INTRODUCTION

This course examines historical and contemporary accounts of the factual and normative foundations and inter-relations of two of our most important institutions: markets and the government that enforces them. The course is interdisciplinary, intersecting moral theories and agendas made explicit or implicit in philosophy, political science, and economics (PP&E). The broad aim is to investigate and illustrate how and why these three disciplines are indispensable to addressing and answering the factual and normative questions posed by each.

We explore a variety of problems pertaining to coordination, cooperation, and decision-making in groups of various size and type. We examine problems of economic coordination and efficiency, ethical dilemmas pertinent to distributive justice, and questions about the extent and form of consent given to the exercise of political power.

To understand social cooperation we must understand the problems that social cooperation must solve. Here game theory is an important tool, not only for economists and political scientists, but for political philosophers too. Thus the course focuses much on this sub-discipline. One game in particular—the prisoners’ dilemma (PD)—is foundational to the study of social choice and institutions; we begin with simple-form PDs, then develop iterated and many-person versions. We also address theories of public goods using game theory, but also: Hobbes on the origin of the state, Locke on the roots of property, Hume-Demsetz on the source of property rights, and Montesquieu on divisions of political power. We consider also experimental evidence in PD and social dilemma games. Attention is devoted to the “trust problem,” aspects of reputation, and the need for credible commitments.

Finally, we illuminate matters of justice, wealth distribution, and the control of political power. Our object is two-fold: first, to examine a specific issue of great consequence in its own right; second, to isolate the differences and complementarities brought to bear on this issue by philosophical, political, and economic viewpoints. The issue—distributive justice—we examine first in its “purely ethical” aspects (in writings by Rousseau, Rawls and Nozick), and second in analyses of distributive schemes and their “incentive effects.” We also consider matters of
coordination and distribution in the light of theories of institutions (in writings by North, Ostrom, and others). We conclude with Public Choice theory, which applies to political processes the premises and methods of economics.

ASSIGNMENTS & GRADE WEIGHTS

- **Paper (30% of final grade):** You will write one paper, 10-12 typed pages long, double-spaced (or no more than 3,000 words long, whichever is shorter). Due on Wed., December 2nd (end of class). Each student must present to the instructor a subject, theme, and outline of proposed work, plus a tentative list of references, by Wed., October 14th (end of class). References cannot simply be URLs or Wikipedia entries. A paper not submitted on time (December 2nd) is late and loses a letter grade for each calendar day that it is late. Early discussion with the instructor, on topics and approaches, is welcomed.

- **Midterm Exam (30% of final grade):** The midterm exam will be partly multiple choice and partly short-answer essay questions. Practice questions will be handed out a week or so before the exam is given.

- **Final Exam (30% of final grade):** Friday December 11th, 2-5 pm (or as scheduled by the University Registrar). The exam will be comprehensive and all-essay, in a standard Blue Book. Full credit will be given for those answers that integrate the course material rather than those that merely regurgitate its separate parts. Possible questions on the final exam will be provided two weeks in advance, while the actual questions will be determined in class, on the day of the exam, using fair six-sided die.

- **Class Participation (10% of final grade):** Read the assignments in advance. Take a pop quiz or two. Ask probing questions. Make thoughtful criticisms. Engage others intellectually. Here, silence is not golden.

TEXTBOOKS

These three required books (listed alphabetically by author’s last name) are available at the Duke Textbook Store.

- **Title:** Philosophy, Politics, & Economics: An Anthology
  Publisher: Oxford University Press, 2015

- **Title:** On Philosophy, Politics, and Economics
  Author: G. Gaus
  Publisher: Cengage Learning, 2008

- **Title:** Choosing in Groups: Analytical Politics Revisited
  Author: M. Munger and K. Munger
  Publisher: Cambridge University Press, 2015

In addition, shorter readings are available on the web—in many cases by merely clicking on the links embedded in the on-line version of this syllabus, which will bring your browser to a pdf or html version of the text. In the case of both the books and the reserve readings, the last name(s) of the author(s) constitute(s) a unique identifier.

LINKS TO RESOURCES

- Citations Practices: [http://library.duke.edu/research/citing/](http://library.duke.edu/research/citing/)
- Duke’s Community Standard: [http://integrity.duke.edu/new.html](http://integrity.duke.edu/new.html)
- Holes, First Rule of: Stop digging, and get some help: [http://www.studentaffairs.duke.edu/caps](http://www.studentaffairs.duke.edu/caps)
Aug. 24 (M): Introduction
Readings:

Course overview, a walk-through of syllabus, grading, office hours, expectations, and a lecture.

Aug. 26 (W), 31 (M) & Sep. 2 (W): The State of Nature and Nature of the State
Readings:

How do we justify enforceable institutions and rules? How can someone or some group morally exert coercive power over one or more other competent adults, to make them act against their will? Here we ask not whether the use of official force is successful, in the sense that someone’s behavior is compelled, but whether the use of force is legitimate. What, if anything, justifies a government’s use of force so as to gain adherence to its laws? The question is normative, not descriptive. What makes sovereignty and state power not merely effective but moral?

- Divine authority?—depends on unverifiable religious claims and forces us to accept a presumption that anyone who successfully gains political power thereby attains justified political authority.
- Natural subordination?—relies on dubious empirical assumptions about latent inequalities or hierarchies among people, and regardless, cannot account for why political authority also governs elites.
- Paternalism?—assumes a sub-group of superiors with clear knowledge of what’s good for less-able, less-informed subjects; even if possible, it implies that no other government types have had political authority.
- Consent?—seems plausible, but who, precisely, must consent? What of those who don’t consent? Can consent be merely implicit? Over what duration? Are there limits to political authority despite consent?

Sep. 7 (M) & 9 (W): Spontaneous Order versus Deliberate Design
Readings:
- Bastiat, F. (1848) “What is Seen and What is Not Seen.” From Selected Essays on Political Economy.
Are certain social-political-legal institutions necessary for markets to emerge? Liberty? Trust? Money? The division of labor? Philosophers ask why we should obey the law; social scientists ask whether we do so and why social/political institutions (like laws) exist at all: how they emerge, persist, differ, and change. One account—“spontaneous order”—says ordered processes (conventions, regularities, and social practices) arise without external direction, as a product of human action but not human intention. Recall Hume (“Of the Original Contract”): institutions don’t emerge by design, and force alone doesn’t maintain them. Yet we can’t assume the existence of “spontaneous order” in social-economic realms, any more than we can assume a moral “rightness” about some political stasis merely because long-lasting. Such order must be demonstrated. And what to make of seemingly non-spontaneous order (the U.S. Constitution)? The deliberate design of a new government? Hamilton asks rhetorically (in Federalist #1) “whether societies of men are capable of establishing good government from reflection and choice” or instead are “destined to depend for their political constitutions on accident and force.”

Sep. 14 (M), 16 (W) & 21 (M): Deciding in Groups: Preferences and Rationality
Readings:

What do I want? What do you want? What does it mean to say that “we want” something, if “we” disagree? Where do preferences come from, and is it sensible to say that “a group has preferences” if a group is not unanimous? What if a group is larger? Smaller? More homogenous? More heterogeneous? In what attributes?

Sep. 23 (W), 28 (M) & 30 (W): Game Theory and the Evolution of Cooperation
(ALSO: a visit from Catherine Shreve, on using library sources and references in your paper)
Readings:
- Play a PD on-line (What strategy does Serendip play?)

For reading selectively, as needed (i.e., not necessarily in their entirety):

We take up the Prisoner’s Dilemma (PD) as a model for rationality in cooperation and in acceptance of enforcement. Can we model the moral problem of legitimizing state coercion as a PD? Can we model obstacles to spontaneous order as a PD? In its classic form, a PD is a 2x2 person game with the following properties:

- There is exactly one Nash Equilibrium (NE)
- There is exactly one Pareto Optimum (PO)
- The NE and the PO are different. That is, the PO is not a NE. That’s a dilemma – a sub-optimal result.
Many other games relate to PD games, but only 2x2 games with these properties are PDs. Question: how widespread are PDs, empirically? Are they merely intellectual exercises, or do they teach us something of the world? We distinguish formal game theory from evolutionary game theory. Can either explain rationality or our basic conceptions of justice? Can it also explain why should we be just? Even if we can answer “yes” to such questions, is such contractual understanding reflected in stable social and psychological processes? We can define solutions to strategic games. But PD isn’t the right model for escaping a state of nature. Per Hobbes: “Covenants, without the sword, are but words.” Is that true? Or can cooperation emerge from anarchic settings? Can groups come to cooperate without external coercion or design? Consider assurance games, coordination games, or repeated play.

Oct. 5 (M): Review for Midterm Exam

Oct. 7 (W): Midterm Exam (in class). NOTE: If you know now that you cannot attend this midterm, let me know immediately. Only medical excuses will be accepted after October 5th.

FALL BREAK: October 9-13—No class Oct. 12 (M)


Readings:
- Locke, J. (1695). “Venditio” (Sakai reading)
- “Perfect Competition.” Economics Online.

How (and why) do markets “work?” What does that mean? Even if markets work, are they moral — or antithetical to morality? Are markets compatible with any reasonable vision of “the good society?” We begin by expounding some potential problems: referencing “market failure,” instrumental rationality, and welfare economics.

The descriptive problem—the “perfect competition” (PC) model fails to account for many features of actual markets, because its assumptions are either unrealistic or un-realized. They rarely map the facts. When economic interactions are strategic (as they are, most of the time) the PC model can contribute little to our understanding.

The prior problem—the PC model merely presumes the solution to a number of major problems of market coordination and cooperation; it fails to reflect the fact that real markets entail dynamic discovery processes.

The normative problem—to assume or assert the moral desirability of market outcomes begs crucial questions of justice, equality, and welfare. Even if markets efficiently produce maximal wealth, their moral value may still be contestable.

Oct. 21 (W) & 26 (M): Market Failure and Government Failure

Readings:
• Types of “Market Failure.” Economics Online.

Economists posit “perfectly competitive markets,” yet few actually exist. Most fail the harsh test. If so, how might government policies “fix” market failures? Tax? Subsidize? Regulate? Do market failures necessarily justify a resort to state coercion? How might government itself fail? According to what standard? How can the two kinds of failure be balanced, or compared? Are the failures categorical, or can policy-makers and citizens agree on a trade-off? Is Pareto optimality a viable criterion? What alternative criteria might help us decide?

Oct. 28 (W): Norms, Passions, Emotions & Commitment Devices
Readings:

If we could all simply agree to behave morally, wouldn’t society be better off? Measured how? Moral action may be intrinsically better than immoral action, but it’s also better consequentially if costs of transacting, monitoring and enforcement are lower and facilitate more welfare-enhancing interactions. What then is meant by “moral?” Need we agreed on one code? Is society better off (but the individual worse off) with morality? Even if “we” agree to some moral code, how can we commit to remain moral? Can we shape preferences such that people want to behave morally? Is it possible, as Rousseau suggests, to inscribe the law not in books but on men’s hearts?

Nov. 2 (M), 4 (W) & 9 (M): Justice and Property
Readings:
- Madison, J. (1792). “Property”

Locke sees property as a “natural right.” How can he be sure? If the earth is “given” to man in “common,” as he claims, whence arises private property? Hume believes justice arises spontaneously alongside property rights, conforms to our self-interest, and governs all actions regarding mine and thine. Does he make good arguments? Marx insists that private property entails “human self-estrangement,” but that its abolition under communism will permit “the complete emancipation of all human senses and qualities.” Is that what history shows? Rand contends that rights are a “moral concept,” that only individuals have rights, and that government’s sole legitimate function is to protect rights from violation. Is this too narrow a conception of rights? Does it preclude social justice?
Nov. 11 (W), 16 (M) & 18 (W):  Justice and Equality

Readings:

- Rousseau, J.J. (1754). *What is the Origin of Inequality Among Men, and Is It Authorized by Natural Law*

The three great questions of political philosophy: What is justice? Why should I be just? What form (or function) of government is truly just? These questions absorbed Plato in *The Republic* (380 B.C.) Rousseau also (1754) – a still-influential view. More recently: Rawls and Nozick. Many sympathize with Rawls, but why honor his claims? Shouldn’t justice be rationally defensible? What is meant by “rational defensibility?” By economists’ definition of rationality (purely instrumental, with preferences consistent, complete and transitive), the answer is: acting justly isn’t rational. But moral philosophers have no view of justice that avoids “begging the question” (i.e., merely assuming what must be proved). Or do they? We assess Nozick’s critique of Rawls. How does equality relate to justice? Equality before the law? Of opportunity? Of result? What about “social justice?” Is it just?

Nov. 23 (M) & 30 (M):  Public Choice

Readings:

In Anomaly et al, *Philosophy, Politics, & Economics: An Anthology*, Chapters 10 & 11:


Are individuals in the market realm rational and egoistic, but in politics heartfelt and altruistic? Do officials seek the public interest? If so, does that interest oppose or promote private interests? How should we define the “public interest,” the “common good,” or the “general welfare?” Do they have any meaning, or do they only mask opportunistic agendas? Do the private economic interests of the powerful invariably determine or contaminate the public interest? Consider Public Choice theory, which posits a *uniformity* of human motives in both markets and politics; can it, thereby, explain more (or less) than the conventional theory? How workable is democracy? Are citizens motivated to become informed and to vote? If not, is that problematic, or preferable? To whom? Why?

Dec. 2 (W):  Last Class—Wrap-up & Review for Final Exam

Dec. 11 (F):  Final Exam (Scheduled by Registrar), 2–5 pm