

PPE 160
Freedom, Markets, and Well-Being
TR 2:45, Pearsons 202

Fall 2008
E. Brown and M. Green

Office hours for Brown: Wednesdays 9:30–11:30AM and by appt., Carnegie 216, x72810.
Office hours for Green: Mondays 1–3. Pearsons 207, x70906.

Course Overview

In this course, we bring together scholarship from philosophy, politics and economics to study the philosophical underpinnings and social institutions of contemporary American society and the world in which it operates. Working across disciplinary boundaries, we examine scholarship that seeks to describe the liberties, freedoms and safeguards that promote human flourishing and that looks carefully at the roles played by market economies and political institutions in the construction of contemporary society.

One of the themes of inquiry will concern equality, and the circumstances under which inequality arises over time within constructs of a just society. Locke, Dworkin, and Nozick weave markets into their conceptions of a well-governed society, and in each case, the result is material inequality that is not seen as unjust. Another theme is the interplay of institutions: what aspects of life are best handled through markets, by government, or in the sphere of personal relations? A third line of inquiry explores the notion of human well-being, from economists' theoretical notion of utility to philosophical arguments for objective standards to the empirical literature on the economics of happiness.

While such an intellectual feast deserves to be celebrated as such, one specific purpose of the course is to develop in students a familiarity and facility with cross-disciplinary thinking and analysis. For PPE majors, the course in its reading list and also in its habits of thought is designed to prepare students to write a senior thesis that crosses disciplinary boundaries and brings the insights of abstract and wide-ranging scholarship to bear on specific issues, often issues of public policy. With this in mind, we turn at this point in the semester to one of the richest areas of contemporary domestic policy debate, the provision of health care. As part of this section of the course, we will read a PPE senior thesis that recently won the PPE department's Politea prize for best thesis.

Coursework and grading: All students enrolled in this course are expected to do the assigned reading, to attend class regularly, and to participate thoughtfully in class discussions.

Over the course of the term, there will be five short (three-page) paper assignments. The topics are chosen to give you practice making connections, distinctions, criticisms and connections across texts, methodologies, and disciplines. The lowest grade will be thrown out. If your fall schedule has a particularly hectic moment and you want to skip writing one of the assigned essays altogether, that is an acceptable way to use your lowest-grade-doesn't-count option.

In addition, each student will write a thesis prospectus and make a presentation of it to the class. A thesis prospectus is a detailed three- to five-page document designed to convince its

readers that your idea for a thesis is both worthy and feasible. It states your research topic, why it is important, how you will go about tackling it, and what sorts of conclusions it might reach. It makes clear the ways in which the thesis spans at least two of the PPE disciplines, one of which is your field of concentration within the PPE major. The bibliography demonstrates that you have some familiarity with scholarship on the topic and related scholarship and/or methodological tools that will be relevant to your work. This exercise, with both oral and written components, will be given twice the weight of a three-page paper in determining your baseline grade.

In short, a student's preliminary course grade is determined as:

four best three-page papers	1/6 of final grade each
prospectus and presentation	1/3 of final grade

This is a baseline grade. Unless a student has behaved badly, the final grade will be no lower than the (rounded-off) grade calculated here. A student's grade may rise as much as a half grade (e.g. from a B+ to an A-) in recognition of consistent and thoughtful participation in class, or other relevant mitigating circumstances that clearly suggest to the professors that the baseline grade underestimates the student's demonstrated command of the course material.

Materials

Almost all of the readings will be made available through a free course reader. The exceptions are Amartya Sen's book *Development as Freedom* and Laurence Kotlikoff's *The Healthcare Fix*. They will be available in the Huntley bookstore.

Announcements, paper topics, and reserve readings will be posted on the Sakai site for this course: <http://sakai.claremont.edu/>. Notes on class sessions and detailed information about grades will be posted at <http://carneades.pomona.edu/2008-PPE/> (there will be links to that site in the Sakai site, for what it's worth, so if you're parsimonious with your bookmarks, you need only bother with Sakai).

Finally, your instructors have regular office hours, posted above. If those are not convenient, just make an appointment for some other time. Michael Green has a policy of only checking email twice a day. So if you really want him to get back to you quickly, your best bet is to call his office number: x7-0906.

Course Outline

This outline constitutes a plan rather than a binding contract. If we get off track, we will let you know at the end of each class period what we will be covering in the next couple of classes. It is your responsibility to keep track of divergences from the schedule presented here.

<i>Date</i>	<i>Topic</i>
September 2	<i>Introduction.</i> What we will cover.

Theory: Freedom, equality, and markets

September 4

Freedom and property. In order to have markets, you have to have property rights: no property rights, no rights to exchange things in a market. We will begin with John Locke's classic statement of the origins of property and government. In particular, we will be concerned with the limits that Locke puts on the ability to acquire property, such as the requirement that there be enough left for others. The Gibbard article notes that ownership limits liberty: owners have rights to exclude others from using the things they own. So how does the right to acquire property work? Remember, it has to both enhance the owner's rights and reduce those of everyone else. Gibbard considers two different versions of a right to acquire property and argues that neither supports the acquisition of unlimited property rights.

Reading John Locke, *Second Treatise of Government*, Chs. 1-5, pp. 267–302
Allan Gibbard, "Natural Property Rights", *Noûs* 10 (Mar. 1976), pp. 77–86.

September 9

Distributive justice and equality. Locke tried to move from facts about what all human beings are like to conclusions about how they ought to treat one another. The argument isn't compelling without theological assumptions. Williams seeks to improve on Locke by showing that some kinds of inequality are irrational in that they fail to reflect the factual equality of human beings. We will be particularly interested in his discussion of distributive justice on pp. 239-49. Williams's claim is that the nature of goods like health care and education determines their proper distribution and that the proper distribution could be considerably different than what a free market would produce. What does that mean? Do goods have natures and do we have to care about them?

Reading Bernard Williams, "The Idea of Equality", in: *Problems of the Self* (Cambridge University Press, 1973), pp. 230–249.

September 11

Criticisms of Williams. Robert Nozick criticizes Williams for failing to establish his point and for reaching conclusions that objectionably limit liberty. Nozick asks some good questions about Williams's argument and, by extension, a lot of commonsense thinking about how the economy should work. Menzel argues that it doesn't make sense to insist on equality of even a basic good like health care. Why? Different people put different value on goods like health care. In particular, while the rich would spend quite a lot on health care, the poor would spend less on health care in order to buy other goods. So there's

nothing wrong with an unequal distribution of health care, contrary to Williams's conclusions.

Reading Robert Nozick, *Anarchy, State, and Utopia* (New York: Basic Books, 1974), pp. 232-8; P. T. Menzel. *Strong Medicine*. (Oxford University Press, 1990), Ch. 7, pp. 116-31.

September 16 *Dworkin's reconciliation of equality and markets*. Can we reconcile the idea of equality, as articulated by Williams, with the concern for liberty and economic decisions that his critics emphasize? Ronald Dworkin claims to have done just that. He claims that the only fair way to determine what goods are worth is to have a market (strictly speaking, an auction). In this way, equality is defined by a market.

Reading Ronald Dworkin, "What is Equality? Part 2: Equality of Resources", *Philosophy & Public Affairs* 10:4 (Autumn 1981), pp. 283-345.

September 18 Last time, we discussed Dworkin's argument for the centrality of markets. Alas, it isn't so simple. There is an important class of goods whose distribution should not be determined by the market (auction). For these goods he thinks a hypothetical insurance market is called for. Of course, the auction is hypothetical too. The insurance market is doubly hypothetical because it involves imagining what people would choose if they were deprived of significant information about themselves.

Reading Dworkin, cont.

September 23 *Markets and values*. Anderson is a critic of markets. She believes that the value of some goods is independent of their market price. She also believes that trading these goods in markets has toxic social consequences. Anderson identifies three spheres: government, markets, and personal networks. She argues that the norms for these spheres are different, and that the characteristics of something we value suggest which set of norms is appropriate to its allocation.

Reading Elizabeth Anderson, *Value in Ethics and Economics* (Harvard University Press, 1993) Ch 7, pp. 141-167.

September 25 *Political uses of norms*. Sunstein argues that government can and should influence social behavior. Indeed, as a body that legislates, it cannot avoid making normative judgments. Watch for the policy implications and the levels of policy response he considers.

Reading Cass R. Sunstein, "Social Norms and Social Roles", *Columbia Law Review* 96:4 (1996):903-968.

- September 30 *Sample thesis.* This is a prize-winning PPE thesis. What makes it good?
- Reading* Rose Ehler, “Technology, Ethics, and Regulation: A Case Study of the Market for Gestational Surrogacy.” Senior Thesis, Pomona College.
- October 2 *Student project/thesis ideas.* Your final project for this course is to write a prospectus for a PPE thesis. A PPE thesis is original scholarly work on a topic of interest and substance the exploration of which draws on at least two of the constituent PPE fields. A prospectus outlines the project, states why it is important, how it will be pursued, what sorts of implications its results might have, and gives a smattering of the references that will be consulted. Bring your idea for a project/thesis to class. What’s your idea? Note that thinking about how to improve others’ ideas is often a wonderful way of gaining perspective on your own. Hint, hint.
- Theory: Well-being***
- October 7 *Utility theory.* Both philosophy and economics theorize about human well-being. At some point, data intrude. The economists’ model of well-being is generally one of self-centered maximization of utility subject to stable preferences. Kahneman and Thaler discuss the experimental evidence on how closely human behavior fits the model.
- Reading* Daniel Kahneman and Richard H. Thaler, “Utility Maximization and Experienced Utility”, *Journal of Economic Perspectives* 20:1 (2006), pp. 221–234.
- October 9 *Experienced utility.* The classical notion of utility is excess of pleasure over pain, experienced through time. What does modern evidence suggest? And does money make us happy? The latest major study of the relationship between income and well-being finds a link not just between relative income and happiness, and between poverty and misery, but between happiness and income across the board. Why does this study get different answers? What should the next research involve in order to shed light on these new data?
- Reading* [1] Daniel Kahneman and Alan B. Krueger, “Developments in the Measurement of Subjective Well-Being”, *Journal of Economic Perspectives* 20:1 (2006), pp. 3–24.
- October 14 *Well-being and liberty.* Knowing what we now know about subjective accounts of well-being, what does this knowledge imply for the proper sphere of government? Sunstein and Thaler suggest a “libertarian paternalism.”

Reading Richard H. Thaler and Cass R. Sunstein, *Nudge*, Yale University Press, 2008. Read Part I, pp. 1–100.

October 16 *From theory to policy.* Thaler and Sunstein flesh out their libertarian paternalism with a series of policy proposals. In addition to the intrinsic interest of their proposals, we would like to discuss the kind of writing in their book. For theory to have societal impact, it has to catch someone's attention. What audiences are they trying to reach? Are they successful?

Reading Richard H. Thaler and Cass R. Sunstein, *Nudge*, Yale University Press, 2008. Read Part II, pp. 103–226.

October 21 Fall Break.

October 23 *Slippery Slopes.* One place where logic meets reality is on the slippery slope. When is it valid to argue against a good policy because it opens the door, in some practical sense if not a logical one, to further bad ones? And is libertarian paternalism fruitfully challenged on the grounds of a slippery slope?

Reading [1] Douglas Glen Whitman and Mario J. Rizzo, "Paternalist Slopes," *NYU Journal of Law & Liberty*, vol. 2 (2007), 411-443.
[2] Cass Sunstein and Richard Thaler, *Nudge*, chapters 17–18, pp. 236–53.

October 28 *An objective account of well-being.* A further step down the slope of paternalism leads from the observation that sometimes people make unfortunate choices to the claim that we know what's good for people without asking their opinion. Martha Nussbaum criticizes the ways of measuring well-being, and, by extension, notions of economic development, that are standard in economics. In place of subjective measures such as feelings of pleasure or the satisfaction of desires or preferences, she argues that there are some objective standards of well-being. First, how does she argue for her list of objective goods? (Hint: look for discussions of what is distinctively human). Second, what do we think of her list of objective goods?

Reading Martha C. Nussbaum, "Human Functioning and Social Justice: In Defense of Aristotelian Essentialism", *Political Theory* 20 (1992), pp. 202–46.

October 30 *Well-being in third-world contexts.* What does it mean for a country to make progress? Sen develops the concepts of functionings and capabilities and their implications for the design of international aid. Are he and Nussbaum on the same page?

- Reading* Amartya Sen, *Development as Freedom*, (Knopf, 1999), Introduction, Chs. 1–2.
- November 4 Sen, continued.
- Reading* Amartya Sen, *Development as Freedom*, (Knopf, 1999), Chs. 5–6.
- Policy: health care***
- November 6 *Health care in the US*. These articles give an overview of the state of the health care policy in the US. The Menzel piece states his theoretical approach for addressing questions about health care policy: presumed consent.
- Reading* [1] Paul Krugman and Robin Wells, “The Health Care Crisis and What to Do About It”, *New York Review of Books* 53:5 (March 23 2006).
 [2] Henry J. Aaron and William B. Schwartz, *Can We Say No? The Challenge of Rationing Health Care* (Washington, D.C.: Brookings Institution Press, 2005), pp. 1–8.
 [3] Menzel *Strong Medicine* Preface and Ch. 1, pp. vii–ix, 3–21.
- November 11 Setting priorities for health care. What services should be offered to Medicaid patients, given that the budget cannot cover everything? This is one example of a setting in which priorities must be established. In such circumstances, whose valuations matter? How is cost-effectiveness analysis best adopted to prioritizing medical procedures? Philosopher Paul Menzel will join us for our discussion.
- Reading* Paul Menzel, “How Should What Economists Call ‘Social Values’ Be Measured?” *The Journal of Ethics*, 1999, vol.3, pp. 249-273.
- November 13 *Consent and pricing life*. Menzel’s big idea is that social decisions about what level of health care to provide should reflect the choices that people would make. For instance, how much would they choose to spend on health care and what kinds of care would they choose to buy? This is how he reconciles economic efficiency with our values: we would want an efficient system. But does this involve putting a price on life? If so, how could we use it to make decisions about what not to spend? After all, life is priceless [n.b: no economist wrote that phrase – eb], particularly when it’s our own [or that one? –mjg].
- Reading* Menzel, *Strong Medicine*, Ch. 3, pp. 37–56.
- November 18 *Infants and consent*. Can we apply the presumed consent theory to health problems present from birth? Menzel says no and reaches the

surprising conclusion that infants don't have the same rights as adults. He also criticizes Dworkin's insurance scheme.

Reading Menzel, *Strong Medicine*, Ch. 6, pp. 97–115.

November 20 *Intergenerational justice*. Our current federal tax and spending programs promise far more in benefits than they do in taxes, pushing a financial burden into the future, much of it shifted from earlier generations to later ones. Is this fair?

Reading [1] Laurence J. Kotlikoff, *The Healthcare Fix*, MIT Press, 2007, chapters 1 and 2.
[2] Philosophical something-or-other. TBA.

November 25 *Health Care Reform*. Kotlikoff makes a revealed-preference argument about American paternalism, then uses it to support his own preferred approach to health care reform. What do you think of his arguments, and his health care proposal?

Reading Kotlikoff, *The Healthcare Fix*, pages 47-92.

December 2-9 *Student presentations*. You are to write a thesis prospectus and then present your ideas to the class. Tell us what question you're going to answer and how you're going to go about answering it. Bring a one-page handout to help you to cover your ground quickly without losing people. The seminar will ask you questions. You'll get out everything you wanted to say in answering those questions. Plus, there will be lots of helpful advice.