This report also needs to be specific: mistakes found, reading suggested, organizational suggestions made, etc. Note that if the mentored rejects the suggestions of the mentor, the mentor needs to tell me this and what they suggested.

You must have a different mentor for each essay and for the second essay you cannot be the mentor for the person who was your mentor on the first essay.

When you turn in the final version of your essay, include, at the end, your original assessment of your mentor plus a description of what they did to help since the first version.

Each mentor for each essay will be graded on a 10 point scale, 10% of their course grade. I will base their grade on some combination of the grade on the essay they mentor, your report on their mentoring and their report on their mentoring.

Your mentor needs to have your essay at least a week before it is due to me. This will give them a few days to give you detailed comments and a few days for you to respond to those comments. Helpers, consider both providing help in person and by email. If you email someone comments, copy me on the email.

This mentoring program has a number of goals: everyone effectively researches and works on more than two essay topics, you learn how to productively help others and how to productively receive help, and you help others to improve their research and essays. The interactions will hopefully make us all better thinkers and better writers.

I understand that everyone will not be satisfied with all of the aspects of the mentoring process. You will want to quickly get to know your classmates and what they might write about. Maybe one day soon we will have everyone speak for a few minutes on their ideas for their first essay ideas. (like "speed dating"). Being in this class entails a commitment on your part to help others with their essays, and a commitment to graciously accept help. If you do not want to do this, consider ….

Grading: *Your two essays will determine 60% of your course grade* (35% for the better of the two, 25% for the other one).

20% of your course grade will be for mentoring others (10% for each essay).

10% of your course grade will be for participation in class. I am the "decider". Attending class on a regular basis is a necessary but not sufficient condition for getting the whole 10%. For example, silently attending most classes would probably get you 4 or 5% for participation. Rarely showing up will get you zero percent. I will often take attendance. I will often take attendance. One way to get participation points is to help on essays that you are not mentoring.

10% will be based on quizzes and other assignments. I am thinking we will have 4 or so in-class or take-home assignments. I will drop the lowest of the 4 scores, so your best three scores will be 10% of your course grade. These short assignments will typically come with little or no advance notice.

I grade on the following scale:

90% or greater = A
80% = B
70% = C
60% = D
59% or less = F

Class format: Come prepared and be involved. I will lecture some and hope to have lots of class discussion. You will be expected to discuss topics in class, particularly the topics related to your essays And, I will discuss your essays in class.

That's all.