

Comparative Economic Systems

Spring 2022

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. The geo-politics of the Cold War also saw the emergence of Development Theory and Policy, and in particular the exportation of the Development planning model to in Africa, Asia and Latin America. 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. The Development Planning model also collapsed in the 1990s. 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)

To prepare for the conversation, I am asking over break that you familiarize yourself with 2 texts – Stefan Voigt’s *Institutional Economics* and Don Lavoie’s *Rivalry and Central Planning*. Reading both of these will give you the necessary conceptual tools to productively join the conversation in comparative institutional analysis. You will be expected to have read these books and I will refer to them throughout the semester, but they will be our shared common knowledge along with basic economic reasoning.

In addition, there will be 4 required books for this class that I hope will enable us to pursue Buchanan’s task for our era: *Big Issues*; *the Possibility of Cooperation without Command*; *The Process of Development in Failed and Weak States*; *Political Economy and the Fate of Liberty*.

Required readings include:

Mises, L. 1922. *Socialism: An Economic and Sociological Analysis*. Indianapolis, IN: Liberty Fund, 1981.

Ostrom, E. 1990. *Governing the Commons: The Evolution of Institutions of Collective Action*. New York, NY: Cambridge University Press.

Borzel, T. and Thomas Risse. 2021. *Effective Governance Under Anarchy: Institutions, Legitimacy and Social Trust in Areas of Limited Statehood*. New York, NY: Cambridge University Press.

Acemoglu, D. and James Robinson. 2019. *The Narrow Corridor: States, Societies, and the Fate of Liberty*. New York, NY: Penguin.

++Palmer, T. and Matt Warner. 2022. *Development with Dignity: Self-determination, Localization, and the End of Poverty*. New York, NY: Routledge.

++Signifying this is the book that everyone will be reading to write their review essay on.

Due to some commitments, the class will be a hybrid of in-person lectures and discussion and asynchronous lectures and assignments. I will highlight those asynchronous weeks on the syllabus so you may plan accordingly. On those weeks there will be several assignments through the week to make up for the in-person class time missed.

In-person classes will be divided in half – first half lecture, second half open discussion. Please be prepared to discuss the material in-depth.

Covid-19 policies will follow GMU guidelines, which include filling out the daily health survey and alerting me of any yellow or red status. If you are not permitted to attend campus in-person meetings according to the GMU guidelines, then I will make a zoom link possible for students. But only those who can produce the correct GMU authorized paperwork will receive the zoom link from our office.

The semester schedule is as follows:

Date	Topic	Reading
Jan 26	An Introduction to Comparative Economic Systems	Mises, <i>Socialism</i> , Introduction + Part I
February 2	The Grand Debate of the 20 th Century in Political Economy	Mises, <i>Socialism</i> , Part II + Appendix
February 9	Marxism and the Appeal of Socialism	Mises, <i>Socialism</i> , Part III, IV, V + Conclusion
February 16	The Soviet Experience and Its Meaning for Social Theory	Mises, <i>Socialism</i> , Epilogue
February 23	The Political Economy of Post-Communism	Guriev, Sergei. 2019. "Gorbachev versus Deng: A Review of Chris Miller's <i>The Struggle to Save the Soviet Economy</i> ." <i>Journal of Economic Literature</i> , 57 (1): 120-46. Alexeev, Michael. 2021. "Review of <i>Russia's Crony Capitalism: The Path from Market Economy to Kleptocracy</i> by Anders Åslund." <i>Journal of Economic Literature</i> , 59 (1): 220-43.

March 2	Covenants without the Sword	Ostrom, <i>Governing the Commons</i> , chapters 1-2
March 9	Success, Failure and Institutional Transformation	Ostrom, <i>Governing the Commons</i> , chapters 3, 4, and 5.
March 16	SPRING BREAK	
March 23	The Challenge for Scholarship	Ostrom, <i>Governing the Commons</i> , chapter 6.
March 30	Failed and Weak States	Borzel and Risse, <i>Effective Governance Under Anarchy</i> , Introduction + Part I
April 6	State Capacity and Development	Borzel and Risse, <i>Effective Governance Under Anarchy</i> , Part II

		Rauch, J. "Getting the Properties Right to Secure Property Rights," <i>Journal of Economic Literature</i> , XLIII (2005): 480-487.
April 13	A Stocktaking of Lessons Learned from Studying Economic and Political Systems: Methodological, Analytical, and Social Philosophical	Link back to Voigt and Lavoie pre-class reading
April 20	The Problem of Predation	Acemoglu and Robinson, <i>The Narrow Corridor</i> , Preface + chapters 1-5.
April 27	The European Miracle: Competing Hypotheses, Alternative Explanations and Fragilities in the Story	Acemoglu and Robinson, <i>The Narrow Corridor</i> , chapters 6-10.
May 4	Socialism, Liberalism and the Future	Acemoglu and Robinson, <i>The Narrow Corridor</i> , chapters 11-15. Dixit, Avinash. 2021. "'Somewhere in the Middle You Can Survive': Review of <i>The Narrow Corridor</i> by Daron Acemoglu and James Robinson." <i>Journal of Economic Literature</i> , 59 (4): 1361-75. *Boettke, P. 2021. <i>The Struggle for a Better World</i> . Pdf made available

*Indicates not required.

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, (4) write a review essay on *Development with Dignity* following the *JEL* format, and (5) for PhD students to submit an original research paper.

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 Segovia, and you can communicate with her through her email at: ksegovia@mercatus.gmu.edu to set up appointments. We can meet either in-person or virtually. 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

My original work in economics and political economy was in the field of comparative economic systems and economic development. I will make my three books – *The Political Economy of Soviet Socialism: The Formative Years, 1918-1928* (Kluwer, 1990); *Why Perestroika Failed: The Politics and Economics of Socialist Transformation* (Routledge, 1993); *Calculation & Coordination* (Routledge, 2001) – available in pdf for you on the course Blackboard page. I also edited a collection, *The Collapse of Development Planning* (NYU, 1994) that discusses the general issue of development theory and policy through various case studies.

In addition, 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.

Reading the articles in these collections will give you a fairly comprehensive overview of the entire field of research. However, it must be acknowledged that as the field of comparative systems morphed into the broader field of development economics, there are pieces that are extremely valuable that are not included in those volumes. As you seek mastery in the field and an up-to-date assessment of the literature, you would do well to read not only in the specialized journals, such a *Journal of Comparative Economics*, but more general interest journals in economics and political science. The following 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. 2021. “Using Synthetic Controls,” *JEL*

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. 2021. “A Survey of Income Inequality in China,” *JEL*

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. 2006. “The Big Push Déjà vu,” *JEL*

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>