



TROY UNIVERSITY  
SORRELL COLLEGE OF BUSINESS

**Economic and Moral Foundations of Capitalism**  
**ECO 4456-TUAA**  
**Spring 2012**  
**TR 2:30 – 3:45 pm**  
**Bibb Graves 241**

<p><b>Instructor:</b> Dr. George R. Crowley <b>Office Location:</b> Bibb Graves 137C <b>Office Hours:</b> Monday, Wednesday 10:00 am – 12:00 pm; 2:00 – 3:00 pm (and by appointment) <b>Office Phone:</b> 334-808-6486 <b>Email:</b> <a href="mailto:grcrowley@troy.edu">grcrowley@troy.edu</a> (preferred method of communication)</p>
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**Prerequisites:** ECO 2251 and ECO 2252, or permission of instructor.

**Description:** A study of the interrelationship between markets and morals. Investigates the role ethics and ethical ideas play in understanding economic life.

**Objectives:** On completion of the course, the student should be able to:

1. Student will demonstrate through written exercises and course exams an understanding of how capitalist systems work;
2. Student will gain an understanding of different ethical frameworks;
3. The consequences of economic freedom and capitalism will be better understood;
4. Consequential and rights based arguments for a free market will be understood.

**Purpose:** To provide a comprehensive overview of the capitalist system and its morality. The course includes both theory and discussions of real-world topics. Students taking this elective should already have satisfied all of their 2000-level core and specified-elective requirements. This is an unspecified elective course.

**Class Procedure:** This course will be largely discussion based, in the style of a seminar. On rare occasions, when warranted, the instructor will provide a traditional lecture. All students are required to have read the assigned material so that they may actively participate in the discussion. Details concerning the expectations and grading of class participation are provided in this syllabus.

The use of cell phones and other electronic devices (with the exception of e-readers or devices used for note-taking) is not allowed during class.

**Required Texts:** During the semester, we will be reading a novel, Ayn Rand's *Atlas Shrugged*, as well as selections from a number of nonfiction books. You will be given a complimentary copy of *Atlas Shrugged* on the first day of class, and the Hazlitt text is available online at no charge. All other required books are available in the campus bookstore.

Friedman, Milton (1962) *Capitalism and Freedom*

Gwartney, James, Richard Stroup, and Dwight Lee (2005) *Common Sense Economics*

Hazlitt, Henry (1964) *The Foundations of Morality*

Available online: <http://mises.org/books/foundationsofmorality.pdf>

Norberg, Johan (2001) *In Defense of Global Capitalism*

Rand, Ayn (1957) *Atlas Shrugged*

Links to other required readings can be found in this syllabus.

**Supplements:** Additional readings will be posted on Blackboard or distributed in class.

**Grading Policy:** All students will be graded on the basis of in-class participation/quizzes, two exams, and a term paper. The assignment weighting scheme, overall grading scale, and descriptions of each assignment type are detailed below.

Assignment Weights	
<b>Class Participation &amp; Quizzes</b>	<b>40%</b>
<b>Exam 1</b>	<b>20%</b>
<b>Exam 2</b>	<b>20%</b>
<b>Paper</b>	<b>20%</b>

Grading Scale	
<b>A</b>	<b>89.5-100%</b>
<b>B</b>	<b>79.5-89.49%</b>
<b>C</b>	<b>69.5-79.49%</b>
<b>D</b>	<b>59.5-69.49%</b>
<b>F</b>	<b>0-59.49%</b>

**THESE GRADING POLICIES ARE FINAL AND NONNEGOTIABLE.**

- A. Class Participation & Quizzes:** The majority of each student's grade will be based on active participation in class discussion. While each student is free to participate as much or as little as he or she would like, each student is expected to contribute *at least* one meaningful question or comment per week. If a student chooses to be absent from class, or chooses not to participate in the discussion, he or she will receive a zero for the week.

Additionally, each student will be responsible for serving as discussion leader at least once during the semester. The responsibility of the discussion leader is to provide a brief (roughly 5-10 minutes) summary of the assigned reading and 2-3 questions for the group

to serve as starting points for the discussion. If a student chooses to be absent on the day he or she was expected to lead discussion, he or she will receive a zero. Students may 'trade' days with one another if an absence is unavoidable.

Occasionally, pop quizzes on the assigned reading will be given. These quizzes will be relatively easy to complete, assuming the student has done the reading. No make-up quizzes will be given: if a student is absent from class when the quiz is collected, he or she will receive a zero for the quiz.

The class participation portion of each student's grade will be calculated as follows: 60% based on regular class participation, 20% based on performance as discussion leader, and 20% based on quizzes.

**In order to actively participate in class discussion students are expected to (a) have read all of the assigned material, (b) bring the assigned readings with them to class so that they may reference them as needed during the discussion, and (c) come prepared with questions and/or comments.**

- B. Exams:** Over the course of the semester, students will sit for two exams (a midterm and a final). Each exam will count 20% towards the student's final grade for the course. The exams will be made up of short answer and essay questions. **All** material covered in class or in the assigned reading is 'fair game,' though the professor will give a complete list of material covered by each exam at least one week prior to the test.

Short answer questions will deal more with factual components of the assigned readings (e.g. "Who was responsible for event X?") while longer essay questions will be based more on interpretation and critical thinking (e.g. "Drawing on the arguments made by Bob, how might you defend the actions of Sue?").

It is each student's responsibility to be in class, on time, with the appropriate materials on exam days. Late arrival to an exam is **not** sufficient cause for extra time. No make-up exams will be given. If a student must be absent during an exam, it is his or her responsibility to inform the professor so that arrangements may be made to sit for the exam *early*.

**The Midterm Exam is tentatively scheduled for Thursday, 3/8.  
The Final Exam is scheduled for Friday 5/4, 2:00-4:00 pm.**

- C. Paper:** Each student is required to submit a term paper. The paper topic will be provided by the instructor early in the semester, and will require the student to draw on all of the material covered in the class. The paper will be due *at the beginning* of the last day of class. Late submissions will be penalized a letter grade for each day late. For example, an 'A' paper submitted two days late will earn a 'C.' Papers submitted more than three days late will not be accepted.

There is no specific length requirement, though it will likely take 5-7 double-spaced pages to fully address the topic. That said, shorter papers will not necessarily be marked

down, and longer papers will not necessarily score well. All else equal, a concise paper which fully addresses the topic will be preferred to a long, rambling submission.

Students will be required to draw on the readings assigned in class, and may also reference other work. **ALL REFERENCES MUST BE PROPERLY CITED.** If a student fails to properly cite another's work, or if a student attempts to pass another's work off as his or her own, he or she will receive a zero on the paper at a minimum, and potentially an 'F' for the course. Plagiarism, of any type, will not be tolerated.

All submissions must be typed, double-spaced, with 1 inch margins. Papers should be written in a 12 point 'normal' font (Times New Roman or Arial). All papers must be stapled (not paper-clipped, not folded together, not taped). Please do not submit any type of fancy report cover or plastic binding. Deviations from these rules will result in lost points.

**D. Extra Credit:** Over the course of the semester, the Johnson Center for Political Economy will be bringing three guest speakers to campus. Students who (a) attend and (b) write a brief (1-2 page) summary/critique of the lecture will be eligible for **up to 2.5 points** of extra credit per lecture. In other words, students who attend all lectures and submit the writing assignments will receive up to 7.5 points towards their final course grade. The writing assignment will be due *at the beginning of the next class meeting*, with no late submissions accepted.

Larry Reed (Foundation for Economic Education) will speak on Thursday, 1/19 at 6 pm.  
John Stossel (Fox Business) will speak on Friday, 4/13 at TBD.  
James Stacey Taylor (College of New Jersey) will speak on Monday, 4/23 at 6 pm.

**Attendance Policy:** Attendance is not required per se, but class participation is critically important to your grade. In other words, attendance will not be taken each class, but participation (or lack thereof) will be monitored carefully.

**Academic Dishonesty:** Cheating, of any type, will not be tolerated. If you are caught (and rest assured you will be caught) cheating on an exam, quiz, or any other assignment, you will receive a 'zero' for the assignment *at a minimum* and likely an 'F' for the course.

**Additional Services:** AMERICANS WITH DISABILITIES ACT: Troy University supports Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990, which insure that postsecondary students with disabilities have equal access to all academic programs, physical access to all buildings, facilities and events, and are not discriminated against on the basis of disability. Eligible students, with appropriate documentation, will be provided equal opportunity to demonstrate their academic skills and potential through the provision of academic adaptations and reasonable accommodations. Students with disabilities, or those who suspect they have a disability, must register with the Disability Services Coordinator in order to receive accommodations. Students currently registered with the Disability Services Office are required to present their Disability Services Accommodation Letter to each faculty member at the beginning of each term. If you have any questions, contact the Office of Adaptive Needs Program (Eldridge Hall), or call 670-3220/3221.

**Tentative Course Schedule:** This is a general schedule of the order in which specific chapters/topics will be covered, as well as when exams will be given. Important dates are in **bold**. You should use this to guide your reading; be prepared to discuss the material during the relevant lecture. In general, we will discuss the reading from *Atlas Shrugged* during the Thursday class meeting, and the other readings during the Tuesday class meetings.

We will read *Atlas Shrugged* throughout the course of the semester. This is obviously a long novel, though it can be easily tackled over 16 weeks **if** you stay on top of the reading. The other readings can be grouped into three broad units: Economic Foundations, Moral Foundations, and Applications. These readings will come from the other required books, online sources, or handouts.

As this is a new class, and the ‘speed’ of the course will largely be determined by the level of discussion, it is especially difficult to plan how much material we will cover. Thus, the professor reserves the right to change the material covered, the order in which it is covered, and the dates of exams if necessary. Additional readings may be assigned, or readings listed below may be removed as needed. All changes will be announced in class.

Students are expected to complete readings marked with an asterisk (\*) prior to the scheduled class meeting. The other readings will be discussed in class as well, primarily by the professor.

#### Week 1 (1/11-1/13)

**First day of class Thursday 1/12**

#### **I. Economic Foundations**

#### Week 2 (1/16-1/20)

The Economic Way of Thinking: a Review

- \**Common Sense Economics* (CSE): Part I (pp. 4-31)

\**Atlas Shrugged* (AS): Part 1, chs. 1-4

**Larry Reed Lecture: Thursday 1/19, 6 pm**

#### Week 3 (1/23-1/27)

The Economic Case for Capitalism

- \**Capitalism and Freedom* (CF): Introduction and ch. 1
- \*Read, Leonard (1958). *I, Pencil*  
<<http://www.fee.org/pdf/books/I,%20Pencil%202006.pdf>>
- Smith, Adam (1776). *An Inquiry into the Nature and Causes of the Wealth of Nations*. Book I, chs. 1-2. <<http://www.econlib.org/library/Smith/smWN1.html>>
- Book IV, ch. 2, paragraph 9 (labeled IV.2.9 in the left margin).  
<<http://www.econlib.org/library/Smith/smWN13.html>>
- Hessen, Robert (2007). “Capitalism.” *The Concise Encyclopedia of Economics*.  
<<http://www.econlib.org/library/Enc/Capitalism.html>>

\*AS: Part 1, chs. 5-6

Week 4 (1/30-2/3)

The Economic Case for Capitalism, continued

- \*CSE: Part II (pp. 35-74)
- *In Defense of Global Capitalism* (DGC): Parts II-III (pp. 64-150)

\*AS: Part 1, chs.7-8

Week 5 (2/6-2/10)

Market Failure and the Role of Government

- \*CF: Ch. 2; ch. 5
- \*CSE: Part III (pp. 77-119)
- Rand, Ayn. (1963) "The Nature of Government"  
<[http://www.aynrand.org/site/PageServer?pagename=ari\\_ayn\\_rand\\_the\\_nature\\_of\\_gover  
nment](http://www.aynrand.org/site/PageServer?pagename=ari_ayn_rand_the_nature_of_government)>
- Caplan, Bryan (2007). "Externalities." *The Concise Encyclopedia of Economics*.  
<<http://www.econlib.org/library/Enc/Externalities.html>>
- Cowen, Tyler (2007). "Public Goods." *The Concise Encyclopedia of Economics*.  
<<http://www.econlib.org/library/Enc/PublicGoods.html>>
- Stiglitz, Joseph (2007). "Information." *The Concise Encyclopedia of Economics*.  
<<http://www.econlib.org/library/Enc/Information.html>>
- Shughart, William (2007). "Public Choice." *The Concise Encyclopedia of Economics*.  
<<http://econlib.org/library/Enc/PublicChoice.html>>

\*AS: Part 1, ch. 9-10

Week 6 (2/13-2/17)

Anti-capitalism: Socialism

- \*Heilbroner, Robert (2007). "Socialism." *The Concise Encyclopedia of Economics*.  
<<http://www.econlib.org/library/Enc/Socialism.html>>
- \*Marx, Karl and Frederick Engels (1848). *Manifesto of the Communist Party*. (pp. 14-34) <<http://www.marxists.org/archive/marx/works/download/pdf/Manifesto.pdf>>
- Hayek, FA (1944). Selections from *The Road to Serfdom*. <Handout>

\*AS: Part 2, chs. 1-2

Week 7 (2/20-2/24)

Capitalism vs. Socialism: Theory and Empirical Evidence

- \*DGC: Part I (pp. 19-61)
- \*Hayek, FA (1945). "The Use of Knowledge in Society." *American Economic Review* 35 (4). <<http://oll.libertyfund.org/simple.php?id=92>>
- Mises, Ludwig von (1935). *Economic Calculation in the Socialist Commonwealth* (pp. 2-33). <<http://mises.org/pdf/econcalc.pdf>>

\*AS: Part 2, chs. 3-4

## II. Moral Foundations

### Week 8 (2/27-3/2)

#### Introduction to Moral Philosophy

- Fisher, James (2003). "Ethics" *The Internet Encyclopedia of Philosophy*  
<<http://www.iep.utm.edu/ethics/>>

#### Welfare

- \*Foundations of Morality (FM): ch. 2-3
- \*CF: ch. 11-12
- Holcombe, Randall G (2006). Selections from "Principles for Analyzing Government"  
Chapter 2 in *Public Sector Economics: The Role of Government in the American Economy*. <Handout>

\*AS: Part2, chs. 5-6

### Week 9 (3/5-3/9)

\*AS: Part 2, chs. 7-8 (NOTE: we will discuss *Atlas Shrugged* on Tuesday of this week)

### **Midterm Exam Thursday, 3/8**

### Week 10 (3/12-3/16)

### **Spring Break (no class) Monday-Friday 3/12-3/16**

### Week 11 (3/19-3/23)

#### Utilitarianism

- \*Bentham, Jeremy (1789). "Of the Principle of Utility." Chapter I in *An Introduction to the Principles of Morals and Legislation*.  
<<http://www.econlib.org/library/Bentham/bnthPML1.html>>
- \*FM: chs. 4-6; ch. 8
- Rothbard, Murray (1982). *The Ethics of Liberty*  
<<http://mises.org/rothbard/ethics/ethics.asp>> ch. 26
- Mises, Ludwig von (1958) *Liberty and Property*  
<[http://mises.org/books/liberty\\_and\\_property.pdf](http://mises.org/books/liberty_and_property.pdf)>

\*AS: Part 2, chs. 9-10

### Week 12 (3/26-3/30)

#### Natural Rights

- \*FM: ch. 28
- \*The Declaration of Independence of the United States of America  
<[http://www.archives.gov/exhibits/charters/declaration\\_transcript.html](http://www.archives.gov/exhibits/charters/declaration_transcript.html)>
- \*Rothbard, Murray (1982). *The Ethics of Liberty*  
<<http://mises.org/rothbard/ethics/ethics.asp>> ch. 4; chs. 6-8
- Rand, Ayn (1963) "Man's Rights"  
<[http://www.aynrand.org/site/PageServer?pagename=ari\\_ayn\\_rand\\_man\\_rights](http://www.aynrand.org/site/PageServer?pagename=ari_ayn_rand_man_rights)>

- Hausman, Daniel M. and Michael S. McPherson (1996). “Liberty, Rights, and Libertarianism.” Chapter 9 in *Economic Analysis and Moral Philosophy*. <Handout>
- Machan, Tibor R. “Against Utilitarianism; or, Why Not Violate Rights if it’d Do Good” <<http://mises.org/pdf/asc/2002/ASC8-Machan.pdf>>

\*AS: Part 3, chs. 1-2

### Week 13 (4/2-4/6)

#### Distributive Justice and the Social Contract

- \*FM: ch. 24
- \*“Distributive Justice” in the *Stanford Encyclopedia of Philosophy* <<http://plato.stanford.edu/entries/justice-distributive/>>
- \*Hausman, Daniel M. and Michael S. McPherson (1996). “Justice and Contractualism.” Chapter 11 in *Economic Analysis and Moral Philosophy*. <Handout>
- “Justice as Fairness: Justice within a Liberal Society,” section 4 of “John Rawls” in *Stanford Encyclopedia of Philosophy* <<http://plato.stanford.edu/entries/rawls/#JusFaiJusWitLibSoc>>
- Rothbard, Murray (1982). *The Ethics of Liberty* <<http://mises.org/rothbard/ethics/ethics.asp>> ch. 29
- Buchanan, James M (1975). “Constitutional Contract” Chapter 4 in *The Limits of Liberty: Between Anarchy and Leviathan* <<http://econlib.org/library/Buchanan/buchCv7c4.html>>
- Hobbes, Thomas (1651). “Of the Natural Condition of Mankind as Concerning Their Felicity and Misery” Chapter 13 in *Leviathan* <[http://oll.libertyfund.org/?option=com\\_staticxt&staticfile=show.php%3Ftitle=585&chapter=89842&layout=html&Itemid=27](http://oll.libertyfund.org/?option=com_staticxt&staticfile=show.php%3Ftitle=585&chapter=89842&layout=html&Itemid=27)>

\*AS: Part 3, chs. 3-4

### Week 14 (4/9-4/13)

#### Capitalist Morality

- \*CF: ch. 8
- \*FM: chs. 30-31
- \*DGC: Part VII (pp. 278-291)
- Crockett, David (Compiled by Edward S. Ellis) “Not Yours to Give” <<http://www.fee.org/pdf/books/Not%20Yours%20to%20Give.pdf>>
- Evensky, Jerry (1993). “Retrospectives: Ethics and the Invisible Hand.” *Journal of Economic Perspectives* 7, 2 <Handout>

\*AS: Part 3, chs. 5-6

**John Stossel Lecture: Thursday 4/13, TBD**

### III. Applications

#### Week 15 (4/16-4/20)

“Unfairness”: Income Inequality, Discrimination, Sweat Shops

- \*CF: ch. 10; ch. 7
- \*DGC: Parts IV-V (pp.152-238)
- \*“Declaration of the Occupation of New York City”  
<<http://www.nycga.net/resources/declaration/>>
- \*Lawson, Robert and Richard Alm (2011). “The Real Economic Power is in the Hands of Congress” <<http://news.investors.com/Article/595681/201112221818/occupy-congress.htm>>
- FM: ch. 25
- “Does U.S. Economic Inequality Have a Good Side?” *PBS NewsHour*. Video clip.  
<<http://video.pbs.org/video/2160792049>>

\*AS: Part 3, ch. 7

#### Week 16 (4/23-4/27)

#### **James Stacey Taylor Lecture: Monday 4/23, 6 pm**

“Immoral” Goods and Services: Black Markets

- \*Block, Walter (1976). *Defending the Undefendable*. Parts I-II (pp. 1-37); Part IV (pp. 73-96); Part V ch. 17 (pp. 121-127); Part VIII ch. 32 (pp. 243-252)  
<<http://mises.org/books/defending.pdf>>
- “Alabama’s Migrant Workers” *The Colbert Report* 10/26/2011. Video clip.  
<<http://www.colbertnation.com/the-colbert-report-videos/400778/october-26-2011/alabama-s-migrant-workers>>

\*AS: Part 3, chs. 8-10

#### Week 17 (4/30-5/4)

**Term Paper Due Tuesday 5/1**

**Last day of class Tuesday 5/1**

Review/Catch Up/Other Applications

**FINAL EXAM: Friday 5/4, 2:00-4:00 pm**