

PHILOSOPHY OF ECONOMICS & POLITICS

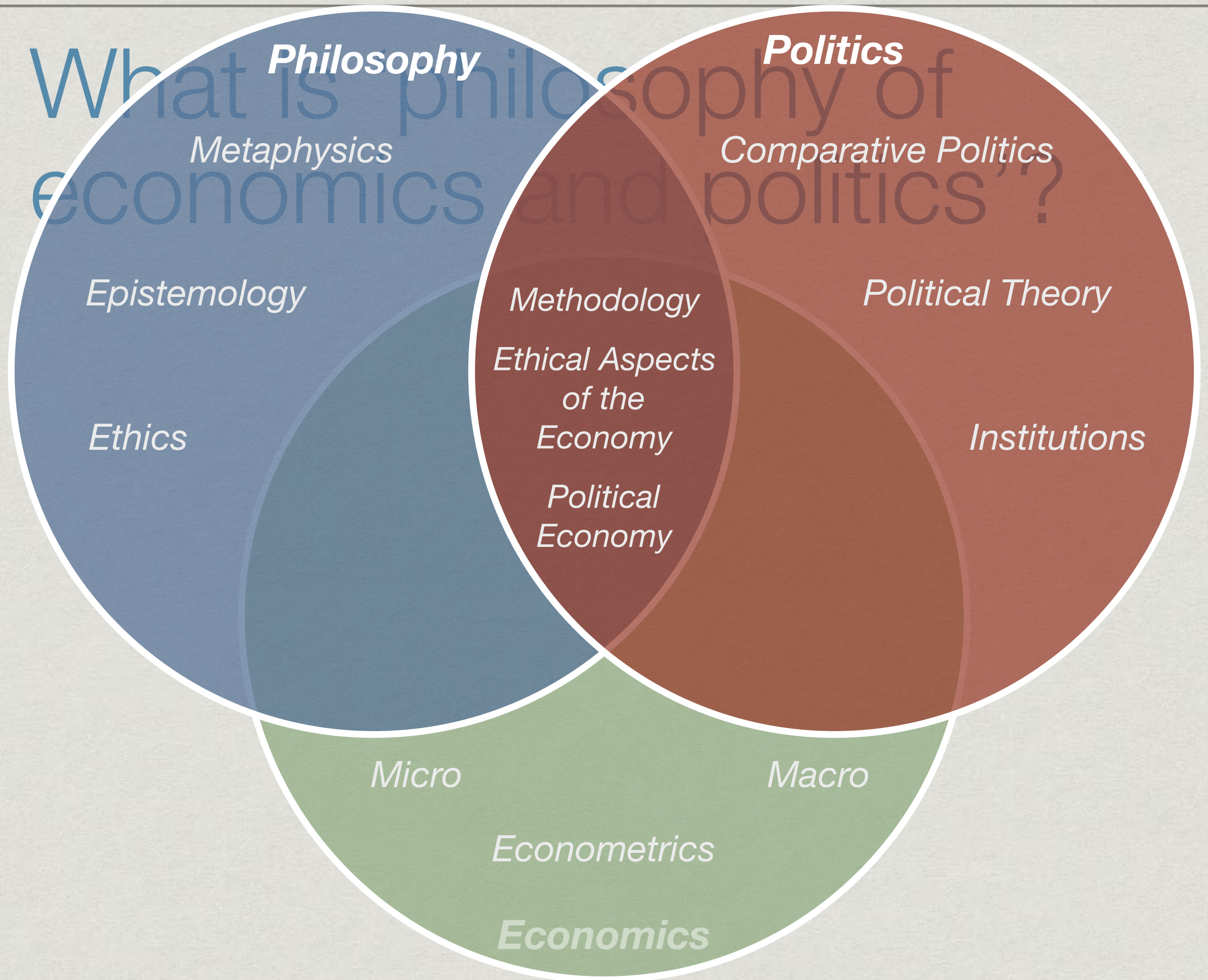
LECTURE 1

DATE	8 OCTOBER 2018	LECTURER	JULIAN REISS
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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
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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

Berlin

- * 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