

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, 1850

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This syllabus is a contract between us. Both parties should work hard to uphold the guidelines outlined here. I reserve the right to make changes if necessary.

TEXTS

Selected readings (required).

RESOURCES

A free video resource from leading scholars on the economics of institutions and organizations: <https://www.learnioe.org/> (optional).

COURSE DESCRIPTION

The most important controversy in 20th century economics—and probably the history of economics—was the Socialist Calculation Debate. That debate is no longer live; today, most economists believe that capitalism is superior to socialism for fostering human flourishing. Nevertheless, the debate continues to inform our understanding of the institutions which facilitate economic calculation, as well as the organizations which comprise a capitalist order. Though economists tend to recognize the superiority of *laissez-faire* over socialism, the status of the mixed economy and the merits of interventionism are the subject of considerably more debate. After exploring the institutions and organizations of the unhampered market, we will evaluate interventionism, followed by an examination of socialism in theory and practice. Our engagement with the centralized economy will include a look at one of socialism's last holdouts in the economics profession: development planning. Finally, we will conclude by exploring how individuals structure economic activity under self-governance, an arrangement that characterizes 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 while enjoying peace and prosperity.

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, pop quizzes, a paper and accompanying presentation. [1, 2, 3]
2. Describe the behavior of organizations, such as firms, under alternative economic systems. [1, 2, 3]
3. Understand and analyze the merits of various critiques of capitalism. This will be assessed by two exams, pop quizzes, a paper and accompanying presentation. [2, 3, 4, 5, 6, 7]
4. Critically analyze the viability and performance of different economic systems. This will be assessed by two exams, pop quizzes, a paper and accompanying presentation. [1, 2, 3, 4, 6, 7]

TENTATIVE SCHEDULE OF TOPICS, ASSIGNMENTS, AND EXAMS

<u>DATE</u>	<u>TOPIC</u>	<u>READING</u>
Jan 21	Introduction to Comparative Systems	<u>Heilbroner: “Socialism” from <i>The World After Communism</i></u> <u>Rosling: “200 Countries, 200 Years, 4 Minutes” (watch)</u> <u>Shleifer: “The Age of Milton Friedman”</u> <u>Leeson: “Two Cheers for Capitalism?” (optional)</u>
Jan 23	The Economic Approach	<u>Heyne: “Chapter 1: Are Economists Basically Immoral?” in <i>Are Economists Basically Immoral? And Other Essays on Economics, Ethics, and Religion</i></u> <u>Shapiro: <i>Foundations of the Market Price System</i> (pp. 81-87; 94-102)</u> <u>Radford: “The Economic Organization of a POW Camp” (optional)</u>
Jan 28	Institutions of Capitalism: The Establishment of Private Property	<u>Demsetz: “Toward a Theory of Property Rights” (pp. 347-353)</u> <u>Demsetz: “The Exchange and Enforcement of Property Rights” (pp. 11-19)</u> <u>P. Klein: “New Institutional Economics” (pp. 456-465, optional)</u>
Jan 30	Institutions of Capitalism: The Functions of Private Property	<u>Mises: “Private Property”</u>

		<p>Alchian: “Property Rights”</p> <p>Alchian: “Some Economics of Property Rights” (optional)</p>
Feb 4	Institutions of Capitalism: Prices, Profit, and Loss	<p>Mises: “The Social Function of Profit and Loss” in <i>Profit and Loss</i> (pp. 19-23)</p> <p>Hayek: “The Use of Knowledge in Society”</p> <p>Roberts: “How Markets Use Knowledge”</p>
Feb 6	Institutions of Capitalism: Intellectual Property	<p>Ohlhausen: “The Case for a Strong Patent System”</p> <p>Boldrin and Levine: “The Case Against Patents” (pp. 7-20)</p>
Feb 11	Institutions of Capitalism: Legal Systems	<p>LaPorta et al.: “The Economic Consequences of Legal Origins” (pp. 285-310)</p>
	PAPER + PRESENTATION TOPIC APPROVAL	
Feb 13	Organizations of Capitalism: Firms	<p>Weidenbaum and Jensen: “Introduction” (pp. 1-11) in <i>The Modern Corporation and Private Property</i></p> <p>Manne: “Mergers and the Market for Corporate Control”</p> <p>Shleifer and Vishny: “Which System is the Best?” in “A Survey of Corporate Governance” (pp. 769-773)</p> <p>Coase: “The Nature of the Firm” (optional)</p>
Feb 18	Critiques of Capitalism: Monopoly	<p>Lamoreaux: “The Problem of Bigness: From Standard Oil to Google” (pp. 94-99, 110-113)</p> <p>Sennholz: “The Phantom Called Monopoly”</p> <p>Shenoy: “The Sources of Monopoly” (pp. 857-860)</p>
Feb 20	Critiques of Capitalism: Monopoly	<p>Henderson: “Natural Monopoly” (bottom of the page)</p>

		<p>DiLorenzo: “The Myth of Natural Monopoly”</p> <p>Joskow: “Vertical Integration” (pp. 22-29) (optional)</p>
Feb 25	Critiques of Capitalism: The Environment	<p>Anderson: “Environmental Quality”</p> <p>Stroup: “Economic Freedom and Environmental Quality”</p> <p>Hill: “Environmental Problems under Socialism” (pp. 326-333)</p>
Feb 27	Critiques of Capitalism: Advertising, Inequality, Noneconomic Concerns	<p>Mises: “The Social Characteristics of Capitalism and the Psychological Causes of its Vilification” in <i>The Anti-Capitalistic Mentality</i> (pp. 1-15)</p> <p>Galbraith: “The Dependence Effect”</p> <p>Veblen: “Conspicuous Consumption” (pp. 33-47) in <i>The Theory of the Leisure Class</i></p> <p>Lee: “Should Government Reduce Inequality in Life Spans?” (optional)</p> <p>Rothbard: “Antimarket Ethics” (pp. 257-287) in <i>Power and Market</i> (optional)</p>
Mar 3	SPRING BREAK	
Mar 5	SPRING BREAK	
Mar 10	MIDTERM EXAM	
Mar 12	Researching, Writing, and Presenting Economic Research	<p>Cochrane: “Writing Tips”</p> <p>Savage and Yeh: “Novelist Cormac McCarthy’s Tips on How to Write a Great Science Paper”</p> <p>Herrendorf: “How to Make Academic Presentations”</p>
Mar 17	Interventionism: Overview	<p>Mises: “Interventionism” (pp. 1-12, 17-21)</p> <p>Mises: “Middle-of-the-Road-Policy Leads to Socialism” (pp. 47-68)</p> <p>https://www.policyuncertainty.com/ (for fun)</p>

Mar 19	Interventionism: The War Economy	Duncan and Coyne: “The Overlooked Costs of the Permanent War Economy”
Mar 24	Interventionism: Slavery	Anderson and Tollison: “Life in the Gulag: A Property Rights Perspective” Tullock: “The Economics of Slavery”
Mar 26	Marxism	Kaidantzis: “Karl Marx” Marx: “The Production of Surplus-Value” in <i>Das Kapital</i> (pp. 131-141)
Mar 31	The Socialist Calculation Debate	Maltsev: “Foreword” in <i>Economic Calculation in the Socialist Commonwealth</i> (pp. vii-x) Kochanowicz: “Introduction” in <i>Economic Calculation in the Socialist Commonwealth</i> (pp. xi-xvi) Mises: “Economic Calculation in the Socialist Commonwealth” in <i>Economic Calculation in the Socialist Commonwealth</i> (pp. 24-30) Lange: “On the Economic Theory of Socialism” (pp. 53; 60-68) Hayek: “The Intellectuals and Socialism” (optional)
April 2	Socialism in the USSR	Shleifer and Vishny: “Pervasive Shortages under Socialism” (pp. 237-238) Boettke: “Soviet Venality” in <i>Calculation and Coordination</i> (pp. 140-152) Schroeder: “The Dismal Fate of Soviet-Type Economies” (optional) Boettke: <i>Free to Exchange</i> (watch 1:00-12:30) (optional)
April 7	Problems of Transition	Boettke: “Credibility, Commitment, and Soviet Economic Reform” in <i>Calculation and Coordination</i> (pp. 154-173)

		<p>Rapaczynski: “The Roles of the State and Market in Establishing Property Rights” (pp. 87-93)</p> <p>Boettke and Leeson: “Is the Transition to the Market too Important to be Left to the Market?” (optional)</p>
April 9	EASTER BREAK	
April 14	Development Planning	<p>Duflo: “The Economist as Plumber” (pp. 1-14)</p> <p>P. Klein: “Randomized Control Trials and Economic Questions”</p>
April 16	Development Planning	<p>Boettke et al.: “Institutional Stickiness and the New Development Economics”</p>
April 21	Self-Governance: The Developing World	<p>Leeson and Coyne: “Conflict-Inhibiting Norms” (pp. 2-3)</p> <p>Rajan: “Assume Anarchy?”</p> <p>Leeson: “Better off Stateless”</p> <p>Powell et al.: “Somalia After State Collapse: Chaos or Improvement?” (optional)</p> <p>Leeson and Coyne: “Sassywood” (optional)</p>
April 23	Self-Governance: Social Distance and Heterogeneity	<p>Leeson and Coyne: “Conflict-Inhibiting Norms” (pp. 4-10, 16-20)</p> <p>Greif: “The Birth of Impersonal Exchange”</p> <p>McMillan and Woodruff: “Dispute Prevention without Courts in Vietnam” (optional)</p>
April 28	Self-Governance: The Problem of Violence	<p>Leeson and Coyne: “Conflict-Inhibiting Norms” (pp. 10-15, 21-28)</p> <p>Friedman: “Private Creation and Enforcement of Law: A Historical Case” (optional)</p>
April 30	CLASS PRESENTATIONS	
May 5	CLASS PRESENTATIONS	
May 7	Study Day	
May 9	FINAL EXAM—6-8 PM	Study

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

If a you must miss an exam/quiz, please discuss it with me prior to the exam/quiz. In the event of an emergency, you should email me as soon as possible. If you miss an exam/quiz for an unexcused reason, a grade of “0” will be given. **If an exam absence is excused, you have two options.** You may elect to take a make-up exam. Alternatively, you may elect to add the weight of the missed exam to the next exam. Missing a quiz for an excused absence will result in the weight of the quiz being added to the next quiz (i.e. the next quiz will comprise 4% of your grade, instead of 2%).

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.

All assignments must be hard-copy and stapled; they are due at the beginning of class. Unexcused late assignments will receive a zero.

IN-CLASS EXPECTATIONS

The use of phones and laptops is prohibited in class. 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.

Consistent with the College's goal of fostering a collegial academic environment and a community founded on the Christian ethic, all members of this class will treat each other respectfully, even when disagreeing with a viewpoint expressed by a classmate or the professor. *Ad hominem*, derogatory, or demeaning comments directed at individuals in or outside of our classroom do nothing to facilitate our pursuit of truth, undermine the nature of our Christian community, and will not be tolerated.

COMPARATIVE ECONOMIC SYSTEMS PAPER GUIDELINES

Students will complete a co-authored 8-10 page paper. The best papers will contain cogent analysis free 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 an example how references should be cited [here](#).

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

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>.

⁴ From Deirdre N. McCloskey's (2000) "Economical Writing," (Second edition).

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.”

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.

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?

Below I list a wide range of possible paper topics and questions to get your creative juices flowing. **You are also free to select a relevant topic of your own:**

1. Is innovation possible in the absence of [intellectual property laws](#)?
2. How do owners of capitalist firms discipline [managerial opportunism](#)?
3. How do government-owned firms behave differently from [private firms](#)?
4. Is there a connection between the “theory of the firm” and the “[socialist calculation debate](#)”?
5. Under capitalism, will we get “one big firm” that [produces everything](#)?
6. Why does corporate governance vary [around the world](#)?
7. Does the environment fare better under [socialism or capitalism](#)?
8. Why do democracies get [bad policies](#)?
9. What is the “comparative institutional” explanation for [Flint’s dirty water](#)?
10. Did ideas or institutions make us [healthy and wealthy](#)?
11. Is socialism truly “[impossible](#)”?
12. Is Sweden a [socialist state](#)?
13. How did the USSR last so long without market [prices](#)?
14. Why does central planning generate prices that are systematically [below equilibrium](#)?
15. Is the resource curse really to blame for the [Venezuelan crisis](#)?
16. Could the U.N. improve welfare by banning Liberian “[trial by poison](#)”?
17. What is the rationale for “[legal systems different from ours](#)”?
18. Relative to a free labor market, did American slavery [create wealth](#)?
19. In the absence of formal enforcement, how do [neighbors settle disputes](#)?
20. Can self-governance address the [problem of violence](#)?

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 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.