

ECON 206: Comparative Economic Systems

“It is as if the socialists were to accuse us of not wanting persons to eat because we do not want the state to raise grain.”

~Frederic Bastiat

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OFFICE HOURS: MWF: 8:50-10:50am

TR: 2:30-4:30pm

Or by appointment

This syllabus is a contract between myself and you. I will work hard to uphold the guidelines outlined here, and expect you to do the same. That said, I reserve the right to make changes if necessary.

REQUIRED TEXTS

Kasper, Wolfgang, Streit, Manfred, and Peter Boettke. 2012. *Institutional Economics: Property, Competition, Policies, 2nd edition*. Edward Elgar.

Selected readings.

COURSE DESCRIPTION

The most important controversy in 20th century economics—and possibly the history of economics—was the Socialist Calculation Debate. That debate is no longer live; today, the majority of economists favor capitalism over socialism. Nevertheless, the debate continues to inform our understanding of the market economy, particularly the central role performed by economic calculation. Furthermore, though economists generally recognize the superiority of *laissez-faire*, many still level criticisms of the unhampered market economy, arguing for a host of interventions. Evaluating the merits of those claims will comprise a significant portion of the course, followed by an examination of socialism in theory and practice. This will include a look at one of one of socialism’s last holdouts in the economics profession: development planning. Finally, we will conclude by exploring how individuals structure economic activity in the presence of statelessness, which comprises much of the developing world today.

The bottom line of comparative economic systems: there are many ways that human beings can live together; but there are only a few ways they can live together in which they experience peace, prosperity, and human flourishing.

COURSE OBJECTIVES:

This course is intended to equip students to:

1. Describe the seminal role played by the legal institution of private property in a market economy. This will be assessed by two exams and pop quizzes. [1, 2, 3]
2. Understand and analyze the merits of various critiques of capitalism. This will be assessed by two exams, pop quizzes, a final paper and accompanying presentation. [2, 3, 4, 5, 6, 7]
3. Critically analyze and explain the theoretical viability of different economic systems. This will be assessed by two exams, pop quizzes, a final paper and accompanying presentation. [1, 2, 3, 4, 6, 7]
4. Explain the economic performance of different economic systems. This will be assessed by two exams, pop quizzes, a final paper and accompanying presentation. [4, 6, 7, 8, 9]

TENTATIVE SCHEDULE OF TOPICS, ASSIGNMENTS, AND EXAMS

<u>DATE</u>	<u>TOPIC</u>	<u>READING</u>
Jan 23	The Economic Approach	
Jan 25	The Economic Approach	Shapiro: <i>Foundations of the Market Price System</i> (pp. 81-87; 94-104)
Jan 30	The Institutions of Capitalism	Mises: "Private Property" Alchian: "Property Rights" K,S,B: 186-191; 222-231
Feb 1	The Institutions of Capitalism	K,S,B: 192-195
Feb 6	The Institutions of Capitalism	Taylor: "The Market and Market Prices" in <i>An Introduction to Austrian Economics</i> (pp. 52-62) K,S,B: 536-541 Hayek: "The Use of Knowledge in Society"
Feb 8	The Organizations of Capitalism	K,S,B: 212-214; 282-291; 296-302 Klein: "Williamson and the Austrians"
Feb 13	Critiques of Capitalism: Monopoly PAPER + PRESENTATION TOPIC APPROVAL	Sennholz: "The Phantom Called Monopoly" Joskow: "Vertical Integration" (pp. 22-29)
Feb 15	Critiques of Capitalism: Monopoly	DiLorenzo: "The Myth of Natural Monopoly"
Feb 20	Critiques of Capitalism: Monopoly	K,S,B: 271-273; 293-295 Shenoy: "The Sources of Monopoly" (pp. 857-860) Boudreaux and DiLorenzo: "The Protectionist Roots of Antitrust"
Feb 22	Critiques of Capitalism: The Environment	K,S,B: 95-99 Anderson: "Environmental Quality" Hill: "Environmental Problems under Socialism" (pp. 326-333)
Feb 27	SPRING BREAK	
Mar 1	SPRING BREAK	

Mar 6	Critiques of Capitalism: Public Goods	K,S,B: 195-199 Long: "Funding Public Goods: Six Solutions" Klein and Majewski: "Turnpikes and Toll Roads in 19th Century America"
Mar 8	Critiques of Capitalism: Inequality	K,S,B: 337-342 Lee: "Should Government Reduce Inequality in Life Spans?"
Mar 13	Critiques of Capitalism: Noneconomic Objections	Mises: "The Anti-Capitalistic Mentality" (pp. 73-89)
Mar 15	MIDTERM EXAM	Study
Mar 20	Capitalism: Performance	K,S,B: 9-17 Leeson: "Two Cheers for Capitalism?"
Mar 22	NO CLASS	
Mar 27	Interventionism	Rothbard: "The Economics of Violent Intervention in the Market," in <i>Man, Economy, and State</i> (pp. 875-891) Mises: "Middle-of-the-Road Policy Leads to Socialism" K,S,B: 317-322
Mar 29	EASTER BREAK	
April 3	The Socialist Calculation Debate	Mises: "The Nature of Economic Calculation" in <i>Economic Calculation in the Socialist Commonwealth</i>
April 5	The Socialist Calculation Debate	Caplan: "Is Socialism Really 'Impossible?'" (optional) Boettke and Leeson: "Socialism: Still Impossible after all These Years"
April 10	Socialism in the USSR	K,S,B: 457-469 Shleifer and Vishny: "Pervasive Shortages under Socialism" (pp. 237-238) Roberts: "My Time with Soviet Economics"
April 12	Chinese Socialism	K,S,B: 473-482

April 17	Socialism: Development Planning	K,S,B: 17-26
April 19	Socialism: Development Planning	K,S,B: 490-498; 504-521
April 24	Socialism: Performance	Schroeder: "The Dismal Fate of Soviet-Type Economies"
April 26	Statelessness	Rajan: "Assume Anarchy?" Leeson and Coyne: "Conflict-Inhibiting Norms"
May 1	Statelessness: Performance	Leeson: "Better off Stateless"
May 3	CLASS PRESENTATIONS	
May 8	CLASS PRESENTATIONS	
May 10	Study Day	
May 12	FINAL EXAM—7-9 PM	Study

This is a tentative schedule. If it proves to be ambitious, I will attempt to say less about each topic, rather than cutting topics entirely.

COURSE REQUIREMENTS, EVALUATION, GRADING

Final grades are based on one (1) midterm exam, one (1) paper, one (1) presentation, five (5) pop quizzes, one (1) comprehensive final exam.

Economists emphasize that the “rules of the game” shape outcomes. One of the rules in this class is that there will be 5 pop quizzes administered at the beginning of class on that day’s assigned reading. If you have an excused absence on a quiz day, the weight of that quiz will be added to the next quiz. **Unexcused absences on quiz days will earn a zero on the quiz.**

Whether you enter the workforce or continue your education after graduation, collaboration with others is likely to play an increasingly significant role in your success. As a result, students will be co-authoring papers in groups of two in this class. These groups will then present their paper in class at the end of the semester. I will provide guidelines about both the paper and the presentation in class (additionally, general paper-writing tips are provided below and grading rubrics are available on the course myGCC page).

A representative from each group is required to meet with me to discuss the group’s paper and presentation topic. When we meet, you should be prepared to offer me a thesis statement. Simply stop by during my office hours. If those don’t work for you, send an email to set up a time. A hard-copy, stapled version of the final paper is due on the date you make your presentation. (There will be a sign-up sheet in class).

The ability to meet deadlines is a skill that is required in virtually every potential opportunity after you graduate. **As a result, (unexcused) late papers will receive a grade of zero.**

The final grade is calculated as follows:

- (1) Midterm exam: 30%
- (1) Paper + Presentation: 25% (Paper: 15%; Presentation: 10%)
- (1) Comprehensive final: 35%
- (5) Pop quizzes: 10% (2% each)

Grading Scale:

A: 93-100 **A-:** 90-92.9 **B+:**87-89.9 **B:** 83-86.9 **B-:**80-82.9 **C+:**77-79.9
C: 73-76.9 **C-:** 70-72.9 **D+:** 67-69.9 **D:** 63-66.9 **D-:** 60-62.9 **F:** <60

There will be no make-up exams. If a you must miss an exam, please discuss it with me prior to the exam. In the event of an emergency, you should email me as soon as possible. If you miss an exam and I have not accepted your excuse, a grade of “0” will be given. If the absence is excused, the weight of that exam will be added to the final exam.

The final exam must be taken at the scheduled time. One exception: students who have three or more finals scheduled for the same day may discuss with me an alternative time to take the final.

There will be no make-up assignments. All assignments must be hard-copy and stapled; they are due at the beginning of class.

IN-CLASS EXPECTATIONS

The use of phones and laptops is prohibited in class. I did not make this decision lightly. Many elite institutions, including law schools, have chosen to ban electronics from the classroom on the same grounds that I do so: studies have repeatedly demonstrated that laptop usage exerts a statistically significant, negative effect on classroom outcomes. For example, a recent study of Principles of Economics classes at West Point found that when laptops were banned, students scored, on average, .18 standard deviations higher than their peers in laptop-using classrooms.¹ Several studies also demonstrate that taking notes by hand is, on average, superior for learning and retention than is taking notes by electronic device.² However, the strongest argument for a laptop ban comes from recent studies indicating that laptop usage harms the performance of non-laptop-using students in a laptop-using classroom.³ When someone’s activity imposes costs on someone else, economists call it a “negative externality.” My policy of banning electronics is an attempt to mitigate negative externalities in the classroom.

COMPARATIVE ECONOMIC SYSTEMS PAPER GUIDELINES

Students will complete an 8-10 page, co-authored paper analyzing either 1.) an alleged market failure or 2.) the history of a country since 1950. The best papers will contain cogent analysis free

¹ See here: <http://educationnext.org/should-professors-ban-laptops-classroom-computer-use-affects-student-learning-study/>.

² See here: <https://www.scientificamerican.com/article/a-learning-secret-don-t-take-notes-with-a-laptop/> or here: <https://sites.udel.edu/victorp/files/2010/11/Psychological-Science-2014-Mueller-0956797614524581-1u0h0yu.pdf>.

³ See here: <http://www.sciencedirect.com/science/article/pii/S0360131512002254?via%3Dihub>.

of grammatical problems and conveyed in a style appropriate to scholarly (rather than casual) discourse. Papers should be double-spaced, with one-inch margins and 12-point Times New Roman font. You may include a title page, but do not include it in your page count. **Your citations should adhere to the Chicago Style Author-Date format.** You may find examples here: <https://owl.english.purdue.edu/owl/>

All papers should possess the following structure: 1) Introduction concluding with a precise thesis; 2) Points of argumentation supporting the thesis; 3) Conclusion stating the implications of your argument. The opening pages of your paper should contain a strong, unambiguous thesis that clearly states the argument you are trying to advance. **The rest of your paper should be written as if you were trying to convince an opponent who currently believes contrary to your thesis.**

A thesis is a proposition that you defend by way of argumentation. Thus, statements like “This paper is about X” are not thesis statements. A thesis is something like “Access to world prices prolonged the lifespan of the USSR.” Excise every thought that does not contribute to your thesis. Unfocused thoughts do not simply fail to help you make your case; they positively detract from it.

Good writing is almost always difficult to achieve. It takes a lot of practice. As economist D. McCloskey states: “Amateur writers suppose that writing is a character trait instead of a skill.”⁴ Because good writing is a skill, you should re-read (and re-write) your paper. Read it aloud. Ask a roommate to critique your prose and argumentation. Though the process is painful, good writing is paramount to thinking well. Writing down our thoughts enables us to spot errors of reasoning, sloppy prose, gaps in the argument, *non-sequiturs*, and other intellectual sins. As a former professor of mine likes to say: “Thinking without writing is daydreaming.”

In my opinion, the best economics papers *begin* with a question. They *end* with an answer to that question *and* with implications that stem from the analysis. Because this is a comparative systems class, your research question should be germane to comparative institutional analysis, but this still gives you significant leeway in selecting a topic. If you choose option 1.), a motivating question for your paper might be: “Can lighthouses be provided privately?” If you choose option 2.), a motivating question for your paper might be: “Why did Zimbabwe stagnate during the late 20th century when many of its neighbors experienced economic growth?”

Regardless of which approach you choose, your paper should include a brief literature review. What have others said on this topic or related topics? How does your paper fit in this broader conversation and advance scholarly discourse?

COLLEGE REGULATIONS

This course complies with the Attendance Expectations and Academic Integrity policies of the College as described in the Grove City College Bulletin. Attendance at all classes for which a

⁴ From Deirdre N. McCloskey’s (2000) “Economic Writing,” (Second edition).

student is registered is essential to the satisfactory completion of the course. If an absence is incurred for any reason, it is the obligation of the student to ascertain from the instructor what is to be done to maintain his/her standing in the course.

A student may have unexcused absences which total less than or equal to the number of times the class meets per week. In other words, classes meeting four times per week allow four unexcused absences; three times per week allow three unexcused absences, etc. Absences are excused for authorized GCC activities, loss of immediate family member, and Zerbe-certified illness or injury. Please consult the College Bulletin (pgs. 53-54) for more details on college attendance policy.

Academic Integrity: The GCC community maintains strict standards for academic integrity and honesty. By signing their application form, all GCC students have pledged themselves to academic integrity. Please consult the College Bulletin (pgs. 55-57) for what constitutes academic dishonesty and plagiarism.

In doing papers or assignments outside of the classroom, taking exams and quizzes, and preparing for exams and quizzes, students should do their own work and not cooperate with, aid, or encourage other students to violate this policy. Consult the College Bulletin for more details on what constitutes a violation of college policy.

In addition, by vote of the GCC faculty, a student who violates, or who assists another to violate, the Honesty in Learning Policy shall be penalized with a minimum of a failing grade for the specific work for which the dishonesty was committed. More severe penalties may be imposed by faculty including failure in the course. For the processes through which incidents are handled consult the College Bulletin.

Accessibility & Accommodations: If you anticipate physical or academic barriers based on a disability, please let me know immediately so that we may discuss options. You may also contact the disability services office to establish accommodations. The Disability Services Coordinator may be reached at (724)-264-4673 or disabilityservices@gcc.edu.