

# *Philosophical Issues in Political Economy*

Instructor: Jeff Carroll

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## **Course Description:**

This course pursues philosophical questions in political economy. What is capitalism? What is market failure? Should there be a welfare state? If not, why not? If so, how should it be designed? Is capitalism compatible with environmentalism?

The textbook for the course is: Daniel Halliday and John Thrasher's *The Ethics of Capitalism: An Introduction*.

## **Assignments:**

- Participation: 15%
- Presentation: 15%
- Midterm:   x%
- Paper:   y% Due Date: TBA
- Final:   z% Due Date: TBA
- \*\*Students decide how to allocate the remaining 70% of the grade. It is stipulated that: (1) x, y, and z must *each* be equal to or greater than 1, and, (2) x, y, and z must sum to 70.

[NB: Readings with a single asterisk (\*) are for an introductory course, while those with two asterisks (\*\*) are for more advanced versions of the class.]

## **Week 1—What is Capitalism? Definitions and Controversies**

### *Overview*

Everyone hates capitalism, or so it seems. It is blamed for a variety of injustices and problems and what passes for its defense is usually a bit reluctant. We start by examining the way that capitalism is talked about and how such talk might be made less rhetorical, more disciplined, and productive. This will help us work towards a definition of capitalism and how it contrasts both with alternative systems like socialism and feudalism, and how the economic *status quo* might be viewed as a mixture of these systems.

### *Readings*

Halliday & Thrasher (2020) *The Ethics of Capitalism*, Chapter 1 “Introduction”

\*Chang, Han Joon (2011) *23 Things They Don't Tell You about Capitalism*, Chapter 1 “There is No Such Thing as a Free Market”

## **Week 2–Political Economy and Economic Justice**

### *Overview*

This week we explore how political economy is an attempt to unify what are now recognized as the distinct disciplines of economics and political philosophy. We will do this largely by giving you a historical narrative, one that details the rise of political economy and the authors behind it, such as Adam Smith and John Stuart Mill, before providing some reasons for its decline in the 20th century as academia underwent increased specialization and fragmentation. This will provide some background for appreciating the comeback that political economy is now enjoying, as another golden age is perhaps approaching.

### *Readings*

Halliday & Thrasher (2020) *The Ethics of Capitalism*, Chapter 2 “Capitalism Seemed Like a Good Idea at the Time: The Rise and Fall (and Resurrection?) of Political Economy”

\*\*Mill, John Stuart (1848) *Principles of Political Economy*, “[Preliminary Remarks](#)“

## **Week 3–Hierarchy and Feudalism**

### *Overview*

Prior to the industrial revolution, most people lived in great poverty and had little freedom. The church, monarchy, and aristocracy had great power and controlled the economy. International relations were characterized by destructive wars rather than (largely) uninterrupted peaceful trade. Adam Smith regarded “commercial society” as the chief alternative to such an unjust and inefficient way of organizing society. Comparison with feudalism remains, however, an excellent starting point for considering the moral foundations of a capitalist order even though feudalism is considered to be long gone. Indeed, many objections to contemporary capitalism may prove to worry about a return to feudalism rather than a commitment to communism or socialism.

### *Readings*

Halliday & Thrasher (2020) *The Ethics of Capitalism*, Chapter 3 “Getting Out of Feudalism—and Staying Out!”

\*\*Anderson, Elizabeth (2015) “[Liberty, Equality, and Private Government](#)” *Tanner Lectures on Human Values*

(NB: This is a long reading! All of it is good, but it’s fine to just read the second half, from p. 34 onwards)

\*\*Cowen, Tyler (2015) “[Comments on Elizabeth Anderson’s Tanner Lectures](#)”

## **Week 4–Market Order and Market Failure**

### *Overview*

This week we will discuss the most influential argument in favor of a capitalist economy characterized by widespread economic freedom as opposed to central government planning. This is the argument from price signaling, which draws on the idea of markets as spontaneous orders

that work best when left alone. We'll then look at some counterarguments that emphasize the limits of price signaling and other alleged cases of "market failure."

### *Readings*

Halliday & Thrasher (2020) *The Ethics of Capitalism*, Chapter 4 "Market order and Market Failure"

\*Smith, Adam (1776) [\*Wealth of Nations \(WON\)\*, Book 1, Chapters 1-3](#)

\*Mill, John Stuart (1848) [\*Principles of Political Economy\*, Book 1, Chapter 8](#)

\*Zwolinski, Matt (2008) "[The Ethics of Price-Gouging.](#)" *Business Ethics Quarterly*, 18(3): 347-378.

\*\*Smith Adam (1776) [\*WON\*, Book 5, Chapter 1](#)

\*\*Mill, John Stuart (1848) *Principles of Political Economy*, Book 5, [Chapter 1](#) & [Chapter 11](#)

\*\*Hayek, F.A., (1945) "[The Use of Knowledge in Society](#)" *American Economic Review*, 25(4): 519–30.

### *Videos*

[Explaining Opportunity Cost](#), Dr. Mario Villareal-Diaz

[Adam Smith's Invisible Hand](#), Prof. James Otteson

[Market Failure: Externalities](#), Marginal Revolution University

["Fear the Boom and Bust: Keynes vs. Hayek Rap Battle"](#) EconStories

["The Fight of the Century: Keynes and Hayek Round Two"](#) EconStories

## **Week 5—So Why Not Socialism?**

### *Overview*

This week, we'll consider some of the more influential arguments for socialism. These turn out to support different guises of socialism. Two key internal questions for socialists are (1) whether a socialist economy is based on coercion or voluntary cooperation, and (2) whether production should involve markets and competition. Different combinations of answers serve to separate utopian, Marxist, and market socialism from each other (we also comment briefly on anarchism and fascism, which can be seen as retaining elements of socialism). The goal of this chapter is to compare and contrast these different schools of socialist thinking, with a view to seeing how each variety of socialism can be defended.

### *Readings*

Halliday & Thrasher (2020) *The Ethics of Capitalism*, Chapter 5 "So Why Not Socialism?"

\*Mill, John Stuart (1848) *Principles of Political Economy*, [Book 2, Chapter 1 “Distribution”](#) & [Book 4, Chapter 7 “On the Probable Futurity of the Labouring Class”](#)

\*Marx, Karl & Fredrick Engels (1848) *The Communist Manifesto*

\*Bakunin, Mikhail (1873) [“Stateless Socialism: Anarchism”](#)

\*Kropotkin, Peter (1898) [Anarchism: Its Philosophy and Ideal](#)

\*\*Cohen, G.A. [Why Not Socialism?](#)

\*\*[Video of Jason Brennan discussing his response to Cohen, Why Not Capitalism](#)

\*\*Miller, Dale (2003) “Mill’s ‘Socialism’,” *Politics, Philosophy, & Economics*, 2(2): 213-238.

## **Week 6–Wage and Labor Inequality**

### *Overview*

This week we address some principal questions about labor market justice. Some of these are old concerns about the persistence of poverty due to the forces that keep wages low among unskilled workers. This leads to worries about exploitation. We’ll also introduce the concern, most often associated with Marx, that much paid work is of a character that is detrimental to human flourishing. We’ll then move on to more recent trends, such as the rise in executive pay and other aspects of “labor market polarization.” This will help us grapple with whether it’s unjust for a few people to earn so much more than everyone else.

### *Readings*

Halliday & Thrasher (2020) *The Ethics of Capitalism*, Chapter 6 “Low Wages and Lousy Jobs”

\*Smith Adam (1776) *WON*, [Book 1, Chapter 8 “Of the Wages of Labour”](#)

\*Marx, Karl (1844) [“Estranged Labour”](#) *Economic and Philosophical Manuscripts of 1844*

\*Gheaus, Anca & Lisa Herzog (2016) [“The Goods of Work \(Other Than Money!\)”](#) *The Journal of Social Philosophy*, 47(1): 70-89

\*\*Heath, Joseph (2018) [“On the Very Idea of a Just Wage”](#) *Erasmus Journal for Philosophy and Economics*, 11(2): 1-33

## **Week 7–The Welfare State and Its Rivals**

### *Overview*

This week, we’ll look at some leading proposals for dealing with the fact that the labor market confers rewards unequally. Over the years, governments have made various attempts to correct for this by regulating or intervening with the labor market. We’ll examine some of these methods

in this chapter. In addition, we'll look at some proposals that have not (yet) been widely implemented through labor market legislation, but which have interesting philosophical arguments behind them and which seek to improve on what governments currently do.

### *Readings*

Halliday & Thrasher (2020) *The Ethics of Capitalism*, Chapter 7 “The Welfare State and Its Rivals”

\*Mill, John Stuart (1848) *Principles of Political Economy*, [Book 2, Chapters 12-13 “Of the Remedies for Low Wages”](#)

\*\*Heath, Joseph (2011) [“Three Normative Models of the Welfare State”](#) *Public Reason*, 3(2)

\*\*Schemmel, Christian (2015) [“How \(Not\) to Criticise the Welfare State,”](#) *Journal of Applied Philosophy* 32(4): 393-409

### *Videos*

[Milton Freidman defending the “negative income tax” in 1968 \(something similar to a universal basic income\)](#)

[Philippe Van Parijs, UBI: The Instrument of Freedom](#)

## **Week 8–Global Trade**

### *Overview*

This week we examine some concerns about capitalism with respect to relations between different countries, or people within them. For the most part, we focus on trade across borders and its connection to problems of global justice, such as inequality between rich and poor nations and the abject poverty that continues to afflict such large swathes of the global population. As with many of the themes in this book, we'll show you that early defenses of capitalism from the golden age saw trade as a force for prosperity, and possibly justice. Once again, the reasons behind this view prove useful for evaluating how things have turned out since, and for working out how things might be better. This will help us examine contemporary “economic nationalism,” which is a rising force in politics but makes some of the old mistakes addressed during the golden age. We will also identify important questions for pro-trade views, particularly justice in the structure of global institutions.

### *Readings*

Halliday & Thrasher (2020) *The Ethics of Capitalism*, Chapter 8 “We Are the World; or, How I Learned to Stop Worrying and Love Global Trade”

\*Ricardo, David (1821) *On the Principles of Political Economy and Taxation*, [Chapter 7 “On Foreign Trade”](#)

\*Bres, Helena de (2016) [“Justice and international Trade”](#) *Philosophy Compass*, 11(10): 570-579.

## Week 9–Status and Positional Goods

### Overview

This week we look at the problems posed by positional goods and status. These are goods that confer relative or “competitive” advantages, and whose supply is therefore limited as a matter of logic. We’ll begin by looking at the way in which early theoretical work on positional goods leads to some very general worries about the long-term prospects for capitalism, which contrast with the optimism of figures like Hayek and Smith. We’ll then look at some important specific cases, such as education, before ending with a discussion about some proposals for taking the heat out of current positional competition.

### Readings

Halliday & Thrasher (2020) *The Ethics of Capitalism*, Chapter 9, “Keeping Up with the Joneses (and the Kardashians)”

\*Smith, Adam (1759) *Theory of Moral Sentiments* (TMS), [Part 4, Chapter 1 “Of the Effect of Utility Upon the Sentiment of Approbation”](#)

\*Lichtenberg, Judith (1996) [“Consuming Because Others Consume”](#) *Social Theory and Practice* 22(3): 273-297.

\*\*Brighouse, Henry & Adam Swift (2006) [“Equality, Priority, and Positional Goods”](#) *Ethics*, 116(3): 471-497

\*\*Halliday, Daniel & Keith Hankins (2020) [“Positional Goods and Upstream Agency”](#) *Australasian Journal of Philosophy* 98(2): 279-293

## Week 10–The Future of Work

### Overview

This week we discuss various questions about how a market society might develop, such that its citizens spend less time in paid employment. This can occur by way of an increased displacement of labor by technology or “automation” in the production process and/ or by government regulation that limits the amount of time that people spend working. This enables us to grapple with some interesting questions about the place of technology in labor markets (particularly whether it should be feared), the value of leisure time, and the overall future of work (including whether work even has a future).

### Readings

Halliday & Thrasher (2020) *The Ethics of Capitalism*, Chapter 10, “Why are we Still Working So Hard?”

\*Ricardo, David (1821) *On the Principles of Political Economy and Taxation*, [Chapter 31 “On Machinery”](#)

\*Mill, John Stuart (1848) *Principles of Political Economy*, Book 4, Chapter 6 [“Of the Stationary State”](#)

\*Keynes, John (1930) [“Economic Possibilities for Our Grandchildren”](#)

## **Week 11–Capitalism and the Environment**

### *Overview*

This week we look at some ways in which capitalism impacts on the natural world. While capitalism and markets can never be solely to blame in general for environmental harms, there are some specific objections to markets that we shall seek to explore in some detail. We might also distinguish between the role of markets in causing environmentally destructive human conduct, and the role that markets could and, in a few cases, might already be playing in bringing about a constructive response. There’s no getting away from the fact that an effective global response to climate change is both urgently needed and distressingly hard to achieve. Our goal here is to help you avoid distracting conclusions about what’s to blame for this and to acquaint you better with a more robust approach to the problem as one of political economy.

### *Readings*

Halliday & Thrasher (2020) *The Ethics of Capitalism*, Chapter 11, “Do Markets Wreck the Planet?”

\*Schmidtz, David (1997) [“When Preservationism Doesn’t Preserve”](#) *Environmental Values*, 6(3): 327-339

\*\*Budolfson, Mark, et. al. (2019) [“Optimal Climate Policy and the Future of World Economic Development”](#) *The World Bank Economic Review* 33(1): 21-40

## **Week 12–Markets in Everything?**

### *Overview*

Many of the questions covered in this class have been undergoing philosophical and economic analysis for decades or centuries. This week, we’re examining questions that have arisen more recently, though the philosophical literature on them is already very lively. More specifically, we’re interested in the sorts of exchanges that might be “off-limits” to markets. This will give us a chance to look at some very interesting specific cases, and to consider the intuitive reactions that many people find they have toward them.

### *Readings*

Halliday & Thrasher (2020) *The Ethics of Capitalism*, Chapter 12, “Boldly Going Where No Market Has Gone Before—Should Some Things Not Be for Sale?”

\*Satz, Debra (1995) “Markets in Women’s Sexual Labor” *Ethics*, 106(1): 63-85.

\*Brennan, Jason & Peter Jaworski (2015) [“Markets Without Symbolic Limits”](#) *Ethics* 125(4): 1053-1077.

*Videos*

[Al Roth on matching markets and kidneys](#)

[Peter Jaworski on \*Markets without Limits\*](#)

[Debra Satz on \*Why Some Things Should Not be for Sale?\*](#)