MODERN POLITICAL ECONOMY

Fall 2018

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Warren 208

Office Hours (arranged with Teaching Assistant)

Teaching Assistant (Zachary Brown, ZBrown20@gsb.columbia.edu)

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

The structure of the course is as follows. Part One examines the theoretical and applied foundations of modern political economy laid by four grandmasters of the discipline--Adam Smith, Karl Marx, John Maynard Keynes, and Milton Friedman--each of whom has been widely misunderstood or, worse yet, portrayed falsely. Part One sets the record straight about each of them and closes by addressing the issue of their relevance in the 21st century.

Part Two focuses on the evolution of American political economy in the post-WW II era. It covers the rise and decline of a State-centric era, the subsequent rise and decline of a Market-centric era, and, more recently, the rise of a Populist movement and the election of a Populist president. Part Two concludes with an examination of America’s prospects.

Part Three is concerned with international political economy. The U.S. emerged from the Cold War as the dominant world power and the main architect, financier, and enforcer of what has been called the “liberal international order.” However, the distribution of global power has changed in the 21st century, which means that the “rules” of international behavior in government and business also are changing. These changes and their implications for the world in which you’ll live and work are the central concerns of Part Three.

You’ll be evaluated on the basis of two closed-book examinations, one of 30 minutes after Part One (worth 1/6 of the final numeric grade) and one of 60 minutes after Part Two (worth 1/3), plus a final paper (worth 1/2). The final paper should not exceed 7.5 double-spaced pages, not counting tables and appendices, and is due on the last day of class. You should develop your paper topic after meeting with me during office hours, meetings our Teaching Assistant will coordinate. Student contributions to learning, in class and/or via Canvas, will determine final grades that otherwise fall on the numeric borderline between one grade and another. For more information on grading and my expectations about your performance and mine in the course, read my “Rules of the Game for MPE.”

Required and recommended readings are included in two readings books and online via 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.

**CONNECTIONS WITH THE CORE:** The course draws on material from three core courses: Lead: People, Teams, Organizations (on the nature of leadership); Global Economic Environment (on fiscal and monetary policy); and Corporate Finance (on the theory of efficient markets).

**PART ONE THE GRANDMASTERS**

### 9/4 Introduction to the Course

### 9/6 Smith’s Capitalist Alternative to Mercantilism

**Required:** Adam Smith, An Inquiry into the Nature and Causes of the Wealth of Nations (Indianapolis: Bobbs-Merrill, 1961), Book I, Ch. 1; Book IV, Ch. 2; and Book V, Ch 1. **Recommended:** Robert L. Heilbroner, The Worldly Philosophers (New York: Simon & Schuster, 1999, 7th ed.), Ch. 1-3.

#### 9/11 Marx’s Socialist Alternative to Capitalism

**Required:** Karl Marx, Capital (London: Penguin, 1976), Volume 1, Ch. 25; Karl Marx and Friedrich Engels, The Communist Manifesto (New York: Bantam Books, 1992), Parts 1-2. **Recommended:** Heilbroner, Ch. 6; David Harvey, “Crises of Capitalism,” <https://www.youtube.com/watch?v=qOP2V_np2c0>

#### 9/13 Keynes’s Third-Way Alternative to Socialism

**Required:** John Maynard Keynes, The General Theory of Employment, Interest and Money (London: Macmillan & Co., 1951), Chs. 10, 12 and 24. **Recommended:** Heilbroner, Ch. 9.

### 9/18 Friedman’s Neo-Liberal Alternative to Keynesianism

**Required:** Milton Friedman, Capitalism and Freedom (Chicago: University of Chicago Press, 1962, 2nd ed. 1982), Chs. 1 and 2. **Recommended:** Friedrich von Hayek, The Road to Serfdom (Chicago: University of Chicago Press, 1944), Chs. 2–3.

9/20 The Populist Alternative to Neo-Liberalism

**Required:** Steve Bannon Full Interview with Fareed Zakaria, <https://www.youtube.com/watch?v=4rCUZShbp0s>

Mid-Term Examination on Part One (last 30 minutes of the session)

# PART TWO EVOLUTION OF AMERICAN POLITICAL ECONOMY

**Rise and Decline of State-Centric Political Economy**

### 9/25 From the Invisible Hand to the Visible Hand: Managerial Capitalism Stage One

**Required:** Alfred D. Chandler, Jr., The Visible Hand (Cambridge, MA: Harvard

University Press, 1977), Introduction and Conclusion.

9/27 Signal Events and the Rise of State-Centric Political Economy

**Required:** Depression-era pictures, <https://www.google.com/search?q=pictures+of+the+great+depression&tbm=isch&imgil=D5wx85fIAp2qOM%253A%253BSTY65fEpP5O8aM%253Bhttps%25253A%25252F%25252Fwww.thoughtco.com%25252Fgreat-depression-pictures-p2-1779921&source=iu&pf=m&fir=D5wx85fIAp2qOM%253A%252CSTY65fEpP5O8aM%252C_&usg=__wVfdH1Q7IkjrXNs6IHXDr_mOUIs%3D&biw=1280&bih=907&ved=0ahUKEwjO_vW0ucLUAhUGbT4KHchoC-sQyjcIOw&ei=GNpDWc6SE4ba-QHI0a3YDg#imgrc=D5wx85fIAp2qOM:&spf=1497618973657>; William E. Leuchtenberg, Franklin D. Roosevelt and the New Deal (New York: Harper and Row, 1963), Ch. 14; David Kennedy, Freedom from Fear: The American People in Depression and War (New York: Oxford University Press, 1999), pp. 615-655.

10/2 From Consumer Power to Corporate Power: Managerial Capitalism Stage Two

**Required:** John Kenneth Galbraith, The New Industrial State (Boston, MA: Houghton Mifflin, 1972, 3rd ed.), Chs. 5-8, 10-14. **Recommended:** Robert M Solow, “The New Industrial State or Son of Affluence?” The Public Interest (Fall 1967), pp. 100-108.

10/4 The Parallel Development of Protectionist Politics

**Required:** Jonathan Rauch, “Demosclerosis,” National Journal (September 5, 1992). **Recommended:** Mancur Olson, The Rise and Decline of Nations (New Haven: Yale University Press, 1984 ed.), Ch. 3.

**Rise and Decline of Market-Centric Political Economy**

10/9 Neo-Liberal Theory and the Reagan Presidency

**Required:** Lanny Ebenstein, Chicagonomics: The Evolution of Chicago Free Market Economics (New York: St. Martin’s Press, 2015), Ch. 11 and 12; Michael Schaller, Right Turn: American Life in the Reagan-Bush Years (New York: Oxford University Press, 2007), Ch. 3. **Recommended**: Gordon Gekko’s “Greed is Good” Speech, <https://www.youtube.com/watch?v=PF_iorX_MAw>

10/11 The Halcyon 1990s

**Required:** Jeffrey Frankel and Peter Orszag, eds., American Economic Policy in the 1990s (Cambridge, MA: MIT Press, 2002), pps. 7-23. **Recommended:** Thomas Smejkal, “The Rise of Market-Centric Political Economy Revisited,” unpublished MPE Paper, May 5, 2014.

10/25 The Terrible 2000s

**Required:** Joseph E. Stiglitz, Freefall: America, Free Markets, and the Sinking of the World Economy (New York: W.W. Norton, 2010), Chapter 1. **Recommended:** “Partisanship and Political Animosity in 2016,” Pew Research Center, June 2016, pp 1-8.

**The Rise of Populism and the Trump Presidency**

10/30 Causes and Consequences

**Required:** 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/>; 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>

11/1 Guest Lecturer: Dean Hubbard

**Required: TBD**

11/8 America’s Prospects

**Required**: Richard V. Reeves, Dream Hoarders (Washington, D.C., Brookings Institution, 2017), Ch. 1 and 2.

11/9 Review Class

11/13 Mid-Term Examination on Part Two (60 minutes)

**PART THREE INTERNATIONAL POLITICAL ECONOMY**

11/15 International Relations in Theory

**Required:** John J. Mearsheimer, The Tragedy of Great Power Politics (New York: W.W. Norton, 2001), Introduction; Paul Kennedy, The Rise and Fall of the Great Powers (New York: Vintage, 1989), Epilogue; G. John Ikenberry, “The Future of the Liberal International Order, “ Foreign Affairs (May/June 2011), pp. 56-68.

11/20 International Relations in the 20th Century

**Required:** Charles P. Kindleberger, “International Public Goods without International Government, “American Economic Review, Vol. 76, No. 1 (March 1986), pp. 7-13;

Francis Fukuyama, “The End of History?” The National Interest (Summer 1989), pp. 222-248.

11/27 The Redistribution of Global Power in the 21st Century

**Required:** Joseph S. Nye, Jr., Is the American Century Over? (Malden, MA: Polity Press, 2015), Ch. 3-4; Steven Kotkin, “Realist World: The Players Change, but the Game Remains,” Foreign Affairs (July/August 2018), pp. 10-15.

11/29 The Future of the Liberal International Order

**Required:** 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>; Daniel Deudney and G. John Ikenberry, “Liberal World: The Resilient Order,” Foreign Affairs (July/August 2018), pp. 16-24.

12/4 & 12/6 Views from Abroad (Student Presentations)

12/11 Conclusion