Re: Enjoying

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I. Utilitarianism

* The fundamental principle of Utilitarianism: an action is right if it tends to promote happiness and wrong if it tends to produce the reverse of happiness*

5. Utilitarianism differs from ethical theories that make the rightness or wrongness of an act dependent upon the motive of the agent.
6.

1. Concept of Utilitarianism

In the notion of consequences the Utilitarianism includes all of the good and bad produced by the act, whether arising after the act has been performed or during its performance. If the difference in the consequences of alternative acts is not great, some Utilitarian do not regard the choice between them as a moral issue. According to Mill acts should be classified as morally right or wrong only if the consequences are of such significance that a person would wish to see the agent compelled, not merely persuaded and exhorted, to act in the preferred manner.

In Assessing of the consequences of action, Utilitarianism relies upon some theory of intrinsic value. Bentham and Mill analyzed happiness as a balance of pleasure over pain and believed that these feelings alone are of intrinsic value and disvalue. Utilitarianism also assume that it is possible to compare the intrinsic values produced by tow alternative actions and to estimate which would have better consequences. Bentham believed that a hedonic calculus is theoretically possible.

2. Utilitarian

(1) Jeremy Bentham, who believed that an individual in governing his own actions would always seek to maximize his own pleasure and minimize his own pain, found in pleasure and pain both the cause of human action and the basis for a normative criterion of action.

For Bentham, "the greatest happiness of the great number" would play a role primarily in the art of legislation, in which the legislator would seek to maximize the happiness of the entire community by creating an identity of interests between each individual and his fellows. Bentham's major philosophical work, An Introduction to <the Principles of Morals and Legislation>(1789), was designed as an introduction to a plan of a penal code.

Utilitarianism became the ideological foundation of a reform movement, later known as philosophical radicalism," that would test all institutions and policies by the principle of utility.

(2) John Stuart Mill

Mill was a spokesman for women's suffrage, state-supported education for all, and other proposals. He argued on Utilitarian grounds for freedom of speech and expression and for the noninterference of government or society in individual behavior that did not harm anyone else.

In Mill's essay Utilitarianism"(1861), Utilitarianism is viewed as an ethics for ordinary individual behavior as well as for legislation.

3. Problems in Utilitarian Procedures

Utilitarianism now appears **in** various modified and complicated formulations

(1) Bentham's ideal of a hedonic calculus is usually considered a practical if not a theoretical impossibility.
(2) The process of identifying the consequences of an act - a process that raises conceptual as well as practical problems as to what are to be counted as consequences even without precisely quantifying, the value of those consequences
(3) Difficulty in the procedure of comparing alternative acts.

II. **Maximization of utility**

Economic rationalism stems from the principle of scarcity. The scarcity can be described limited resources or income of customers. Therefore, they can't buy all of goods that they want. To maximize utility, in economic theory, consumers pursuit economic rationalism. Economists wanted to develop theories about utility to explain how people get satisfaction doing economic behavior. They assumed that the utility can be measured and people behave rationally. Theory of marginal utility is to explain how people maximize their utility when they buy two goods under the limited income.

1. **Theory of marginal utility**

(1) Background

The theory of marginal utility is kind of subjective value theory which denied objective value theory supported by the economists before 1870s. Objective value theory asserted that price of goods is decided by the labor or production expense which is included to the goods. On the other hand, the theory of marginal utility asserts that utility decides the price.

(2) **Application**

Marginal utility is an additional unit of utility when a person feel when he buys goods or takes something. In other words, it is a satisfaction that customers feel with consuming one unit of goods. The utility is subjective.

If you are thirsty, you may be satisfied from drinking a bottle of coke. Though you think that you had enough, in this case, the marginal utility becomes zero and total utility is maximized, if you are forced to drink one more bottle of coke, you may feel uncomfortable (from the moment when you drink a drought of the second, the marginal utility turns negative.) The less scarce a commodity, the lower is its marginal utility, because its possessor in any case will have enough to satisfy his most pressing uses for it, and an increment in his holdings will only pen-nit him to satisfy, in addition, desires of lower priority.

- Law of equi-marginal utility

Let's assume that we have limited income and we are going to buy two goods such as Coke and hamburger. If we divide marginal utility of Coke by its price and do the

same thing to Hamburger, we can get each goods' marginal utility evaluated by a unit of money. When these two values are equivalent, customers get maximized utility under limited income.

(3) **Evaluation**

There is critical problems in the theory of marginal utility. It assumes that people can measure the utility like weight, length or height. According to the theory, customers think rationally in buying goods and behave under one's system of preferences. With minimum expenses, individuals consume goods without being affected by other consumers' behavior. But, American economist Harvey Leibenstein indicated that consumers are not so rational. According to him, they are affected by other people's consuming behavior.

2. Irrational behavior

(1) **Bandwagon Effect**

Sometimes, customers buy goods because many of people consume it. Because they don't want to let behind. When a customer consumes goods affected by other customers, we call this 'bandwagon effect.' For example, when a dress is in fashion, people are going to buy it, because they want to keep up with the fashion.

(2) **Snob Effect**

This is the opposite to the above effect. 'Snob Effect' is an inclination to quit or decrease consuming certain goods because other people are consuming it. These kinds of people want to be special. It appears when an individual believe that he or she has different status from others. Blue jean is usually wom by lots of people. Some people don't wear because most of people usually wear blue jeans.

(3) **Veblen Effect**

Veblen Effect is related to when people buy goods to show off. In a fur coat shop in Myungdong, there was a fur coat of thirty-thousand won. But, it didn't sell well, so a clerk attached a price tag of three million won. Finally, it was sold like hot cakes. Veblen Effect explains why people buy foreign cars, diamond ring or other expensive stuffs.

3. Speculative Demand

Rational but unethical

Speculative Demand is people's inclination to buy more goods such as sugar or coffee than they need after contacting with news which price of that will go up sooner or later. Generally, those who bought goods in advance get profits and others get loss, because they can't help paying more money to buy sugar or coffee than usual. But, we can't say that people who bought more goods in advance are irrational. It can be said that it is a rational consuming behavior to get maximized their utility with least expenses only if they are going to consume the goods with planning.

So, with the view of market this kinds of consuming behavior is troublesome and unethical, it can be regarded as rational behavior to maximize his utility but with the view of individual,

III. Government Intervention in the market-price system

Classical Theory: Leave the economy alone

This theory holds the view that a market-price system can solve its own problems without government interference. Adam Smith (the founder of the theory)s statement formed the basis for the laissez-faire political philosophy-noninterference by government in the workings of the economic system.

Advantage

5. No planning mechanism is needed to produce the goods and services people want.
6. Is compatible with democracy and political freedom.

The system organizes production in a way that enables its people to be free to pursue their own self-interest.

For 144 years this view of the benefits of a market-price system prevailed. But after the Great Depression of the 1930s, the theory of a free, unregulated marketplace system came under serious attack.

The Keynesian Revolution: The economy needs to be managed

The new approach appeared in 1936 by Keynes. Keynes argued that the economy could get stuck at any level of unemployment and that there were no automatic forces that would help the economy recover from depressions or excessive inflation. Keyness views inevitably led to the conclusion that the economy could not take care of itself. He believed it was the governments job to pull the economy out of a depression.

The functions of government

The conservatives-classicists do not mean they do not want any government interference. Even Adam Smith believed that the government should do many things for the people that a free, private market system would not provide. But the impact of the Depression gave rise to a responsibility of government beyond those endorsed by the classical economists-responsibility for the economic health of the economy.

The need for government intervention has become largely a value judgment dependent on the expressed needs of voters and of politicians. The generally recognized appropriate functions of government are:

1. To protect the public against monopolistic or unhealthy business practices.
2. To protect the environment.
3. To provide goods and services the private economy is unlikely to provide.
4. To redistribute incomes to secure an adequate level of goods and services for all people in our society.
5. To provide stable prices, enough jobs, and sufficient economic growth to satisfy and increasing number of people who want continued improvements in their standards of living.

Reasons for government interference

1. To protect against decline of competition

The motivation of self-interest causes a competitive economic system to become increasingly less competitive. Entrepreneurs do not want ruinous competition from a competitor. Instead they want to insulate themselves from competition by becoming bigger: by becoming monopolistic.

A monopolistic business has little competition. Therefore these businesses tend not to produce as efficiently or produce as good a product or charge the lowest possible price resulting in hurting the innocent consumer.

2. To protect the environment

Entrepreneurs are often uninterested in protecting the environment. This is because the efforts to do so usually increase the costs of production and reduce profits. The enactment of environmental protection legislation is one solution the government has forwarded.

3. **To provide goods and services**

Because the market-price system produces only what people are willing to pay for, it may not provide goods and services when profit is absent or is not apparent to potential entrepreneurs. Goods and services are for example, roads, public schools, police forces, hospitals for the poor etc.

Adam Smith also recognized that it was to everyone interest if everyone obtained some publicly supported education and if some public health measures were enforced. All these activities, Smith believed, were appropriate concerns of the government.

4. To redistribute incomes

The market-price system guarantees no particular level of income distribution. In this system the people with larger incomes will be more apt to be able to buy what they want. People with lower incomes will be more apt to be *unable* to buy some of the things they want. So, market-price systems may exclude poorer people from buying while the goods and services produced may be designed to serve the wants of people with more money. Therefore the government interferes in the market to redistribute incomes. Tax laws, to some extent, determine who shall have money to spend, save, and invest.

5. **To provide stable prices and employment**

The very fact that a market-price system is operated by self-interested groups of entrepreneurs and workers in conflict with one another produces unstable levels of employment and prices. The government can help by increasing or decreasing aggregate demand through changes in taxes, government spending, or by changing the amounts of money available for loans at the banks.

Conclusion

Adam Smith believed that the market-price system would operate as if by and invisible hand to give an ideal solution to the questions of what, how, and for whom the goods and services should be produced. But in actuality, the system allows many problems to exist; this called on the appropriate intervention of the government by the voters choice.