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052160866X - Economic Analysis, Moral Philosophy, and Public Policy - Second Edition

Daniel M. Hausman and Michael S. McPherson

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Economic Analysis, Moral Philosophy, and Public Policy

Second Edition

Economic Analysis, Moral Philosophy, and Public Policy shows through argument and numerous examples how understanding moral philosophy can improve economic analysis, how moral philosophy can benefit from economists' analytical tools, and how economic analysis and moral philosophy together can inform public policy.

Part I explores rationality and its connections to morality. It argues that in defending their model of rationality, mainstream economists implicitly espouse contestable moral principles. Part II concerns welfare, utilitarianism, and standard welfare economics, and Part III considers important moral notions that are left out of standard welfare economics, such as freedom, rights, equality, and justice. Part III also emphasizes the variety of moral considerations that are relevant to evaluating policies. Part IV then introduces technical work in social choice theory and game theory that is guided by ethical concepts and relevant to moral theorizing. Chapters include recommended readings, and the book includes a glossary of relevant terms.

Daniel M. Hausman is Herbert A. Simon Professor of Philosophy at the University of Wisconsin–Madison. He is the author or editor of seven books, including *Causal Asymmetries* (1998), *Essays on Philosophy and Economic Methodology* (1992), *The Separate and Inexact Science of Economics* (1992), both editions of *The Philosophy of Economics: An Anthology* (1984, 1994), and *Economic Analysis and Moral Philosophy* (Cambridge Surveys in Economic Literature, 1996, with Michael McPherson), all published by Cambridge University Press. Professor Hausman has worked on issues involving ethics and economics, foundational questions concerning the nature of rationality, economic methodology, and causation. He is currently studying the relations between health, welfare, and preferences.

Michael S. McPherson, President of the Spencer Foundation in Chicago, is past President of Macalester College (St. Paul, Minnesota) and served as Dean of Faculty and Professor of Economics at Williams College. He has been a Fellow of the Institute for Advanced Study in Princeton and Senior Fellow at the Brookings Institution. Jointly with Daniel M. Hausman he founded and edited the Cambridge University Press journal *Economics and Philosophy*. Dr. McPherson is co-author of five books. His articles have appeared in the *Journal of Economic Literature*, *American Economic Review*, *Philosophy and Public Affairs*, and *Ethics*. He has served as a trustee at the College Board and the American Council on Education, and he is a member of the National Academy of Education.

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Preface

This book is a heavily revised and retitled version of *Economic Analysis and Moral Philosophy*. We added “Public Policy” to the title to emphasize the relevance of this book to policy questions. The book is a descendant of a survey essay, “Taking Ethics Seriously: Economics and Contemporary Moral Philosophy,” which we published in the July 1993 issue of the *Journal of Economic Literature*. Though now dated, that survey essay may still be of use to readers for its extensive references to relevant literature. We would like to thank John Roemer for commissioning that essay and for the detailed criticisms he offered of several drafts. Others who were of tremendous help with the first edition were Richard Arneson, Henry Bruton, Nancy Cartwright, Marc Fleurbaey, John Kautsky, Eric Kramer, Philippe Mongin, Amartya Sen, Julius Sensat, Max Steuer, Hamish Stewart, Alain Trannoy, Gordon Winston, students at Williams College and the London School of Economics, and anonymous referees. Harry Brighthouse, Henry Bruton, Lester Hunt, Andrew Levine, Patrick McCartan, Jonathan Riley, David Ruben, Larry Samuelson, and Daniel Wikler read drafts of chapters of the first edition and offered valuable assistance. The research and writing of the first edition were supported by a collaborative research grant from the National Endowment for the Humanities, and Hausman also gratefully acknowledges the support of a Vilas Associate award from the University of Wisconsin, Madison.

Since philosophical reflection on ethics continues apace, as does the development of economic concepts and tools that may be of use to moral philosophers, we thought that a new edition was called for. Although we have preserved the overall structure and many of the specific analyses, distinctions, and arguments of the first edition, we have brought the discussion up to date and added examples that we hope will further illuminate the issues we discuss. We aim to reach a large audience of those interested

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in economics and policy analysis, and we have tried to avoid unnecessary jargon and complexities.

In preparing this revised edition, we were aided by and would like to thank Elizabeth Anderson, Mavis Biss, Richard Bradley, Harry Brighthouse, Michel De Vroey, Jeffrey Friedman, Francesco Guala, David Hausman, Joshua Hausman, Bernd Irlenbusch, William Jaeger, Philippe Mongin, Colin Patrick, David Schmitz, Russ Shafer-Landau, William Thomson, Peter Vanderschraft, Joel Velasco, and David Zimmerman for detailed criticisms and suggestions for improvement. Marc Fleurbaey read the entire manuscript and offered extensive and insightful comments. Colin Patrick did a wonderful job preparing the index, and Matt and Vickie Darnell did a superb job copy-editing and typesetting this book. Over the years we have received a good deal of correspondence with suggestions for improvements in the book, and we apologize to those whose help we may have forgotten to acknowledge.