

Professor Peter Boettke
Comparative Economic Systems
Econ 676-001/Spring 2013
Tuesdays 7:20-10:00pm
Enterprise Hall Rm. #318

Adam Smith's *An Inquiry into the Nature and Causes of the Wealth of Nations* sought to not only get at the fundamental 'mechanics' of economic development --- specialization and exchange --- but engaged in a comparative analysis of the public policies of a 'system of natural liberty' with that of the prevailing mercantilist practice of England, France and Spain. As a discipline political economy has never escaped from this focus on the wealth and poverty of nations and the analysis of comparative institutional arrangements on the economic fortunes or misfortunes of peoples. Daron Acemoglu and James Robinson's *Why Nations Fail* is just the latest in a long list of works that seek to follow in Adam Smith's footsteps and offer a comparative political and economic analysis of how alternative institutional arrangements impact the economic performance of nations.

After the classical political economy discussion of free trade versus Mercantilism, the late 19th century rise of socialism and Marxism led to a new intellectual challenge with the critique of capitalism, and the demand for the abolition of the private property market economy and the establishment of comprehensive central planning as a substitute organizing principle for rationalizing a modern economy. In the late 19th and early 20th century, the socialist critique resulted in great social experimentation with increased government regulation of the market economy and eventually in revolutionary movements that sought to eliminate capitalism.

In the United States this discussion took place in the context of the Social Gospel movement and the rise of the Progressive Era legislation. In England, the Fabian movement of evolutionary socialism emerged to usher in social legislation in an effort to address the problems of poverty, ignorance and squalor. But the Russian Revolution was a real world manifestation of the radical ideas of Marxian socialism. In the wake of both the intellectual challenge socialism offered to capitalism, and the experience of real-existing socialism in the Soviet Union led to a heated debate in Europe and throughout the English-language scientific community of economists in England and the United States over the merits and demerits of socialist economic planning in comparison with the model of laissez faire capitalism.

In addition to this debate, after World War II, the less developed world became important international political economy players both as matters of post-colonialism and as pawns in the geopolitics of the Cold War. Once again, economists were drawn into extended discussions on the relative merits of alternative institutional arrangements to overcome the problems of underdevelopment.

As the 20th century neared its end, the world of economics was shaken again by the collapse of communism and the subsequent difficulties with the transition to a form of democratic and capitalist society. As the transition difficulties were in the forefront of professional discussion, the difficulties with development planning in Africa, Asia and Latin America all began to surface as well. The old ways of thinking about these issues in exclusive terms of the mechanics of economic growth gave way to a renewed appreciation of the institutional analysis of development.

As the developing and transitioning economies continue to struggle with escaping their past of political and economic dysfunction, the western democratic economies of Europe and the United States have also entered an era of acute economic crisis in the form of the Great Recession and Public Debt Crises. And ideological challenges to the Western Liberal tradition come not only in the form of Marxism, but in a resurgent fundamentalist Islam and theocratic states. The failed and weak states of the middle east have become the object of after war political and economic reconstruction.

The study of comparative political economy has always been fascinating to me because it entails technical economics, intellectual history, economic history, political and social theory, and one must ask deep questions in the methodology of economic, political and social inquiry to be able to figure out how to approach the subject. In short, it is an intellectual smorgasbord for a generalist.

I have taught comparative economic systems since the mid-1980s, and my formative professional work in economics and political economy was in this area, see *The Political Economy of Soviet Socialism: The Formative Years, 1918-28* (Kluwer, 1990); *Why Perestroika Failed* (Routledge, 1994); *The Collapse of Development Planning* (NYU Press, 1994); *Socialism and the Market: The Socialist Calculation Debate Revisited*, 9 volumes (Routledge, 2000) and *Calculation and Coordination* (Routledge, 2001). My work in the field took me throughout Eastern Europe and the former Soviet Union, as well as several trips to Latin America. I have been a fellow at the Russian Academy of Sciences, a visiting scholar at the Max Planck Institute in Jena, a visiting professor at Charles University in Prague, and the principal investigator for a project on poverty reduction through entrepreneurship in Africa.

In addition, I have supervised dissertations on development economics, transition studies, and political economy that have delved deeply into the institutional analysis of the history and/or contemporary history of economic, political and social change.

And I have taught a variant of this class to undergraduates, MBA, MA and PhD students throughout the past 25+ years. But this time I have decided to teach the class in a completely new way inspired by a model of “disruptive education” that I was introduced to over the past few years. I apologize in advance for some of the rough spots we will encounter, I have never taught this way before. But I believe the benefits will outweigh the costs. We will see if my conjecture turns out to be accurate or merely wishful thinking.

In order for this class to be successful you are going to have to take ownership over your learning. To do this right, we are going to engage in a contract. I will provide a semester schedule and a list of general theoretical readings and more concrete empirical readings, and weekly topics. In addition, I will restrict myself as the course facilitator to ask only questions. There will be no lectures, only discussion. And I will restrict myself from answering your questions with mini-lectures let alone my own economic sermons on lessons learned from transition and development studies. However, in exchange you will agree to spend no less than 10 hours per week in preparation for the class discussion. You will read as your interest direct you on the topic and you will be prepared to discuss each topic with questions and points written out in advance of class.

As an effort at disciplining the conversation, the class sessions will be video-taped and your contributions to the conversation will be constantly graded. During post class evaluation of the discussion, grades will be assigned to your interventions. In fact, you will earn points in the class discussion based on each intervention. You will receive a mark of +2 for an intervention that significantly advances the class discussion and understanding; +1 for marginally improving the discussion; 0 for neutral or no contribution; -1 for slight derailing of class progress; and -2 for significant derailing of the class discussion.

The class will be divided roughly into 5 area studies for comparative analysis. First will be the experience with socialism in the Soviet Union. Second will be the transition from socialism in the former Soviet Union (primarily Russia) and East and Central European economies. But we will take a break to talk about lessons from previous radical economic reforms from state control prior to the collapse of communism. Third will be the reform experience in China. Fourth will be post colonial experience in India and Africa. And fifth will be the contemporary analysis of failed and weak states and US led efforts at post conflict reconstruction and humanitarian aid.

We will spend 1 week on the conceptual issues associated with comparative institutional analysis, but I have been advised that this method of learning works best when you are tasked with concrete problems to solve rather than abstract concepts to learn. In this way, theory choice is made with concrete interpretative and policy puzzles in mind.

DATE	TOPIC	READINGS
1-22-13	Introduction to course	Read the public debate between Jeffery Sachs and Daron Acemoglu and James Robinson on <i>Why Nations Fail</i>
1-29-13	Incentives, Information, Institutions	Hayek, "The Use of Knowledge in Society." AER 1945 Buchanan, "The Constitution of Economic Policy." AER 1987 Tullock, "The Welfare Costs of

		Tariffs, Monopoly and Theft." WEJ 1967 Ostrom, E. "Beyond State and Market." AER 2010 Smith, V. "Constructivist and Ecological Rationality in Economics." AER 2002 Weingast, B., "The Economic Role of Political Institutions." JLEO 1995
2-5-13	The Russian Revolution	Roberts, "War Communism," Slavic Review 1970
2-12-13	The Political Economy of Stalinism	Gregory, "Allocation under Dictatorship," JEL 2005 Wintrobe, "Tinpot and Totalitarian," APSR 1990
2-19-13	History of Radical Economic Reform in the Market Direction	Higgs, "From Central Planning to the Market," JEH 1999 Evans, et. al., "Economic Reform in New Zealand," JEL 1996
2-26-13	Transitional Political Economy in Russia	Shleifer, "Government in Transition." 1997 Shleifer, "A normal country," Foreign Affairs 2004
3-5-13	PC Meetings	
3-12-13	Shock Therapy vs. Gradualism	Aslund, "The Advantages of Radical Reforms," Journal of Democracy 2001 Murrell, "The Transition According to Cambridge," JEL 1995
3-19-13	Chinese Economic Reforms	Montinola, Qian and Weingast, "Federalism, Chinese Style," World Politics 1995
3-26-13	The Failure of Development in Africa	Easterly, "Can the West Save Africa?," JEL 2009
4-2-13	Post-Colonial India	Rodrik, "From 'Hindu Growth' to Productivity Surge," IMF Staff Papers 2005
4-9-13	Political Economy of Failed and Weak States	Coyne, <i>After War: The Political Economy of Exporting Democracy</i>
4-16-13	APEE	
4-23-13	The Political Economy of Humanitarian Aid	Coyne, <i>Doing Bad By Doing Good</i>
4-30-13	The Crisis of Capitalism	
5-7-13	Research Papers Due	

In addition, the GMU bookstore has several books that are required for the class including a new edition of the textbook, *Institutional Economics*, and also my books *Why Perestroika Failed*; *Calculation and Coordination* and *Challenging Institutional Analysis and Development* (co-authored with Paul Aligica). These books are also available as e-books in various formats. Also, Michael McGinnis, ed., 3 volumes of papers from the Workshop in Political Theory and Policy Analysis provides an original document source for the work of Vincent and Elinor Ostrom. And Daron

Acemoglu and James Robinson's *Why Nations Fail* is required as well. The key to reading these books is to selectively read in them to fill in the theory required to address the empirical puzzles we are discussing. You may also want to consult the Development Economics lectures at Marginal Revolution University; the posts at Why Nations Fail blog; and Chris Blattman's blog.

In addition to your contributions to the class discussions, you will be graded on your research project. Class discussion will be worth 50% of final grade, and research project will be 50% of final grade. This project is to be a case study of a political-economic reform experience over the past century. This should be an original research project with the goal of publication in a social science or public policy journal. The standard for grading will be – A – acceptable for publication with revisions; B – probable publication with significant revisions; C-F – failure to meet standard for professional standards in economics and public policy.

To aid in the argumentative bar you must reach familiarize yourself with economics journals such as JOIE, Public Choice, RAE, CPE, Kyklos, etc., and public policy and interdisciplinary journals such as Cato Journal and Independent Review.

I encourage you to consult with me early in the semester and throughout the semester as you try to formulate your project, conduct research and write up your results.