

Seminar: The Ethics of Capitalism

Type: Blockseminar

Number: 50176

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Participants: P&E Bachelor, P&E Master, BA IWB, BA Economics, MA IWB, MA Economics

Lecturers: Marco Meyer, Carsten Jung

Dates: 7-9 May 2020

Start-time: 7 May, 12.00 s.t.

Overview Deadlines & ToDos

Deadline for applying to give a presentation: 25 March

There are three short presentations to be allocated, details below

Deadline for submitting reading questions: 2 May

All readings are in the Dropbox folder here.

Seminar Description

In 1992, Fukuyama argued humanity might have reached the “end of history”, referring to the idea that capitalism is now the only viable economic system, being adopted by all countries. In this light, talking about ‘alternatives to capitalism’ can feel arcane and from another era. At the same time, rising inequality, poverty, polarisation and climate change raise some questions about this system. Indeed, surveys [find](#) that the majority of people now think that capitalism is doing more harm than good.

In this seminar we will explore this conundrum. We will ask whether capitalism can have moral foundations and if it is possible that it’s doing more harm than good. We will discuss how capitalist the German economy really is. And we will debate how a constructive criticism of capitalism could look like. To do so, we will retrace the key arguments of classical economists like Adam Smith, John Stuart Mill and Karl Marx and discuss to what extent their arguments for and against capitalism apply today. We develop a framework for comparing the economic systems of capitalism, feudalism, and socialism; and we will see if we can apply it to contemporary issues, such as unemployment, poverty, and social inequality.

Lecturers

Marco Meyer

Marco leads a research group at the University of Hamburg investigating what organizations have a duty to know, and which qualities help them to fulfill these duties. He also researches the ethics of finance, business ethics, and applied epistemology. He holds a Ph.D. in Philosophy from the University of Cambridge, and a Ph.D. in Economics from the University of Groningen. He received a Master’s degree in philosophy from Oxford University, a BA degree in Philosophy

& Economics from Bayreuth University, as well as a BA in European History from Bayreuth University.

Carsten Jung

Carsten is a senior economist at the Institute for Public Policy Research (IPPR) in the UK. He leads their work on macroeconomics and structural economic change. Before he was an economist at the Bank of England's Fintech Hub, where he led the work on artificial intelligence. Prior to that, he worked on policy issues concerning the global financial vulnerabilities and systemic risks from climate change. He holds a BA in Philosophy & Economics from Bayreuth, an MSc in Economics from Warwick University and an MSc in Economic Sociology from LSE. He was also a Carlo-Schmid intern at the International Monetary Fund.

Learning Goals

- Understand what capitalism is and whether we live in a capitalist society
- Understand what the classical political economists liked and disliked about capitalism
- Discuss which of the concerns of classical economists still apply today
- Articulate your own view about whether there can be a just capitalist economic system

Agenda

Friday: Key concepts and data

12.00 (we start s.t.)	Session 1: Introduction
14.00	Break
15.00	Session 2: Capitalism seemed like a good idea at the time
17.00	Feedback
17.15	End

Saturday: Explanations

09.30 (we start s.t.)	Session 3: Getting out of Feudalism: And staying out
11.30	Break

12.30	Session 4: Market Order and Market Failure
14.30	Break
15.30	Session 5: So Why not Socialism?
17.30	End

Sunday: The way forward

09.30 (we start s.t.)	Session 6: Wage and Labor Inequality
11.30	Break
12.30	Session 7: The Welfare State and its rivals
14.30	Feedback
15.00	End

Reading List

Session 1: The ethics of capitalism

A majority of people think that capitalism is doing more harm than good according to [this survey](#). We start by examining the way that capitalism is talked about and how such talk might be made less rhetorical, more disciplined, and productive. This will help us work towards a definition of capitalism and how it contrasts both with alternative systems like socialism and feudalism, and how the economic status quo might be viewed as a mixture of these systems.

Required reading:

- Chapter 1: Introduction

Further Reading:

- O'Neill -- What should egalitarians believe
- Case & Deaton 2020 - Deaths of Despair

Reading Q: Explain one area where you think capitalism is failing badly. Then argue whether we need a systemic, big picture criticism of capitalism; or whether we should rather criticise narrowly defined individual policies?

Session 2: Capitalism seemed like a good idea at the time

We explore how political economy is an attempt to unify what are now recognized as the distinct disciplines of economics and political philosophy. We will do this by tracing the main arguments of some classical economists in favour of capitalism. This will provide some background for discussing which of these arguments still apply today.

Required reading:

- Chapter 2: Capitalism seemed like a good idea at the time
- Smith -- An Inquiry into the Nature and Causes of the Wealth of Nations (Excerpts)
- Mill -- Principles of Political Economy (Excerpts)

Reading Q: Pick an argument in favor of capitalism from the readings and discuss to what extent it applies to contemporary capitalist economies.

Session 3: Does capitalism lead to the same problems with class as feudalism?

Adam Smith saw capitalism as a force for good that could upend the unjust structures of feudalism, where inheritance and family determined one's life chances. Marx was less optimistic about what capitalism could achieve with regards to feudalism's ills. In this session we will revisit their arguments and look at how things have evolved since they wrote.

Required reading:

- Chapter 3: Getting out of Feudalism: And staying out
- Marx & Engels: Communist Manifesto - Chapter 1: Bourgeois and Proletarians

Further Reading:

- Marx & Engels 1846 - The German Ideology, Part 1, section 3-4
- Piketty 2014 - Chapter 7
- Philippon 2019 - The Great Reversal
- Lindsey & Teles 2017 - The Captured Economy

Reading Q: How does Marx' view on the relationship between capitalism and feudalism differ from Adam Smith (the latter described in Chapter 2 and 3 in the ethics of capitalism book)? (In other words, what does Marx think about Smith's view that capitalism is liberating societies from the problems of feudalism?)

Session 4: Market Order and Market Failure

We will discuss what is perhaps the most influential argument in favor of a capitalist economy characterized by widespread economic freedom as opposed to central government planning.

This is the argument from price signaling, which draws on the idea of markets as spontaneous orders that work best when left alone. We'll then look at the limits of price signaling and market failures.

Required reading:

- Chapter 4: Market order and market Failure
- Ha-Joon Chang - 23 Things They Don't Tell You About Capitalism - Thing1

Further Reading:

- Katharina Pistor -- The Code of Capital -- Chapter 1

Reading Q: If markets are best at coordinating economic activity, why are there large firms with hundreds of thousands of employees?

Session 5: The ethics and economics of socialism

In this session we'll discuss what different types of socialism there are in theory. We then will discuss what 'moral buttons' each form pushes. We'll try to understand a bit better why Marx thought that changing the economics would change society. And we'll look into if any sort of socialism could ever actually work.

Required reading:

- Chapter 5: So Why not Socialism?
- Bradhan & Romer (1992): Market Socialism - a case for rejuvenation

Further Reading:

- Kymlicka - Contemporary political philosophy, chapter 5: Marxism
- Milanovic - Chapter 3, political capitalism
- James Otteson -- The End of Socialism - Knowledge and Planning
- Romer 2006 - Free to lose

Reading Q: If any, which type of socialism would be the most 'just' and why? Explain whether you think it could be feasible.

Session 6: Wage and Labor Inequality

We address some questions about labor market justice: concerns about the persistence of poverty due to the forces that keep wages low among unskilled workers, the rise in executive pay and other aspects of "labor market polarization." This will help us grapple with whether it's unjust for a few people to earn so much more than everyone else.

Required reading:

- Chapter 6 "Low Wages and Lousy Jobs"

- Autor et al. -- Concentrating on the Fall of the of the Labor Share

Further Reading:

- Heath - On the very idea of a just wage

Reading Q: Can markets be designed to give people a just wage?

Session 7: Welfare state economies - a new form of capitalism?

Welfare states have risen to huge importance over the 20th century. To many they are the solution to addressing any ills that capitalism creates. But, as discontent with capitalism increases, can welfare states keep pace? And how could welfare states be adapted to tackle the misgivings that proponents of socialism have with the status quo?

Required reading:

- Chapter 7: The Welfare State and its rivals
- Garland 2016 - Chapter 4: welfare state 1.0

Further Reading:

- Economist briefing on minimum wages
- OECD (2017) comparing welfare states
- Saez (2021) - Public economics and inequality - uncovering our social nature

Reading Q: Has the modern welfare state fundamentally altered the nature of capitalism? Either argue either for or against and illustrate with one or two examples.

Assessment

Attendance-only "Schein" (PE: 2 ECTS): You need to (1) do the readings, (2) do the problem set, (3) participate actively in the seminar

Essay "Schein" (PE: 6/8 ECTS): You need to (1) do the readings, (2) do the problem set, (3) write an essay (4.000-5.000 words). If you give a presentation, this will feed into your grade as well.

General Readings & Reading Questions

- We'll expect you to have read all 'required readings'. 'Further readings' is purely optional, including for your future reference.
- There will be very few presentations in the seminar, and there won't be presentations to recap readings.
- Some of the readings are difficult. Rather than giving you watered-down readings, we want to encourage you to develop a reading skill that will become very handy in your academic life: extracting relevant information and arguments from very difficult texts.

Always keep the respective reading question in mind while reading, and focus on getting an answer to that question out of the text. Do not despair if there are parts of the readings that you don't understand. Make a note and ask during the seminar.

- Deadline for Submission of Reading Questions: 2 May.
- **Reading questions are to be submitted online [here](#).**
- You can save the form as draft and continue later. Make sure you note down the URL displayed after you click on save as draft.
- Please answer each question in no more than 100 words

We have crafted reading questions to prepare you for the seminar and give us material to work with during the seminar. Consider answering the reading questions as part of the seminar designed to meet seminar goals, rather than a box-ticking exercise.

Presentations

We have three presentations in the seminar. Please let us know if you would like to give one of them - to send an email to Carsten (**deadline: 26 March**).

For good presentations, we give an essay grading uplift. Alternatively, presenters can get a discount on essay length. If you would like to do one of the presentations.

1. Session 3: Class relations in Smith and Marx' time

- *Context:* Thinkers like Smith envisioned capitalism as a force for eliminating inequalities. But the way the 19th century unfolded (after Smith's writing) gave others like Marx reason to doubt this. This presentation provides a way about these economic conditions in the 19th century.
- *Reading:* Piketty 2014 - Chapter 7, pp 237-250
- *Question:* What were class relations like in the 19th and early 20th century? Use the example of *Vautrin* to explain. Use Table 7.2 to illustrate the numbers on wealth inequality.
- *Format:* No more than 10 mins. Max 5 slides please.

2. Session 4: Can markets save the planet?

- *Context:* Harming the environment is a prime example for a market externality -- a cost that falls on all of us by way of environmental degradation and climate change, rather than on the companies that do the polluting.
- *Question:* Are environmental externalities an argument against a market-based system, or a call for finding a market-based solution to internalize these externalities?
- *Readings:*
 - Muuls et al. - Evaluating the EU Emissions Trading System

- Page The ethics of emissions trading
- *Format:* 10 min presentation, concisely setting out the arguments in favor and against the possibility of getting to a sustainable economy through emissions trading, and the achievements/shortcomings of the European Emissions trading System to date.
- *Goal:* The goal is to lay the group for a constructive discussion about the possibility of addressing fundamental problems with our current capitalist institutions through market design.

3. Is China capitalist?

- *Context:* Much of the debate about the ethics of capitalism is focussed on western countries. But what about countries like China, which is ruled by a 'communist party'? This presentation provides a way of conceptualising what's going on there.
- *Reading:* Milanovic 2019. Pages 83-10
- *Question:* How does Milanovic answer the question on whether China is capitalist? What are the core markers of 'political capitalism'?
- *Format:* 5 min presentation - max 5 slides

General guidelines for presentations:

- Stick to the presentation topic
- Stick to the indicated time limit
- A projector will be available _____
- Presentations should be in English, but don't be intimidated — we'll have an atmosphere which is quite tolerant of less than perfect English; what matters is that you can get your point across.

Essays

Topics: We'll run a short session on possible seminar topics during the Blockseminar, and point out possible seminar topics during the seminar. You are encouraged to come up with your own topics.

General Guidelines

- Between 4,000 and 5,000 words
- English or German
- Before you start writing, look at this essay writing guide:
<http://www.phil.cam.ac.uk/curr-students/IA/curr-students/writing-skills/>
- Re-read and revise before submitting. Ask a friend to read your paper.
- We set a deadline for the essay with students individually to fit their needs.

General Structure

- Define and answer a precise research question (check with us!), give a clear answer to the question which you state in the introduction (your thesis), and use your essay to defend that answer.

- Structure essay according to thesis: No paragraph and indeed no sentence that does not help investigating the thesis belongs in the essay.
- When developing an argument, state premises and conclusion clearly.
 - Make sure the argument is valid
 - Anticipate objections to your premises and discuss in the essay
- When using empirical data, explain and scrutinize it
 - Make sure the data is relevant to your argument and explain how that is
 - Indicate the source
 - Do not only report results, but also show awareness of the methodology used
- Summarize your argument in a brief conclusion

We encourage you to look for additional literature. You are not expected to read everything there is on your topic, however. In depth analysis and development of your own sustained argument matter much more. So, read a few things, but then start writing quickly.