

Comparative Political & Economic Systems

ECON 676/Spring 2017

Prof. Peter Boettke

TA: Mr. Ennio Piano

M, 4:30pm-7:10pm

Mason Hall D100

Office Hours M 3:00-4:30

Or by appointment

In founding the Thomas Jefferson Center for Study of Political Economy at the University of Virginia in the 1950s, James M. Buchanan argued that the research and educational goal was to

“strive to carry on the honorable tradition of ‘political economy’ – the study of what makes for a ‘good society’. **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.” (emphasis added)

The mastery of the technical principles of economics, engaging in comparative institutional analysis, and the disciplines of social and political philosophy work together to assess the appropriate functions of government and economic policy measures in Buchanan’s formulation of the task of the political economist. In one of Buchanan’s classic essays “Positive Economics, Welfare Economics and Political Economy,” *Journal of Law & Economics* (1959), his analytical framework for political and economic inquiry is summed up concisely. Critical to this exercise will be an emphasis on the “rule level” or “constitutional level” of analysis. The positive political economist’s proposals for reform are “restricted to those social changes that may be legitimately classified as ‘changes in law,’ that is, changes in *the structural rules under which individuals make choices.*” (Buchanan 1959: 200, emphasis added) But as Buchanan articulated in *The Demand and Supply of Public Goods* (1968: 5): “Appropriately thorough analysis should include an *examination of the institutional structure* itself in a predictive explanatory sense. The economist should not be content with postulating models and then working within such models. His task includes the *derivation of the institutional order itself* from the set of elementary behavioral hypotheses with which he commences. In this manner, genuine institutional economics becomes a significant and an important part of fundamental economic theory.” (emphasis added)

This class is concerned with these issues that Buchanan identifies as the core research program in modern political economy. The conceptual framework we will be working with is a composite of the contributions of the Austrian School, the Virginia School, and the New

Institutional School of economics. The core text for the class will be Kasper, Streit, and Boettke, *Institutional Economics: Property, Competition, Politics*, 2nd Edition. Edward Elgar, 2013. This is a basic introduction to “institutional economics” written primarily for advanced undergraduates, but it will prove useful as background to our discussions. We need, as properly trained economists, to return again and again to elementary principles in the economic way of thinking to be able to grasp the answers to problems that plague the developing and transitioning world, and even the problems that plague the advanced economies of the democratic west. As James Buchanan stressed in “Economics and It’s Scientific Neighbors” (1966):

As a 'social' scientist, the primary function of the economist is to explain the workings of these institutions and to predict the effects of changes in their structures. As the interaction process that he examines becomes more complex, it is but natural that the task of the economic scientists becomes more intricate. But his central principle remains the same, and he can, through its use, unravel the most tangled sets of structural relationships among human beings.

The economist is able to do this because he possesses this central principle – an underlying theory of human behavior. And because he does so, he qualifies as a scientist and his discipline as a science. What a science does, or should do, is simply to allow the average man, through professional specialization, to command the heights of genius. The basic tools are the simple principles, and these are chained forever to the properly disciplined professional. Without them, he is as a jibbering idiot, who makes only noise under an illusion of speech.

A theme I hope to persuade you of is that in both the *science of economics* and the *art of political economy* **simple economics is *not* simple-minded.**

We begin our discussion with a revisiting of the “Grand Debate” in the field of comparative economic systems. The best survey of this debate is Don Lavoie’s *Rivalry and Central Planning* originally published in 1985, but just reprinted last year. Once we go through the debate, we will then turn to the post-WWII reconstruction of *mainline economics* as evidenced in the Nobel lectures of Hayek (1974), Buchanan (1986), Coase (1991), North (1993), Vernon Smith (2002), and Elinor Ostrom (2009) --- the main developers of the conceptual framework in comparative political economy. These lectures have been collected in *Mainline Economics: Six Nobel Lectures in the Tradition of Adam Smith* (2016).

After this conceptual foundation, we will focus our efforts on *applied* work in comparative historical political economy. In this applied work, we will familiarize ourselves with various works that began as doctoral dissertations here at GMU by Edward Stringham (PhD 2002), Ben Powell (PhD 2003), Peter Leeson (PhD 2005), Chris Coyne (PhD 2005), and David Skarbek (PhD 2010). These works systematically led to publications in leading academic journals and are presented here in book form published by major university presses. In short, they provide a glimpse into a path forward as a productive and creative research scholar in the field of comparative political economy in the mainline tradition of Adam Smith.

Semester Schedule

DATE	TOPIC	READING
January 23	Introduction to Comparative Political Economy	Lavoie, <i>Rivalry</i> , Foreword, chapters 1-3 <i>Mainline Economics</i> , introduction
Jan 30	Lessons from the Grand Debate	Lavoie, <i>Rivalry</i> , chapters 4-7 <i>IE</i> , chapter 13
February 6	Peaceful Cooperation and Productive	Hayek (1974) <i>IE</i> , chapters 1-2 and Appendix "I, Pencil"; 7-8
Feb 13	The Reason of Rules	Buchanan (1986) <i>IE</i> , chapters 5; 10; 12
Feb 20	That "Novel" Theory of Adam Smith	Coase (1991) <i>IE</i> , chapters 7; 9
Feb 27	A Genuine Institutional Economics	North (1993) <i>IE</i> , chapters 7; 14
March 6	Rationality in Economics	Smith (2002) <i>IE</i> , chapters 3-5
March 13	Spring Break	Spring Break
March 20	Covenants with and without the Sword	Ostrom (2009) <i>IE</i> , chapters 4-5; 10; 12; 14
March 27	Development as a Process	Powell, <i>Out of Poverty</i> , especially chapters 1, 7-8
April 3	A Rational Choice History of Rules	Leeson, <i>Anarchy Unbound</i> , especially chapters 1, 2-3, 6, 9
April 10	No Class APEE	
April 17	Cooperation among the Uncooperative	Skarbek, <i>The Social Order of the Underworld</i> , especially chapters 1, 3-4, 6
April 24	The Difficulty in Rule Construction	Coyne, <i>After War</i> , especially chapters 1-4, 8
May 1 *papers due*	Modernity and Private Governance	Stringham, <i>Private Governance</i> , especially chapters 1-3, 4, 7, 11, 13
May 8		Turn in Final Exam

Grading

Your grade will be based on class participation, the final exam – which will be written to aid in your preparation for the PhD field exam – due May 8th, and your research paper that is due on May 1st so I will have some time to read your papers thoroughly. Your research paper will take the form of a *JEL* review essay of one of the following major works in comparative systems analysis published in recent years:

Robinson, James and Daron Acemoglu. March 2012. *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*. Crown Publishing Group.

Deaton, Angus. September 2013. *The Great Escape: Health, Wealth, and the Origins of Inequality*. Princeton University Press.

Easterly, William. March 2014. *The Tyranny of Experts: Economists, Dictators, and the Forgotten Rights of the Poor*. Basic Books.

Kuran, Timur. 2010. *The Long Divergence: How Islamic Law Held Back the Middle East*. Princeton University Press.

McCloskey, Deirdre. 2006. *The Bourgeois Virtues: Ethics for an Age of Commerce*. The University of Chicago Press.

McCloskey, Deirdre. 2010. *Bourgeois Dignity: Why Economics Can't Explain the Modern World*. The University of Chicago Press.

McCloskey, Deirdre. 2016. *Bourgeois Equality: How Ideas, Not Capital or Institutions, Enriched the World*. The University of Chicago Press.

Mokyr, Joel. 2016. *A Culture of Growth: The Origins of the Modern Economy*. Princeton University Press.

North, Douglass, John Joseph Wallis, and Barry R. Weingast. 2009. *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History*. Cambridge University Press.

Phelps, Edmund. 2015. *Mass Flourishing: How Grassroots Innovation Created Jobs, Challenge, and Change*. Princeton University Press.

Your paper must be 20-25 double spaced typed pages and demonstrate a thorough engagement with not only the main thesis in the specified work, but the contemporary literature in the field and how this work fits in the literature.