

Professor Peter Boettke
Econ 676.001
Tuesday 4:30-7:10pm
Buchanan Hall D-100

Comparative Economic Systems

Spring 2019

Economic science, one could reasonably argue, was born with an exercise in comparative systems analysis. Adam Smith contrasted what he called the “system of natural liberty” with the “Mercantilist” doctrine of his age. This was both a theoretical and empirical exercise, and it has remained as such throughout the history of our discipline. It is also a development economics exercise, as the standard against which the systems were to be judged was the impact on economic performance of the system in terms of generating economic growth and generalized prosperity. In the century after Smith, this exercise was tied up with explaining the Industrial Revolution, and eventually the growing gap between nations. Again, this exercise has continued through the 20th century and into the 21st.

As we will see, from the late 19th century to the end of the 20th century, there raged a philosophical, political, and economic debate between capitalism and socialism. This debate was of course punctuated by war, depression, and the cold war. The totalitarian experience of communism and fascism is still not fully understood in the scholarly community let alone among the general public, and it remains a rich area of research conceptually and empirically for a new generation of scholars. Ultimately, the communist experiments in East and Central Europe and the former Soviet Union collapsed, and these countries all embarked upon the transition to capitalism and democracy. These transitions, and the comparative performance of the different countries, provides another empirically rich data set for scholars. But, transition questions also bleed into the more general issue of development economics. These issues are all interconnected, as is the question of the role of ideology in shaping economic systems, including religious doctrine. This will be reflected in our readings for this class.

There will be 3 sets of required readings for class discussion. First, background reading which consists of Don Lavoie’s *Rivalry and Central Planning*, originally published in 1985, and republished in 2015 by the Mercatus Center. Lavoie’s book provides a comprehensive overview of the socialist calculation debate -- this debate will frame everything we will do throughout the semester. In addition, you will have pdf versions of my 3 books in the field: *The Political Economy of Soviet Socialism: The Formative Years, 1918-1928* (Kluwer, 1990); *Why Perestroika Failed* (Routledge, 1993), and *Calculation and Coordination* (Routledge, 2001). It is my expectations that you will familiarize yourself with this set of readings prior to class.

Second, we will have a set of journal articles that will be divided into methodological and philosophy of science readings, and then a set of JEL survey articles that will provide a

comprehensive overview of the literature in the field. If you learn this literature, you will have a comprehensive command of the theoretical and empirical findings in comparative economic systems as of today.

Third, we will be reading throughout the term 4 books in the field -- Jerry Hough and Robin Grier's *The Long Process of Development*; Anders Aslund's *How Capitalism was Built*; Timur Kuran's *The Long Divergence*; and William Easterly's *The Tyranny of Experts*. Please read these throughout the semester and in this particular order as doing so will line up with the class lectures and discussion. (Give yourself 3 weeks on each book)

I will also ask you to pick a book from the list of published works in my series *Cambridge Studies in Economics, Choice and Society* (co-edited with Timur Kuran) to write a JEL style-review of as one of your writing assignments for the class. You will also be required to write an original research paper on a topic of your choosing in consultation with me (PhD students) or a JEL review essay on Glen Weyl and Eric Posner's *Radical Markets* (MA students).

The semester schedule is as follows:

Date	Topic	Reading
January 22	Course Overview	Heilbroner. 1990. "Analysis and Vision in the History of Modern Economic Thought," <i>JEL</i> Caldwell. 1997. "Hayek and Socialism," <i>JEL</i> Xu. 2017. "Capitalism and Socialism," <i>JEL</i>
January 29	Methodological Issues in Comparative Institutional Analysis of Development	North. 1978. "Structure and Performance," <i>JEL</i> Grief. 1997. "Cliometrics After 40 Years," <i>AER</i> Elster. 2000. Rational Choice History: A Case of Excessive Ambition," <i>APSR</i> Bates, et al. 2000. "The Analytical Narrative Project," <i>APSR</i> Deaton and Cartwright. 2018. "Understanding and Misunderstanding Randomized Controlled Trials," <i>Social Science & Medicine</i>
February 5	The Process of Economic Development	Hirschman. 1982. "Rival Interpretations of Market Society," <i>JEL</i> Acemoglu. 2005. "Constitutions, Politics and Economics," <i>JEL</i> La Porta, et. al.. 2008. "The Economic Consequences of Legal Origins," <i>JEL</i> Spolaore and Wacziarg. 2013. "How Deep are the Roots of Economic Development?," <i>JEL</i>

		Ashraf and Galor. 2018. "The Macrogenoeconomics of Comparative Development," <i>JEL</i>
February 12	The Soviet Experience with Socialism	Bergson. 1984. "Income Inequality Under Soviet Socialism," <i>JEL</i> Ofer. 1987. "Soviet Economic Growth: 1928-1985," <i>JEL</i> Gregory and Harrison. 2005. "Allocation under Dictatorship: Research in Stalin's Archives," <i>JEL</i>
February 19	No Class Video Assignment Write a 1 page reaction	Watch Paul Romer's 2018 Nobel Prize Lecture -- On the Possibility of Progress https://www.nobelprize.org/prizes/economic-sciences/2018/romer/lecture/
February 26	What Have We Learned From the Collapse of Communism?	Kornai. 1986. "The Hungarian Reform Process," <i>JEL</i> Schneider and Enste. 2000. "Shadow Economies," <i>JEL</i> Megginson and Netter. 2001. "From State to Market," <i>JEL</i> Kornai, et. al.. 2003. "Understanding the Soft Budget Constraint," <i>JEL</i> Estrin, et. al.. 2009. "The Effects of Privatization and Ownership in Transition Economies," <i>JEL</i>
March 5	Property Rights and Political Economy	Furubotn and Pejovich. 1972. "Property Rights and Economic Theory," <i>JEL</i> Olson and McGuire. 1996. "The Economics of Autocracy and Majority Rule," <i>JEL</i> Williamson. 2000. "The New Institutional Economics," <i>JEL</i> Rauch. 2005. Getting the Properties Right to Secure Property Rights," <i>JEL</i> Shleifer. 2009. "The Age of Milton Friedman," <i>JEL</i>
March 12	GMU Spring Break	
March 19	What About China?	Perkins. 1988. "Reforming China's Economic System," <i>JEL</i> Xu. 2011. "The Fundamental Institutions of China's Reform and Development," <i>JEL</i> Brandt, et. al.. 2014. "From Divergence to Convergence: Re-evaluating the History Behind China's Economic Boom," <i>JEL</i>
March 26	And, What About Islam?	Iyer. 2016. "The New Economics of Religion," <i>JEL</i>

		Kuran. 2018. "Islam and Economic Performance," <i>JEL</i>
April 2	Poverty and Development	Reynolds. 1983. "The Spread of Economic Growth to the Third World: 1850-1980," <i>JEL</i> Burgess and Stern. 1993. "Taxation and Development," <i>JEL</i> Bardhan. 1997. "Corruption and Development," <i>JEL</i>
April 9	No Class APEE Meetings	
April 16	Power for the Powerless Through Development	Sugden. 1993. "Welfare, Resources, and Capabilities," <i>JEL</i> Deaton. 2003. "Health, Inequality, and Economic Development," <i>JEL</i> Duflo. 2012. "Women Empowerment and Economic Development," <i>JEL</i>
April 23	Rethinking Development Economic Policy	Easterly. 2009. "Can the West Save Africa?," <i>JEL</i> Alesina and Giuliano. 2015. "Culture and Institutions," <i>JEL</i> Bardhan. 2016. "State and Development," <i>JEL</i>
April 30	Back to the Basics: Institutional Preconditions for Economic Growth and Development	Shin. 2018. "Finance and Economic Development in the Very Long Run," <i>JEL</i> Boettke and Candela. 2017. "The Liberty of Progress," <i>Social Philosophy & Policy</i>
May 7	Final	

Course Objectives & Grading

Upon completion of this course, you will:

- Understand the foundations of Comparative Economic Systems analysis
- Understand the major strands of academic literature in Comparative Economic Systems
- Be able to synthesize existing ideas in the field of Comparative Economic Systems and build on these ideas to generate novel contributions to this literature
- For MA students – be able to apply the core concepts in the field of Comparative Economic Systems to current events
- For PhD students - be able to write academic papers in the field of Comparative Economic Systems suitable for peer review

To meet these objectives, students will be tasked with (1) completing all the assigned reading, (2) active participation in classroom discussions, (3) complete all writing assignments, and (4a) MA students complete a JEL type review essay of Glen Weyl and Eric Posner's *Radical Markets*:

Uprooting Capitalism and Democracy for a Just Society (Princeton, 2018) and (4b) for PhD students to produce a paper that upon revision will be suitable for submission for possible publication in a peer reviewed journal in the field of economics and political economy.

Office Hours

My assistant is Ms. Karla Moran, and you can communicate with her through her email at: kmoran@mercatus.gmu.edu to set up appointments. I will be in the office prior to class and am willing to stay after class for your convenience. I am also on campus most Wed and Thurs, though Thurs are rather busy with 2 seminars I have involved with. I am also willing to set up appointments via Skype or Google Hangouts if that is more convenient. But again, work with Ms. Moran to schedule a mutually convenient time. I want to encourage you to seek out to discuss class material and research questions with me throughout the term so we will do everything to lower your costs in doing so within the constraints of my scheduling commitments and responsibilities. Please take advantage of this.