**B7581 MODERN POLITICAL ECONOMY**

**Fall 2018**

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The purpose of this course is to help you understand, predict, adapt to and shape the rapidly evolving world of modern political economy. If you don’t, others will—and not necessarily to your well-being.

The topics and readings for the six meetings are noted below. You’ll be evaluated on the basis of a closed-book examination administered on October 27, the last meeting of the class. Your contributions to learning, in class or via Canvas postings, will help determine your final grade. Readings are available on Canvas. If you don’t already, you should start reading one or more of the following publications on a regular basis: *Wall Street Journal, New York Times, Financial Times,* or *The Economist.*

TOPICS AND READINGS

9/15 Grandmasters of Modern Political Economy

This session will introduce the course, clarify the views of the grandmasters--Smith, Marx, Keynes and Friedman--on the relationship between business and government, and examine the relevance of the grandmasters’ ideas in the Populist era.

Readings: Robert L. Heilbroner, The Worldly Philosophers (New York: Simon & Schuster, 1999, 7th ed.), Ch. 3, 6, and 9; Milton Friedman, Capitalism and Freedom (Chicago: University of Chicago Press, 1962, 2nd ed. 1982), Ch. 1 and 2; Steve Bannon CNN Full Interview with Fareed Zakaria, <https://www.youtube.com/watch?v=4rCUZShbp0s>

9/22 Rise and Decline of State-Centric Political Economy

This session will explore the evolution of American political economy from the 1930s to the 1970s. During this period the Great Depression, New Deal, and WW II set the stage for a redefinition of the business-government (or Market-State) relationship—from a system in which market forces were relatively unregulated to one in which they were subject to wide-ranging government intervention. This “state-centric” model, often attributed to the ideas of Keynes, appeared to be working well until the 1970s, when it became clear that the “protectionist” policies of big business and big government were no longer sustainable.

Readings: Alfred D. Chandler, Jr., The Visible Hand (Cambridge, MA: Harvard University Press, 1977)   
Introduction; John Kenneth Galbraith, The New Industrial State (Boston, MA: Houghton Mifflin, 1972, 3rd ed.), Chs. 10 and 19; Jonathan Rauch, “Demosclerosis,” National Journal (September 5, 1992).

9/29 Rise and Decline of Market-Centric Political Economy

This session will examine the continuing evolution of American political economy through the 20th century. The rolling back of the state-centric model began in earnest with the Reagan presidency in the 1980s, but the blueprint for a market-centric political economy was popularized in the 1960s and 1970s by Friedman and his neo-liberal followers. On the face of things, the “market-centric” model appeared to be working well through the end of the 20th century, but, as earlier, disruptive forces went unrecognized.

Readings: : Lanny Ebenstein, Chicagonomics: The Evolution of Chicago Free Market Economics (New York, N.Y.: St. Martin’s Press, 2015), Ch. 11 and 12; Michael Schaller, Right Turn: American Life in the Reagan-Bush Era (New York, N.Y.: Oxford University Press, 2007), Ch. 3; Jeffrey Frankel and Peter Orzag, eds., American Economic Policy in the 1990s (Cambridge, MA: MIT Press, 2002), Introduction; Joseph E. Stiglitz, Freefall: America, Free Markets, and the Sinking of the World Economy (New York: W.W. Norton, 2010), Ch. 1 and 9.

10/13 Rise of Populism and America’s Prospects in the New Era

This session will posit that the rise of “right-wing” populism, manifested in the Trump presidency, reflects a house divided by deep-seated and now longstanding issues, including economic inequality, conflict over social identities, and political polarization. One can expect, for the foreseeable future, business-friendly tax and regulatory policies, reduced immigration, the rolling back of social programs, losses of civil rights gained in earlier eras, and a diminished role in international affairs.

Readings:Uri Friedman, “What is a Populist? And is Donald Trump One?” , The Atlantic, February 27, 2017,[https://www.theatlantic.com/international/archive/2017/02/what is-populist-trump/516525/](https://www.theatlantic.com/international/archive/2017/02/what%20is-populist-trump/516525/); Ronald F. Inglehart and Pippa Norris, “Trump, Brexit, and the Rise of Populism: Economic Have-Nots and Cultural Backlash,” Harvard Kennedy School Faculty Research Working Paper Series, August 2016, pp. 1-31; Andrew J. Cherlin, “You Can’t Separate Money from Culture,” New York Times, May 6, 2018, <https://www.nytimes.com/2018/05/06/opinion/trump-supporters-economy-racism.html>

10/20 International Relations in the Populist Era

When power structures change, the rules of the game change. America was the lead architect, financier, and enforcer of the rules-based system that emerged in the aftermath of WW II and came to be known as the “liberal international order.” As America withdraws from a leadership role other nations will change the rules of international behavior formally or informally. The liberal international order had its warts, but it helped provide a relatively prosperous and peaceful world for many, including graduates of Columbia Business School.

Readings: John J. Mearsheimer, The Tragedy of Great Power Politics (New York: W. W. Norton, 2001), Introduction; G. John Ikenberry, “The Future of the Liberal World Order,” Foreign Affairs (May/June 2011), pp. 56-68; Francis Fukuyama, “The End of History?”, The National Interest (Summer 1989); Richard N. Haass, “Liberal World Order, R. I. P,” Project Syndicate, March 21, 2018, <https://www.project-syndicate.org/commentary/end-of-liberal-world-order-by-richard-n--haass-2018-03>.

10/27 Review and Final Examination

This session will be divided into two parts—a review period and a 90-minute final examination.