

Comparative Economic Systems

Spring 2021

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. 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 the sustained conversation we are all about to engage in for the next few months.

As James M. Buchanan once put our tasks as:

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)

There will be 3 sets of required readings for this class that I hope will enable us to pursue Buchanan's task for our era: Big Issues; Soviet Experience; The Process of Development in Failed and Weak States and the Possibility of Cooperation without Command . The first – **The Big Issues** -- will be based on a reading of Daron Acemoglu and James Robinson's *The Narrow Corridor: States, Societies, and the Fate of Liberty* (2019). I was fortunate enough to be part of the group of scholars that met at Northwestern to provide them feedback on this book organized by Joel Mokyr. I have criticisms and reservations, but I also have great appreciation for the problem situation they identify and the sweep of their work. This will occupy our attention the first 3 weeks of class.

After that we will then move to the lessons to be learned from the **Socialist Calculation Debate and the Soviet Experience**. The reading for that will draw largely from Don Lavoie's *Rivalry and Central Planning*, originally published in 1985, and republished in 2015 by the Mercatus Center, and Don's *National Economic Planning: What is Left?*, which was also published originally in 1985 and republished recently by Mercatus. Lavoie's books provides a comprehensive overview of the socialist calculation debate -- this debate will frame everything we will do throughout the semester – and a particular vision of states, societies and the fate of liberty that will inform our discussions of the Soviet experience with socialism, its history, its collapse and the transition. In addition to Lavoie, I will provide you with 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). I do not intend for these books to be exhaustive, there is both an extensive literature cited in these works that should form your extended reading list, and a subsequent literature as the arguments have evolved that you would become familiar with if you are to move from a consumer of this literature to a producer of works that will contribute to this literature going forward. I will be making reference to much of this additional material in my lectures and in our discussions. As I often say, *work in proportion to your aspirations*. We will spend 5 weeks on this material.

The remainder of the class (7 weeks) we will be reading works written by GMU alumni in the field of comparative political economy. These are individuals who have taken Buchanan's task for the political economists seriously, and devoted their careers to using the technical principles of economic science to assess the impact of alternative institutional arrangements on the ability of individuals to pursue productive specialization and realize the gains from peaceful social cooperation even in the most unlikely of circumstances of time and place. We will read Edward Stringham's edited volume *Anarchy, State and Public Choice* originally published in 2005. Stringham embarked upon this project when he was still a graduate student, and all the participants were his fellow graduate students at the time, with commentary from Buchanan, Tullock and myself. Stringham more recently published *Private Governance* with Oxford University Press and that is highly recommended for you to read.

Ben Powell's *Out of Poverty* (2014) examines the development process through the factory system. His most recent book *Wretched Refuse?* (2020) continues his examination of the process of development and human betterment, but this time with a focus on immigration.

Christopher Coyne’s books *After War* (2008) and *Doing Bad By Doing Good* (2013) will serve as the basis for our conversation for consecutive weeks. *After War* developed out of his dissertation work, and *Doing Bad by Doing Good* from his ongoing work in the field. Coyne is a leading figure in defense and peace economics, and his more recent works such as *Tyranny Comes Home* are highly recommended.

Peter Leeson’s work *Anarchy Unbound* (2014) will invite us to test the limits of spontaneous order analysis and cooperation without command. And finally, we will read David Skarbek’s *The Social Order of the Underworld* (2014) and *The Puzzle of Prison Order* (2020). I end the class with Skarbek’s work because this last book is a prime example of comparative historical political economy methodologically and analytically.

The semester schedule is as follows:

Date	Topic	Reading
Jan 27 th	The Problem with Predation	Acemoglu & Robinson, 1-5. Dixit (2020) “Somewhere in the middle you can survive: A Review Essay of Acemoglu & Robinson,” JEL forthcoming
February 3 rd	Why Are Some Nations Rich While Others Are Poor?	Acemoglu & Robinson, 6-10
February 10 th	Can We Actually Limit Leviathan?	Acemoglu & Robinson, 11-15

February 17 th	The Socialist Calculation Debate	Lavoie, <i>Rivalry and Central Planning</i>
February 24 th	What is Left?	Lavoie, <i>National Economic Planning</i>
March 3 rd	The Political Economy of Utopia	Boettke, <i>The Political Economy of Soviet Socialism</i>
March 10 th	The Politics and Economics of Socialist Transformation	Boettke, <i>Why Perestroika Failed</i> Guriev. 2019. "Gorbachev vs Deng," JEL
March 17 th	What Have We Learned from Post-Communism?	Boettke, <i>Calculation & Coordination</i> Alexeev. 2020 (online draft) "Review of Russia's Crony Capitalism," JEL forthcoming

March 24 th	Anarchy, State and Public Choice	Stringham, ed. (2005)
March 31 st	Out of Poverty	Powell (2014)
April 7 th	After War	Coyne (2008)
April 14 th	Doing Bad By Doing Good	Coyne (2013)
April 21 st	Anarchy Unbound	Leeson (2014)
April 28 th	The Social Order of the Underworld	Skarbek (2014)
May 5	The Puzzle of Prison Order	Skarbek (2020)

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 Virgil Storr and Ginny Choi's *Do Markets Corrupt Our Morals?* (Palgrave/Macmillan, 2019), 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. Participation will constitute 25% of grade, written assignments another 25%, and the review essay/research paper will constitute 50% of your grade.

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 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.

POLICY REGARDING AUDIO/VIDEO RECORDING & PICTURES:

For the privacy and comfort of your fellow students, audio and video recordings, as well as photography, is strictly prohibited during class.

A Note on additional readings

I have edited two reference collections, the first is a 9 volume reference work of reprints of the classic works in the field of comparative economic systems over the course of the 20th century. It was published at *Socialism and the Market*, Vol. 1-9 by Routledge in 2000. A list of the works included in the volume can be found here ... <https://econfaculty.gmu.edu/pboettke/pubs/1%20Books%20and%20Monographs/Edited%20books/socialist.htm> This is a library reference collection and absurdly expensive, but this contents list gives you the location of all the papers and the titles of the books that were reprinted. You can also find my introduction to that collection on SSRN ... https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2619448

I also more recently published with Paul Dragos Aligica in 2018 under the title – *Comparative Economic Systems* and you can find the table of contents here ... <https://www.e->

elgar.com/shop/usd/comparative-economic-systems-9781786431660.html Again, this is a library reference volume.

In addition, as the field of comparative systems morphed into development economics in many significant ways, there are pieces that are extremely valuable that are not included in those volumes. These would be some of the suggested pieces concentrating on those published in the JEL:

Overview of the issues in comparative economics

Heilbroner. 1990. "Analysis and Vision in the History of Modern Economic Thought." *JEL*

Caldwell. 1997. "Hayek and Socialism," *JEL*

Shleifer. 2009. "The Age of Milton Friedman," *JEL*

Xu. 2017. "Capitalism and Socialism," *JEL*

Easterly. 2019. "Review of *The Great Leveler*," *JEL*

Caldwell. 2020. "*The Road to Serfdom* After 75 Years," *JEL*

Spolaore. 2020. "Commanding Nature By Obeying Her: Review of Mokyr's *A Culture of Growth*," *JEL*

Guriev. 2020 (online draft) "The Political Economy of Populism," *JEL* forthcoming.

Methodological issues

North. 1978. "Structure and Performance," *JEL*

*Deaton and Cartwright. 2018. "Understanding and Misunderstanding Randomized Controlled Trials," *Social Science & Medicine* is required reading given the prevalence of RCTs in development economics at the moment

Abadie. 2020 (online draft). "Using Synthetic Controls," *JEL* forthcoming

The Process of Development

Hirschman. 1982. "Rival Interpretations of Market Society," *JEL*

Acemoglu. 2005. "Constitutions, Politics and Economics," *JEL*

La Porta, et. al.. 2008. "The Economic Consequences of Legal Origins," *JEL*

Spolaore and Wacziarg. 2013. "How Deep are the Roots of Economic Development?," *JEL*

Ashraf and Galor. 2018. "The Macrogenoeconomics of Comparative Development," *JEL*

Soviet Economic Performance

Bergson. 1984. "Income Inequality Under Soviet Socialism," *JEL*

Ofer. 1987. "Soviet Economic Growth: 1928-1985," *JEL*

Gregory and Harrison. 2005. "Allocation under Dictatorship: Research in Stalin's Archives," *JEL*

*R. C. Allen's *From Farm to Factory: A Reinterpretation of the Soviet Industrial Revolution* (Princeton, 2003) is probably required reading to check the interpretation of Soviet economic performance that you will glean from my works.

*On post communist reforms in the Soviet system the work of Anders Aslund provides wide overview, and the works of Andrei Shleifer and his various co-authors I have found provide the most analytically and empirically careful analysis of the issues.

Also see:

Meggison and Netter. 2001. "From State to Market," *JEL*

Estrin, et. al.. 2009. "The Effects of Privatization and Ownership in Transition Economies," *JEL*

Chinese Reforms

Perkins. 1988. "Reforming China's Economic System," *JEL*

Xu. 2011. "The Fundamental Institutions of China's Reform and Development," *JEL*

Brandt, et. al.. 2014. "From Divergence to Convergence: Re-evaluating the History Behind China's Economic Boom," *JEL*

Zhang. 2020 (online draft) "A Survey of Income Inequality in China," *JEL* forthcoming.

Islam and Economic Performance

Iyer. 2016. "The New Economics of Religion," *JEL*

Kuran. 2018. "Islam and Economic Performance," *JEL*

Poverty, Power and Development

Reynolds. 1983. "The Spread of Economic Growth to the Third World: 1850-1980," *JEL*

Burgess and Stern. 1993. "Taxation and Development," *JEL*

Bardhan. 1997. "Corruption and Development," *JEL*

Sugden. 1993. "Welfare, Resources, and Capabilities," *JEL*

Deaton. 2003. "Health, Inequality, and Economic Development," *JEL*

Duflo. 2012. "Women Empowerment and Economic Development," *JEL*

Ravallion. 2018. "Inequality and Globalization," *JEL*

Lleras-Muney. 2018. "Mind the Gap: A Review of *The Health Gap*," *JEL*

Munshi. 2019. "Caste and the Indian Economy," *JEL*

Development Policy and Economic Development

Easterly. 2009. "Can the West Save Africa?," *JEL*

Alesina and Giuliano. 2015. "Culture and Institutions," *JEL*

Bardhan. 2016. "State and Development," *JEL*

Shin. 2018. "Finance and Economic Development in the Very Long Run," *JEL*

*Additional note – along with Timur Kuran, I edit the book series 'Cambridge Studies in Economics, Choice and Society' and the books in the series tend to be comparative historical political economy so I would highly recommend you look through the titles ...

<https://www.cambridge.org/core/series/cambridge-studies-in-economics-choice-and-society/097F340A40F23A8A153BA2D554DF4DA2>