The agenda for today...

...consists of three items:

* It asks: **what is ‘philosophy of economics and politics’** and why should we care?

* It gives a **sneak preview** of the topics that will be discussed in this module

* And it says a few things about its **organisation, assessment**, how to find me etc.
What is "philosophy of economics and politics"?
Methodology

- Political science and economics are social sciences, and methodologists ask:
  - how these sciences ‘work’;
  - what we can learn from them about the nature of social entities and relations; and
  - whether or not natural and social science proceed in fundamentally the same way
Methodology

- Methodologists are therefore interested in:

  - **Methods** (surprise, surprise!): experiments (lab and RCTs), (rational choice) models, regression and other statistical tools

  - **Social ontology**: causality, mechanisms, laws, methodological individualism

  - and the question: **What kind of science is social science?**
Ethical aspects of the economy

- The organisation of the economy (no matter how we do it!) raises a host of ethical questions.

- It is therefore that it is very difficult if not impossible to do economics without making ethical judgements. Philosophers sometimes ask: are facts and values irredeemably entangled or is there a way out?

- Many of the questions addressed here serve as justifications or sources of criticism of government policy.

- Most government policies aim to increase individuals’ wellbeing, for instance. But what is wellbeing?
Ethical aspects of the economy

- Markets aren’t a natural phenomenon but politically created. Every society defines spheres in which market exchange is deemed proper (bathroom cleaners) and others where it’s improper (friendship). Are there any principled reasons to draw the line one way or another?

- No matter how we organise the economy, at the end of ‘playing the game’ the wellbeing among individuals will vary. Can such inequalities be justified? Is there such a thing as social justice?
Political economy

• Way back, when the **dismal science** was originally recognised as separate and independent from moral philosophy, it was first referred to as ‘**political economy**’

• Today, however, political economy commonly refers to **interdisciplinary studies** drawing upon economics, sociology, political science and philosophy to explain how **political institutions**, the **political environment** (e.g., culture), and the **economic system**—capitalist, socialist, communist, or mixed—**interrelate**
Political economy

- Political economists therefore ask (among other things) about:
  - The interrelations between democracy and alternative economic systems
  - How alternative socio-economic arrangements affect liberty, equality, and wellbeing
  - The nature and justification of property rights
  - The nature of solidarity and the welfare state
In this module...

- We’ll examine all (!) of the aforementioned issues.
- However, the module will be organised around a single simple yet significant issue: will our socio-economic order — democratic capitalism — survive?
- To investigate this question, we’ll read the works of some of the greatest political economists: Tocqueville, Marx, Schumpeter, Hayek, Polanyi as well as some more recent contributions.
- Methodological and more fundamental ethical topics will be motivated by the work of a political economist.
Assessment

- Formative Essay in Michaelmas (deadline: Dec 14; feedback: Jan 14)
- Summative Essay (40%) in Epiphany (deadline: Mar 22; feedback: April 29)
- Exam in May/June (60%)
- The exam comes in two parts:
  - Part I on Political Economy/Democratic Capitalism
  - Part II on Methodology and Ethical Aspects
- Several questions to choose from in each part
Contact

- My **office hours** are on Monday afternoons (1-3PM) or by appointment
- **Location**: 51 Old Elvet, Room 206
- **E-mail**: julian.reiss@durham.ac.uk
A few core concepts

- In the remainder of this first lecture I’ll discuss a few concepts that will be important in this part of the module
  - Capitalism
  - Freedom (liberty)
  - Democracy
Capitalism

* … is a relatively **new term**, much younger than the phenomenon

* … was **introduced first by the 19th century socialists** Louis Blanc and Pierre-Joseph Proudhon and used by them and others as term of abuse and comparison with earlier (pre-capitalist) eras or with (then utopian) socialism

* It’s a **highly controversial term** – partly because its meaning depends on views about economics and there is no agreement on that; moreover, views about economic ‘facts’ aren’t quite independent from the economist’s value judgements
Capitalism

- Just to give you a flavour:
  - **Marx**: core characteristic is capital accumulation as an end in itself; workers get exploited by capitalists appropriating labourers’ surplus value; instability through increasing inequality between these two classes
  - **Weber**: interested in the rationalisation/bureaucratisation of modern life, including the modern corporation, ‘systematic purposive rationality of the capitalist enterprise’ (division of labour; formation of a class of ‘white collar’ workers)
  - **Schumpeter**: core element is the competition induced by innovative entrepreneurs whose inventions must be financed by advancing capital (credit)
Criticism and a working definition

- All these aspects have been criticised as non-essential or at best symptomatic (e.g., Tocqueville, Keynes, Braudel)

- Here is my attempt: “Capitalism is an institutional arrangement that guarantees:

  - **Private, individual property rights** (individuals have the right to acquire, use, transform, and sell or dispose of property in land and tangible goods);

  - **Individual economic freedom** (individuals have “property in themselves” and therefore own their labor initially and have the freedom to move and to make contracts to buy and sell land, goods, and labor);

  - **The existence of money and debt** (contractual obligations can be settled by money and property can be used as collateral in order to advance or defer payments in debt contracts).”
Freedom

- Another concept that will be important is that of freedom – both proponents and critics of capitalism emphasise the role of freedom, and political freedoms are central to democracy

- Proponents: freedom brought about by property rights and the right to own one’s body (free labour)

- Critics: (that kind of) freedom is illusory when the majority of the population is ‘in chains’; we need ‘real freedom’
Berlin

- Isaiah Berlin (1909-97), Oxford philosopher
- 1958 inaugural lecture ‘Two Concepts of Liberty’
- Negative and positive liberty

- **Negative**: absence of interferences – by anyone but in particular the group, the feudal lord, and the government
- **Positive**: self-realisation, in particular through participatory democracy
Unlike, say, freedom of speech and freedom of movement, **positive and negative liberty are rival conceptions** of a single political ideal.

No-one is against liberty, so what is crucial is what is meant by the term.

**Liberals and libertarians tend to advocate a negative conception; their critics, a positive conception;** in particular, the latter tend to argue that the realisation of positive freedom requires government interventions at a scale not allowed by liberals.

Main contention: **Is it possible and desirable for the state to promote the positive freedom of citizens on their behalf?**
Two paradoxes

- Berlin was moved by the way in which the apparently noble ideal of freedom as self-realization had been twisted and distorted by the totalitarian dictators of the twentieth century so as to claim that they were the true champions of freedom.

- Paradox 1: The divided self and a slippery slope

- But equally justifiably can critics of liberalism point out that mere formal, negative freedom is not enough when people lack the (material, intellectual, volitional) resources to realise their true preferences.

- Liberals: freedom has little to do with acting on one’s desires (paradox 2: prisoner changing his desires).
Democracy

… is an institutional arrangement in which:

- **Decisions** concerning certain matters are made **collectively** and in a way that is **binding** for the group;

- The collective decision-making process uses some version of the **majority vote**;

- **Basic political and civil rights** (which include, for instance, the right to be elected for office) are **guaranteed**.

- (This is a fairly ‘thin’ notion of democracy; we’ll learn about a much thicker notion next week when we’ll discuss Tocqueville.)
For next week

- If you haven’t done so yet, do the readings for this week (intro to ‘Capitalism’, SEP entry on ‘Democracy’ and, preferably, ‘Two Concepts’)

- And take a look at the chapters on Tocqueville from Alan Kahan’s book

- You find the readings and these slides on DUO