

Econ 380/Summer 2016 A

M-Th 10:30-12:35

Robinson A101

Professor Peter Boettke

TA: Ennio Piano

Political economists stress the technical economic principles that one must understand in order to assess alternative arrangements for promoting peaceful cooperation and productive specialization among free men. Yet political economists go further and frankly try to bring out into the open the philosophical issues that necessarily underlie all discussions of the appropriate functions of government and all proposed economic policy measures.

-- James M. Buchanan

### **Course Description**

Throughout the 20<sup>th</sup> century the “Big” political and economic debate was between capitalism and socialism. The intellectual challenge to capitalism dates much further back in time, and the specific socialist challenge to the capitalist system dates to the 19<sup>th</sup> century and was most developed in the works of Karl Marx. But in the 20<sup>th</sup> century, those ideas were translated into public policy in one form or another – from the Fabians in the UK and the Progressives in the US to the Bolsheviks in Russia and the Maoists in China. At one point  $\frac{3}{4}$  of the world population existed under communist and socialist rule. But these socialist political and economic systems began to fall apart in the 1970s-1980s and most collapsed in the late 1980s, and early 1990s.

Since that time, comparative analysis of political-economic systems has moved from the debate between socialism and capitalism to an examination of the political economy of transitioning societies from forms of socialism to new forms of capitalism. Along the way, the transitions have had many ups and downs. We now are focused on studying not only the former socialist economies, but the failed and weak states of Africa, Middle East, and Latin America, as well as the newly emerging economies of East Asia, and the newly opened economies of India and China.

Since 2008, we must now also deal with the causes and consequences of the global financial crisis. The current generation of economic commentators is now also addressing the political, economic and social consequences of inequality.

During the course of this class, it my hope to give you an analytical framework for assessing economic systems and these pressing issues of public policy, as well as provide some historical context to the debates, and some basic empirical results that cannot be ignored if progress is going to made our understanding of the political and economic reality of our time.

Economics as a scientific discipline strives to provide objective knowledge about human decision-making and the organization of human activities. Based on the core teachings of economics we will branch out to more nuanced discussions of alternative institutional arrangements, and eventually to the underlying philosophical positions in discussing peaceful cooperation and productive specialization within an economic system. It is my goal as a teacher during this condensed class to limit the material to the essentials and to demonstrate to you not only the vital importance of the material but the sheer pleasure involved in ‘finding things out’.

### Readings for the Class

Kasper, W., Streit, M., and Boettke, P. 2013. *Institutional Economics: Property, Competition, Policies*. Edward Elgar.

Boettke, P. (2000) “Towards A History of The Theory of Socialist Planning”

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2619448](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2619448)

Boettke, P. (2005) “Hayek and Market Socialism”

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=857536](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=857536)

### Class Schedule

Date	Topic	Readings
5-16-16	Introduction to the class	
5-17-16	The Economic Way of Thinking	IE, chapters 1-2, and “I, Pencil”
5-18-16	The Coordination of Economic Activities Through the Price System	IE, chapters 3; 5-6
5-19-16	The Theory of the Competitive Market Process	IE, chapter 8
5-23-16	Intended and Unintended Consequences	IE, chapter 10
5-24-16	The Socialist Challenge	See Boettke (2000)
5-25-16	The Problem of Economic Calculation	IE, chapters 6-7; 9
5-26-16	Is There an Answer?	See Boettke (2005)

5-31-16	Review for Mid-Term	
6-1-16	Mid-Term Exam	
6-2-16	The Soviet Experience	IE, chapter 13
6-6-16	Institutional Problems Demand Institutional Solutions	IE, chapter 12; epilogue
6-7-16	The Political Economy of Transition	IE, chapter 13
6-8-16	Credibility and Commitment in the Politics of Economic Reform	IE, chapters 5-7
6-13-16	The Evolution of Institutions	IE, chapter 12
6-14-16	Is Globalization Good for the Poor?	IE, chapter 11; 14
6-15-16	Review for Final Exam	
6-16-15	Final Exam	10:30-1:15

### **Grading Policy**

Course grade will be determined on 2 equally weighted exams – a take home mid-term that will be handed out on May 28<sup>th</sup> and will be due June 1<sup>st</sup>, and a final exam on June 18<sup>th</sup>. Given the condensed nature of the class, attendance is essential throughout the term. Do not fall behind on the reading as you will never be able to catch up.