

PHIL 309P: Philosophy, Politics and Economics

Instructor:	Eric Pacuit (pacuit.org)
Semester:	Spring 2016
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Course Website:	myelms.umd.edu/courses/1180966
Office:	Skinner 1103A
Office Hours:	W 2 - 3.30 PM
Class Times:	TuTh 11:00am - 12:15pm
Class Location:	EGR 2116

Course Description

The first part of the course is focused on a key foundational question in Economics. Rational choice theory, the core of the economic approach to human behavior, has become an influential approach in all of the social sciences. What makes individual actions rational? Rational choice theory offers a very simple answer: actions are rational if they reflect the maximizing of a consistent preference ordering. This theory, as it has been developed over many years, is now very detailed and complicated. One measure of the success of rational choice theory, perhaps, is for how long it has been able to withstand criticism. Recent developments, especially in behavioral economics, however, have succeeded in putting the standard model under pressure. In this course, we will present the theory of rational choice and also examine different objections to the standard model of rational choice. We shall consider the relationship between instrumental rationality, *Homo Economicus* and formal utility theory, including different conceptions of the notion of a preference and utility functions. The course will provide a critical introduction to Game Theory. A game is any decision problem where the outcome depends on the actions of more than one agent, as well as perhaps on other facts about the world. Game Theory is the study of what rational agents do in such situations. Topics include extensive and normal form games; equilibrium concepts, such as the Nash equilibrium and backward induction; and analyses of specific games such as the Prisoner's Dilemma, the Stag Hunt, the Battle of the Sexes and pure coordination games. This course will not only introduce students to rational choice theory and game theory, but also discuss to what extent these mathematical theories explain social interactions.

The second part of the course will introduce students to the ways in which economic analysis has been applied to issues in social and political philosophy. The main topic in this part of the course is Social Choice Theory. We will examine both the formal aspects of social choice and their applications to democracy. The course will focus on May's theorem and Arrow's famous impossibility theorem, though we shall consider more general questions concerning voting paradoxes and strategic voting. Arguments as to whether Arrow's theorem is relevant to understanding real world democracy will be another important focus. In addition, we will discuss ethical issues that arise in Economics. Topics include (time permitting) welfare economics; interpersonal comparison of utilities; Harsanyi's Theorem; and the Coase Theorem and the moral limits of free markets.

Reading Material

The course will be based on readings from various textbooks and journal articles. The required textbooks for the course are (both books are available through the bookstore):

- [G] G. Gaus, *On Philosophy, Politics and Economics*, Wadsworth Philosophical Topics, 2008.
- [R] Julian Reiss, *Philosophy of Economics: A Contemporary Introduction*, Routledge, 2013.

Additional readings for the course will be taken from the following textbooks and journal articles (the relevant material will be made available on the course website):

- Matthew Braham and Martin van Hees (2014). The Impossibility of Pure Libertarianism, *Journal of Philosophy*, 111:8, pp. 420 - 436.
- John Broome (1991). "Utility", *Economics and Philosophy*, 7:1, pp. 1 - 12.
- Andrew Colman (2003). Cooperation, psychological game theory, and limitations of rationality in social interaction, **Behavioral and Brain Sciences**, 26, pp. 139-153.
- Franz Dietrich and Christian List (2015). Mentalism versus behaviourism in economics: a philosophy-of-science perspective, *Economics and Philosophy* (forthcoming).
- Keith Dowding and Martin van Hees (2008). In Praise of Manipulation, *British Journal of Political Science*, 38:1, pp. 1 - 15.
- Jon Elster (1998). The Nature and Scope of Rational-Choice Explanation, in: *Science in Reflection*, Volume 110 of the series Boston Studies in the Philosophy of Science, E. Ullmann-Margalit (ed.), pp. 51-65.
- Greg Fried (2011). What is the philosophical significance of Sen's 'Liberal Paradox'?, *Philosophical Papers*, 40:1, pp. 129 - 147.
- Allan Gibbard and Hal Varian (1978). Economic models, *Journal of Philosophy*, 75:11, pp. 664 - 77.
- Itzhak Gilboa, Andrew Postlewaite, Larry Samuelson and David Schmeidler (2014). Economic Models as Analogies, *The Economic Journal*, 124:578, pp. F513 - F533.
- Till Grüne-Yanoff and Paul Schweinzer (2008). The roles of stories in applying game theory, *Journal of Economic Methodology*, 15:2, pp. 131 - 146.
- Faruk Gul and Wolfgang Pesendorfer (2008). The Case for Mindless Economics, in: *The Foundations of Positive and Normative Economics*, by Andrew Caplin and Andrew Shotter (eds.). Oxford University Press.
- Daniel Hausman, *Preference, Value, Choice and Welfare*, Cambridge University Press, 2012.
- Brian Kogelmann and Stephen Stich (2015). The Irrelevance of the Impossibility of Pure Libertarianism, *The Journal of Philosophy*, 112:4, pp. 211 - 222.

- Christian List, Social Choice Theory (plato.stanford.edu/archives/win2013/entries/social-choice/), The Stanford Encyclopedia of Philosophy, Edward N. Zalta (ed.), 2013.
- Michael Morreau, Arrow's Theorem (plato.stanford.edu/entries/arrows-theorem/), Stanford Encyclopedia of Philosophy, Edward N. Zalta (ed.), 2014.
- Eric Pacuit, Voting Methods (plato.stanford.edu/entries/voting-methods/) Stanford Encyclopedia of Philosophy, Edward N. Zalta (ed.), 2011.
- Martin Peterson, *An Introduction to Decision Theory*, Cambridge University Press, 2009.
- Amartya Sen (1983). Liberty and Social Choice, *The Journal of Philosophy*, 80:1, pp. 5 - 28.
- Kenneth A. Shepsle, *Analyzing Politics: Rationality, Behavior and Institutions*, 2nd Edition, W. W. Norton & Company, 2010.
- H. Peyton Young. Optimal Voting Rules (1995). *The Journal of Economic Perspectives*, 9:1, pp. 51 - 64.

Tentative Syllabus

The following is a tentative schedule for the course.

Week	Date	Topics	Reading
1	Tue 1/26	Snow Day: Class Canceled	
1	Thu 1/28	Introduction/ Rationality in Economics	[G] Ch. 1
2	Tue 2/2	Rational Choice Theory	[G] Ch. 2
2	Thu 2/4	Rational Choice Theory	[G] Ch. 2
3	Tue 2/9	Rational Choice Theory	[R] Ch. 3
3	Thu 2/11	Rational Choice Theory	[R] Ch. 3
4	Tue 2/16	Rational Choice Theory	Elster (1998)
4	Thu 2/18	Game Theory	[G] Ch. 4
5	Tue 2/23	Game Theory	[G] Ch. 4
5	Thu 2/25	Game Theory	[R] Ch. 4
6	Tue 3/1	Game Theory	[R] Ch. 4
6	Thu 3/3	Game Theory	Colman (2003), Grüne-Yanoff and Schweinzer (2008)
7	Tue 3/8	Explaining Economic Phenomena	[R] Ch. 7, Gibbard & Varian (1978)
7	Thu 3/10	Explaining Economic Phenomena	Dietrich & List (2015), Gul & Pfesendorfer (2008)
8	Tue 3/15	Spring Break	
8	Thu 3/17	Spring Break	

9	Tue 3/22	Efficiency	[G] Ch. 3
9	Thu 3/24	Social Choice Theory	[G] Ch. 5
10	Tue 3/29	Arrow's Theorem	[G] Ch. 5
10	Thu 3/31	Arrow's Theorem	Morreau SEP
11	Tue 4/5	Social Choice Theory	[G] Ch. 5, Dowding & van Hees
11	Thu 4/7	Social Choice Theory	[G] List SEP
12	Tue 4/12	Voting	Pacuit SEP, Young (1995)
12	Thu 4/14	Public Choice Theory	[G] Ch. 6, Shepsle Ch. 5
13	Tue 4/19	Sen's Liberal Paradox	Peterson Section 13.3, Sen (1983), Fried (2011)
13	Thu 4/21	Sen's Liberal Paradox	Braham & van Hees (2014), Kogelmann & Stich (2015)
14	Tue 4/26	Welfare and Well-Being	[R] Ch 12, Broome (1991)
14	Thu 4/28	Harsanyi's Theorem	Peterson Section 13.4
15	Tue 5/3	Welfare and Well-Being	[R] Ch 12
15	Thu 5/5	Markets and Morals	[R] Ch. 13
16	Tue 5/10	Markets and Morals	[R] Ch. 13
16	5/12 - 5/18	Exam Week	

Grading Policy

The course requirements are:

- **Participation** (15% of your final grade): There are 2 components that make up your Participation score.
 1. **Attendance:** Attendance is required. Each student will receive a maximum of 15 points for attendance and active participating in the course (keeping up with the reading, asking questions, contributing to the discussion, etc.). Points will be deducted for excessive unexcused absences.
 2. **Weekly writings:** Each week students must submit a 1-2 paragraph commentary on the weeks readings. The write-up can be a summary of the main themes, a discussion of an issue that you find particularly interesting, or a list of questions that you have about the material. The write-up is due **every Wednesday by 11.59pm**, and must be submitted via the course website on ELMS. Students will receive 3 points for each write-up: 1 point if it is submitted on time and 1 point for style (complete sentences, no typos, well-structured, etc.) and 1 point for the content (does your write-up engage with the material that we are discussing in the lectures?). The first write-up is due on **Friday, Jan. 29 at 11.59pm**. It should include your major, the most advanced math class that you have taken, any Economics courses you have taken, and (at least) one question you have about the first lecture or Chapter 1 from [G].

- **Quizzes** (15% of your final grade). A number of quizzes will be given throughout the semester. The quizzes will be either in-class or online. I will generally announce the quizzes either on the website or in class (however, there may be some unannounced in-class quizzes). The 2 lowest quiz scores will be dropped. Since the quizzes are designed, in part, to encourage attendance and to ensure that students keep up with the reading, **make-up quizzes will not be offered**.
- **Problem sets** (30% of your final grade). For the problem sets, you may discuss the problems with one another or with me as much as you want. *But you must always do the final write-up completely on your own.* A good strategy when working together is to use a blackboard and erase it completely before writing up your (separate) answers. We will also discuss the problem sets in class. The due dates for the problem sets are (the due dates may change depending on how fast we go through the material, consult the course website for the official due dates).
 - PS1: Rational Choice Theory, Due Date: **Monday, Feb. 15, 11.59pm.**
 - PS2: Game Theory, Due Date: **Wednesday, March 2, 11.59pm.**
 - PS3: Social Choice Theory I, Due Date: **Monday, April 4, 11.59pm.**
 - PS4: Social Choice Theory II, Due Date: **Monday, April 18, 11.59pm.**
 - PS5: Issues in Welfare Economics, Due Date: **Wednesday, March 11, 11.59pm.**
- **Midterm exam** (20% of your final grade). The midterm exam will consist of 2-3 short essay questions covering material from the first-half of the semester. The midterm exam will be due on **March 23, 2016, 11.59pm.**
- **Final exam** (20% of your final grade). The final will be cumulative and given as an in-class exam given during finals week. A study guide will be provided during the last week of the semester. The exam will be held during exam week (May 12 - 18, 2016). Consult Testudo for the date, time and location of the final exam.