ETHICS AND ECONOMICS

Lecture Notes for Week 10

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Obsah

Justice and Democracy

In the first part of this chapter, we discuss John Rawls's approach to justice. His 1972 book *Justice as Fairness* is considered one of the most significant works in political philosophy and has been extensively debated.

The second part of the chapter focuses on libertarianism. American libertarian political philosopher Robert Nozick responded to Rawls's *Justice as Fairness* in his 1974 book *Anarchy, State, and Utopia*.

In the third part, we introduce democracy, exploring majority voting as the voting system inherently associated with it.

Appendix 1 presents points for discussing environmental ethics. Appendix 2 promotes Jürgen Habermas's book *Between Facts and Norms: Contributions to a Discourse Theory of Law and Democracy*.

Justice as Fairness

John Rawls (1921–2002), a renowned American political philosopher, published *A theory of justice* in 1971. He introduced there the concept of "justice as fairness," offering principles of justice aimed at ensuring a fair and equitable society.

Rather than focusing on utility, Rawls analyzed the just distribution of resources such as liberties, opportunities, income, and wealth. This aligns him with *resourcists*, a philosophical approach to distributive justice that prioritizes fair access to resources while respecting individual freedom of choice, without guaranteeing equal outcomes.

Rawls utilized a hypothetical social contract in which rational individuals would agree on principles of justice under a *veil of ignorance*. Behind this veil, individuals do not know the attributes of their society or their personal characteristics, creating equality among the bargaining parties. This procedural approach aligns with Kant's universalizability principle. Rawls argued that justice can only be justified through a hypothetical contract, as actual contracts often face challenges related to fairness and moral force.

Rawls’s Principles of Justice:

1. Equal fundamental rights and liberties
2. Fair equality of opportunity
3. Difference principle: Income and wealth disparities are acceptable only if they benefit the least well-off (maximin principle).

These principles are *lexicographically ordered*: the first principle must be fulfilled before the second, and the second must precede the third.

Rawls proposed these principles:

- As suitable for societies with moderate scarcity.
- As superior to alternative principles, such as utilitarianism, under the veil of ignorance.

His principles do not logically follow from the hypothetical contract, which serves just as an expository tool.

His approach contrasts with those of Bentham and Pareto, as illustrated in Figure 10.1.

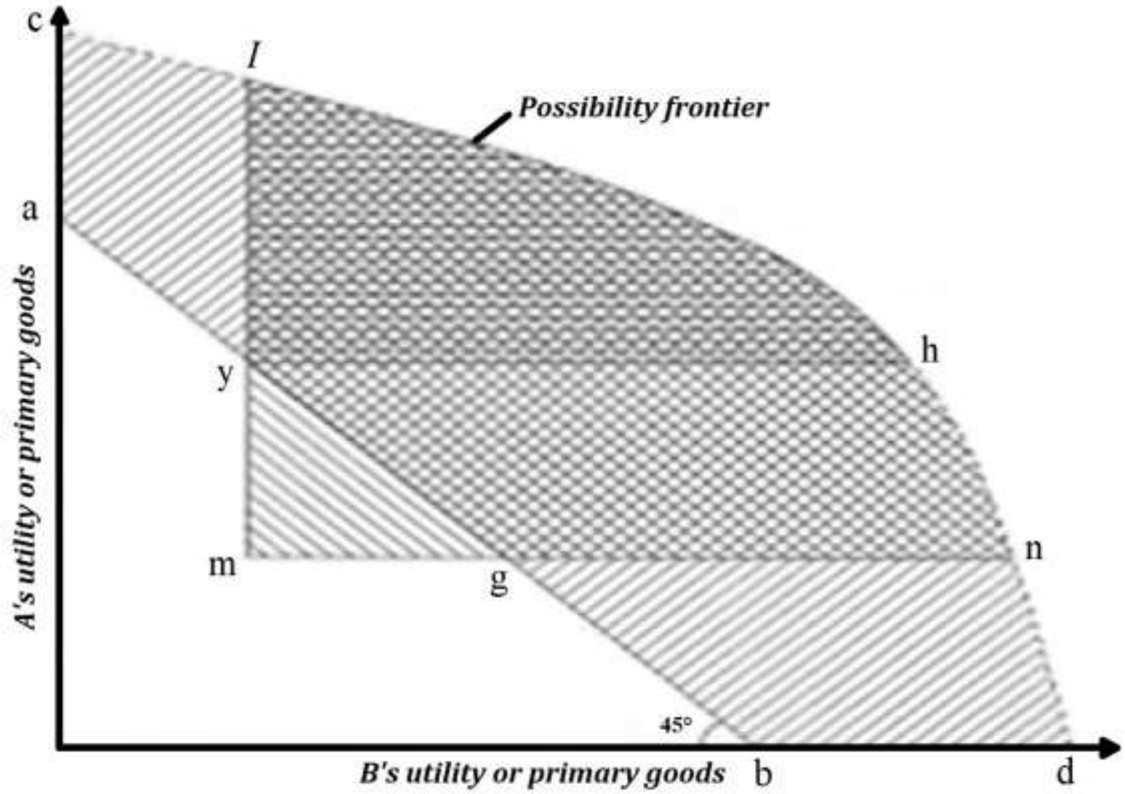

Figure 10.1: Rawls, Bentham and Pareto.

Starting from point y, just exchanges are voluntary and can improve Pareto efficiency in the area northeast of y. According to Bentham, justice is achieved by maximizing total utility, represented by the area above the 45-degree line a−b. This approach assumes that utilities are measurable and that resources provide similar utility to both individuals A and B. In contrast, Rawls considers redistribution to the hatched triangle y-m-g just, as it increases the utility of the least advantaged. This diagram is just an expository device for the comparison, Rawls focuses on redistributing resources rather than utility.

Rawls contends that differences in opportunity should not depend on factors individuals cannot control. Since people cannot influence their family background or innate physical and mental capacities, even factors like effort—valued by meritocrats as a basis for fair opportunity—are shaped by circumstances beyond individual control. For meritocrats, fair opportunity extends beyond just the labor market, as libertarians might argue, but it is not enough for John Rawls.

Discussion of Affirmative Action:

Affirmative action encompasses policies designed to address past discrimination and promote equal opportunities for marginalized groups, such as racial minorities and women, in areas like education and employment.

Arguments in favor:

- Affirmative action is a tool to rectify historical injustices and systemic inequalities.
- It aims to create a level playing field and foster diversity.

Arguments against:

- Critics argue it can result in reverse discrimination, disadvantaging individuals from non-targeted groups.
- It may conflict with meritocratic principles by prioritizing group identity over individual merit.

Affirmative action, as a form of "positive discrimination," may appear contrary to the idea that opportunities should not rely on uncontrollable factors. However, Rawls' difference principle allows inequalities if they benefit the least advantaged. From this perspective, affirmative action helps create equitable conditions for historically marginalized groups—the least advantaged. Nonetheless, Rawls stresses that such measures should be part of a broader effort to establish fair institutions that reduce reliance on preferential policies over time.

Entitlements under Existing Rules:

As the veil of ignorance is gradually lifted, more concrete rules are agreed upon. Rawls emphasizes that distributive justice is not about moral desert but about satisfying legitimate expectations based on established rules. A just scheme respects these entitlements within the framework of agreed-upon rules.

Libertarianism

Libertarianism approaches distributive justice with a focus on individual rights, property rights, and the principle of self-ownership, rejecting the idea that justice requires any particular pattern of wealth or resource distribution. Libertarians argue that as long as the process by which people acquire and transfer property is just—meaning it is voluntary and respects individual rights—any resulting distribution is also just, regardless of whether it is equal or unequal. For libertarians, justice is about respecting individual liberty and ensuring that no one is coerced into redistributing their wealth. They oppose forced redistribution by the state, believing that individuals have the right to the fruits of their labor and that charity should be voluntary rather than mandated by government policies. Three well-known libertarians are Robert Nozick, James Buchanan, and Milton Friedman.

Robert Nozick (1938–2002) was an influential American philosopher known for his work in political philosophy, particularly his defense of libertarianism. His most famous book, *Anarchy, State, and Utopia* (1974), presents a counterargument to John Rawls' theory of justice. Nozick advocates for a minimal state limited to protecting individuals' rights to life, liberty, and property, emphasizing the importance of individual freedom and the inviolability of private property.

The highest principle is the self-possession of an individual. Basic principles of governance are:

- No paternalist legislation;
- No morals legislation;
- No redistribution of income from rich to poor.

Nozick develops the following chain of reasoning: taxation = theft = forced labor = slavery.

What makes income distribution just?

1. Justice in acquisition (acquisition of initial holdings);
2. Justice in transfer (voluntary exchanges on free markets).

It is worth noting that, according to Buchanan, the constitutional contract creates justice in acquisition and free market economies are just.

Milton Friedman (1912–2006) was a renowned American economist and a leading advocate of libertarianism, known for his strong support of free-market capitalism. A key figure in the Chicago School of Economics, Friedman argued that economic freedom is essential for political freedom and individual liberty. His influential works, such as *Capitalism and Freedom*, promote minimal government intervention in the economy, emphasizing deregulation, privatization, and the importance of free-market mechanisms. Friedman's ideas have significantly influenced economic policy, advocating for reduced government control and the protection of individual rights in economic activities. He received the 1976 Nobel Memorial Prize in Economic Sciences for his research on consumption analysis, monetary history and theory, and the complexity of stabilization policy.

Critical questions about libertarianism:

1. Do individuals really possess themselves?

2. Can the distribution of initial holdings ever be just?

3. Is taxation by the consent of the governed coercion?

Criticism from the utilitarian perspective: From a utilitarian perspective, which focuses on maximizing overall happiness and well-being, libertarianism can be criticized for its emphasis on individual liberty at the expense of collective welfare. Utilitarians contend that some government intervention, like redistributive taxation and social welfare programs, is necessary to ensure a more equitable distribution of resources and opportunities, ultimately increasing total utility in society.

Criticism from the Rawlsian position: According to John Rawls, the successful owe something to society. Rawls argues that the distribution of wealth and opportunities is influenced by factors beyond individual control, such as social background, talents, and luck. Thus, the advantages enjoyed by the successful are not solely the result of their own efforts but also the result of social cooperation and circumstances. Therefore, Rawls believes that those who are more successful have a moral obligation to support social and economic structures that benefit the least advantaged members of society.

Democracy and Majority Voting

Only unanimous voting leads to Pareto efficiency in the supply of public goods and in changes to laws. The problem is that with a higher number of voters, unanimous voting is technically impossible. In democratic states today, majority voting is the most commonly used method. The problem with majority voting is that it can lead to various inefficiencies, such as the enslavement of minorities (the tyranny of the majority), budgetary biases, and governmental overregulation.

Democracy

Democracy, until the 19th century, had been mostly promoted by its critics. Plato (427–348 BCE), in *The Republic*, expressed concerns about the limited knowledge of leaders and the mob-like behavior of the populace. Alexis de Tocqueville (1805–1859), in *Democracy in America* (volumes published in 1835 and 1840), acknowledged that democracy copes better with egalitarian tendencies than monarchy, but he was concerned about the tyranny of the majority.

The most significant work in political science in the 18th century in America was *The Federalist Papers*, a collection of 85 essays written by Alexander Hamilton, James Madison, and John Jay between 1787 and 1788 to promote the ratification of the United States Constitution. Published under the pseudonym "Publius," these essays argued for a federal republic, explaining the weaknesses of the Articles of Confederation and detailing how the proposed Constitution would create a more effective and balanced system of government. The basic argument goes as follows:

- In social structures where people have a common interest, democracy can exist without factions. An example is the old Greek city-states. Without factions, it does not matter who governs and who is governed; people can alternate between governing and being governed.
- Two entrenched factions can lead to the tyranny of the majority, where the minority has no incentive to participate in the democratic process. Significant factions often arise

based on wealth distribution. It is impossible to eliminate factions entirely. The basic task of politics is to manage factions in a way that prevents them from destroying the common interest.

- The solution lies in having multiple, cross-cutting cleavages—many changing factions. This creates institutionalized uncertainty of outcomes and gives everyone an incentive to remain committed to the democratic process. A larger population, which the framers of the U.S. Constitution sought to achieve through the creation of the federation, provides a better chance of creating multiple cross-cutting cleavages.

The authors of *The Federalist Papers* promoted a non-tyrannical republic rather than a democracy, likely because of the negative philosophical connotations associated with the word "democracy" at their time.

The authors suggested a system of checks and balances, including:

- The division of legislative, judicial, and executive power;
- Veto powers;
- A bicameral system;
- Supermajority requirements;
- Federalism.

James Madison, one of the authors, wrote that "People are not angels." If they were, no government would be necessary. Conversely, if people were governed by angels, there would be no need for a system of checks and balances. However, since we are not governed by angels, "Ambition must be made to counteract ambition."

Subsequent Discussions

The ideas presented in *The Federalist Papers* have been discussed and elaborated on repeatedly. Robert Dahl (1915–2014), a prominent political scientist, argued that in reality, the separation of powers in the United States does not function as strictly as the ideal model suggests. Instead, there is significant overlap and interdependence among the branches of government. Dahl saw the U.S. political system as one of "pluralistic democracy," where multiple centers of power, including interest groups and political parties, influence decision-making. He believed that real political power is often shared and contested among these various actors, rather than neatly divided among the executive, legislative, and judicial branches.

Joseph Alois Schumpeter (1883–1950), in his book *Capitalism, Socialism, and Democracy* (1942), presented his "Market Theory of Democracy." In this book, there are two relevant chapters on democracy: "The Classical Theory of Democracy" and "Another Theory of Democracy." According to Schumpeter, parties try to sell programs, voters are buyers, and competition influences the behavior of parties. This competition disciplines political elites and ultimately prevents them from exercising domination. However, related problems have been studied, such as:

- Imperfect competition: just as firms can collude, political parties can collude as well;
- Competition is not over programs but over money, as politicians need funding for their campaigns;
- This approach to democracy devalues participation in elections. Can one consumer change the market? Can one vote change the outcome on the political market?

Majority Voting

One popular belief is that majority voting can reveal a "general will"—in economic jargon, a "social welfare function." The French philosopher Jean-Jacques Rousseau (1712–1778) believed that a "general will," distinct from the "sum of individual wills," exists. However, modern economists, particularly public choice theorists, are skeptical about the existence and practicality of a social welfare function. They highlight problems of aggregation, such as the impossibility of satisfying everyone's preferences simultaneously.

The French philosopher Marquis de Condorcet (1743–1794) described the paradox of majority voting:

- Voter I preferences: A > B > C.
- Voter II preferences: C > A > B.
- Voter III preferences: B > C > A.
- I & II prefer A to B.
- I & III prefer B to C
- II & III prefer C to A

While individual preferences are transitive, coalition preferences are not. As a result, from rational individual preferences that satisfy transitivity, we get irrational collective preferences that do not.

If we cannot find a "general will" through majority voting, what other reasons can we have for preferring it? John Locke (1632–1704) offered a pragmatic opinion. In his time, he saw majority voting as a tool to limit the power of a monarch. For Locke, majority voting was not about the general will but about power.

Impossibility of a Perfect Voting System

No voting system is optimal for every situation. This was proven by the American economist and mathematician Kenneth Arrow (1921–2017) and is named the Impossibility Theorem. The proof was published in 1951 in *Social Choice and Individual Values*. Arrow demonstrated that no voting system can satisfy the following three conditions simultaneously:

1. Unrestricted Domain (Universality): The system must accommodate any possible set of individual preferences.
2. Non-Dictatorship: No single individual's preferences should always dictate the group's overall preference.

3. Independence of Irrelevant Alternatives: The collective preference between any two options should not be influenced by unrelated alternatives.

Arrow's theorem highlights inherent limitations in achieving a fair and consistent aggregation of individual preferences into a social welfare function.

Suitability of Voting Systems

James Buchanan and Gordon Tullock, in their book *The Calculus of Consent* (1962), explored how people behind a veil of ignorance would think about decision procedures. They identified two types of individual costs associated with public choice:

- The expected cost to an individual if society votes for something they oppose;
- The costs linked to organizing an action against it.

Individuals prefer the decision procedure that minimizes the sum of both types of costs. Depending on the context, this could mean unanimous voting, qualified majority voting, or majority voting. Some decisions can even be left to politicians or bureaucrats.

Their findings have been criticized for assuming that individuals behind the veil of ignorance prefer the status quo. Under this assumption, unanimous voting or qualified majority voting, which favors the status quo, could be preferred. Without this assumption, majority voting would be preferred.

Median Voter Theorem

Anthony Downs (1930–2021), in *An Economic Theory of Democracy* (1957), introduced the "Median Voter Theorem," which builds on Harold Hotelling's "Principle of Minimum Differentiation" (1929). This theorem states that majority rule voting systems tend to favor outcomes most preferred by the median voter.

With majority rule voting systems, political programs tend to converge, and campaigns often focus more on personalities or "pork" (referred to as "bear" in Czech political jargon). However, divergence and competition between political programs can still occur, for example, through primaries. A key issue with divergent political programs is the risk of frequent policy reversals, such as alternating between nationalization and denationalization with each change in government.

Summary

The first subchapter presents the ideas of John Rawls, who in *A Theory of Justice* (1972), introduced "justice as fairness," focusing on a fair distribution of resources like liberties, opportunities, income, and wealth. This *resourcist* approach emphasizes equal access to resources while respecting individual choice, avoiding guarantees of equal outcomes. Using a hypothetical social contract and the veil of ignorance—where individuals are unaware of societal or personal attributes—Rawls proposed three principles of justice, ordered lexicographically:

1. Equal fundamental rights and liberties.
2. Fair equality of opportunity.
3. The difference principle, allowing inequalities only if they benefit the least advantaged.

These principles aim at fairness in moderately scarce societies and are presented as superior to other approaches. Rawls' framework focuses on redistributing resources rather than utility, so it can be tricky to contrast it with utilitarian and Pareto-efficient models.

On affirmative action, Rawls supports measures that benefit marginalized groups under the difference principle, though he highlights the need for broader institutional reforms to reduce reliance on such policies.

Lastly, Rawls underscores that distributive justice concerns entitlements under agreed-upon rules, rather than moral desert.

The second part summarizes libertarianism. Libertarianism emphasizes individual rights, property rights, and self-ownership, rejecting patterns of wealth distribution as necessary for justice. Justice is achieved when property acquisition and transfer processes are voluntary and respect individual rights, regardless of the resulting distribution's equality. Libertarians oppose state-mandated redistribution, advocating for voluntary charity and minimal government intervention.

Key Thinkers:

- Robert Nozick: In *Anarchy, State, and Utopia* (1974), he defends a minimal state protecting life, liberty, and property, arguing that taxation equates to theft and forced labor.
- James Buchanan
- Milton Friedman: A proponent of free-market capitalism, he argued for economic freedom as vital to political liberty, emphasizing deregulation and minimal government control.

Criticisms:

- Utilitarian Perspective: Libertarianism prioritizes individual liberty over collective welfare, overlooking the need for redistributive policies to maximize societal happiness.
- Rawlsian Perspective: John Rawls argues that the successful owe their advantages to societal cooperation and uncontrollable factors like social background. Thus, they have a moral obligation to support systems benefiting the least advantaged.

Further critical questions remain about self-possessing, the justice of initial holdings, and whether taxation by consent constitutes coercion. Libertarianism continues to face scrutiny for its limited focus on collective welfare and equity.

The third part starts with the discussion of historical critiques of democracy by thinkers like Plato and Alexis de Tocqueville, who worried about mob behavior and tyranny of majority. It highlights *The Federalist Papers*, which argued for a federal republic with checks and balances, emphasizing the need to manage factions and avoid tyranny by promoting cross-cutting cleavages in larger populations.

Modern perspectives on democracy are explored, including Robert Dahl's view of pluralistic democracy, Joseph Schumpeter's "Market Theory of Democracy," and Kenneth Arrow's Impossibility Theorem, which proves that no voting system can satisfy all fairness criteria. The paradox of majority voting and its failure to produce consistent collective preferences is explained using Condorcet's example.

The text also examines pragmatic views on majority voting, such as John Locke's argument that it limits monarchal domination, and Buchanan and Tullock's *Calculus of Consent*, which analyzes voting systems from a cost-minimization perspective. Lastly, Anthony Downs' Median Voter Theorem illustrates how majority rule often aligns with the preferences of the median voter.

Appendix 1: Environment

What should have priority: consumption, overcoming of inequalities or preservation of environment? Answering this question involves balancing competing needs and values. Each of these priorities addresses a crucial aspect of societal well-being and sustainability, but their interrelationship suggests that they cannot be addressed in isolation.

- Preservation of the Environment: Many argue that environmental preservation should take precedence because a healthy environment is fundamental to all life and underpins economic activities and social well-being. Without sustainable environmental practices, the natural resources needed for both consumption and economic growth will be depleted, and climate change could lead to catastrophic consequences. Ensuring environmental sustainability helps maintain biodiversity, secure resources for future generations, and mitigate the impacts of climate change, which disproportionately affect the poor and marginalized

- Overcoming Inequalities: Addressing social and economic inequalities is also critical, as extreme disparities can lead to social unrest, hinder economic development, and reduce overall societal well-being. Inequality often restricts access to resources and opportunities, disproportionately affecting marginalized groups. Overcoming inequalities can enhance social cohesion, improve health and education outcomes, and promote a fairer distribution of wealth. However, it is essential to do this in a way that also considers environmental sustainability to avoid further depletion of resources.

- Consumption: Economic growth and consumption are important for improving living standards, especially in developing countries. Higher consumption can drive economic activity, create jobs, and improve the quality of life. However, unchecked consumption, particularly in developed nations, can lead to overuse of resources and environmental degradation. Sustainable consumption practices are crucial for balancing economic needs with environmental limits.

Ultimately, these priorities should not be viewed as mutually exclusive but rather as interdependent. Sustainable development aims to balance these factors by promoting economic growth that is both socially inclusive and environmentally sustainable. Policy-makers and societies must seek integrated solutions that promote equitable growth while protecting the environment, ensuring that consumption does not undermine ecological balance or exacerbate inequalities. On the political level, (marginal) cost- (marginal) benefit analysis ought to be used to analyze these questions.

What are an individual´s responsibilities with respect to the environment? Individuals have several responsibilities concerning the environment, encompassing personal actions, ethical considerations, and societal engagement to promote sustainability and environmental protection.

- Reduce, Reuse, and Recycle: Individuals are responsible for minimizing waste by adopting the principles of reduce, reuse, and recycle. This includes using resources efficiently, reducing consumption of single-use plastics, and recycling materials to limit the amount of waste sent to landfills.

- Conserve Energy and Water: Responsible environmental behavior involves conserving energy and water to reduce one's ecological footprint. This can be achieved by using energy-efficient appliances, reducing water usage, and turning off lights and electronics when not in use.

- Sustainable Consumption: Choosing sustainable products and practices is a key responsibility. This includes buying locally-produced goods, supporting companies that prioritize environmental responsibility, reducing meat consumption, and choosing products with minimal packaging.

- Minimize Pollution: Individuals should avoid activities that contribute to air, water, and soil pollution. This includes properly disposing of hazardous materials, reducing the use of chemicals and pesticides, and using environmentally friendly transportation options such as walking, biking, or using public transit.

- Support Environmental Policies and Initiatives: Engaging in political and civic activities to support environmental protection is an important responsibility. This includes advocating for policies that promote sustainability, supporting reasonable environmental organizations, and voting for leaders committed to environmental stewardship.

- Educate and Raise Awareness: Educating oneself and others about environmental issues and sustainable practices is essential. By staying informed and sharing knowledge, individuals can influence others to make environmentally responsible choices.

- Protect Natural Habitats: Taking part in activities that protect and restore natural habitats, such as tree planting, participating in clean-up efforts, and supporting wildlife conservation initiatives, helps preserve biodiversity and the health of ecosystems.

Individuals play a crucial role in protecting the environment through everyday actions, informed choices, and active participation in environmental causes. By taking responsibility for their impact on the planet, individuals contribute to a healthier, more sustainable future.

What are complex systems? Complex systems are systems whose behavior is intrinsically difficult to model due to the dependencies, competitions, relationships, or other types of interactions between their parts or between a given system and its environment. Systems that are "complex" have distinct properties that arise from these relationships, such as nonlinearity, emergence, spontaneous order, adaptation, and feedback loops, among others. Because such systems appear in a wide variety of fields, the commonalities among them have become the topic of their independent area of research. In many cases, it is useful to represent such a system as a network where the nodes represent the components and links to their interactions.

Different Approaches to Environmental Obligations

Anthropocentric approaches to environmental obligations prioritize human interests and well-being, viewing the environment primarily in terms of its utility to human life. This perspective argues that we have a duty to protect the environment because it directly impacts human health, economic prosperity, and overall quality of life. For instance, clean air and water are essential for human survival, and healthy ecosystems provide resources and services such as food, medicine, and climate regulation. Anthropocentrism posits that environmental conservation is justified not for the intrinsic value of nature, but because a degraded environment can lead to negative consequences for humans, such as resource scarcity, natural disasters, and health crises. While this approach recognizes the importance of environmental stewardship, it does so through a lens that places human needs and benefits at the center of environmental ethics.

Arguments for:

- It corresponds to the common thinking;
- It is not linked with massive destruction of environment;
- Human interests are in many cases surrogates for animals ‘and plant´s interests (e.g. clean air);
- It is not clear how to administer a system of collective choice with non-humans as participants.

Example:

In his 1974 work "People or Penguins: The Case for Optimal Pollution," William F. Baxter presents an anthropocentric perspective on environmental ethics, arguing that environmental policies should be designed primarily with human interests in mind. Baxter contends that preservation of the environment and wildlife, such as penguins, should be justified based on their contribution to human well-being. He uses the concept of "optimal pollution," suggesting that some level of pollution is acceptable if it maximizes overall human welfare and allows for economic growth and societal benefits. Baxter's approach is pragmatic, emphasizing the need to balance environmental protection with human needs and the economic costs associated with stringent pollution controls. His argument challenges the notion of zero pollution as an absolute ideal, proposing instead that the focus should be on finding an optimal balance that considers both environmental and human interests.

Sentience-Based Approaches to environmental obligations argue that ethical considerations should be extended to all beings capable of experiencing pain, pleasure, or suffering—referred to as sentient beings. From this perspective, our moral obligations are not limited to humans but also include animals and other living creatures that possess the capacity for sentience. These approaches advocate for the minimization of harm and suffering to sentient beings, which means taking into account the impact of human actions on the welfare of animals that need their ecosystems. Environmental policies and practices, therefore, should not only focus on human interests but also ensure the well-being of non-human animals, recognizing their intrinsic value and right to a life free from unnecessary suffering. By considering the interests of all sentient beings, sentience-based approaches promote a more inclusive and compassionate framework for environmental ethics.

Biocentric, or eco-centric, approaches to environmental obligations emphasize the intrinsic value of ecosystems, arguing that humans have a moral duty to protect the natural world, not just for human benefit but for its own sake. Biocentric approaches recognize the inherent worth of entire ecosystems. Biocentric ethics promote actions that support the health of the planet as a whole, viewing humans as part of a larger ecological community, rather than its dominators. By prioritizing the well-being of the environment, biocentric approaches encourage sustainable practices that protect natural habitats and maintain the balance of the Earth’s ecosystems.

Miscellaneous

- For actions on the political level, it is not necessary to defend the intrinsic value of ecosystems. They have an instrumental or aesthetic value (for sentient beings or for humans) and this could be sufficient for revising those human activities that damage or destroy non-sentient natural objects.

- Economists approach pollution as a negative externality. Pollution trading is used as a tool for decreasing costs that are linked with the decrease of pollution.
- Libertarians believe that problems of pollution can be handled with property rights assignments to the environment and then market exchanges bring the system autonomously to an efficient outcome. One criticism of this position uses the Coase theorem, that says that in a world with transaction costs (and there are always transaction costs in the real world), the original assignment of property rights has an impact on the final outcome.
- Economics of climate change mitigation is a contentious part of the economics of climate change related to climate change mitigation – actions that aim to mitigate the dangerous socio-economic and environmental consequences of climate change.
- Two well-known reports on global climate change - Stern Report and Nordhaus Report – used different discount rates for consumption of future generations and made different conclusions because of that.
  - William Nordhaus (1941 –) is an American economist, at Yale University, best known for his work in economic modeling and climate change, and a co-recipient of the 2018 Nobel Memorial Prize in Economic Sciences. Nordhaus received the prize "for integrating climate change into long-run macroeconomic analysis".
  - Nicholas Stern (1946 –) is a British economist, banker, and academic. He is the Chair of the Grantham Research Institute on Climate Change and the Environment at the London School of Economics (LSE).
- In his 1958 work, *How Much Should a Country Consume?* John Kenneth Galbraith critiques the prevailing economic focus on maximizing consumption and production. Galbraith argues that the relentless pursuit of economic growth and increased consumption, driven by modern industrial society and consumer culture, often overlooks the quality of life, social well-being, and environmental sustainability. He highlights the discrepancy between private affluence and public squalor, where individual wealth and consumer goods flourish, while public infrastructure, services, and the environment suffer. Galbraith advocates for a balanced approach to economic policy, where the aim should not merely be to increase consumption but to enhance the overall quality of life,

ensuring that economic activities are aligned with societal well-being and sustainable resource use.

- In 1958, the world population was approximately 2.91 billion people. As of 2024, the global population has grown significantly and is now estimated to be around 8.16 billion.

- The degrowth movement advocates for a fundamental shift away from the pursuit of economic growth towards a focus on sustainability, well-being, and ecological balance. It challenges the idea that continual economic expansion is necessary or beneficial, arguing that this growth often leads to environmental degradation, social inequalities, and a decrease in quality of life. Degrowth promotes a reduction in production and consumption, a reevaluation of societal values, and a focus on community, ecological health, and equitable distribution of resources, aiming for a more sustainable and just world.

Appendix 2: Jurgen Habermas “Between Facts and Norms”

Jurgen Habermas (1929 -) is a German philosopher and social theorist in the tradition of critical theory and pragmatism. His work addresses communicative rationality and the public sphere.

Democratic public life cannot develop where matters of public importance are not discussed by citizens. An "ideal speech situation„ requires participants to have the same capacities of discourse, social equality and their words are not confused by ideology or other errors. In this version of the consensus theory of truth Habermas maintains that truth is what would be agreed upon in an ideal speech situation.

Between Facts and Norms - Contributions to a Discourse Theory of Law and Democracy (1992): Habermas contends that law is the primary medium of social integration in modern society. When various ethical traditions come into conflict with one another, as they inevitably do in a modern pluralist culture, do normative issues arise that have implications for everyone and must be handled by law. In Habermas' deliberative paradigm, law stabilizes society, but only through the universal voice of democracy.