ETHICS AND ECONOMICS

Lecture Notes for Week 2

Tomáš Cahlík

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Justice and Coordination

In the first part of this chapter, we summarize the ancient Greek philosophers' understanding of justice. They regarded justice as one of the virtues. Other approaches to justice will be discussed later. In the second part of this chapter, we trace the basic development of virtue ethics from the ancient Greeks to contemporary understandings. In the third part of this chapter, social and economic structures are discussed. In social and economic structures, the coordination of people is the basic issue. Coordinating people who feel they are treated unjustly is more costly than coordinating those who feel they are treated justly. In Appendix 1, some points for discussing the legalization of drugs are presented. In Appendix 2, Alasdair MacIntyre's After Virtue is promoted.

Where the Notion of Justice Comes from?

For Aristotle (384–322 BCE), justice involves distributing material goods and honors among people according to what they deserve. In his work *Politics*, he illustrates his concept of distributive justice using the example of distributing flutes. According to Aristotle, material goods and honors should not be distributed equally among all individuals but rather according to the ability of the recipients. In the case of flutes, he argues they should be given to the best flute players because they deserve them; they can make the best use of them, thereby fulfilling the purpose for which flutes are intended: to produce beautiful music.

- **Teleological reasoning**: The flute example is a good illustration of Aristotle's teleological reasoning, which is characterized by the view that everything has a purpose or goal, and that understanding this purpose is crucial to understanding the thing itself and its place in the world. Aristotle applied this reasoning both in his natural philosophy and in ethics.
    - In his natural philosophy, he explained natural phenomena by attributing purposeful intent to natural objects and processes, viewing them as having inherent goals toward which they strive. This sharply contrasts with the scientific view that has developed since the end of the Middle Ages (since around the 15th

century).

- In his ethical framework, particularly in his work *Nicomachean Ethics*, Aristotle uses teleological reasoning to argue that the ultimate end or purpose of human life is eudaimonia, often translated as happiness or flourishing. He posits that eudaimonia is achieved through the practice of virtue, which aligns with the function or purpose of a human being. According to Aristotle, the function of humans is rational activity performed excellently, which means living according to reason and virtue.

In addition to distributive justice, Aristotle also wrote about **retributive justice** and **procedural justice**. There must be laws prohibiting actions that would seriously harm the State. Once laws are established, there must be just procedures for their application.

In Ancient Greece, the State was the city. Political ethics and social ethics overlapped, and legal assessment was synonymous with social assessment. This changed with the expansion of the Roman Empire.

Two statements clarify how the Romans understood the link between justice and law: “Justice is the mother of law,” and “Summum ius, summa injuria,” which translates to "the highest law is the greatest injustice." This phrase suggests that applying the strictest interpretation of the law without considering fairness or equity can lead to unjust outcomes.

Marcus Tullius Cicero (106–43 BCE) was a prominent Roman statesman, orator, lawyer, and philosopher. His works left a lasting legacy, shaping the development of Roman law and political theory. Among other things, he distinguished between active and passive injustice, as well as between spontaneous and premeditated injustice. He also emphasized the principle “Fit quod dicitur,” which translates to “What is said ought to be done,” or in simpler terms, “A deal is a deal.”

Virtues

Virtue is a cultivated habit that qualifies one for valuable activities. Virtue is holistic; it is not just about a single action, but about being good and living a good life. It is our moral duty to shape our inclinations, or normal behavior, in such a way that we enjoy doing good and have no conflicting emotions against duty. The opposites of virtues are vices.

Virtue ethics is a branch of moral philosophy that emphasizes character and the cultivation of virtues as the basis for ethical behavior, rather than focusing solely on rules or consequences. Originating with ancient Greek philosophers like Aristotle, virtue ethics considers the moral character of individuals and the development of virtues such as courage, temperance, and wisdom as central to ethical living. According to this approach, ethical actions naturally stem from a virtuous character, and the goal is to become a morally good person by fostering virtuous habits and dispositions. Virtue ethics highlights the importance of moral education and the continuous development of one's character throughout life.

Most proponents of virtue ethics argue that there is a common set of virtues that all human beings would benefit from, rather than different sets for different kinds of people. These virtues are considered natural for mature human beings, even if they are difficult to acquire. This presents a challenge, as lists of virtues from different times in history and different societies show significant differences. However, since Ancient Greece, there has been a consistent list of cardinal virtues (sometimes under different names):

- Prudence (good judgment),
- Fortitude (bravery),
- Temperance (restraint),
- Justice.

Plato (428–348 BCE) distinguished three relevant parts of the soul: reason, spirit, and appetite. Reason must achieve the virtue of wisdom. Through wisdom, reason influences spirit to attain the virtue of bravery. In turn, spirit, through bravery, influences appetite to achieve temperance. When all three parts of the soul are in harmony, a person is virtuous and just.

In terms of his **political philosophy**, societies have a tripartite class structure that corresponds to the reason/spirit/appetite structure of the individual soul:

- The governing class (Philosopher Kings),

- The protective class (Warriors, Guardians),
- The productive class (Laborers). When all three parts of society are in harmony, the society is just.

Aristotle (384–322 BCE) had a broader understanding of virtues than Plato, viewing them as all valuable features of human character. He distinguished between dianoethical virtues (intellectual virtues) and ethical virtues. Dianoethical virtues include:

- Wisdom and theoretical knowledge,
- Practical reason, linked with economic, political, and ethical practice,
- Poiethical virtues, associated with the arts and the creation of valuable things.

Most of the ethical virtues Aristotle discusses are in a "reflexive equilibrium" between two extremes. Excess is just as bad as deficiency. The right balance must be found. For example:

- Too much courage is foolhardy and could get you killed. Too little courage makes you avoid healthy risks, and you may be seen as cowardly.
- Too much modesty may make you seem shy and withdrawn, while too little modesty makes you appear boastful and irritating.

Aristotle believed that justice is the greatest of virtues but that friendship surpasses justice.

Aristotle's **teleological reasoning** posits that we are what we are, and we seek to achieve our "telos" (purpose) to be good and happy, and virtues help us fulfill our telos. Virtues are not just a means to an end but are part of the telos itself. Although consequentialist reasoning overlaps with this idea, Aristotle's teleological reasoning is much deeper.

St. Augustine of Hippo (354–430 CE), a prominent theologian and philosopher of the early Christian Church, profoundly influenced Christian doctrine with his teachings on virtues. He emphasized that true virtue is rooted in the love of God and aligns human will with divine will. Augustine identified four cardinal virtues: prudence, justice, fortitude, and

temperance, which he believed were essential for a righteous life. Additionally, he highlighted the theological virtues of faith, hope, and charity, which he regarded as gifts from God that elevate the soul. For Augustine, living a virtuous life meant striving for spiritual perfection and communion with God, ultimately leading to eternal happiness. Augustine's thought was influenced by Plato, and he adapted Plato's notion of the Forms to Christian theology by identifying the Forms with ideas in the mind of God.

During the 12th and 13th centuries, **Aristotle's works** were reintroduced to Europe, significantly influencing medieval European thought. Many of Aristotle's works had been preserved by Islamic scholars during the early Middle Ages and were translated into Latin. This reintroduction helped shape **Scholasticism**, which sought to reconcile classical philosophy with Christian theology.

Thomas Aquinas (1225–1274 CE) integrated Aristotelian philosophy into Christian theology, building on Augustine's ideas. Aquinas identified two levels of virtues:

1. **Moral virtues**: reasonableness (practical reason), justice (related to the will and interpersonal relations), bravery, and temperance.

2. **Theological virtues**: faith, hope, and love, given by the grace of God and enhancing reason, will, and spirit.

Alasdair MacIntyre (1929–) writes in *After Virtue* (1981) about the importance of virtues in practices, defining a virtue as a quality that enables one to achieve goods internal to practices. He also distinguishes between internal and external goods, using the game of chess as an example to explain the difference. Internal goods are those that benefit the whole community engaged in a practice, while external goods are competitive, often leading to winners and losers.

MacIntyre's concept of **narrative understanding** highlights that each individual is involved in various practices, developing a narrative of their life. The goal (telos) is to develop a good narrative. This understanding allows for unpredictability in life, as our personal narratives are intertwined with the narratives of the social structures we are part of.

Coordination

Our behavior can be either competitive or cooperative. In social structures, the behavior of people must be coordinated or managed to positively influence these structures. Managing people who feel injustice is costly; on the other hand, when people feel that their manager is fair, they cooperate more easily with them.

It seems that there is a preference for cooperation, as it has evolved because cooperation is advantageous in many situations.

Jean-Jacques Rousseau (1712–1778) described the **stag hunt dilemma**: A group of hunters track a large stag and find that it follows a certain path. If all the hunters work together, they can kill the stag, and everyone will eat. However, if they are discovered or do not cooperate, the stag will flee, and they will all go hungry. It is rational to cooperate.

David Hume (1711–1776) believed that, instead of purely rational reasoning, humans have a natural inclination to recognize the benefits of cooperation. Through repeated interactions, individuals develop customs and conventions that promote cooperative behavior. Trust and a good reputation encourage individuals to cooperate. Sympathy and a sense of justice further support the inclination to work together for mutual benefit.

Stag Hunt Game: In modern times, the stag hunt is conceptualized using game theory. We have two players who can either cooperate with each other or act independently. The game models a conflict between social cooperation and individual safety.

- **Players**: The game involves two players.
- **Choices**: Each player can choose to hunt a stag or a hare.
- **Payoffs**: The outcomes and payoffs depend on the combination of choices made by the players.

Payoff Matrix:

	Player 2 - Stag	**Player 2 - Hare**
Player 1 - Stag	(3,3)	(0,2)
Player 1 - Hare	(2,0)	(2,2)

Explanation of Payoffs:

- (3, 3): If both players hunt the stag, they cooperate and catch the stag, which provides the highest payoff (3 for each).
- (2, 2): If both players hunt the hare, they act independently and catch hares, receiving a smaller payoff (2 for each).
- (0, 2): If Player 1 hunts the stag but Player 2 hunts the hare, Player 1 gets nothing (0), while Player 2 gets a hare (2).
- (2, 0): Similarly, if Player 1 hunts the hare and Player 2 hunts the stag, Player 1 gets a hare (2) and Player 2 gets nothing (0).

Key Insights:

- **Cooperation vs. Risk**: The stag hunt illustrates the tension between the higher reward of cooperation (hunting the stag) and the safer option of acting alone (hunting the hare).
- **Nash Equilibria**: There are two Nash equilibria:
    - Both players hunt the stag.
    - Both players hunt the hare.
- **Coordination Problem**: The game highlights a coordination problem. Both players would prefer to cooperate and hunt the stag, but uncertainty about the other player's choice may lead them to choose the safer option of hunting the hare. Players can be coordinated toward cooperation using a mix of material and moral incentives.

Applications: The stag hunt is often used to model social and economic situations where cooperation yields the highest benefits, but individuals may be tempted to act independently due to uncertainty about others' actions. Another game that addresses the coordination problem is the **Prisoner's Dilemma Game (PD game)**.

In the **Prisoner's Dilemma**, two individuals (prisoners) are arrested and interrogated separately. They can either cooperate (stay silent) or defect (betray the other).

Payoff Matrix:

	Prisoner B - Cooperate	**Prisoner B - Defect**
Prisoner A - Cooperate	(-1, -1)	(-3, 0)
Prisoner A - Defect	(0, -3)	(-2, -2)

Explanation of Payoffs:

- **Both Cooperate** (-1, -1): If both prisoners stay silent, they each get a light sentence (e.g., 1 year in prison).
- **One Defects, One Cooperates** (-3, 0) or (0, -3): If one defects while the other cooperates, the defector goes free (0 years), and the cooperator receives the harshest sentence (e.g., 3 years).
- **Both Defect** (-2, -2): If both defect, they each get a moderate sentence (e.g., 2 years).

Key Insights:

- **Nash Equilibrium**: The dominant strategy for both prisoners is to defect, leading to both receiving a moderate sentence (-2, -2), even though mutual cooperation would result in a better outcome for both (-1, -1).
- **Coordination Problem**: The dilemma shows how individual rationality can lead to a worse collective outcome, raising the question of whether an external authority is necessary to coordinate players.
- **Tit for Tat Strategy**: In a repeated PD game, players encounter each other multiple times, learning strategies that promote cooperation, such as the *Tit for Tat* strategy. This involves cooperating on the first move and then mirroring the opponent's previous move. It is successful because it promotes cooperation, punishes defection, and is forgiving, as it resumes cooperation if the opponent does.

The Cake-Cutting Problem: This classic problem in fair division involves dividing a "cake" (a divisible resource) among several players in such a way that each player feels they have received a fair share. The key objectives are fairness, efficiency, and envy-freeness. The problem extends to various scenarios, such as dividing land, inheritance, or time slots.

Applications:

- The principles of cake-cutting are used in economics, political science, and dispute resolution to ensure fair outcomes.

Finally, the **Ultimatum Game** demonstrates that people care about justice. In this game, a proposer offers a portion of a sum of money to a responder. If the responder accepts, both receive the proposed amounts. If the responder rejects, neither player receives anything. This game reveals that people often reject low offers out of fairness, even though accepting any positive offer is rational from an economic standpoint.

Summary

The first section covers the origin of justice as a philosophical concept. Aristotle based distributive justice on the idea of distributing material goods and honors according to what individuals deserve, rather than equally. In *Politics*, he uses the example of distributing flutes, arguing that they should be given to the best flute players because they can make the best use of them. This illustrates his **teleological reasoning**, which holds that everything has a purpose or goal, and understanding this purpose is crucial to understanding its place in the world. In his ethical framework, especially in *Nicomachean Ethics*, Aristotle argues that the ultimate purpose of human life is **eudaimonia** (happiness or flourishing), which is achieved through living a virtuous life.

In addition to **distributive justice**, Aristotle also discussed **retributive justice** and **procedural justice**, emphasizing the need for laws and just procedures in the application of those laws. In Ancient Greece, the state was the city, and political ethics overlapped with social ethics, but this changed with the expansion of the Roman Empire.

The Roman philosopher Cicero expanded on justice by distinguishing between active and passive, and spontaneous and premeditated injustice, and stressed the importance of keeping promises, summarized by the principle “A deal is a deal.”

The second part introduces virtue ethics. Virtue is understood as a cultivated habit that prepares individuals for valuable activities, not just as single actions but as part of a good life. Virtue ethics, rooted in ancient Greek philosophy, especially Aristotle, emphasizes the development of character over mere rule-following or consequences. Aristotle distinguishes between intellectual and ethical virtues, and argues for a balance between extremes (e.g., courage between recklessness and cowardice). He sees justice as the greatest virtue, but believes that friendship surpasses it. St. Augustine, influenced by Plato, added theological virtues like faith, hope, and charity to the traditional cardinal virtues. Later, Thomas Aquinas integrated Aristotle's ideas with Christian theology. Alasdair MacIntyre's *After Virtue* highlights virtues as essential qualities for achieving internal goods within practices and emphasizes the role of narrative in shaping one's life.

The third part discusses that human behavior can be either competitive or cooperative, and shows how cooperation is generally more advantageous in many social situations. It explains the **stag hunt dilemma** by Jean-Jacques Rousseau, where cooperation between hunters leads to the best outcome, and David Hume's belief that humans are naturally inclined to cooperate due to social and emotional influences like trust and justice.

The **stag hunt game** is modeled using game theory, illustrating the balance between the rewards of cooperation and the safety of acting alone. The text also explains **Nash equilibria**, where players either cooperate for the best collective outcome or act independently. This game highlights the **coordination problem**, where players may hesitate to cooperate due to uncertainty about the other’s actions.

Similarly, the **Prisoner's Dilemma** shows how individual rationality can lead to worse collective outcomes, encouraging defection over cooperation. Strategies like **Tit for Tat** in repeated interactions can promote cooperation.

Other examples include the **Cake-Cutting Problem**, focused on fair division, and the **Ultimatum Game**, which shows that people care about justice and may reject unfair offers even when it is irrational economically.

These models and games help explain real-world social, political, and economic dynamics, illustrating how cooperation and fairness are central to successful social structures.

Appendix 1: Legalization of Drugs

Drugs are psychoactive chemicals that are transported to the brain via the bloodstream, directly and significantly influencing consciousness. **Drug abuse** refers to any non-medical use of drugs that poses a serious risk of harm to oneself or others. **Drug misuse** refers to occasional drug abuse. The most serious form of drug abuse is **drug addiction**, which involves a high degree of physical and psychological dependence, along with severe withdrawal symptoms.

Drug addiction is far more complex than just a pharmaceutical effect; it is a multifaceted condition involving psychological, social, and environmental factors alongside the biological impacts of substance use. While the chemical properties of drugs can lead to physical dependence and changes in brain function, addiction is also driven by emotional and mental health issues, such as trauma, stress, and mental illness. Social influences, including peer pressure, socioeconomic status, and family dynamics, play a crucial role in the initiation and continuation of substance abuse. Therefore, effective treatment for addiction requires a comprehensive approach that addresses the underlying psychological and social factors, as well as the biological aspects of dependency.

Legalization in its broadest sense refers to establishing a free market for all drugs. The legalization of drugs is considered a "freedom issue" and varies among countries.

The basic question is: Do we have a moral right to decide for ourselves which drugs we will or will not use? Discussing this question brings attention to the "liberty-limiting principles."

Liberty-limiting principles are philosophical frameworks that justify restricting individual freedoms under certain conditions to ensure the greater good or protect others. The most well-known of these principles include the harm principle, the offense principle, legal paternalism, and legal moralism. The **harm principle**, articulated by John Stuart Mill, asserts that individual liberty can be limited to prevent harm to others, including personal injury and damage to the general welfare of society. **Legal paternalism** allows for limiting liberty to prevent self-harm, arguing that the state can intervene for an individual's own good. The **offense**

principle, proposed by American political and legal philosopher **Joel Feinberg** (1926–2004), suggests that liberty can be restricted to prevent serious offense to others. This principle is often applied to victimless crimes such as drug use, prostitution, gambling, and certain traffic violations. **Legal moralism** posits that behaviors can be regulated if they are deemed morally wrong by societal standards.

These principles provide a basis for balancing personal freedom with societal interests, guiding legal and ethical decision-making in a democratic society. Only the harm principle is generally accepted. Legal paternalism is conditionally accepted and is permissible if the following conditions of **permissible paternalism** hold:

- An individual cannot manage their conflicting preferences,
- An individual does not have their own preferences,
- An individual does not have settled preferences.

Questions and Summaries of ChatGPT4 Answers

Do differences among drugs justify their different treatment? The debate is multifaceted, involving ethical considerations of harm and fairness, medical evidence on addiction and health impacts, legal principles of consistency and effectiveness and public opinion shaped by cultural norms. While some advocate for a uniform approach to drug regulation, the prevailing view tends to support differentiated treatment based on a combination of these factors to effectively address the varying risks and consequences associated with different substances.

Are the long-term deleterious effects of tobacco or alcohol sufficient for justifying the prohibition of their sale and use? While the long-term deleterious effects of tobacco and alcohol provide a strong rationale for regulatory measures aimed at reducing their use

and mitigating harm, outright prohibition is generally not favored due to concerns about individual autonomy, the effectiveness of enforcement, potential socio-economic impacts, and the lessons learned from past prohibitions. Instead, comprehensive regulation and public health strategies are typically seen as more balanced and effective approaches to addressing the harms associated with these substances.

Which liberty limiting principles could be applied for prohibition of tobacco or alcohol? Several liberty-limiting principles can justify the prohibition of tobacco and alcohol. The harm principle supports prohibition to protect others from secondhand smoke and alcohol-related accidents, while legal paternalism justifies it to prevent individuals from self-harm due to severe health effects. Legal moralism argues for prohibition to uphold societal moral standards against behaviors considered inherently harmful or degrading. Lastly, the offense principle could justify prohibition to prevent public behaviors associated with these substances that are offensive to non-users. Each principle highlights different aspects of the complex balance between individual freedom and societal welfare in the debate over substance regulation.

Are there any harms that legalization of drugs could diminish? While the legalization of drugs carries potential risks, it also offers significant opportunities to diminish harms associated with criminal activity, improve public health, generate economic benefits, promote social justice, and enhance research and education.

Are there any harms that legalization of drugs could increase? While the legalization of drugs has potential benefits, it also carries risks such as increased drug use and experimentation, public health issues, higher exposure among youth, social costs, driving under the influence, normalization of drug use, and regulatory challenges. These potential harms highlight the need for careful consideration and robust regulatory frameworks to mitigate negative outcomes.

Would legalizing drugs sharply increase drug addiction? Legalizing drugs could

potentially increase addiction rates due to greater availability and social acceptance. However, the extent of this increase would depend on the effectiveness of regulatory frameworks, public health campaigns, and access to treatment services. Empirical evidence from regions that have legalized certain drugs, such as cannabis in parts of the United States and other countries, shows mixed results. Some studies suggest an initial increase in usage, but not necessarily a sharp rise in addiction rates. Other studies indicate that long-term trends may stabilize as public awareness and regulatory measures take effect.

Until now, we have mostly used consequentialist argumentation; we can pose some questions that invite to deontological argumentation, e.g.:

Are drugs dehumanizing? A dehumanized person, in the Kantian sense (more in the 6th week of this course) has lost their freedom to make decisions autonomously and their ability to make decisions rationally. Drugs can be dehumanizing in various ways, particularly when they lead to addiction and impair autonomy. This results in social stigma and marginalization. However, this is not universally the case, as the impact of drug use varies widely depending on the context, the substance, and the individual. Recreational, medical, and therapeutic uses of drugs can have positive effects that enhance human experience and well-being, suggesting that the relationship between drugs and dehumanization is nuanced and complex.

Does the State have a right to protect individuals from engaging in seriously risky activities that might dehumanize them? What constitutes dehumanizing behavior can be subjective and culturally dependent. A strong argument against State intervention is the principle of individual autonomy. Adults should have the right to make their own choices, even if those choices involve significant risks. State-imposed moral standards may not reflect the diversity of individual values and beliefs within a society. Allowing the State to intervene in personal choices can lead to a slippery slope where increasingly intrusive regulations are justified.

Some argue that the State has a role in upholding certain moral standards and societal values. By preventing individuals from engaging in activities considered dehumanizing, the State helps maintain the moral fabric of society. Some argue that the State might

intervene to help individuals make more rational decisions, particularly if those individuals are incapable of understanding the full implications of their actions due to factors like addiction, youth, or lack of information.

Is the prescription and use of medical marihuana morally justified? The prescription and use of medical marijuana can be morally justified based on principles of autonomy, beneficence, non-maleficence, and just equitable access, particularly when it effectively alleviates suffering and is chosen by informed patients. However, concerns about potential misuse, insufficient research, health risks, and legal issues present challenges that must be carefully navigated. Ultimately, the moral justification hinges on a balance between patient benefits and broader societal impacts, emphasizing the importance of informed decision-making, rigorous research, and appropriate regulatory frameworks.

Ought the medical use of marihuana to be legal? The medical use of marijuana ought to be legal based on strong arguments for its potential medical benefits, respect for patient autonomy, harm reduction, regulation and safety, and economic and social benefits. However, considerations such as the potential for abuse, health risks, the need for more research, and regulatory challenges must be addressed through careful policy design and implementation. Balancing these factors, the legalization of medical marijuana can provide significant advantages while mitigating potential downsides, ultimately supporting patient well-being and public health.

Who ought to prove that marihuana is effective for medical treatment? The responsibility to prove the effectiveness of marijuana for medical treatment primarily rests with researchers, scientists, medical institutions, pharmaceutical companies, government agencies, and regulatory bodies. It requires a collaborative effort to conduct rigorous research, evaluate evidence, and ensure that medical marijuana is safe and effective for patients who might benefit from its use.

Appendix 2: Alisdair MacIntyre: “After Virtue”

Alasdair MacIntyre is a Scottish-American philosopher, born in 1929. He has been something of an intellectual nomad, having taught at many universities in both England and the U.S. Strongly influenced by Marxism in his youth, he converted to Catholicism in the early 1980s. He describes his approach to moral philosophy as "Augustinian-Thomist."

In *After Virtue*, MacIntyre critically examines the state of modern moral discourse, arguing that contemporary ethics is in disarray due to the abandonment of Aristotelian virtue ethics. He contends that Enlightenment thinkers failed to establish a rational foundation for morality, leading to **emotivism**, where moral judgments are viewed merely as expressions of preference. MacIntyre advocates for a return to the Aristotelian tradition, emphasizing the importance of virtues, community, and narrative in shaping moral character and achieving the good life. By reconnecting with these classical roots, MacIntyre believes that society can restore coherence and meaning to moral discussions.