

Enjoying

To: Special Topics in Constitutional Law
From: Park Il-Hwan, Jo Eun-Young, Kwon Byung-Gyu, Kim Jung-Ha, Shim Jae-Hyu
Date: April 11, 2000

1. 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.

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

The Concept

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 mannered.

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 alterative actions and to estimate which would have better consequences. Bentham believed that a hedonic calculus is theoretically possible.

Utilitarian

By jeremy BenLham.

Jeremy Bentham 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 fellow. 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.

By John Stuart Mill

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

The Present

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 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 as limited resources or income of customers. Therefore, they can't buy all the goods they want. To maximize utility, in economic theory, consumers pursue economic rationalism. Economists wanted to develop theories about utility to explain how people get satisfaction by 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 1870's. 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 feels 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 became zero and total utility is maximized. And 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 in a commodity, the lower is its marginal utility because its possessor in an case will have enough to satisfy his most pressing uses of it, and increment in his holdings will only permit 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 a coke and a burger. If we divide marginal utility of coke by its price and do the same thing to the burger, we can get each good's 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 rationality in buying goods and behave under one's system of preferences. With minimum expenses, individuals consume goods without being affected by other consumer's behaviors. But, American economist Harvey Leibenstein indicated that consumers are not so rational. According to him, they are affected by other people's consuming behavior.

Government Intervention in the market-price system

1. Classical Theory: Leave the economic 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 working of the economic system.

Advantage

- No planning mechanism is needed to produce the goods and services people want.
- 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, unregulated market--price system came under serious attacks.

2. 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. Keynes's views inevitably led to the conclusion that the economy could not take care of itself. He believed it was the job of government to pull the economy out of a depressions

3. The function of government

The conservatives-classists do not mean they don't want any government interference. Even Ad 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.

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: (**and** they are also the reasons for the government interference)

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

4. Conclusion

Adam Smith believed that the market- price system would operate by invisible hand which gives an ideal solution to the questions of what, how, and for whom the goods and services should be produced. But actually, though the

theory still form the keynote in economy today, it allows many problems to exist: this called on the appropriate intervention of the government.

Maximization of individual utilities

Kwon, Byuiig-Kyu, 9711372, College of Law

2. Significance of Assumption of Maximization of individual utilities

Economics assumes that people act like below

- 1) Consumers try to maximize individual utilities
- 2) Producers try to maximize profit
- 3) Government Officials try to maximize the power of the department where he/she belongs or try to maximize the possibilities of his/her promotion
- 4) Politicians try to maximize popularity, possibility of reign or polling score in the election
- 5) Foreigners try to maximize their own national interests

People described in economics are selfish and try to maximize self-interest. But economics doesn't deny the goodness of people. Economics attach great importance to "warm heart" as well as "cool head" as Alfred Marshall said. Physical happiness of people can be expressed as follows,

$$\text{Happiness} = \text{Consumption of goods} / \text{Wants}$$

As we can see from above equation, the way to promote the happiness is increase of consumption, suppression of wants or achievement of both. But relative change of a numerator and a denominator is more important. That is to say, if the denominator increase faster than the numerator people will be unhappy and society will be full of conflicts and dissatisfaction. Max Weber said that the Protestant ethics became the basic ethics, which made sound the wants of western people. Maximization of individual utilities is the process of maximization of happiness, and it will be accomplished under the constraint of limited budget or limited time, etc.

3. Maximization of utilities under the constraint of limited **income**

Model of choice between the quantity and quality of children will be explained as an example of utility maximization under the constraint of limited income.

A family tries to maximize the utility represented by the following utility function.

- 1) $U=U(n, w, y)$ (n: quantity of children, w: quality of a children, y: all the goods which are irrelevant to children)

4. Assumption: $w = e + q$ <quality of children is determined by the direct expenditure of a family(q) and expenditure which is out of control of the family(e)>
5. Budget constraint: $M = pnq + y$ <M: given income of a family, p: average cost which is necessary to increase 1 unit of quality of a child>
6. answer can be found by maximizing the utility function under the 2), 3) constraint. G. Becker, Nobel Prize winner for Economics predicted that the income elasticity to the quality of child would be greater than the income elasticity to the quantity of children. This means that people will increase the expenditure on children to improve the quality of child rather than they increase the quantity of children when they have increased income.

7. Maximization of utilities under the constraint of limited time

People spend their 24 hours eating, sleeping, working and playing. A **man** spends 10 hours eating and sleeping. He spends 14 more hours working to earn money (w per hour) or playing.

- 1) $U = U(L, M)$
- 2) $H + L = 24$ (H: labor time, L: leisure **time**)
- 3) $M = wH$ (w: wage per hour)

Answer can be found by maximizing the utility function under the 2), 3) constraint. In this case we can find that increase of wage per hour will increase the supply of labor. But we can **find** it also that increase of wage will decrease the supply of labor some times. This phenomenon happens because each person pursues maximization of his or her own utility and because each person has different utility function.

4. Conclusion

Happiness of people is determined not only by physical happiness but also by spiritual or mental happiness. So it is not easy to calculate the exact value of this invisible mental status. But economics gives us powerful instrument to assess the degree of satisfaction. Economics suppose that people want maximization of their utility to improve the possibility of happiness. Economics assumes possessive people but we can **find** existing form of people in economics also.

Notes

- 1 . Hal R. Varian, Intermediate Microeconomics, third edition, W.W.Norton & Co., 1992.
- 2 . Lee, Joon-ku, Microeconomics, second edition, Seoul, Pupmoonsa Publishing Co., 1995.

3. Song, Byuno-Nak, The Korean Economy, third edition, Seoul, Bakypungsa Publishing Co., 1992.
4. G. Becke7and N. Toines, "Child Endowments and the Quantity and Quality of Children", Journal of Political Economy, August 1976.