

Tiedekunta-Fakultet-Faculty Valtiotieteellinen tiedekunta		Laitos-Institution-Department Department of Economics	
Tekijä-Författare-Author Miettinen, Topi			
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Tiivistelmä-Referat-Abstract <p>In the thesis, I will present a formal game theoretic model on determination of a fair social contract introduced by Binmore (1994, 1998). Binmore considers a social contract as an implicit contract that determines the rights and duties of contracting individuals. Binmore's construction is naturalistic and ethically relativistic. The driving forces are biological and social evolution. Morality is seen as an equilibrium selection mechanism to coordinate among multiple equilibria available.</p> <p>Binmore wants to construct a synthesis of the theories of Rawls (1971) and Harsanyi (1977). He picks up an idea familiar to economists from the theory of the firm and presents three time intervals. In the short run, all the decisions of importance are made. In the medium run, social evolution alters the fair social contract. In the long run, genetic codes adapt to the prevailing shorter run circumstances.</p> <p>In the short run, players are playing two games simultaneously: the game of life where players strategy choices are only restricted by physical, natural and biological constraints and the game of morals where side-stepping from the fair social contract strategies launches punishments on one hand and a negotiation process on the other. The negotiation process takes place behind the veil of ignorance familiar from theories of Rawls and Harsanyi. Binmore uses bayesian decision theory in maximizing empathetic preferences that are identical to extended preferences of Harsanyi. This approach leads Harsanyi to utilitarianism. Binmore, however, sticks to non-commitment approach in the negotiation process. By these means he ends up with a maximin conclusion familiar from Rawls, that Rawls thought to require abandoning bayesian decision theory. In the medium-run the weights of empathetic preferences adapt and finally settle to an evolutionary stable equilibrium. The solutions of Rawlsian and utilitarian approaches coincide. Finally long-run approach presents a theory why the market system has evolved. As far as the scope is restricted to division of market goods, the fair social contract coincides in the long run with the walrasian equilibrium.</p> <p>We proceed by first discussing, how moral and ethical theories fit to traditional economics. We try to shed light on some issues of dispute in economics that are essential for the theory. We will then present the essential tools of game theory necessary for the understanding of the ideas. We will shortly present theories of Rawls and Harsanyi. After presenting the predecessors, we will tackle Binmore's theory. First the short and medium run processes are presented. Secondly, we dive into the deep waters of genetic adaptation of long run treatment. Finally, we will present critiques and further ideas.</p>			
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