

University of Waterloo
Department of Philosophy
PHIL 205/ECON 261
Philosophy of Economics
Winter 2017
MWF 10:30-11:20, AL 124

Instructor Information

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Course Description

The philosophy of economics is concerned with conceptual, methodological, foundational and ethical issues in economic theory and practice. In this course, we'll consider questions such as:

- What can philosophy of science teach us about economic methodology?
- What makes a particular conclusion in economics justified or true?
- How do economic models work?
- Is economics a science?
- What are implications of modeling people as self-interested utility maximizers of utility?
- Does economic methodology reflect gendered presuppositions?
- What is at stake in the debate over classical versus behavioral economics?
- Is objectivity in economics possible?
- How do value-based considerations play a role in economic reasoning and policy?
- What are implications of using economics to model social issues such as racism?
- How do conceptual matters impact applications, e. g. in environmental economics?

This course does not endorse any particular conclusion about these matters; rather, the idea is for you to both understand what others have had to say, and to develop, possibly change, and learn how to intelligently defend, your own opinions. Course announcements and information will be on the LEARN page so please check it daily. Please bring the texts we are discussing to class. There is also a "Further Course Information" document for this course so be sure to read that as well.

If you have questions about the syllabus, the course, the requirements, the assignments, or anything else to do with this course, please do not hesitate to ask at any time!

Course Objectives

This course should help you be able to:

- analyze and critically evaluate divergent views over conceptual issues in economics;
- understand some ways that values play a role in economic thought and policy making;
- develop your own ideas concerning economic justification and objectivity;
- develop your own opinions about contentious practical economic issues in society;
- effectively communicate your ideas orally and in written work.

Readings

All readings will be posted on LEARN as pdfs you can download.

Course Requirements and Assessment

- In-class test, Jan 27, 20%
- Paper, due Feb 15, 25%
- In-class test, Mar 3, 20%
- In class test, Apr 3, 25%
- Attendance and participation, 10%

In-class tests

The in-class tests will consist of short answer questions. The tests will draw on material from the readings and from class.

Paper

The paper should be 900-1200 words and topics will be handed out. For the paper, you have the option of handing in a rewrite based on my comments. If you choose to do this your new paper grade will be a weighted average of the original and the rewrite; your grade will not go down if the new draft is worse, but improved grades require significant changes and not just small edits. The paper assignment will ask you to write about your own ideas about a philosophical problem while engaging the texts and ideas we've encountered in class. The focus is on presenting an original argument. Of course, this means the ideas in your papers must be your own; we will talk more in class about how to ensure that the ideas you present as your own really are, and how to cite any outside sources you do use appropriately. If you have any questions at any time about academic honesty and what it requires, do not hesitate to ask. For help with writing, check out [The Writing Centre](#).

Attendance and Participation

Attendance is required and everyone should participate in class discussion. There are two ways to participate in this class: in class, and through written comments and questions. If you come to class regularly without participating, your attendance and participation grade will be 65 percent (you may miss up to three classes for any reason with no penalty). If you participate regularly that will increase your participation grade; if you attend less frequently that will lower it. Contributing several questions and comments during each week will earn a grade at least in the

80s range. I will post attendance and participation grades on LEARN at the end of term; if you don't agree with yours please email me and we can discuss it.

Course Outline

Week 1 (Jan 4, Jan 6): Introduction and Adam Smith on wealth and moral sentiments

Reading:

- Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Book 1, Chapter 2 ("Of the Principle which Gives Occasion to the Division of Labor," and Book 4 Chapter 2 ("Of Restraints Upon Importation from Foreign Countries of Such Goods as Can Be Produced at Home") (text available [online](#)).
- (Optional: William Grampp, "What Did Smith Mean by the Invisible Hand?" *Journal of Political Economy*, 108(3) (2000), 441–465.)

Week 2 (Jan 9, Jan 11, Jan 13): Introduction to economics and philosophy of science; Mill on a priori reasoning in economics

Reading:

- Daniel Hausman, Introduction to *The Philosophy of Economics 3rd ed.* (Cambridge University Press, 2008), pp. 1-38.
- J. S. Mill, John Stuart Mill, "On the Definition of Political Economy and the Method of Investigation Proper to It" (read only from "What is now commonly understood by the term 'Political Economy' is not..." to the end of the essay). This is Essay V of *Essays on Some Unsettled Questions of Political Economy*, text [online](#) and as a kindle download).

Week 3 (Jan 16, Jan 18, Jan 20): Methodology and justification 1: Friedman and his critics

Reading:

- Milton Friedman, "The Methodology of Positive Economics," in *Essays in Positive Economics*, University of Chicago Press 1953, 3-43. Text available [online](#).
- Bruce Caldwell, "Critique of Friedman's Methodological Instrumentalism," *Southern Economic Journal* (1980), 366-374.

Week 4 (Jan 23, Jan 25): Methodology and justification 2: how do economic models work?

Reading:

- Robert Sugden, "Credible Worlds: The Status of Theoretical Models in Economics." *Journal of Economic Methodology* 7.1 (2000): 1-31.

JANUARY 27: FIRST TEST

Week 5 (Jan 30, Feb 1, Feb 3): Methodology and justification 3: is economics a science?

Reading:

- Alfred Eichner, "Why Economics Is Not Yet a Science," *Journal of Economic Issues* (1983): 507-520.
- Raj Chetty, "[Yes Economics is a Science.](#)"
- Eric Schliesser, "[Economics as a Science.](#)"
- Paul Romer, "The Trouble with Macroeconomics," forthcoming in *The American Economist*, available [online](#).

Week 6 (Feb 6, Feb 8, Feb 10): Rational choice theory 1: self-interest, morality, and gender

Reading:

- Amartya Sen, "Rational Fools: A Critique of the Behavioral Foundations of Economic Theory," *Philosophy and Public Affairs*, 6(4) (1977), 317-344.
- Paula England, "A Feminist Critique of Rational-Choice Theories: Implications for Sociology," *The American Sociologist*, 20(1) (1989), 14-28.

Week 7 (Feb 13, Feb 15, Feb 17): Rational choice theory 2: behavioral economics and its critics

Reading:

- Christine Jolls, Richard Thaler, and Cass Sunstein, "A Behavioral Approach to Law and Economics," *Stanford Law Review* 1998, 1471-1550.
- Richard Posner, "Rational Choice, Behavioral Economics, and the Law" *Stanford Law Review* (1998): 1551-1575.

READING WEEK

Week 8 (Feb 27, Mar 1): Values, objectivity, and ideology in economics

Reading:

- Joan Robinson, *Economic Philosophy* (Doubleday and Co, 1962), Chapters 2 and 3 (pp. 26-72). Book available [online](#).

MARCH 3: SECOND TEST

Week 9 (Mar 6, Mar 8, Mar 10): Ethics and economics 1: economics and moral theory

Reading:

- Daniel Hausman, and Michael McPherson, "Taking Ethics Seriously: Economics and Contemporary Moral Philosophy," *Journal of Economic Literature* 31(2) (1993), 671-731.

Week 10 (Mar 13, Mar 15, Mar 17): Ethics and economics 2: cost-benefit analysis and its critics

Reading:

- Martha Nussbaum, "Flawed Foundations: The Philosophical Critique of (A Particular Type of) Economics," *University of Chicago Law Review* 64 (1997), 1197-1214.
- Mar 15: Robert Frank, "Why is Cost-Benefit Analysis So Controversial?" *The Journal of Legal Studies*, 29(S2) (2000), 913-930.

Week 11 (Mar 20, Mar 22, Mar 24): Economic models of social phenomena

- Reading: TBA

Week 12 (Mar 27, Mar 29, Mar 31): Pluralism in economics

- Reading: TBA

APRIL 3: THIRD TEST

Late work

Please submit your paper to LEARN before class on the day it is due. Obviously, you should hand in your paper on time, but if you must be late, I will subtract three percentage points from your paper grade per day of lateness. If you experience unexpected difficulties like illness or personal difficulties, please let me know as soon as possible. If you expect to miss a deadline or test, it's essential to let me know by email before the deadline or test. If anything arises that gets in the way of you doing your work for this class, do come talk to me: I'm here to help and I'll do what I can.

Information on Plagiarism Detection

No formal or technological plagiarism detection mechanisms will be used in this class.

Electronic Device Policy

There is no formal policy against the use of laptops or tablets in class, but there are two rules: 1) please do not use technology in ways that are distracting to me or to the other students and 2) please be mentally present for what is going on in the classroom. This means no videos, no social networking, no email, and no checking your phone during class. If you must use your phone, please leave the classroom.

Attendance Policy

Attendance is required, but you may miss up to three class meetings with no penalty. See information under "Attendance and participation" above. If you experience unexpected problems like illness or personal difficulties, or you expect to miss more than three class meetings for any other reason, please let me know as soon as possible.

Cross-listed course (requirement for all Arts courses)

Please note that a cross-listed course will count in all respective averages no matter under which rubric it has been taken. For example, a PHIL/PSCI cross-list will count in a Philosophy major average, even if the course was taken under the Political Science rubric.

Academic Integrity

Academic Integrity: In order to maintain a culture of academic integrity, members of the University of Waterloo are expected to promote honesty, trust, fairness, respect and responsibility. See the [UWaterloo Academic Integrity webpage](#) and the [Arts Academic Integrity webpage](#) for more information.

Discipline: A student is expected to know what constitutes academic integrity, to avoid committing academic offences, and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offence, or who needs help in learning how to avoid offences (e.g., plagiarism, cheating) or about “rules” for group work/collaboration should seek guidance from the course professor, academic advisor, or the Undergraduate Associate Dean. When misconduct has been found to have occurred, disciplinary penalties will be imposed under Policy 71 – Student Discipline. For information on categories of offenses and types of penalties, students should refer to [Policy 71 - Student Discipline](#). For typical penalties check [Guidelines for the Assessment of Penalties](#).

Grievance: A student who believes that a decision affecting some aspect of his/her university life has been unfair or unreasonable may have grounds for initiating a grievance. Read [Policy 70 - Student Petitions and Grievances](#), Section 4. When in doubt, please be certain to contact the department’s administrative assistant who will provide further assistance.

Appeals: A decision made or penalty imposed under Policy 70 - Student Petitions and Grievances (other than a petition) or Policy 71 - Student Discipline may be appealed if there is a ground. A student who believes he/she has a ground for an appeal should refer to [Policy 72 - Student Appeals](#).

Accommodation for Students with Disabilities

Note for students with disabilities: The [AccessAbility Services](#) office, located on the first floor of the Needles Hall extension (1401), collaborates with all academic departments to arrange appropriate accommodations for students with disabilities without compromising the academic integrity of the curriculum. If you require academic accommodations to lessen the impact of your disability, please register with the AS office at the beginning of each academic term.