

Index

accountable, 79, 85, 89, 103	Beckman, F. S., 123 n9
action, purposive, 19, 79, 93, 103	behavior, see competitive behavior and
see also means; strategy	social behavior
admissible consumption set, 101, 102	Binmore, Ken, 124 n2
admissible strategy domain, 8	Blinder, Alan S., 122 n11
delimited by normative constraints, 90,	Bonner, John, 130 n1
95	Boolos, George S., 123 n10
see also natural strategy domain	Bourdieu, Pierre, 126 n3
agent, 16, 103	Buchanan, James, 16, 120 n8
economic, 3, 6	budget constraint
idealized, 8	defined, 6
moral, 18	as limitation on an agent's freedom, 112
purely selfish, 8, 17, 20	in relation to maximizing utility
see also strict rational egoist	competitively, 33
allocation, equilibrium, 11, 12, 15, 29-32,	together with information constraints
33, 36, 41, 42, 54, 74, 82, 95, 105	delimit natural strategy domains, 90
altruistic, 10	Bush, Winston C., 34, 35
attitudes 19	
behavior, 10, 90	Calabresi, Guido, 79, 115
desires, 10	claim right, 91, 100
motivation, 90	Coase, R. H., 78
preferences, 67, 97, 98	Coase Theorem, 78
anarchy, 10, 34, 71, 99	Coleman, James, 93, 120 n1, 121 n7, 126
orderly, 34, 99	n1, 127 n8, 128 n22
pure, 116	Coleman, Jules, L., 17, 127 n16
Arrow, Kenneth, 73–7, 79, 122 n12	collective action rule, aspect of normative
Arrow–Debreu model, 54	constraint, 12, 117
asymmetric information, 55	collective action situation, 12
Axelrod, Robert, 125 nn12, 15	defined, 65
	exchange situations as one type of, 67
Baumol, William J., 122 n11	normative constraints as solutions, 59
Becker, Gary, 121 n8, 130 n1	solutions cannot emerge spontaneously,
Becker, Lawrence, 99, 127 n14, 128 n18,	67
129 n30	solutions to, 68, 70



138 INDEX

commodification of desire, 13	constraint, 6
defined, 77	budget, 6
and internalizing externalities, 79	general definition, 6
limits on, 14, 75, 81	information, 90
logical limits on defined, 79	normative, 6, 90
commodity space, expanding, 76, 77, 79,	positive, 6, 90
115	see also normative constraints
common good	consumption bundle, 17, 28, 29
Adam Smith's notion of, 122 n16	convention, 1
cannot be achieved by pure selfishness,	as assumption of Strict Rational
13, 59	Egoism, 24
as economically efficient outcomes of	cannot apply to collective action
trade, 2	situation, 69
requires internal incentives to comply	defined, 2, 6
with a particular set of moral norms,	as defined by David Lewis, 86
110	not normative constraints, 66
supposedly achieved as if by an	one type of normative condition of
invisible hand, 2, 3	economic efficiency, 2, 105
see also efficient outcomes of trade	secures regularity in social behavior,
under economic efficiency	2
common knowledge, 43, 48, 51, 86, 87	solution to coordination situation, 59
competitive behavior, 1, 88	Walrasian auctioneer, 26, 40
as assumption of the First Welfare	cooperative surplus, 80
Theorem, 10, 37	coordination rule, 12
conventions as necessary conditions, 31	convention, 2
defined, 31	guides social practices simpliciter, 85
moral normative constraints as	coordination situation, 12
necessary conditions, 11, 35, 56, 75	conventions as solutions, 59
moral rights not sufficient, 95	defined, 64
not achievable under Strict Rational	normative constraints convert collective
Egosim, 41	action situations into, 65
perfect information and maximal	Cooter, Robert, 119 n5, 125 n6
information processing capabilities	Copp, David, 119 n6, 128 n19
not sufficient, 42	correlatives to elements in Hohfeld's
perfectly competitive market not	analysis of legal conceptions, 91
sufficient, 35, 38-41	Coval, S. C., 124 n6, 130 n2
social institution not sufficient, 86	
use of the concept by scholars not	Davis, John, 123 n9, 126 n1
univocal, 36	decision function, 12, 35
well-defined and enforced property	defined, 44
rights not sufficient, 35	formally represented, 50
see also market interaction; price-taking	not effectively computable, 51-3
compliance, 2, 6	parametric, 48, 49
enforced, 2, 71	derived principle for action (DPA), 11, 36,
not possible for strict rational egoists,	38, 40, 41, 66, 70, 95, 102
96	defined, 21, 22
problem, 94–8	
see also incentive to comply	economic analysis, 1, 16, 17, 39, 92
conditional decision, 49, 50	of law, 78
consent, 93	economic approach to law, 78
rights grounded in mutual, 93	economic efficiency, 1, 102



Index 139

defined as Pareto optimality, see Pareto Ferguson, Adam, 59 optimal Field, Alexander James, 62 efficient allocations of commodities, 1 First Fundamental Theorem of Welfare efficient outcomes of market Economics, 2, 4, 10, 11, 13 interaction, 1, 4, 9, 42, 54, 99, 100-3 background presuppostions, 105, 109-10 efficient outcomes of trade, 1, 2, 4, 8, 9, 10, 29, 32, 42, 55, 72, 82 proof of, 26-30 as factor in judicial decisions and policy as proof of Adam Smith's Invisible Hand Claim, 4, 24 analysis, 2, 114 Kaldor-Hicks, 78, 126 n8 see also First Welfare Theorem; Second requires moral normative constraints, 2 Fundamental Theorem of Welfare (see also Moral Thesis) **Economics** First Welfare Theorem, 4, 10, 11, 18, 36, effectively computable function, 43, 45, 46, Flanagan, Owen, 128 n23 empirical morality, 84, 98, 126 n4 ends, 37 forgiveness, 85, 127 n6 enforcement, 2, 7, 16, 34, 56, 65, 70 Fourie, Frederick C. v. N., 130 n1 centralized mechanism, 70, 96 framework for analyzing social situations, 11, 16 decentralized mechanism, 70, 96 see also solutions to collective action defined, 16 situations summarized, 9 Evensky, Jerry, 119 n4 fraud, 19, 31, 33, 50-2, 55, 67, 74, 95, 100, exchange 108, 111, 112 as intentional externality, 74 defined, 126 n1 and liberty, 104 voluntary, 4, 78, 115, 119 n5 exchange situation, 12, 66, 117 made possible by asymmetric information, 101 defined, 67 expectation, moral, defined, 5 and right to true information, 101 see also moral rule and right to welfare, 102 expected utility theory, 102 free ride, 71, 96 externality, 1, 12 Frey, Bruno, 120 n8 absence of, as assumption of First Friedman, Milton, and Rose Friedman, 4 Welfare Theorem, 10, 73 accidental, 11, 74, 109, 120 n11, 130 decision, see decision function n36 effectively computable, 43, 45, 46, 47, defined, 31, 74, 109 49 incidental, 11, 74, 109, 120 n11 recursive, 123 n11 as incomplete or absence of markets, Turing-computable, 43 79, 115 utility, 45, 47-54, 75-7, 98, 111 intentional, 11, 74, 81, 105, 109, 120 n11, 129 n36 Gaertner, Wulf, 124 n19 internalizing, 12, 76, 79, 105, 115, 117 game-form, 40, 89 as market failure, 73 conceptualization of a right, 92 defined, 122 n4 false offer curve, 40, 71, 101 family of, 88 feasible action, 35, 41 game-theoretic models, 16 feasible allocation, 28, 29, 30, 41 Gardner, Roy, 16, 24, 63, 119 n8, 120 feasible consumption bundle, 28, 29 nn9,1,2, 123 n8, 125 n16 feasible social state, 24, 25, 29 Gauthier, David, 110-14

feasible strategy, 44, 45

Feinberg, Joel, 93, 127 n16, 128 n20

Gewirth, Alan, 121 n7, 128 n22

Gilbert, Margaret, 126 nn2, 3



> 140 INDEX Green, Jerry R., 31, 75, 77, 120 n12, 121 Koopmans, Tjalling Charles, 122 n21 Koshoshek, Ronald, 127 n9, 129 n33 n9, 122 nn21, 22 Greenberg, Joseph, 120 n1, 123 n8, 124 Kraus, Jodie, 127 n16 n19, 124 n4 Kuflik, Arthur, 80 Hampton, Jean, 71, 127 n7, 128 n25 Lewis, David, 86, 106, 125 n9, 126 n2 Hardin, Russell, 62, 64, 65, 125 n15 liable, 85 Hart, H. L. A., 88, 126 n2, 127 n15 Liberal Paradox, 89 Haslett, D. W., 119 n6 liberty, 80, 91, 104 Hayek, F. A., 59-61, 104, 107 Lomasky, Loren E., 121 n7, 128 n22 Heap, Shaun P. Hargreaves, 120 n8 Hirshleifer, Jack, 122 n14 Macleod, Alistair, 122 n16 Hodgson, Geoffrey M., 130 n1 Malitz, Jerome, 123 n9 Hohfeld, Wesley, N., 90 Margolis, Howard, 125 n11 Hohfeldian market analysis of rights, 91, 127 n15 defined, 13, 59, 67, 108 liberty, 80, 91 no concensus regarding, 108, 109, 130 position, legal, 94 position, moral, 13, 93, 94, 99, 117 see also perfectly competitive market honesty, 128 n27 market behavior, see price-taking Honoré, A. M., 99, 100, 104, 129 n31 market failure, externality as, 73 Hume, David, 59-61, 85, 107 market interaction 1, 4, 6, 9, 11, 13, 15, 24, Hurwicz, Leonid, 40, 41, 88, 101, 108, 122 33, 42, 43 n3, 127 n10, 128 n26 outcome of, 119 n1 see also competitive behavior incentive to comply Martin, Rex, 127 n14, 128 n16 component of normative constraint, 2, 7, Mas-Colell, Andreu, 31, 74, 77, 120 n12, 90,95 121 n9, 122 nn21, 22 external, 7 Matthews, R. C. O., 96 internal, 7, 59, 65 maximal information processing capability, sufficient external, 7 12, 35, 41, 42, 53, 116 sufficient internal, 35, 102, 105 Mayer, Lawrence S., 34, 35 instrumental rationality, 21, 37, 39, 41, 66, means, 37 122 n1 feasible, 22, 36 invisible hand, 1, 2, 3, 4, 11, 13 Melamed, A. Douglas, 79, 115 Adam Smith's reference, 3 Menger, Carl, 60, 61 includes "laws of justice," 125 n8 methodological individualism, 17 Smith's three uses, 119 n3 Mill, John Stuart, 104 subject of theorizing, 1 moral conditions of economic efficiency, unclear whether Smith thought it 14, 56 required morality, 18 analysis is point of this book, 1 Invisible Hand Claim, 2 set limits on the commodification of incorrect, 57, 110 desire, 115 stated, 105 morality, 6, 11, 75, 82, 84, 106 Jefferson, Thomas, 104 Jeffrey, Richard C., 123 n10 defined, 5, 18, 31, 54 descriptions of selfish agents cannot Kaldor-Hicks efficiency, 78, 126 n8 include, 10 Kanger, Stig, 91 empirical, 84, 98, 126 n4

> > Gauthier on, 110-14

and invisible hand, 3

Karni, Edi, 100

Kant, Immanuel, 6, 19, 89



> Index 141

modeling as a dispostional variable, 121	Moral Thesis, 15, 33
n6	Morris, Herbert, 80, 103, 129 n33
as possible solution to collective action	Moss, Scott J., 108, 130 n1
situation, 68 in relation to moral rule and normative	Munzer, Stephen R., 99, 127 n14, 129 n30
constraint, 6	Myerson, Roger B., 120 n8
required by economic efficiency, 8	Nach 11th 50 52
requires a right to autonomy, 103	Nash equilibrium, 50, 52
moral norm, 2, 5, 6, 10, 13	natural right, 93, 103
see also moral rule	natural strategy domain, 23, 36, 41, 42, 45,
moral normative constraints	46, 50, 52, 63, 89–92, 95
central questions, 1	defined, 8
as components of moral conditions of	defined in terms of actions, not social
economic efficiency, 105	states, 91
defined, 9, 18	see also rational strategy domain
as defining admissible strategy domains,	Nida-Rümelin, Julian, 125 n10
95	normative conditions of economic
moral right as a component, 89, 95	efficiency
must be taken into consideration by	specifying as goal of second central
appelate judges, 114	question, 1
necessary conditions of economic	synopsis of, 105
efficiency, 33-6, 54	system of, 4, 9, 15, 18, 81, 89, 90, 92,
no explicit role in the First Welfare	94
Theorem, 31	two types, 2
as precluding or rectifying externalities,	see also convention; moral conditions of
74, 75	economic efficiency; normative
required by perfectly competitive	constraints
market, 110	normative constraints
as restriction on natrual strategy	converge expectations, 13
domains, 55, 95	defined, 2, 7, 90
sufficient internal incentive to comply	legal, 1
as component, 94, 95	of markets, 112
moral rights, 13, 128 n20	within markets, 112
and Adam Smith, 3	moral, 1
as components of conditions of	provide logical limits on
economic efficiency, 13, 117	commodification of desire, 13
as components of normative constraint,	reduce transaction costs, 13
55	as solutions to collective-action
in minimal sense, 94	situations, 59
must be taken into consideration by	see also moral normative constraints
appelate judges, 114	normative individualism, 25, 63
of perfectly competitive market are	normative social practice, 9, 13, 18, 79, 94,
collectively rational, 9	98, 103–6, 117, 128 n24
system of, 92	defined, 5, 79, 83–9
moral rule, 5, 92–4	enabled by a right to autonomy, 79-80,
God-ordained, 6	103
natural, 6	North, Douglass, 120 n8
not normative constraint, 7	Nozick, Robert, 71
socially contructed, 6	
what makes a rule, norm, or expectation	Oliner, Samuel, and Pearl Oliner, 120 n10,
moral, 5	127 n13, 129 n29



142 INDEX

Ostrom, Elinor, 16, 24, 63, 119 n8, 120 independent, 38, 63, 67, 94, 98 nn9,1,2, 123 n8, 125 n16 rational, 20 outcome, 21 price-taking, 31, 33, 36, 38, 39, 41, 42, 122 see also social state n20 ownership Prisoners' Dilemma, 62, 68, 124 n2 Becker's conception, 100 iterated, 68 Gauthier's conception, 111, 112 property, defined 99 Honoré's conception, 99 property rights, 34, 35, 60, 71, 78, 86, 88 defined, 99, 100 Papandreou, Andreas, 73, 109 as Hohfeldian position, 100 parametric choice, 48 property rights assignment principle, 77, parametric decision function, 48, 49 115 Pareto inferior, 62, 65, 95 purposive action, 79 Pareto optimal, 5, 15, 24, 25, 29, 30, 33, 36, connection to rights, 121 n7 39, 41, 53, 58, 64, 105, 115, 117, requisite for efficiency, 103 119 n1 rights not grounded in, 93 secured by a right to autonomy, 103 Pareto superior, 24, 25, 54, 62, 64, 70, 104 Pattanaik, Prasanta K., 124 n19 perfect competition, 9, 13, 33, 34, 41, 82, Rational Choice Theory, 16 107-14 rational egoism, 10, 20 perfect information, 12, 23, 35, 38, 53 rationality regarding every economically relevant collective, 9 variable, 41-3, 51 individual, 9 perfectly competitive market rational reconstruction, 84 defined, 9, 13, 23, 35, 108 rational strategy domain insufficient to secure competitive defined, 8 delimited by normative constraints and behavior, 38-41 as morally free zone, 118 conventions, 8 Pettit, Philip, 126 n2 Rawls, John, 93, 128 n22 Raz, Joseph, 126 n2, 128 n22 point of view regularity in social behavior, 2, 5, 18, 58, internal, 88 external, 88 61, 65, 69, 72, 79, 83, 86, 87 Posner, Richard, 77-9, 115, 125 nn5, 6 responsible, hold each other, 5, 13, 18, 56, Postema, Gerald, 126 n2 79, 83, 85, 117 preference, 8-10, 16-18, 40, 41, 58, 60, 63, responsible altruist, 99 65, 75-7, 80, 97, 98 responsibility schema, 85-6, 105 Reynolds, Noel B., 126 n2 altruistic, 67, 97, 98 conflict, 64 right, 88 game-form conceptualization, 92 coordinate, 63, 66 meddlesome, 97 legal, 128 n20 (see also moral rights) private, 67, 98 moral, 13, 128 n19 natural, 93, 103 ranging over alternative visions of property, 34, 35, 60, 71, 77, 78, 86, 88, society, 18, 20, 37, 97; character types, 18, 20, 37, 97; decision rules, 99, 100 18-20, 37, 97; others' attitudes, social-choice conceptualization, 92 18-20, 37, 97; relative satisfaction theories of, 127 n16 see also positions under Hohfeldian of others' preferences, 8, 19, 97 sadistic, 19, 98 right to autonomy, 75, 106, 107 social, 67, 98 defined, 79, 103, 104 enables normative social practice, 80 preference relation, 17, 20, 27, 42, 47, 63, inalienable, 80 88



Index 143

as logical limit on commodification of	A Theory of Moral Sentiments, 3, 4
desire, 79	unclear regarding the role of moral
natural, 103	normative constraints, 18
necessary condition of economic	Smith, J. C., 124 n6, 130 n2
efficiency, 105	Smith, Tara, 93, 128 n22, 129 n32
partially defines liberty, 80	social behavior, 61, 82, 83, 108, 109, 116
right to true information, 56, 88, 96	outcomes of, 82
defined, 94, 100, 101	presupposition of, 82
as moral Hohfeldian position, 94	see also regularity in social behavior
necessary condition of economic	social capital, 127 n8
efficiency, 105	social choice theory, 89, 90
right to welfare, 101–3	social institution, 61, 86–8
as moral Hohfeldian position, 101	social phenomena, 83, 84, 126 n2
Royce, Josiah, 93	social practice simpliciter, 85, 86
rule	see also normative social practice
coordinating, 2	social situation, 9, 10, 15, 41, 123 n8
moral, 2, 5	defined, 16
not normative constraint, 7	as social state, 17, 24, 25, 29
prescriptive, 94	social state, 17
prosciptive, 84	see also social situation
prudential, 6	solutions to collective action situations
see also moral norm; moral rights; right	centralized, 70
,	decentralized, 70
Sawyer, Malcolm C., 130 n1	dual utility, 68
Schmidtz, David, 128 n19	Hobbesian, 68
Schotter, Andrew, 86–9, 106, 124 n3, 126	iteration-dependent, 68
n2	morality, 68
Searle, John, 126 n2	moral principle, 68
Second Fundamental Theorem of Welfare	spontaneous emergence, 61, 66, 70
Economics, 102	enforcement mechanism, 70
self-interest, 8, 95, 97, 112, 113	of markets, 70
selfish, 10, 11, 17	of norms, 61
agents cannot achieve economic	of regularity in social behavior, 58, 61
efficiency, 57	of rights, 35
purely selfish agent defined, 8, 28, 34	of rules, 60
and strict rational egoist, 56	of solutions to collective-actions
Sen, Amartya, 17, 89, 119 n2, 120 n3, 124	situations, 67
n19, 129 n35	of the state, 71
simultaneous decision, 54	Spontaneous Order Objection, 12, 58–9,
situation	66
collective action, see collective action	spontaneous order tradition, 59, 107
situation	Steiner, Hillel, 127 nn14,16, 128 n17
coordination, see coordination situation	strategic choice, 50
exchange, see exchange situation	see also parametric choice
social, see social situation	strategy, 8, 22, 45–7, 60–5
Smiley, Marion, 127 n6	conflict, 64
Smith, Adam	coordinate, 64
Invisible Hand Claim, 2, 4, 13, 57, 110	to relieve liability, 84–6, 95
An Inquiry into the Nature and Causes	Strict Rational Egoism
of the Wealth of Nations, 2, 4	defined, 22–4
Lectures on Jurisprudence, 3, 114	type of social situation, 10



144 INDEX

strict rational egoist
cannot achieve economic efficiency, 57
defined, 18–21
has no means to internalize
externalities, 11
has no moral incentives to comply with
morality, 11, 18, 19, 20, 32
subject of first central question, 1
Sugden, Robert, 59, 71, 124 n19
Suzumara, Kotaro, 124 n19

Taylor, Michael, 70, 124 nn2, 4, 125 n14 Thomson, Judith Jarvis, 127 n14 trade, *see* market interaction Trebilcock, Michael J., 119n4 trust, 172 Turing, Alan, 123 n10 Turing computable function, 43 Turing Machine, 43, 54, 107

Ulen, Thomas, 119 n5, 125 n6 Ullmann-Margalit, Edna, 69, 124 n3, 126 n2, 129 n34 Usher, Dan, 34, 35, 99 utility, 21 utility function, 45, 47–54, 75–7, 98, 111 utility maximization, 48 criterion, 19, 21 maximizers, 38, 67 maximizing behavior, 36, 62, 64–6, 68 maximizing strategy, 67

Vanberg, Viktor J., 25, 59, 121 n6 van Hees, Martin, 124 n19, 127 nn11, 12 Varian, Hal, 123 n15 Varoufakis, Yanis, 120 n8

Walker, James, 16, 24, 63, 119 n18, 120 nn9,1,2, 123 n8, 125 n16
Walras, Leon, 122 n17
Walrasian auctioneer, 26, 40
wealth maximization, 78
well-being, 5, 6, 8–11, 18, 21, 31, 74, 93, 98, 103, 109
Wellman, Carl, 127 nn14, 15, 128 nn17,19, 129 n32
Whinston, Michael D., 31, 74, 77, 120 n12, 121 n9, 122 nn21, 22
worldview, 84