“From Rugged Individualism to Brother’s Keeper: What is the Proper Role of Governments in Ensuring the Welfare of Their Citizens?

**Assigned Discussion Group Moderators:** Kit Kooiker (kkooikeriastate.edu), Tanya Evia (taniaeiastate.edu), and Amanda Schienebeck (aschieneiastate.edu)

**Date of Discussion:** Monday, October 3, 1:10-2:30pm (first 80 minutes of class)

**Readings:** Required/recommended readings from Syllabus Sections I-II

**Specific Responsibilities of Discussion Group Moderators:**

The moderators should prepare a clear concise hand-out for distribution to the class on the discussion date October 3. The hand-out should provide suggested answers to the scenario 1-4 discussion questions detailed below (to the extent that the moderators believe that definite answers can be provided) as well as pointing out any aspects of these discussion questions that the moderators conclude are controversial, hence difficult to answer in a definite way. The hand-out should also be distributed to the class using the class email list macro502@iastate.edu at least one day prior to October 3rd.

The moderators should come to class on October 3rd prepared to lead a class discussion on their hand-out (hence on the scenario 1-4 discussion questions below). The moderators should ensure the participation of all students in the discussion by (if necessary) calling on students to express their ideas.

**Some Suggestions:** Rather than going over all of the moderators’ responses to all of the scenario 1-4 discussion questions all at once, prior to any class discussion, I recommend that the moderators instead take up the discussion questions for each scenario one by one. As the discussion questions for each scenario are considered, the class participants should be encouraged (or called upon!) to comment on the moderators’ proposed answers to these discussion questions as outlined in their handout. Preparation of a few transparencies/ppt slides could help to focus the discussion.

**Evaluation of Discussion Group Moderators:**

I will evaluate the performance of the moderators (as a group) on the basis of their hand-out and in-class discussion moderation. It is expected that each of the moderators will actively participate in both aspects. The judgements of all class participants will be taken into account in this evaluation through an anonymous ballot. The points earned by the moderators (up to a maximum of ten) will be included in the determination of each member’s overall course score.

**Evaluation of Other Class Participants:**

I will evaluate the performance of each class participant other than the moderators on the basis of the quality of their contribution to the in-class discussion on October 2. The points earned by each of these other class participants will be either 0 (not present), 1 (poor), 2 (satisfactory), 3 (good), or 4 (excellent). The points earned by each of these other class
participants (up to a maximum of four) will be included in the determination of their overall course score.

**KEY ISSUE:**
The discussion questions posed below ask you to consider feasible and/or desirable economic behaviors and outcomes for a series of increasingly complicated resource allocation scenarios. The intent of the questions is to highlight possible differences in value judgements regarding the proper allocation of scarce resources. The key overarching issue is the extent to which resource allocation decisions among private citizens should be constrained by governments through the imposition of legally enforceable rules and regulations.

**SCENARIO 1 DISCUSSION QUESTIONS:**
Two agents A and B with identical tastes (utility functions) and identical human capital are shipwrecked on nearby islands I_A and I_B, respectively. Islands I_A and I_B are connected by a shallow channel that can be traversed on foot at low tide. Breadfruit grows naturally on each island. The natural annual harvests of breadfruit on I_A and I_B are H_A and H_B, respectively. Due solely to natural differences in soil fertility, H_A is larger than H_B.

a) Does agent B have a “right” to any of agent A’s breadfruit harvest H_A? If not, why not. If so, why, and how much of it?

b) Would your answer to a) change if you were told that H_B is a starvation level of food for agent B, but H_A is more than enough food for agent A to survive on?

c) What about the case in which the total harvest H_A + H_B is barely enough to sustain life for one agent and not enough to sustain life for both agents [the lifeboat ethics problem]? Would this change your answer to a)?

*Key Points to Ponder in Addressing Scenario 1 Discussion Questions:* Differences in randomly allocated physical endowments (here land) lead to differences in real income (consumption possibilities). Does this violate the “rights” of the less endowed agents? Do agents have any rights to resources “naturally,” i.e., rights simply by virtue of their humanity? For example, do agents have a “natural right” to receive at least the minimum level of resources needed to sustain their life (if this can feasibly be done)?

More generally, under what conditions “ought” property rights in resources be established, and to what degree? For example, should property rights be unconditional? Or should property rights be subject to attenuation conditional on the situation (e.g., use level, ability to defend the property, or existence of unmet needs?)

*Note (Webster’s Dictionary):* Breadfruit is a round usually seedless fruit that resembles bread in color and texture when baked, born by a tall tropical tree of the mulberry family.
SCENARIO 2 DISCUSSION QUESTIONS:

Two agents, $A$ and $B$, are shipwrecked on identical nearby islands $I_A$ and $I_B$ connected by a shallow channel that can be traversed on foot during low tide. Each island has naturally growing breadfruit. A special seaweed that enhances soil fertility is abundantly available along the coastline of each island.

Agents $A$ and $B$ have identical tastes (utility functions), but they differ in their human capital. Specifically, agent $B$ is naturally less skilled than agent $A$ at mixing seaweed into the soil due to a congenital health problem (i.e., a health problem present at birth).

Agents $A$ and $B$ have annual production functions for breadfruit as follows, where $L$ denotes the labor time spent mixing seaweed into the soil, and $L^*$ denotes the maximum labor time each of the agents $A$ and $B$ can work per year:

\[
\begin{align*}
Q_A &= 200L_A, \quad 0 \leq L_A \leq L^*; \\
Q_B &= 20L_B, \quad 0 \leq L_B \leq L^*.
\end{align*}
\]

a) Assuming agent $A$ cultivates $I_A$ and agent $B$ cultivates $I_B$, does agent $B$ have a “right” to any of agent $A$’s breadfruit production?

b) Suppose agent $A$ offers to cultivate part of $I_B$ in addition to $I_A$ in return for receiving a share of the breadfruit production on $I_B$. Is this a “fair” arrangement?

**Key Points to Ponder in Addressing Scenario 2 Discussion Questions:** Genetically determined differences in abilities can lead to differences in real income (consumption possibilities). Does this violate the “rights” of the less endowed agents? If not, why not? If so, why so? Under what circumstances, if any, should the more productive agents in a society be allowed to control (make use of) a relatively larger share of the productive physical assets of a society?

SCENARIO 3 DISCUSSION QUESTIONS:

Two agents, $A$ and $B$, are shipwrecked on identical nearby islands $I_A$ and $I_B$ connected by a shallow channel that can be traversed on foot during low tide. Each island has naturally growing breadfruit. A special seaweed that enhances soil fertility is abundantly available on each island.

Agents $A$ and $B$ are equally productive breadfruit growers. The annual production function for each agent is given by $Q = 200L$, and the maximum labor time each of the agents can work per year is $L^*$. However, agents $A$ and $B$ have different tastes for leisure (i.e., distastes for labor). Agent $B$ finds growing breadfruit much more arduous and difficult than agent $A$.

Specifically, the utility functions for agents $A$ and $B$ are given by $U_A(Q, L) = \ln(Q) - 2L$ and $U_B(Q, L) = \ln(Q) - 10L$. Thus, if agents $A$ and $B$ are utility maximizers, and $L^* > 1/2$, ...
agent A will choose $L = 1/2$ with a resulting breadfruit production level $Q^* = 100$ and utility level

$$U_A^* = \left[ \ln(100) - 1 \right]$$

and agent B will choose $L = 1/10$ with a resulting breadfruit production level $Q^* = 20$ and utility level

$$U_B^* = \left[ \ln(20) - 1 \right] < U_A^* .$$

a) Are these outcomes of individual utility maximization “fair”?

b) Does agent B have a “right” to any of the breadfruit produced by agent A?

*Key Points to Ponder in Addressing Scenario 3 Discussion Questions:* Genetically determined differences in tastes for leisure can result in different real incomes (consumption possibilities). Is this “fair”? If yes, is this logically consistent with the view that differences in real incomes resulting from genetically determined differences in human capital (e.g., health levels, skill levels, predatory capabilities) should be ameliorated by redistribution or even prevented altogether by some government regulation? Under what conditions “ought” real income to be redistributed? And if real income is to be redistributed, what “ought” to determine how this redistribution is carried out?

**SCENARIO 4 DISCUSSION QUESTIONS:**

Two groups of agents A and B capital are shipwrecked on nearby islands $I_A$ and $I_B$, respectively. Islands $I_A$ and $I_B$ are connected by a shallow channel that can be traversed on foot at low tide. Breadfruit grows naturally on each island. The natural annual harvests of breadfruit on $I_A$ and $I_B$ are $H_A$ and $H_B$, respectively. Due solely to natural differences in soil fertility, $H_A$ provides abundant food for agent group A but $H_B$ provides only a subsistence living for agent group B.

The two shipwrecked groups of agents each live for thirty more years, and then they die. Each group maintains its own identity as a separate tribe with no inter-marriage. Each group of agents has children starting at the end of the first year after their shipwreck.

a) How should the land be distributed among the children of agent groups A and B? Should the children of agent group A inherit all of the more productive land on $I_A$, or should the children of agent group B receive some of this land as well (and how much)?

b) Would your answer to a) change if you were told that both groups of agents were originally shipwrecked on the less productive island $I_B$ but that agent group A subsequently discovered the more productive island $I_A$ by risky and difficult exploration efforts?

*Key Points to Ponder in Addressing Scenario 4 Discussion Questions:* To what extent, and under what conditions, should parents have the “right” to bequest their property to their children? Should societies impose “inheritance taxes” on children who inherit property from their parents? In what sense, if any, do children “deserve” to inherit the property of their parents?