



**Econ 101/Phil 101: Free People, Free Thought, and Free Markets. 4 units**

**Instructors:**

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**Course Description:**

The course examines the philosophical foundations of political and economic thought today. The intellectual foundation of modern academic economics is built on the idea that individuals are, within limits, rational expected utility optimizers using their resources and access to markets to maximize their well-being, incentivizing suppliers to find innovative ways to satisfy consumers in order to profit themselves. Although this guiding idea has led to the unprecedented rise in human well-being, it suffers from limitations of several types, including (i) conceptual limitations on the economic and non-economic utilities to be maximized, (ii) our well-documented shortcomings as expected utility optimizers, (iii) the daunting theoretical challenges to aggregating individual utilities into measurable social utilities across individuals and times, and (iv) the need to embed reasonable economic models into a broader theory of political economy in which moral values, including a proper balance of liberty and equality, are woven into the basic structure of societies.

Dealing with such broad challenges requires philosophical investigation of the roots of human happiness and morality, the nature and justification of political authority and the most significant conceptions of liberty and equality. It must also explain how the rational decision-theoretic model of human action can provide norms for evaluating actions of beings like us, whose decision-making very often departs from the model.

On the more practical side, the course also gives voice to both sides of a basic faultline in modern economics. On one side we have those who complain that modern economics is too pro-market leading to income inequality, concentration of wealth, and harmful externalities (e.g. pollution) associated with under-regulated markets. On the other side, academic economists and free-market thinkers warn against over centralization, recalling the catastrophic suffering caused by attempts at socialist collectivization over the past century. They also argue that continued prosperity, advances in medicine and technology, and the generation of new knowledge depends on maximizing free thought and action in ways that bring us together with others in mutually beneficial practices based on reciprocal trust and respect.

**Readings:**

Becker GS. Nobel lecture: *The economic way of looking at behavior*. Journal of political economy. 1993 Jun 1;101(3):385-409

Friedman, M., *Capitalism and Freedom*, 1962 (selections)

Friedman M, Friedman R. *Free to choose: A personal statement* 1990 (selections)

Gaus, G. *The Tyranny of the Ideal*, 2016 (selections)

Hayek, F. *The Constitution of Liberty*, 1960 (selections)

Hume, D. *Treatise on Human Understanding*, 1740; *Enquiry Concerning the Principles of Morals* 1751 (selections)

Kahneman, D. *Thinking, Fast and Slow*, 2012 (selections)

Locke, J. *Second Treatise on Government*, 1689

Mullainathan S, Thaler RH. *Behavioral economics. National Bureau of Economic Research*; 2000

Nozick, R. *Anarchy, State, and Utopia*, 1974 (selections)

Ramsey, F. "Truth and Probability," 1926

Rawls, J. A. *Theory of Justice*, 1971 (Ramsey)

Smith, A. *The Theory of the Moral Sentiments*, 1759; *The Wealth of Nations* 1776 (selections)

Soames, S. *The World Philosophy Made*, 2019 (selections)

Saint Paul, Gilles. *The Tyranny of Utility: Behavioral Social Science and the Rise of Paternalism*, 2011

Wilson, J.Q. *The Moral Sense*, 1993 (selections)

### **Course Requirements and Grading**

In addition to reading assignments, there will be a mid-term at the end of the 7th week making up 25% of the semester grade, a term paper of between 2,000 and 2,500 words making up 25% of the grade, and 5 of the student's highest graded bi-weekly written assignments of roughly 1000 words, each making up 10% of the grade.

*Assignments due at the end of weeks 2,4,6,9,11, 13*

*Midterm exam: the end of week 7*

### **Schedule of Topics and Readings**

#### Week 1-2 Rationality, Freedom and the Foundation of Neo-classical Economics

Friedman, Capitalism and Freedom, Chapter 1-3

Friedman, Free to Choose, Chapter 1-5

#### Week 3-4: The Behavioral Economics Revolution

Becker GS. Nobel lecture: *The economic way of looking at behavior*. Journal of political economy. 1993 Jun 1;101(3):385-409

Kahneman, D. "Thinking, Fast and Slow"

Mullainathan S, Thaler RH. *Behavioral economics. National Bureau of Economic Research*; 2000

#### Week 5-7 Reconciling Freedom and Behavioral Economics

Gilles Saint Paul, *The Tyranny of Utility Behavioral Social Science and the Rise of Paternalism*

Week 8 Subjective Decision Theory: The Philosophical Origins, Scope, and Limitations of Utility as a Guide to Social Policy

F.P. Ramsey, “Truth and Probability”,  
Soames, chapter 8 of *The World Philosophy Made*

Week 9 Human Values: Happiness, Welfare, Goodness, and Meaning

Soames, chapters 13, 14 of *The World Philosophy Made*  
Selections from: Wilson *The Moral Sense*, Hume *Treatise on Human Understanding*; *Enquiry Concerning the Principles of Morals*, Smith, *The Theory of the Moral Sentiments*

Week 10 Philosophical Foundations of Political Economy

Soames, chapter 4: of *The World Philosophy Made* plus selections from Hobbes, Locke, Hume, Smith

Weeks 11 Liberty, Innovation, Equality,

F. Hayek chapters 2, 3, 4, and 6 of *The Constitution of Liberty*  
Soames, section 1 of chapter 11 of *The World Philosophy Made*

Weeks 12 - 13 The Philosophical Foundations of Modern Liberalism and Its Critics

John Rawls *A Theory of Justice*, sections 3,4 of chapter 1, sections 11, 12, 13, of chapter 2, sections 24, 25, 29 of chapter 3.  
Robert Nozick, *Anarchy, State, and Utopia*, pp. 149-64, 167-8  
Soames, section 2 of chapter 11 of *The World Philosophy Made*.  
Andrew Grip, “Justifying Egalitarianism”

Weeks 14 -15 The Limits of Political Theory

Gerald Gaus, Selections from chapters 1-4 of *The Tyranny of the Ideal*  
Soames, sections 3 and 4 of chapter 11 of *The World Philosophy Made*

### **Statement on Academic Conduct and Support Systems**

#### **Academic Conduct:**

Plagiarism – presenting someone else’s ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in SCampus in Part B, Section 11, “Behavior Violating University Standards” [policy.usc.edu/scampus-part-b](http://policy.usc.edu/scampus-part-b). Other forms of academic dishonesty are equally unacceptable. See additional information in SCampus and university policies on scientific misconduct, [policy.usc.edu/scientific-misconduct](http://policy.usc.edu/scientific-misconduct).

#### **Support Systems:**

*Student Health Counseling Services - (213) 740-7711 – 24/7 on call*  
[engemannshc.usc.edu/counseling](http://engemannshc.usc.edu/counseling)

Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention.

*National Suicide Prevention Lifeline - 1 (800) 273-8255 – 24/7 on call*

[suicidepreventionlifeline.org](http://suicidepreventionlifeline.org)

Free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week.

*Relationship and Sexual Violence Prevention Services (RSVP) - (213) 740-4900 – 24/7 on call*  
[engemannshc.usc.edu/rsvp](http://engemannshc.usc.edu/rsvp)

Free and confidential therapy services, workshops, and training for situations related to gender-based harm.

*Office of Equity and Diversity (OED) | Title IX - (213) 740-5086*  
[equity.usc.edu](http://equity.usc.edu), [titleix.usc.edu](http://titleix.usc.edu)

Information about how to get help or help a survivor of harassment or discrimination, rights of protected classes, reporting options, and additional resources for students, faculty, staff, visitors, and applicants. The university prohibits discrimination or harassment based on the following protected characteristics: race, color, national origin, ancestry, religion, sex, gender, gender identity, gender expression, sexual orientation, age, physical disability, medical condition, mental disability, marital status, pregnancy, veteran status, genetic information, and any other characteristic which may be specified in applicable laws and governmental regulations.

*Bias Assessment Response and Support - (213) 740-2421*  
[studentaffairs.usc.edu/bias-assessment-response-support](http://studentaffairs.usc.edu/bias-assessment-response-support)

Avenue to report incidents of bias, hate crimes, and microaggressions for appropriate investigation and response.

*The Office of Disability Services and Programs - (213) 740-0776*  
[dsp.usc.edu](http://dsp.usc.edu)

Support and accommodations for students with disabilities. Services include assistance in providing readers/notetakers/interpreters, special accommodations for test taking needs, assistance with architectural barriers, assistive technology, and support for individual needs.

*USC Support and Advocacy - (213) 821-4710*  
[studentaffairs.usc.edu/ssa](http://studentaffairs.usc.edu/ssa)

Assists students and families in resolving complex personal, financial, and academic issues adversely affecting their success as a student.

*Diversity at USC - (213) 740-2101*  
[diversity.usc.edu](http://diversity.usc.edu)

Information on events, programs and training, the Provost's Diversity and Inclusion Council, Diversity Liaisons for each academic school, chronology, participation, and various resources for students.

*USC Emergency - UPC: (213) 740-4321, HSC: (323) 442-1000 – 24/7 on call*  
[dps.usc.edu](http://dps.usc.edu), [emergency.usc.edu](http://emergency.usc.edu)

Emergency assistance and avenue to report a crime. Latest updates regarding safety, including ways in which instruction will be continued if an officially declared emergency makes travel to campus infeasible.

*USC Department of Public Safety - UPC: (213) 740-6000, HSC: (323) 442-120 – 24/7 on call*  
[dps.usc.edu](http://dps.usc.edu)