

Contents

1	Introduction	1
	References	4
2	Adam Smith and the Free Market	5
2.1	Introduction	5
2.2	Adam Smith’s Admiration for the Productivity of the New Economy	6
2.3	Adam Smith on the Production Side of the New Economy	7
2.4	Adam Smith and the Demand Side of the New Economy	9
2.5	Adam Smith’s General Principles for a Productive Economy	11
2.6	Adam Smith About Some Necessary Functions for the Government	13
2.7	Adam Smith and Ethical Expectation of the New Economy	18
2.8	Adam Smith About Social Classes and Lobbying	19
2.9	Conclusion	20
	Reference	21
3	The Concepts of Private, Public and Merit Goods	23
3.1	Introduction	23
3.2	The Conceptual Apparatus for Analyzing Economics	24
3.3	The Need for the Concept of “Public Goods”	26
3.3.1	The Characteristics of a “Public Good”	27
3.3.2	How to Deal with “Public Goods?”	32
3.4	The Concept of “Merit Goods”	36
	References	43
4	Business Ethics and Eleven Categories of Merit Goods	45
4.1	Introduction	45
4.2	Merit Goods and Ethical Conflicts in the Business World	47
4.3	Economic Justifications of Merit Goods	48
4.4	Philosophical Justifications and the Categories of Merit Goods	53

4.5	Categories of Merit Goods	56
4.5.1	Defining and Protecting Property Rights Including Granting Limited Liability	57
4.5.2	Institutional Arrangements to Promote Economic Efficiency	58
4.5.3	Dealing with Business Cycles	60
4.5.4	Education	61
4.5.5	Safety Net	62
4.5.6	Public Health Measures	66
4.5.7	A Well-Functioning Social Contract	68
4.5.8	Transparency and Prevention of Corruption	68
4.5.9	Strategic Planning and Investment Decisions or Industrial Policy	69
4.5.10	Environmental Protection	70
4.5.11	Protection of Cultural Heritage	71
4.6	Applications for Business Ethics	72
4.6.1	General Argument	72
4.6.2	Additional Concrete Application: The Financial Crisis of 2007–2008 and the Subsequent Recession	74
4.6.3	Conclusion	79
	References	79
5	The Ethical and Socio-Political Dimensions of the Financial Crisis of 2007–2008 and the Subsequent Recession	83
5.1	Introduction	83
5.2	Keynes on Recessions and Schumpeter on Creative Destruction	84
5.3	Recent Economic Thoughts About Financial Crises and Recessions	85
5.4	Introduction of an Ethical Concept in Economic Theory	86
5.5	Financial Crises in the Past	87
5.5.1	Reinhart and Rogoff’s Interpretation	88
5.5.2	Rajan and Reich’s Interpretation	89
5.6	Philosophical Interpretation of the 2007–2008 Crisis and the Ensuing Recession	96
5.6.1	Conclusion	97
5.6.2	Post-Script	99
	References	99
6	Conclusion	101