

Philosophy of Economics and Politics (PHIL 2171)

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Durham University
Philosophy Department

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1. Overview

This module addresses a broad set of issues that fall into the intersection of philosophy, economics, and politics. Roughly half of the lectures concern philosophical issues in political economy, such as: Does political democracy require a market economy, and/or private property, and/or limitations on the state's economic role? What specific aspects of capitalism and socialism are especially conducive or detrimental to democracy? Is there a viable 'third way' between capitalism and socialism? Are the terms capitalism and socialism still appropriate and useful? Will new economic systems emerge in the future and, if so, will they be compatible with democracy? What is the role of freedom in all this, and freedom in what sense? Does the welfare state strengthen capitalism or does it constitute a large step towards socialism? Does capitalism have a future? The other half concerns methodological and ethical issues in economics. Examples for these issues are: How do economists explain? What is the nature of causal relations in economics? Are there social laws? How do we best go about learning about the economy? What is rationality? What is the right approach to economic justice? Are there moral limits to the market? Are property rights justified? As we will see, these methodological and ethical issues arise in the works of the great political economists such as Tocqueville, Marx, Schumpeter, Hayek and Polanyi.

2. Contacts

Module leader and lecturer

Julian Reiss (julian.reiss@durham.ac.uk)

Tutors

William Peden (w.j.peden@durham.ac.uk)

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3. Core text and background readings

There is no core text for this module. However, it won't do any harm if you get Julian Reiss's *Philosophy of Economics* (Routledge 2013), most of the chapters of which are recommended as essential or complementary readings on the methodology and ethical issues discussed in the module. You can order to book online, for instance here:

https://www.amazon.co.uk/Philosophy-Economics-Routledge-Contemporary-Introductions/dp/041588117X/ref=sr_1_1?ie=UTF8&qid=1538918542&sr=8-1&keywords=Julian+Reiss

I'm currently in the process of revising the text for a second edition which is due to come out in 2019 and might post revised chapters on DUO as we go along. **For the assessment it won't matter if you read chapters from the first or second edition, however.**

I also want to recommend a few items of background readings. One is:

- Julian Reiss, 'Capitalism and Democracy: Allies, Rivals, or Strangers?' in Mark D. White, *Oxford Handbook of Ethics and Economics* (OUP: forthcoming),

which provides an introduction to the **political economy** part of the module. Apart from this, it will be useful to look up core concepts and thinkers in the *Stanford Encyclopedia of Philosophy*, for example:

- <https://plato.stanford.edu/entries/economics/>
- <https://plato.stanford.edu/entries/economic-justice/>
- <https://plato.stanford.edu/entries/paradox-simpson/>
- <https://plato.stanford.edu/entries/scientific-explanation/>
- <https://plato.stanford.edu/entries/induction-problem/>
- <https://plato.stanford.edu/entries/democracy/>
- <https://plato.stanford.edu/entries/well-being/>
- <https://plato.stanford.edu/entries/liberty-positive-negative/>
- <https://plato.stanford.edu/entries/liberalism/>
- <https://plato.stanford.edu/entries/science-mechanisms/>
- <https://plato.stanford.edu/entries/ceteris-paribus/>
- <https://plato.stanford.edu/entries/methodological-individualism/>
- <https://plato.stanford.edu/entries/holism-social/>
- <https://plato.stanford.edu/entries/rationality-instrumental/>
- <https://plato.stanford.edu/entries/capability-approach/>
- <https://plato.stanford.edu/entries/ethics-virtue/>
- <https://plato.stanford.edu/entries/property/>
- <https://plato.stanford.edu/entries/justice-distributive/>
- <https://plato.stanford.edu/entries/models-science/>
- <https://plato.stanford.edu/entries/markets/>
- <https://plato.stanford.edu/entries/smith-moral-political/>
- <https://plato.stanford.edu/entries/marx/>
- <https://plato.stanford.edu/entries/friedrich-hayek/>
- <https://plato.stanford.edu/entries/ayn-rand/>

Note that this list is not exhaustive.

There is a plethora of new books on capitalism. Here are some I can recommend:

- Daniel Stedman Jones, *Masters of the Universe: Hayek, Friedman, and the Birth of Neoliberal Politics* (Princeton 2012)
- Matt Ridley, *The Rational Optimist: How Prosperity Evolves* (Harper Collins 2010)
- Robert Reich, *Saving Capitalism: For the Many, Not the Few* (Penguin 2015)
- Luigi Zingales, *A Capitalism for the People: Recapturing the Genius of American Prosperity* (Basic Books 2014)
- Jürgen Kocka and Marcel van der Linden, *Capitalism: The Reemergence of a Historical Concept* (Bloomsbury 2018)
- Geoffrey Hodgson, *Conceptualizing Capitalism: Institutions, Evolution, Future* (Chicago 2015).

Some philosophy of science would be useful for the **methodology** part of the module. My favourite introduction is:

- Peter Godfrey-Smith, *Theory and Reality: An Introduction to the Philosophy of Science* (Chicago 2003).

Finally, there are a number of texts on **ethics and the economy**. Hausman *et al.* is the most comprehensive one, but the others are worth looking at as well:

- Daniel Hausman, Michael McPherson and Debra Satz, *Economic Analysis, Moral Philosophy, and Public Policy* (Cambridge 2017)
- Debra Satz, *Why Some Things Should Not Be for Sale: On the Limits of Markets* (Oxford 2010)

- Elizabeth Anderson, *Value in Ethics and in Economics* (Harvard 1993).
- Michael Sandel, *What Money Can't Buy: The Moral Limits of Markets* (Farrar Straus Giroux 2012)
- Jason Brennan and Peter Jaworski, *Markets Without Limits* (Routledge 2015).

4. Lecture Schedule and Reading List

Many lectures will focus on an individual great thinker such as Alexis de Tocqueville, Karl Marx or Ayn Rand, and it will be extremely rewarding to read original works by these authors (such as *Democracy in America* by Tocqueville, *Capital Vol. 1* by Marx and *Atlas Shrugged* by Ayn Rand). However, in order not to overburden you (*Atlas Shrugged* alone is 1168 pages long!), I have selected a piece of secondary literature that summarises the respective thinkers' core ideas. Thus, there will normally be a journal article or book chapter assigned as compulsory or essential reading and then a book and further articles as recommended readings. At least for the preparation of the essays I would encourage you to go back to the original works.

Note: **Compulsory/essential readings are marked with an asterisk ***. Compulsory readings and some additional material will be posted on DUO.

Lecture 1 (8 October): **Setting the Scene**

- *Jürgen Kocka, *Capitalism: A Short History* (Princeton 2006), Ch. 1
- *Tom Christiano, 'Democracy', *The Stanford Encyclopedia of Philosophy* (Spring 2015 Edition), Edward N. Zalta (ed.), URL = <<https://plato.stanford.edu/archives/spr2015/entries/democracy/>>
- Isaiah Berlin, 'Two Concepts of Liberty', in *Four Essays on Liberty* (OUP 1969)

Lecture 2 (15 October): **Tocqueville** (1805-59)

- *Alan Kahan, *Alexis de Tocqueville* (Continuum 2010), Chs 2-3
- Alexis de Tocqueville, *Democracy in America* (transl. Arthur Goldhammer, Library of America 2004)
- Shleifer, James 2012, *The Chicago Companion to Tocqueville's Democracy in America*, Chicago (IL): University Press
- Richard Swedberg, *Tocqueville's Political Economy* (Princeton 2009)
- Jon Elster, *Alexis de Tocqueville, the First Social Scientist* (CUP 2009)

Lecture 3 (22 October): **Social Mechanisms**

- *Peter Hedström and Richard Swedberg 1999 'Social Mechanisms: An Introductory Essay', in *Social Mechanisms: An Analytical Approach to Social Theory*. Cambridge, CUP
- Julian Reiss, *Philosophy of Economics* (Routledge 2015): Ch. 6
- Daniel Steel 2004, 'Social Mechanisms and Causal Inference', *Philosophy of the Social Sciences* **34**(1): 55-78
- Peter Hedström and Petri Ylikoski 2010, 'Causal Mechanisms in the Social Sciences', *Annual Review of Sociology* **36**: 49-67

Lecture 4 (29 October): **Marx** (1818-83)

- *Jerry Muller, *The Mind and the Market* (Anchor 2003), Ch. 7
- Karl Marx, *Capital Vol. I* (Penguin 1990/1867)
- Jon Elster, *An Introduction to Karl Marx* (Cambridge 1986)
- Michael Lebowitz 2002, 'Karl Marx: The Needs of Capital vs. the Needs of Human Beings' in Douglas Dowd, *Understanding Capitalism: Critical Analysis from Karl Marx to Amartya Sen* (Pluto 2002): 17-36

Lecture 5 (5 November): **Methodological Individualism and Social Tendencies**

- *John Watkins, 'Methodological Individualism and Social Tendencies', in Boyd *et al.*, *The Philosophy of Science* (MIT Press 1991): 733-42
- Daniel Little, *The Scientific Marx* (University of Minnesota 1986), Ch. 5
- Nancy Cartwright, 'Mill and Menger: Ideal Elements and Stable Tendencies', *Poznan Studies in the Philosophy of the Sciences and the Humanities* **38**: 171-88 (1994)
- Julian Reiss, *Philosophy of Economics* (Routledge 2015): Ch. 5

Lecture 6 (12 November): **Schumpeter** (1883-1950)

- *Richard Swedberg, 'Introduction' in Joseph Schumpeter, *Capitalism, Socialism, and Democracy* (Routledge 2006/1943): ix-xxi
- Robert Heilbroner, *The Worldly Philosophers* (Touchstone 1953/1999), Ch. 10
- Joseph Schumpeter, *Capitalism, Socialism, and Democracy* (Routledge 1943)
- Richard Swedberg, 'The Man and His Work' in Joseph Schumpeter, *The Economics and Sociology of Capitalism* (Princeton 1991)
- David McCord Wright, 'Schumpeter's Political Philosophy' in Seymour Harris, *Schumpeter: Social Scientist* (Harvard 1951)

Lecture 7 (19 November): **Economics: Inductive or Interpretive Science?**

- *Harro Maas, *Economic Methodology: A Historical Approach* (Routledge 2014): Ch. 2
- John Stuart Mill, 'On the Definition of Political Economy; and on the Method of Investigation Proper to It', in *Essays on Some Unsettled Questions of Political Economy* (London 1844): 120-64
- Karl Popper, 'The Logic of the Social Sciences', in Theodor Adorno, *The Positivist Dispute in German Sociology* (Glyn Adey and David Frisby, translators; New York 1976)
- Kevin Hoover, 'Situational Analysis', *CHOPE Working Paper* No. 2016-17 (2016)

Lecture 8 (26 November): **Hayek** (1899-1992)

- *Friedrich Hayek, *The Road to Serfdom* (The condensed version as it appeared in the April 1945 edition of *Reader's Digest*; Institute of Economic Affairs 1999)
- Jerry Muller, *The Mind and the Market* (Anchor 2003), Ch. 13
- Friedrich Hayek, *The Road to Serfdom* (Routledge 1944)
- Friedrich Hayek, *The Constitution of Liberty* (Chicago 1960)
- Friedrich Hayek, *Law, Legislation, and Liberty* (Routledge 1973)

Lecture 9 (3 December): **Rationality**

- *Carsten Herrmann-Pillath 1994, 'Evolutionary Rationality, 'Homo Economicus,' and the Foundations of Social Order' *Journal of Social and Evolutionary Systems* **17**(1): 41-69
- Amartya Sen 1977: 'Rational Fools: A Critique of the Behavioral Foundations of Economic Theory', *Philosophy & Public Affairs* **6**(4): 317-44
- Mary Morgan 2006, 'Economic Man as Model Man: Ideal Types, Idealization and Caricatures', *Journal of the History of Economic Thought* **28**(1): 1-27
- Julian Reiss, *Philosophy of Economics* (Routledge 2015): Ch. 3

Lecture 10 (10 December): **Polanyi** (1886-1964)

- *Gregory Baum, *Karl Polanyi on Ethics and Economics* (McGill-Queen's 1996), Ch. 1
- Karl Polanyi, *The Great Transformation* (Beacon 1944)
- Gareth Dale, 'Karl Polanyi's *The Great Transformation*: Perverse Effects, Protectionism and Gemeinschaft', *Economy & Society* **37**(4): 495-524 (2008)

- Andrea Migone, 'Embedded Markets: A Dialogue Between F.A. Hayek and Karl Polanyi', *Review of Austrian Economics* **24**: 355–381 (2011)

Lecture 11 (14 January): **Meritocracy**

- *Christopher Lasch, 'The Revolt of the Elites' in *The Revolt of the Elites and the Betrayal of Democracy* (Norton 1995): 25-49
- Michael Young, *The Rise of the Meritocracy 1870-2035: An Essay on Education and Equality* (Penguin 1994)
- Robert Frank, *Success and Luck: Good Fortune and the Myth of Meritocracy* (Princeton 2016)

Lecture 12 (21 January): **Evidence-Based Policy**

- *Julian Reiss, *Philosophy of Economics* (Routledge 2015): Ch. 11
- Nancy Cartwright, 'Evidence-based policy: what's to be done about relevance?' *Philosophical Studies* **143**(1): 127-136 (2009)
- Angus Deaton, "Instruments, Randomization, and Learning about Development", *Journal of Economic Literature* **48**(2): 424-55 (2010)

Lecture 13 (28 January): **Women and Capitalism**

- *Jennifer Burns 2015, 'The Three "Furies" of Libertarianism: Rose Wilder Lane, Isabel Paterson, and Ayn Rand', *The Journal of American History* **102**(3): 746-774
- Badhwar, Neera K. and Long, Roderick T., "Ayn Rand", *The Stanford Encyclopedia of Philosophy* (Fall 2017 Edition), Edward N. Zalta (ed.), URL = <<https://plato.stanford.edu/archives/fall2017/entries/ayn-rand/>>
- Ayn Rand, *Capitalism: The Unknown Ideal* (Signet, 1962)
- Isabel Paterson, *The God of the Machine* (Putnam 1943)
- Rose Wilder Lane, *The Discovery of Freedom: Man's Struggle Against Authority* (John Day 1943)

Lecture 14 (4 February): **Women and Capabilities**

- *Martha Nussbaum: 'Introduction: Feminism and International Development', in *Women and Human Development: The Capabilities Approach* (Cambridge 2001): 1-32
- Herbert Gintis 1972: 'A Radical Analysis of Welfare Economics and Individual Development', *Quarterly Journal of Economics* **86**(4): 572-99
- Amartya Sen: *Development as Freedom* (Oxford 1999): Ch. 3

Lecture 15 (11 February): **Capitalism and the Bourgeois Virtues**

- *Deirdre McCloskey, 'Life in the Market is Good for You', in Mark D. White, *Accepting the Invisible Hand*. New York and London: Palgrave Macmillan (2010)
- Adam Smith, *The Theory of Moral Sentiments* (Cambridge 2002[1759])
- Deirdre McCloskey, 'Not by P Alone: A Virtuous Economy', *Review of Political Economy* **20**(2): 181-97 (2008)
- Deirdre McCloskey, *The Bourgeois Virtues: Ethics for an Age of Commerce* (Chicago 2006)
- Deirdre McCloskey, *Bourgeois Dignity: Why Economics Can't Explain the Modern World* (Chicago 2010)
- Deirdre McCloskey, *Bourgeois Equality: How Ideas, Not Capital or Institutions, Enriched the World* (Chicago 2016)

(Together McCloskey's books constitute the 'Bourgeois Era' trilogy.)

Lecture 16 (18 February): **Markets & Morals**

- *Daniel Hausman, Michael McPherson, and Debra Satz: *Economic Analysis, Moral Philosophy, and Public Policy* (Cambridge 2016): Ch. 6
- Julian Reiss, *Philosophy of Economics* (Routledge 2015): Ch. 13

- Elizabeth Anderson 1990: 'The Ethical Limitations of the Market', *Economics and Philosophy* 6(2): 179-205

Lecture 17 (25 February): Property Rights, Justice, and Voting Rights

- *Dan Usher, 'Voting Rights, Property Rights, and Civil Rights', in *The Economics of Voting: Studies of self-interest, bargaining, duty and rights* (Routledge 2016), Ch. 10 (see also other essays in this volume)
- John Locke, *Second Treatise of Government* (Cambridge 1689/1988), Ch. 5
- Dan Usher, 'The Justification of Property Rights', in John Douglas Bishop, *Ethics and Capitalism* (Toronto 2000): 49-80
- David Copp, 'Capitalism versus Democracy: The Marketing of Votes and the Marketing of Political Power' in John Douglas Bishop, *Ethics and Capitalism* (Toronto 2000): 81-101

Lecture 18 (4 March): Distributive Justice

- *Julian Reiss, *Philosophy of Economics* (Routledge 2015): Ch. 14
- Julian Lamont and Christi Favor, 'Distributive Justice', *The Stanford Encyclopedia of Philosophy* (Winter 2017 Edition), Edward N. Zalta (ed.), URL = <<https://plato.stanford.edu/archives/win2017/entries/justice-distributive/>>

Lecture 19 (11 March): The Welfare State

- *Torben Iversen, 'Capitalism & Democracy' in Barry Weingast and Donald Wittman (eds.), *Oxford Handbook of Political Economy*. Oxford: Oxford University Press (2006)
- Peter Hall and David Soskice, 'An Introduction to Varieties of Capitalism' in *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (Oxford 2001): 1-68
- Torben Iversen, *Capitalism, Democracy, and Welfare* (Oxford 2005)
- Kathleen Thelen, *Varieties of Liberalization: The New Politics of Social Solidarity* (Cambridge 2014)

Lecture 20 (18 March): Idealisation and Models in Economics

- *Julian Reiss, *Philosophy of Economics* (Routledge 2015): Ch. 7
- Julian Reiss, 'Idealization and the Aims of Economics: Three Cheers for Instrumentalism', *Economics & Philosophy* 28(3): 363-83 (2012)
- Neil de Marchi and Bert Hamminga, *Idealization VI: Idealization in Economics* (Brill 1994)

Lecture 21 (29 April): Revision I & Exam Preparation

- No required reading

Lecture 22 (6 May): Revision II & Exam Preparation

- No required reading

5. Tutorials

You have a total of eight tutorials for this module and should take full advantage of the opportunities they offer to develop and refine your knowledge, understanding, and philosophical skills through dialogue with your peers and tutor. Please ensure that you note in your diaries the tutorial times, dates, topics, and readings and actively plan your preparation for each one.

Please note that tutorials take place fortnightly. For some of you tutorials will start in week 2 of term while others will start tutorials in week 3. Either way you'll have four tutorials in Michaelmas and four in Epiphany. There will be an additional feedback session on the formative essay in week 1 of Epiphany. Details about date and format of this session will be provided by your tutor in due course.

Please check your tutorial timetable for further details about your tutorial schedule. All readings for the tutorials will be posted on DUO.

Tutorial 1: Democracy's Threats to Liberty

- *Melvin Richter, 'Tocqueville on Threats to Liberty in Democracies' in Cheryl Welch, *The Cambridge Companion to Tocqueville* (CUP 2006), 245-75

⇒ Note that this article is 30 pages long. So please reserve some time for reading it. ⇐

Tutorial 2: Why Read Marx Today?

- **The Economist*, 'Rulers of the world: read Karl Marx!', May 3rd, 2018

⇒ Note that this article is very short. So please feel free to read some of the suggested lecture readings in preparation of the tutorial. ⇐

Tutorial 3: Democratic Capitalism

- *Peter Berger, 'The Uncertain Triumph of Democratic Capitalism', *Journal of Democracy* 3(3): 7-16 (1992)

Tutorial 4: Neoliberalism

- *S.M. Amadae, *Prisoners of Reason* (CUP 2015): Ch. 1

Tutorial 5: Values in Evidence-Based Policy

- *Donal Khosrowi, 'Trade-offs Between Epistemic and Moral Values in Evidence- Based Policy', *Economics & Philosophy* (2018). <https://doi.org/10.1017/S0266267118000159>

⇒ Note that this article is 30 pages long. So please reserve some time for reading it. ⇐

Tutorial 6: Adaptive Preferences

- *Martha Nussbaum: 'Adaptive Preferences and Women's Options', *Economics & Philosophy* 17: 67-88 (2001)

Tutorial 7: Should Kidneys Be For Sale?

- *Debra Satz 2008, 'The Moral Limits of Markets: The Case of Human Kidneys', *Proceedings of the Aristotelian Society* 58(3): 269-88

Tutorial 8: Is Social Justice a Mirage?

- *Steven Lukes 1997 'Social Justice: The Hayekian Challenge', *Critical Review* 11(1): 65-80

6. Assessment

Formative essay (0% of final grade):

- Word limit: 2,500 words (**including title, footnotes, and the bibliography at the end**)
- Deadline: 12.00 noon on Friday, 14th December 2018

Summative essay (40% of final grade):

- Word limit: 2,500 words (**including title, footnotes, and the bibliography at the end**)
- Deadline: 12.00 noon on Friday 22nd March 2019

Summative exam (60% of final grade):

- A two-hour unseen written examination in Easter term 2019 (exact date to be confirmed)

Note that lecture material is not a suitable reference source for your assignments. Lectures are designed to introduce you to the material, but will typically simplify the issues so that they are an appropriate starting point, and to fit into the 50 minutes available. Essays based on such a simplification of the material cannot be expected to do well. Instead, essays should be based on your essential **and further reading**.

Your essays must be submitted online. You will receive instructions via email on the submission procedure approximately one week before the deadline (see also the *Student and Departmental Handbook* for guidance on essay submission). Please include a word count. Note that the word limit of 2,500 is *strict* (essays which are too long will be rejected) and that for this module **the bibliography is included in the word count**. The reasons for this have to do with greater transparency and the fact that only by including the bibliography in the word count, students who prefer the Oxford style of citations (full reference in the footnote with no bibliography at the end) will not be discriminated against.

Feedback on the essays will be provided, designed to help improve future essays as well as your examination performance.

For further details on essay writing and submission, see the *Student and Departmental Handbook*.

7. Getting help

Many obvious questions are answered in the *Student and Departmental Handbook* (advice on essay writing and exam preparation, what to do in case of illness, etc.). This handbook can be accessed on DUO if you do not have a hard copy.

You can also contact your lecturer by email, speak to your tutor, or telephone the Philosophy Department Office on 0191 344 6550.