

Econ 380/Summer 2017 A

M-Th 10:30-12:35

Robinson A101

Professors Peter Boettke and Ennio Piano

Office Hours: By appointment

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 20th 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 19th century and was most developed in the works of Karl Marx. But in the 20th 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 and the vulnerabilities it exposed in the Western democratic systems of Europe and North America. The current generation of economic commentators is now also addressing the political, economic and social consequences of inequality and social divisions.

During the course of this class, it our 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 various theoretical debates, and some basic empirical results that cannot be ignored if intellectual 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 our 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

Boettke, P. 2001. *Calculation and Coordination*. Routledge. [hereafter C&C]

Heyne, P., Boettke P., and Prychitko, D. *The Economic Way of Thinking (13th Edition)*. Pearson. [hereafter EWT]

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

Class Schedule

Date	Topic	Readings
5-22-17	Introduction to the class	
5-23-17	The Economic Way of Thinking	EWT, 1-2 IE, chapters 1-2, and “I, Pencil”
5-24-17	The Coordination of Economic Activities Through the Price System	EWT, 3-5 IE, chapters 3; 5-6
5-25-17	The Theory of the Competitive Market Process	EWT, 7-9 IE, chapter 8
5-29-17	MEMORIAL DAY NO CLASS	
5-30-17	Intended and Unintended Consequences	EWT, 6 IE, chapter 10
5-31-17	The Socialist Challenge	C&C, 6-7
6-1-17	The Problem of Economic Calculation	C&C, 2-3 IE, chapters 6-7; 9
6-5-17	Review for Mid-Term	
6-6-17	Mid-Term Exam	
6-7-17	The Soviet Experience	C&C, 6-7
6-8-17	Institutional Problems Demand Institutional	C&C, 1; 8 IE, chapter 12; epilogue
6-12-17	The Political Economy of Transition	C&C, 10-13 IE, chapter 13

6-13-17	Credibility and Commitment in the	C&C, 9 IE, chapters 5-7
6-14-17	The Evolution of Institutions	C&C, 14-15 IE, chapter 12
6-15-17	Is Globalization Good for the Poor?	EWT, 13; 15 IE, chapter 11; 14
6-19-17	Review for Final Exam	
6-20-17	Final Exam	10:30-1:15

Grading Policy

Course grade will be determined on 2 equally weighted exams – a mid-term on 6-6-17 and a final on 6-20-17. Given the condensed nature of the class, attendance is essential throughout the term. Do not fall behind on the readings as you will never be able to catch up.