

Philosophy of Economics
Carnegie Mellon University
Fall 2016

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DESCRIPTION The science of economics has come to occupy a central position in contemporary society. Because of its importance to political decision making, economics is intertwined with a number of other philosophical issues surrounding justice, rights, and fairness. The central theme of this course will be on the arguments in favor and against markets as effective solutions to social problems like the distribution of goods. Focusing on markets will allow us to analyze a wide number of foundational issues in economics including the testability of economic claims, the use of “rationality” postulates, the foundation of the right to property, and measuring the success or failure of an economy.

COURSE OBJECTIVES By the end of this course, I want you to understand the underlying assumptions used by economists when making economic models. I want you to be able to think critically about those assumptions. Whether or not you ultimately decide you like them or hate them is irrelevant to me. I want you to know *why* you like them or dislike them.

Along the way, you will also develop general philosophical ability. By the end of the course, you should be better able to inquire about underlying assumptions in contexts outside of economics. In combination with other courses taken at this university, this should leave you better able to judge whether or not you agree with a philosophical position taken by another.

READINGS Provided online via canvas. (<https://cmu.instructure.com/>)
(Canvas is being tested by CMU as a replacement for blackboard.)

GRADING *Undergraduate students*

15% in class participation
30% weekly reaction papers
20% final presentation (group project)
35% final written report (group project)

Graduate students

40% weekly reaction papers
60% final term paper

REACTION PAPERS Once a week you should prepare a one-page paper reacting to the reading for that day. You may choose whether you turn this in on Tuesday or Thursday, but the reaction must be about the paper we are reading for that day.

Your papers should briefly describe some interesting part of the reading (no need to summarize the whole thing) and given a short reaction to that part. Say why you liked it, hated it, were confused by it, etc.

FINAL PROJECT You will be assigned to a group, and each group will be responsible for creating one final report and final in-class presentation. Each group will choose a good that *could* be bought and sold in an unregulated market. In your report and presentation you will describe the issues that might arise if this good was sold in an unregulated market. The group need not agree – the report can describe a disagreement within the group – but you must produce a single document and presentation.

MISCONDUCT AND PLAGIARISM Plagiarism and other forms of academic misconduct will not be tolerated. If you commit an act of plagiarism you will fail the course and will be reported to central administration. Are you unsure about what is plagiarism? Look at plagiarism.org.

LATE WORK If you are having trouble finishing the work on time contact me before the due date and we can discuss arrangements and penalties for late work. Unless serious misfortune befell you, I will not accept late work if you don't approach me before hand.

Date	Topic	Reading
Aug 30	What should be bought and sold?	Class discussion
ISSUE 1: Markets and Efficiency		
Sep 1	Introduction	Watch Kahn academy videos “Law of supply,” “law of demand,” “market equilibrium,” Daniel Hausman, <i>The Inexact and Separate Science of Economics</i> , Chapter 2
Sep 6	Introduction	Daniel Hausman, <i>The Inexact and Separate Science of Economics</i> , Chapter 3
Sep 8	Introduction	Daniel Hausman, <i>The Inexact and Separate Science of Economics</i> , Chapter 4
Sep 13	Externalities	Watch Kahn academy video “negative externalities,” “tragedy of the commons” Elinor Ostrom, <i>Governing the Commons</i> , Chapter 1
Sep 15	Attaining equilibrium	Frank Ackerman “Still dead after all these years”
Sep 20	Group discussion to choose a topic and make contracts	
Sep 22	Pareto optimality	Amartya Sen, “The Impossibility of the Paretian Liberal” Reports from group deliberation due
Sep 27	Pareto and welfare	Daniel Hausman and Michael McPherson, <i>Economic Analysis, Moral Philosophy, and Public Policy</i> , Chapter 9
Sep 29	Measuring welfare	Julian Reiss <i>Philosophy of Economics</i> , Chapter 12
Oct 4	Measuring welfare	Daniel Hausmann and Michael McPherson <i>Economic Analysis, Moral Philosophy, and Public Policy</i> , Chapter 7
Oct 6	Welfare and interpersonal comparisons	Ken Binmore, “Interpersonal Comparisons of Utility” in <i>Oxford Handbook of Philosophy of Economics</i>
Oct 11	Basics of microeconomics	Ken Binmore, <i>Rational Decisions</i> , Chapter 1
Oct 13	Basics of microeconomics	Ken Binmore, <i>Rational Decisions</i> , Chapter 3
Oct 18	Experimental concerns	Colin Camerer and George Lowenstein, <i>Advances in Behavioral Economics</i> , Chapter 1

Date	Topic	Reading
ISSUE 2: Property Rights and Freedom		
Oct 20	Property rights	John Locke, <i>The Second Treatise: An Essay Concerning the True Original, Extent, and End of Civil Government</i> , Chapter 5
Oct 25	Property rights	David Hume, <i>A Treatise of Human Nature</i> , Book 3, Part 2, Section 2
Oct 27	Property rights	G.A. Cohen, <i>Self-Ownership, Freedom, and Equality</i> , Chapter 3
Nov 1	Markets and Freedom	Amartya Sen, "Markets and Freedom"
Nov 3		Group work day
Nov 8	Opportunity	Robert Sugden, "Opportunity as Space for Individuality"
ISSUE 3: Information and Aggregation		
Nov 10	Information	F.A. Hayek "The Use of Knowledge in Society"
Nov 15	Information	W. Paul Cockshott and Allin Cottrell, <i>Toward a New Socialism</i> , Chapter 9
Nov 17	Information	George Akerloff, "The Market for 'Lemons'"
General Discussion: Modeling in Economics		
Nov 22	Economic models: Instrumentalism	Milton Friedman, "The Methodology of Positive Economics"
Nov 29	Economic models: Laws	Daniel Hausmann "Ceteris Paribus Clauses and Causality in Economics"
Dec 1	Economic models: Credible worlds	Robert Sugden, "Credible Worlds: The Status of Theoretical Models in Economics"
Dec 6	Economic models: Models as practice	Mary Morgan <i>The World in the Model</i> , Chapter 10
Dec 8		Group work day
Final Report Due Friday, December 9		
Finals		Group presentations