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Using the Economic Concept of a 'Merit Good' to Justify the Teaching of Ethics across the University Curriculum

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I. Introduction

What follows is an argument that can be used to justify the introduction of philosophical, and specifically ethical, discourse into a wide range of university courses.[2]

The argument advanced is, we hope, both sufficiently formal to convince administrators, and sufficiently broad to convince students, of the practical importance that at least one area of philosophy has for the successful pursuit of even the most praxis-oriented career.[3]

In particular, we will argue that the economic concept of a merit good provides a convenient platform for introducing ethical discourse throughout those areas of the college curriculum where economic concepts play a pivotal role.

Moreover, the concept of a merit good can serve as a ready vehicle for introducing an ethical dimension into the formation of future leaders in business and politics. We will say more about merit goods and how these objectives might be accomplished in a moment. But we should like to mention that one considerable advantage of the "merit good" approach is that students come to recognize that it is impossible to avoid ethical considerations in their future careers. Economic activity simply cannot be properly understood apart from its ethical dimension. Hence, if students wish to gain a true and accurate understanding of their future field of employment—if, in fact, they wish to excel at what they do—then an education in ethics is not only appropriate but, most likely, practically necessary.

So, what we hope to do here is to offer a suggestion, open to further articulation and revision, that we believe has some interesting implications both for the general project of justifying the teaching of ethics across the curriculum, and for how, in a concrete way, the introduction of ethical discourse can be accomplished in a manner attractive to students, teachers, and administrators. A syllabus for a course which makes strategic use of the "merit good" concept is given in the appendix to this paper. The course has been taught for several years by one of the authors and has been particularly well received by students majoring in government.

Our basic argument can be stated as follows: There exists, within economic theory, a class of economic goods, namely, "merit goods," that are of at least equal theoretical and practical importance to "private goods" and "public goods." What is philosophically interesting about merit goods is that, as a precondition of their existence, and embedded within their very definition, merit goods make reference to and depend upon normative disciplines like ethics. Insofar as understanding and accounting for merit goods is important to economics, and insofar as economics is itself important to other fields of study, the economic notion of a merit good can be used to underwrite an introduction of ethical discourse across a wide spectrum of university courses. Moreover, the particular constellation of courses within which mention of merit goods naturally arises happens to overlap significantly with the types of courses praxis-oriented future leaders are likely to take. Given the appropriate instructional context, future leaders will no longer perceive ethical reflection as an alien intrusion but, rather, as an organic development that makes contact with and flourishes within the subject they are studying. As we discuss below, a more effective allocation of social goods is achieved by engagement at the specifically ethical level with the target audience of the social policy. The formal study of ethics is thus introduced, in a natural and systematic way, into the formation of future leaders, be they economists, economic advisors, public policy planners, or politicians.

II. What is a merit good?

The concept of a "merit good" was formally introduced by Richard Musgrave in 1956 to account for certain conceptual orphans in his theory of public finance.[4] Musgrave recognized that there are several economic goods which, while they are part of the public budget, are not justifiable by a public goods argument. In other words, goods such as subsidized housing for the poor, obligatory public education, and mandatory public inoculations cannot be justified by claiming that these economic goods are (i) supplied to the people who want them, (ii) in the degree to which they are wanted, and that (iii) the burden of payment is born by those who benefit from the goods (iv) in proportion to the benefit they receive. Consumer sovereignty is clearly violated in such cases: consumers are coerced into accepting more inoculations (for instance) than they would prefer. Yet, despite the failure of a public goods argument, it would be strange indeed to think that there can be no justification for such laudable items within the public budget.[5] It would also be odd to think that the science of economics should not attempt to both describe and theoretically grapple with such patently economic phenomena.

Enter the concept of a merit good. Formally stated, a "merit good" is an economic good with respect to which competent authorities may, legitimately, and for axiological reasons, intervene in markets in a manner contrary to consumer preferences.[6] Such interventions are usually (though not always) intended to bring about a change in consumer preference. The intention to change consumer preference is itself prompted by a prior critique of actual consumer demand, the level of prevailing demand being judged by competent authorities to be inappropriate in some way.

An obvious example of this class of economic goods is what one might actually wish to call a "demerit" good, namely, cigarettes. Some competent medical and political authority—say the Surgeon General—judges that the current consumer demand for cigarettes is too high. In response to that judgment, we find that high taxes are imposed on cigarettes, that venues for the advertisement of cigarettes are limited, that smoking in public buildings is curtailed, and that labels with severe health warnings are required on the product.[7] Over time, it is hoped that a new pattern of consumer demand for cigarettes will emerge, a pattern of demand that is more in keeping with the lowered demand patterns envisioned by the intervening authorities.

Let us now situate merit goods in relation to the two other basic types of economic goods. We begin by dividing all economic goods into private goods and non-private goods. By "private good" we understand an economic good that is optimally provided via the free market mechanism. Private goods typically involve rivalry and exclusivity in consumption. For instance, if a person eats an apple then the benefit of eating that apple accrues exclusively to that person and cannot be shared with anyone else.

Non-private goods, on the other hand, are economic goods that are not optimally provided via the free market mechanism. Non-private goods come in two types, public goods and merit goods. The distinction between the two types of non-private goods turns upon the reason why the free market fails to provide those goods at optimal levels. A "public good" is a non-private good that is supplied, typically by the government but sometimes by other organized groups, with the intention of respecting consumer preferences. Consumers need help in procuring such goods because of some technical or formal feature of the good that makes it either difficult or impossible for individuals to acquire the good by themselves in an optimal way. Typical reasons for market failure in the case of public goods are their non-rivalness in consumption and their non-excludability. For instance, clean air to breathe will not be lessened by several people enjoying it nor can we prevent people from enjoying clean air, even if they do not pay.

Merit goods are also non-private goods and, as we've already mentioned, merit goods are also instances of some kind of market failure. However, the reason for the free market mechanism failing in the case of merit goods is not technical in nature but axiological. The value consumers place on merit goods is inappropriate: in a free market consumers either desire too much of a bad thing (as in the case of cigarettes) or too little of a good thing (hence, compulsory public education). It is at least arguable that consumers ought to value things differently than they do, and so some intervention by competent authorities is justifiable.

Such, then, must suffice for a formal characterization of merit goods. For present purposes it is neither necessary nor prudent to fill in too much detail. Formal research into the nature and the behavior of merit goods is still relatively new, and much important work remains to be done. At this time we would, however, like to highlight the following salient features of merit goods.

First, and most importantly, as a matter of brute empirical fact, merit goods do exist.8 Some of our most treasured public institutions and social programs display merit good aspects, mandatory public education, subsidized housing, and sumptuary taxes on cigarettes being clear instances.

Second, the phenomena picked out by the "merit good" concept are clearly economic in nature, and as such it is necessary for the science of economics to provide an account of them. Economics would be incomplete, and economists would be shirking their duty, if merit goods escaped their purview. It is entirely appropriate for us to expect a distinctively economic account of merit goods to be forthcoming.

Third, the existence of merit goods logically depends upon a prior, normative critique of consumer demand. Optimal provision of merit goods is emphatically not achieved by satisfying existing consumer demand. Rather, optimal provision of any merit good requires active intervention contrary to prevailing consumer demand. But to do so by using the power of the government requires ethical justification.

This third point is worth dwelling upon. Note that what the optimal levels of merit goods are, and which specific economic goods are best interpreted as merit goods, are issues that cannot be settled from within the discipline of economics itself as it has traditionally been conceived. By this we mean that economics, at least in the form in which it is generally understood, is conceived of as the science which maximally satisfies the allocation of scarce resources in accordance with pre-given consumer preferences. Normativity extends only thus far in traditional economic thought. But the point of identifying a particular economic good as a merit good is that the pre-given consumer preferences themselves are in need of criticism. Thus—and this is a crucial point—a properly economic understanding of merit goods must make reference to disciplines outside the bounds of economic science as traditionally conceived. Economics cannot help but be socio-economics. And, since optimal consumption levels are revealed only through a normative critique of what should be the case, of what ought to be done, it follows that the particular discipline socio-economics must look to for its illumination is ethics. In short, economic thinking is inevitably intertwined with ethics, the science of what human beings ought to do. Therefore, with the introduction of merit goods, ethical discourse assumes a natural, and perfectly proper, place within economics courses.[9]

III. Applications of the merit good concept

At the outset of this paper we claimed that the economic concept of a merit good can be used to legitimate the discussion of ethics within a variety of educational contexts. We would now like to develop that program. We will begin with a few remarks on how ethical discourse might arise within the teaching of economics courses, and then will expand the range of application of the merit good concept to other aspects of the curriculum.

Let us begin with an examination of the teaching of economics at the undergraduate level.

As economics is generally taught at the introductory level, students are treated to a brief conceptual survey wherein they are made acquainted with the fundamental distinction between private goods and public goods, and then the instructor moves quickly on to a formal or mathematical treatment of these two goods. Yet, as we have noted, the division of economic goods into public goods and private is hardly exhaustive: the division overlooks a wide range of economic phenomena that is captured only through the introduction of the concept of a merit good. Of course, no introductory course aims at a complete treatment of its subject: details are filled in only after further academic specialization; but the variety and importance of merit good phenomena cry out for acknowledgement (if not full exposition) at the introductory level. A systematic and satisfying introduction to economics as a science requires, we believe, some discussion of merit goods. While the technical treatment of merit goods is still, after several years, in its nascence, achieving an adequate theoretical grasp of any particular economic good that is de facto treated (at least by the intervening authorities) as a merit good will require mention of the prior normative thinking that prompted the intervention economists now find themselves obliged to describe. To appreciate just how wide the de facto net of merit goods can be cast, consider that any economic good can be treated as a merit good (or, more precisely, as a demerit good). This potential is implicit in the government's ability to place a sumptuary tax on any economic good it wishes.[10] Since merit good interventions must appeal to normative standards for their justification, it follows that some knowledge of ethical theory and ethical practice can illuminate a wide spectrum of economic activity. The government's power to tax is a clear example, since taxes require justification. Moreover, without an understanding of ethics, such phenomena as mandatory inoculations, property taxes to support public schools, and sumptuary taxes on cigarettes would remain economically unintelligible: there would be some un-analyzed remainder whose import the integrated understanding of the economist would fail to grasp. Why, for instance, do we not pay cigarette smokers to quit but instead penalize smokers for smoking? Both solutions are equally possible, and equally plausible, under a cost/benefit analysis. Since the utility implicit within both scenarios is equal, to consistently decide in one way rather than another can only be justified by reference to a theory of what should be done over and above what can be done.[11]

Let us assume that our basic point, namely, that ethical discourse may legitimately appear within economics courses, has been sufficiently established. We would now like to consider how the merit good concept may be applied in other disciplines.

The point we would like to make in this regard is fairly straightforward. Other disciplines can be shown to benefit from the study of ethics in proportion to the importance that a grasp of economic facts has for that particular discipline. Not that there are lacking any number of alternative justifications for injecting ethics into, say, a class on public policy. Rather, we argue that the importance of possessing a reasonably nuanced understanding of economics for a public policy practitioner is sufficient justification for introducing ethical discourse into a course on public policy.

This may be the place to expound a bit on the conceptual link, or the general relation that obtains between economics and public policy. Not only do policy makers hold themselves in some measure accountable for economic performance (they certainly take the credit for good times and don't hesitate to point a finger during bad ones), but policy makers consistently try to influence society through economic means. Certainly in the formulation of almost any public policy the question of economics arises. Leaders in the formulation of public policy are often those who are responsible for identifying areas where levels of consumer demand are currently at unacceptable levels. In brief, public policy wonks are professionally responsible for identifying merit goods.

Public policy leaders are also tasked with implementing market interventions, and here a theoretical grasp of the axiological pre-conditions for merit goods can be useful. For instance, and we apologize for the controversial nature of the example, it has been demonstrated by R.K. Godwin that treating family planning supplies as having a merit good aspect leads to a more efficient allocation of social resources in less developed nations.12 As Godwin notes, between 1963 and 1977 the governing elites of sixty-two less developed nations set the goal of reducing the birth rates in their respective countries. In each case, the impulse to have smaller families came from above, not from below, from the governing elites, not from the governed masses. The public policy of reducing fertility rates is thus an example of an intervention contrary to prevailing market preferences. To develop programs that would effectively change the then-prevailing desire for larger families, it proved important to acknowledge both the ethical reasoning that went into the intervention sponsored by the governing elites as well as the ethical milieu of the governed masses whose desire for larger families was the target of the intervention. Godwin demonstrates that taking a mixed approach, wherein the provision of family planning materials is treated as simultaneously possessing private, public, and merit good aspects, leads to the most efficient allocation of social resources. For the student of public policy, there are clear practical advantages to explicitly acknowledging and understanding merit goods.

Again, understanding the normative considerations behind merit goods can serve as a useful brake on unwarranted government interventions. Policy makers do well to remember that any merit good intervention they initiate entails that they are out of step with the public perceptions of their constituency. Ethical reflection naturally arises at this point, both with regard to initial policy formation and with regard to public vindication of individual policies. Policy makers must be able to discern what should be done, must be able to justify their understanding and pursuit of what should be done, and must be able to predict how their proposed interventions will be received given the prevailing morals and mores of the target group of the interventions. As V. Santhakumar has shown (in an interesting study of water provision in the Indian state of Kerala), there are social costs associated with public officials mis-identifying merit goods.[13]

We have argued that introducing the notion of a merit good, and the ethical discourse concomitant with the introduction of that concept, into public policy courses is both justifiable and desirable. Future leaders of public policy are likely to welcome the introduction of ethical discourse into their discipline, for pragmatic reasons related to public effectiveness, if for no other reason.

We would now like to mention just one more area of the curriculum where introducing the concept of a merit good would be appropriate: business courses. Any professional, including business leaders, whose field of activity is significantly affected by economics should take ethics into account in order to be more effective. For instance, future business leaders will quickly discover that which particular goods and services they may provide, as well as how those goods and services can be distributed, are affected by axiological considerations. The days of J.S. Mill defending the opium trade are long gone: the noble principles of free trade can hardly justify an Opium War once opium has been classified as a demerit good of the most extreme variety.[14]

Ethical awareness can also be of use to business leaders when they are confronted with concrete difficulties related to product development and product placement, and can also aid their interaction with regulatory agencies. To cite a personal example: one of the odd things about living in Washington, D.C., is that one sees advertisements for things that one would never see advertised anywhere else. So, for instance, as of late 2003, if one had walked into various Metro stations in the city one would have encountered large posters advertising LockheedMartin's F-22 Raptor. There were also numerous ads for the plane on the radio (e.g., on WGMS, the classical station). Now, the F-22 is not the sort of plane one uses for casual business travel. What the advertisers were clearly trying to do was sell the F-22 to public officials by positioning their product as a merit good. Lockheed-Martin worked hard to convince Congress that the Raptor should be adopted by the U.S. military. And, while we are sure that the demand for the F-22 was below what Lockheed-Martin would have liked it to be, we would also be surprised to discover that the advertising blitz wasn't at least partially successful. Such is the life of a government defense contractor: gaining the private good of company profits through the sale of (putative) merit goods.

There are several other disciplines, for example, anthropology and history, within which an ethical dimension may legitimately be introduced via the mechanism of economic merit goods. For instance, the merit good concept can be used to express, in more precise theoretical terms, the "total system of giving" described by Marcel Mauss in his *Essai sur le don*. This is because the explicitly economic goods Mauss discusses are fully integrated into social gifting systems that are supposed to embody principles of distributive justice. With respect to the study of history, merit goods are conceptually useful when interpreting public budgets, as witness Adam Smith's remarks concerning the different financing methods appropriate for different types of public works.[15] Or, to take another example, it is only in the light of their complex social evaluations of economic rights and duties, i.e., of economic merits and demerits, that the bewildering medieval English laws concerning the gathering of firewood can be understood.

IV. Conclusion

We have presented the notion of a merit good and have argued for the appropriateness of expanding ethical discourse into economics courses. This is, already, something of a gain. But, once introduced into economics courses, the discussion of ethics occasioned by merit goods spreads beyond the borders of economics. A wide range of praxis-based courses, including the public policy and business courses, are natural extensions. And with the systematic and justifiable introduction of the concept of a merit good comes the equally justifiable introduction of ethics across wide areas of the typical college curriculum and the exposure of university students to the peculiar pleasures of philosophical reflection.

Endnotes

1. An early version of this paper was presented at the Fifth International Ethics Across the Curriculum Conference, sponsored by the Society for Ethics Across the Curriculum (SEAC) and St. Edwards University. The conference was held in Austin, Texas, on October 23-26, 2003. A revised version was later presented at a Philosophy Department Seminar at the National University of Singapore, 24 February 2004. The authors would like to express their thanks for the many useful comments received at each meeting. Special thanks are due to Tan Yoo Guan, John Williams, Riccardo Pelizzo, Marco Verweij, Byron Gangnes, Winston Koh, Vincent Chua, Anh Tuan Nuyen, Ten Chin Liew, and Michael Pelczar. Much-appreciated assistance in the final stages of editing was supplied by Jeremy Wong.We would also like to thank Tziporah Kasachkoff for going far above and beyond the editorial call of duty in preparing this paper for publication.
2. Although in this paper we present a pragmatic argument to justify an expanded role for philosophy within the university curriculum, we do not believe that this is, ultimately, the best sort of argument one should advance in favor of philosophy. While it is true that the study of philosophy does bring certain practical benefits in its train, in itself philosophy is not an instrumental good that finds its justification in how effectively it brings about some other good beyond itself. Philosophy is, in and of itself, a human final good. Philosophical knowledge is knowledge that it is good for human beings to have, and the pursuit of philosophical knowledge is an activity that it is good for human beings to do. A suggestive parallel may be drawn with music appreciation. Why is it good to be able to appreciate music? Do we think that it is important to learn how to appreciate different types of music because doing so will give us something interesting to talk about while cutting business deals on the golf links? Intuitively, we suspect that most people would say that the appreciation of music is not the sort of thing that needs to be justified instrumentally.
3. With regard to its specific genesis, this paper grew directly out of our experience in teaching business and professional ethics to incoming freshmen. One serious challenge that anyone teaching business and professional ethics faces is that of making the material relevant to the students. When asked why they are in the course, a majority of students claim that they are taking the class simply to fulfill a distributional requirement. Among new students there is a widely held presumption that ethics is related only tangentially to business and the professions. A significant percentage of students believe that ethical considerations are a dispensable luxury and that fretting over ethical issues gets in the way of good business decision making. In short, there is a presumption among students that ethics either is or should be detachable from one’s business or professional behavior.
4. The classic treatment of merit goods is to be found in R.A. Musgrave, The Theory of Public Finance (New York: McGrawHill, 1959). The tentative definition Musgrave suggests is that merit goods are economic goods that the government supplies “if [those goods are] considered so meritorious that their satisfaction is provided for through the public budget, over and above what is provided for by private buyers” (Ibid., 13.).
5. A libertarian might wish to respond at this point that government-led market interventions are not justified. Milton Friedman, for instance, would claim that governments should be limited to providing the necessary conditions of a market economy and to providing for security and defense. Without delving into the libertarian response in detail, we would like to note that even on a libertarian account it is possible that competent authorities may deem the desired level of, e.g., defense spending inadequate and hence may implement a merit-good intervention to ensure that the requisite defense spending needs are met. For further discussion please see the articles mentioned in the next endnote.
6. For extended discussion and justification of this definition see Wilfried Ver Eecke, “The Concept of ‘Merit Good’: The Ethical Dimension in Economic Theory and the History of Economic Thought or the Transformation of Economics Into Socio-Economics,” Journal of Socio-Economics 27 (1998): 133-53. A related treatment may be found in Ver Eecke, “Le concept de ‘bien méritoire’ ou la nécessité épistémologique d’un concept éthique dans la science économique,” Laval théologique et philosophique 57 (2001): 23-40. The historical context of the merit good concept is discussed in two further articles by the same author: “Ethics in Economics: From Classical Economics to Neo-Liberalism,” Philosophy and Social Criticism 9 (1983): 145-68; “Hegel on Economics and Freedom,” Archiv für Rechts- und Sozialphilosophie

69,2 (1983): 187-215. For an important collection of articles on the subject of merit goods see G. Brennan and L. Lomasky, eds., Rationality, Individualism and Public Policy (Canberra: The Australian National University, 1990). An alternative account of merit goods that is broadly complementary to the understanding advanced above may be found both in Brennan's contribution to ibid. and in G. Brennan and L. Lomasky, "Institutional Aspects of 'Merit Goods' Analysis," Finanzarchiv 41 (1983): 183-206. Several key texts on merit goods are collected in Wilfried Ver Eecke, ed., An Anthology Regarding Merit Goods: The Unfinished Ethical Revolution in Economic Theory (West Lafayette, IN: Purdue University Press, 2007).

7. Promulgation of anti-smoking measures is common in several countries. A personal favorite is the required warning for cigarettes in Singapore: "Smoking Kills."

8. This seems to be the best place to anticipate one possible line of objection. Suppose we were to encounter a classically trained economist—we'll call this imaginary person "Smith"—who objected to our proposal on the grounds that economists have already rendered the problematic notion of a merit good conceptually superfluous by introducing the better-behaved notion of an economic "externality." We don't think that Smith can escape in this way. Here is one way that the argument might go. Suppose we point to some specific instance of a market failure and then claim that that market failure should be labeled as a merit good. Smith will then object, claiming that the market failure in question is due to some externality. To begin with, since Smith refuses to admit merit goods into economic theory, we will assume that Smith believes that all economic goods are exhaustively categorized as either public goods or private goods. (This is a simplifying assumption, as various economists have proposed more robust classificatory schemes. The following argument can, mutatis mutandis, cover such theoretical extensions.) Now, since Smith claims that externalities can be adequately handled from within standard economic theory, it seems that the particular externality in question must itself be some sort of economic good. However, the externality cannot be a private good; otherwise, there would be no market failure for us to point to in the first place. Therefore, the externality must be a public good. This means that Smith implicitly holds the position that what we would label merit goods should be reduced to public goods. But, as it turns out, merit goods cannot be reduced to public goods. For, if merit goods are reducible to public goods, then it is either the case that our market failure is due to a failure of will or it is the case that our market failure is due to a failure of knowledge. Smith cannot admit that the market failure is due to a failure of will. This is because criticizing an agent's failure of will involves advancing a normative critique of either what the agent ought to desire but doesn't (i.e., the agent is morally misdirected) or what the agent should do but doesn't (i.e., we have an akratic agent). This is exactly the sort of normative critique that the proposed definition of merit goods recognizes. Nor, for that matter, can Smith admit that the market failure in question is due to a failure of knowledge. For then Smith will be claiming that some economic agent ought to possess additional knowledge. That additional knowledge will constitute an economic good, which on Smith's position implies that the additional knowledge is itself either a private good or a public good. The required additional knowledge cannot be a public good, for that would make Smith's argument viciously circular: market failures occur because there are (explanatorily prior) failures in knowledge, and failures in knowledge occur because there are (explanatorily prior) market failures. Nor can the required additional knowledge be a private good, for the relevant additional knowledge clearly is not being desired or supplied by the free market mechanism at a level Smith finds acceptable. Since the additional knowledge that one ought to have can be neither a public good nor a private good, should Smith still wish to claim that economic agents ought to possess some additional knowledge, then this ought is to be interpreted in a normative sense. But Smith's advancing a normative critique—a critique, let it be noted, endogenous to the science of economics—of the distribution of knowledge in the market would then entail that Smith is treating knowledge as a merit good. Smith's doing so would in turn imply that Smith admits the legitimacy of the merit good concept in economics—which is what we set to prove.

9. As one anonymous reviewer quite correctly points out, acknowledging the normative dimensions of a concept is not sufficient for engaging in philosophical ethics. The extent to which consideration of merit goods and ethical issues arises within any particular course is, naturally, a function of the aims of the instructor. Within an introductory economics course it may well be that discussion of various merit goods and their ethical implications would be fairly minimal. On the other hand, in more advanced courses in public policy, discussion of the ethical implications of merit goods might conceivably dominate a considerable portion of the course. One factor that may motivate instructors to include a greater representation on the philosophical foundations of these ethical concerns is to provide the students with the necessary tools and skills such that they may appreciate and more accurately judge the entire class of merit goods as an economic category. The reason being that, in this case at least, the more general and abstract the conceptual intention, the wider the extensional illumination cast on pragmatically interesting merit goods.

10. Even the bearing of children has been subject to merit good schemes. Some societies have placed a heavy tax on having children (e.g., China); other societies have developed incentive schemes to encourage couples to have more children (e.g., Singapore's "Baby Bonus Scheme"). (As of the time of writing, information on the Singapore Baby Bonus Scheme is available at www.babybonus.gov.sg.)

11. There are clear cases of government regulatory interventions that were historically justified by normative considerations rather than, e.g., appeals to increased efficiency. For instance, the public furor generated by Upton Sinclair's The Jungle led to regulations concerning meat production, the justification being that people simply should not have to put up with the sorts of polluted product then being marketed.

12. For the material discussed in this and the succeeding paragraph see: R. Kenneth Godwin, "Charges for Merit Goods: Third World Family Planning," Journal of Public Policy 11 (1991): 415-29.

13. V. Santhakumar. "Inefficiency and Institutional Issues in the Provision of Merit Goods: A Case Study of Public Water Supply in Rural Kerala," Centre for Development Studies, Thiruvananthapuram, Working Paper #285, February 1998. Available as of 24 February 2004 at www.cds.edu/download_files/wp285.pdf.

14. John Stuart Mill, On Liberty, ch. 5: "On the other hand, there are questions relating to interference with trade which are essentially questions of liberty; such as the Maine Law, already touched upon; the prohibition of the importation of opium into China; the restriction of the sale of poisons; all cases, in short, where the object of the interference is to make it impossible or difficult to obtain a particular commodity. These interferences are objectionable, not as infringements on the liberty of the producer or seller, but on that of the buyer."

15. For evidence that Adam Smith operates with a concept that de facto distinguishes between public goods and merit goods see Wilfried Ver Eecke, "Adam Smith and Musgrave's Concept of Merit Good," Journal of Socio-Economics 27 (1998): 133-53.

Appendix

Ethics and Economics: Efficiency & Justice

Professor Ver Eecke

Phil 377/527; Econ 252

Classes: TR: 1:15-2:30PM

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The purpose of the course is to show the systematic connection between the different disciplines analysing economic reality. Different discourses about the economy concentrate more on one concept than the other. Thus, economic discourse concentrates more on efficiency whereas philosophy and theology concentrate more on justice. I will try to show that one needs to pay attention to both concepts in all discourses. The main thesis is that even in an economic discourse the idea of justice emerges as inherently tied to the concept of efficiency.

Many articles for the class can be found in two books:

Ver Eecke, W., An Anthology Regarding Merit Goods: The Unfinished Ethical Revolution in Economic Theory [edited and commentary by Wilfried Ver Eecke]. West Lafayette: Purdue University Press, 2007.

Ver Eecke, W. (2008). Ethical Dimension of Economics: Making Use of Hegel and the Concepts of Public and Merit Goods. Springer Verlag, 2008.

These will be referred to below as Ver Eecke, 2007 and Ver Eecke, 2008 respectively. For Ver Eecke, 2007 one can find an easily accessible review on Amazon.com: http://www.amazon. com/gp/product/customer-reviews/1557534284/ref=cm_cr_dp_all_top/002-8358327-6991234?ie=UTF8&n=283155&s=books#customerReviews

I. Introduction: Course Overview and Clarification of Approach

W. Ver Eecke, "Authority in Economics"

Economic Justice for All. Pastoral Letter on Catholic Social Teaching and the U.S. Economy (U.S. Catholic Bishops, 1986). Chapters 1; 2; 3,A-B; 4. Also available at: www.osjspm.org/economic_justice_for_all.aspx

Ver Eecke, 2008, Ch. 10.

W. Ver Eecke, "Ethics in Economics: From Classical Economics to Neo-liberalism," Philosophy and Social Criticism, 9, 145-68.

Ver Eecke, 2008, Ch. 4.

Bator, Francis M., "The Simple Analytics of Welfare Maximization," American Economic Review (March 1957), pp. 22-31.

Recommended reading:

Mises, Ludwig von, "Economic Calculation and the Socialist Commonwealth," Collective Economic Planning, F.A.

Hayek, ed. (Clifton: A.M. Kelly, 1975) pp. 95-110.

Al Hamad, A.Y. (2003). The Arab World: Performance and Prospects. In The Per Jacobson Lecture. Dubai, United Arab Emirates Washington, D.C. The Per Jacobson Foundation (2003) pp. 5 17.

Ver Eecke, 2007, 576-598.

II. Imperfections in the Market

A. Market corrections: Public goods

Wildavsky, Aaron, "Why the Traditional Distinction between Public and Private Goods Should be Abandoned," Journal of Theoretical Politics, 3 (4) (1991): 355-378.

Ver Eecke, 2007, 84-113.

W. Ver Eecke. "Public Goods: An Ideal Concept," Journal of Socio-Economics, 28(3), 39–156.

Ver Eecke, 2008, Ch. 6.

Recommended reading:

Olson, Mancur, Jr. The Logic of Collective Action. 2nd ed. (Harvard University Press, 1971) pp.1-16; 132-135; 165-67.

B. Market failures and merit goods

a. Musgrave's introduction of the concept and his many definitions of it.
Ver Eecke, 2007, 19-70.

b. The commentators of Musgrave's concept of merit good:

McLure, Charles E., Jr., "Merit Wants: A Normatively Empty Box," Finanzarchiv 27 (1968), pp. 474-483.

Ver Eecke, 2007, 73-83.

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Recommended reading:

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III. Philosophy and Political Economy

Rawls, John, "Justice as Fairness," The Philosophical Review, 47 (April 1958), pp. 164-194.

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Recommended reading:

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IV. Institutions, Culture, and Religion

A. Ethos pattern, political organization and political choice.

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Glendon, Mary Ann, “Rights in Twentieth-Century Constitutions,” The University of Chicago Law Review 59:1 (Winter 1992) pp. 519-38.

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B. Religious ethics and economics

a. The interaction of economics, politics, philosophy and religion according to John Paul II

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W. Ver Eecke. “The Economy and Values,” in: Absolute Values and the Search for the Peace of Mankind Vol. I. (New York, The Intercultural Foundation Press, 1981) pp. 123-140.

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b. Comment on Economic Justice for All

W. Ver Eecke, “American Capitalism: A Philosophical Reflection,” Philosophy and Theology, 3 (2), 105-32.

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Recommended reading:

Hollenbach, C., S.J., Claims in Conflict (Woodstock Theological Center, 1979) pp. 99-121.

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B. Douglass, ed., The Deeper Meaning of Economic Life (Georgetown University Press, 1987):

(1) B. Douglass, “First Things First: The Letter and the Common Good Tradition,” pp. 21-36.

(2) J. Langan, S.J. “The American Context of the Bishops’ Letter,” pp. 1-20.

(3) H. Briefs, “The Limits of Scripture: Theological Imperatives and the Economic Reality,” pp. 97-

117.

c. David Hollenbach on next steps in Catholic social ethics

D. Hollenbach, “Justice as Participation: Public Moral Discourse and the U.S. Economy,” in his Justice, Peace, and Human Rights (New York: Crossroads, 1988).

d. **Other Christian Perspectives on Economic Justice Requirements in the modern world**.

J. Philip Wogaman, 1986, Economics and Ethics: A Christian Inquiry (Philadelphia: Fortress Press, 1986), Ch. 1.

e. Justice in other religions.

Seymour Siegel. “A Jewish View of Economic Justice,” in Contemporary Jewish Ethics and Morality, E.N. Dorff & L.E. Newman, eds. (Oxford University Press, 1995) pp. 336-43.

Schedule

Sept 2: Introduction and overview.

Sept 7: W. Ver Eecke, "Authority in economics"

Sept 9: Economic Justice for All.

Sept 14: W. Ver Eecke, "The Economic Order: A Human, Not a Natural Institution"

Sept 16: Bator, Francis M., "The Simple Analytics of Welfare Maximization"

Sept 21: Wildavsky, Aaron, "Why the Traditional Distinction between Public and Private Goods Should Be Abandoned"

Sept 23: W. Ver Eecke, "Objecting to a Libertarian Attack"

Sept 28: Musgrave's introduction of the concept merit good

Sept 30: Musgrave's many definitions and justifications

Oct 5: Musgrave's many definitions and justifications

Oct 7: McLure, "Merit Wants: A Normatively Empty Box" Mackscheidt, Klaus. "Meritorische Güter: Musgraves Idee und Deren Konsequenzen." (Translated)

Oct 12: Folkers, Cay, "Meritorische Güter Als Problem der Normativen Theorie Öffentliche Ausgaben." (Translated)

Oct 14: Brennan, Geoffrey, and Loren Lomasky, "Institutional Aspects of 'Merit Goods' Analysis"

Oct 19: Burrows, "Efficient Pricing and Government Interference"

Oct 21: Ver Eecke, "Concept of Merit Good"

Oct 26: Rawls, John, "Justice as Fairness"

Oct 28: Baier., A., "The Need for more than Justice"

Nov 2: Sen, A.K., "More Than 100 Million Women are Missing"

Nov 4: Sen, A.K., "Rational Fools: A Critique of the Behavioral Foundations of Economic Theory"

Nov 9: Ver Eecke, W., "Ethical Function of the Economy" (on Hegel)

Nov 11: Buchanan, James, "Fairness, Hope and Justice"

Nov 16: Stiglitz, "Whither Reform?"

Nov 18: Briefs, "The Ethos Problem in the Present Pluralistic Society"

Nov 23: Summary of: Olson, M., "The Political Economy of Comparative Growth"

Glendon, M.A., "Rights in the Twentieth-Century Constitutions."

Discussion of: Ver Eecke. "Unjust redistribution in the American system"

Nov 30: John Paul II, Centesimus Annus

Dec 2: W. Ver Eecke, "Structural Deficiencies in the American System"

Dec 7: Wogaman, Economics and Ethics: A Christian Inquiry

Siegel, Seymour, "A Jewish View of Economic Justice"

Mechanics of the course:

1. The course will be conducted as a seminar. Sometimes I will summarize the content of the readings. Sometimes questions will be distributed to be discussed in groups and to be reported back to the class. Most of the time, a student will be assigned to present the reading material. At all times the whole class is expected to be prepared for discussing the material, unless an explicit exception is made. Questions dealing with problems of understanding the material will be dealt with first. Afterwards questions about the validity of the arguments will be addressed.

2. After each section, all students are expected to show their understanding of the material by writing a 4 page (double spaced) paper answering one or more questions about that section. The paper is to be handed in one week after the end of the section. A rewrite is possible for the first paper. For all students, one paper may be replaced by a summary of a topic related to the chapter but not covered in class, e.g., ideas from the recommended reading. Such an option needs to be approved by the teacher.

   Graduate or professional students need to present at the end of the course a final paper of 10-15 pages. You may relate some topics covered in the course to your own research area or you may summarize ideas of important authors and relate them to topics treated in the course (Brennan, Rawls, Buchanan, Sen, de Soto, Krugman, Stiglitz) or you may address important issues such as globalization, poverty, the role of international institutions, wealth distribution making use of the ideas discussed in the class. You need to have approval for the topic of your research paper. For graduate and professional students, the research paper counts for half of the points determining the grade.

3. Class participation and class presentation may count towards the grade. Class absence for a valid reason needs to be explained to the professor.

4. No final exam.