COLUMBIA BUSINESS SCHOOL

**B7762 MODERN POLITICAL ECONOMY**

New York Summer 2018

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Office Hours: Before class, during lunch, and after class

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

The structure of the course is as follows. Day one examines the theoretical foundations of modern political economy laid by four grandmasters, Adam Smith, Karl Marx, John Maynard Keynes, and Milton Friedman, each of whom has been widely misunderstood or, worse yet, falsely interpreted by intellectual charlatans. Day one sets the record straight and examines their contemporary relevance.

Days two and three are concerned with the evolution of American political economy. Major topics include the rise and decline of the state-centric and market-centric periods in the post-WWII era, the rise of populism, the election of Donald Trump, and America’s prospects.

The focus shifts to international political economy in days four and five. Major topics include the development of the American-led international order in the post-WW II period, the radical redistribution of global power in the post-Brexit, post-Trump period, and the prospects for order in a world where the U.S. plays a vastly diminished role.

You’ll be evaluated on the basis of a closed-book examination on the last day which will test your knowledge of the required readings, lectures, and class discussion.

The readings for the course, both required and recommended, are identified under Topics and Readings below and can be found online via Canvas. In addition, I encourage you to read one or more of the following publications on an ongoing basis: Wall Street Journal, New York Times, Financial Times or The Economist.

TOPICS AND READINGS

# SETTING THE RECORD STRAIGHT: THE GRANDMASTERS

**Day One**: purpose of the course; importance of theory; conflict between theory and reality; role of political economists; the non-fictitious lives, times, theories, and legacies of Adam Smith, Karl Marx, John Maynard Keynes, and Milton Friedman; the relevance of their theories today..

**Required**: Robert L. Heilbroner, The Worldly Philosophers (New York: Simon & Schuster, 1999, 7th ed.), Chs. 3, 6, and 9; Paul Krugman, “Who Was Milton Friedman,” The New York Review of Books, February 15, 2007.

**THE CONTINUING EVOLUTION OF AMERICAN POLITICAL ECONOMY**

**Day Two**: the Grandmasters on the firm and its relationship with the state; from the invisible hand of the market to the visible hand of management; evolution of managerial capitalism from Stage One to Stage Two; interest group politics and the transition from the limited state of the Founding Fathers to a Leviathan; protectionist political economy in the quarter-century after WW II; a good time was had by all; in the words of President Richard Nixon, “We are all Keynesians now.”

**Required**: 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).

**Day Three**: competitive problems of protectionist political economy in a global era; a new conception of political economy from the Austrians and their American cousin, Milton Friedman; the rise of neo-liberalism; the halcyon 1990’s and the terrible 2000’s; causes and consequences of the rise of populism and the election of Donald Trump; America’s prospects.

**Required**: Milton Friedman, Capitalism and Freedom (Chicago: University of Chicago Press, 1962, 2nd ed. 1982), Chs. 1, 2, 4, 5 and 8; Jeffrey Frankel and Peter Orzag, eds., American Economic Policy in the 1990s (Cambridge, MA, MIT Press, 2002), Introduction; Thomas Piketty, Capital in the Twenty-First Century (Cambridge, MA: Belknap, 2014), pp. 1-27 (TBD). **Recommended**: David Harvey, “The Crisis of Capitalism,” <http://www.youtube.com/watch?v=qOP2V_np2c0>.

**THE CHANGING DISTRIBUTION OF GLOBAL POWER**

**Day Four**: International relations in theory—Realism, Liberalism, Hegemonic Decline, Embedded Liberalism, and Non-State Actors; international relations in practice—disorder in the first half of the 20th century and the American-led “liberal” order in the second half; the “End of History” hypothesis.

**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 Books, 1999), Epilogue (TBD); 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).

**Day Five in the Morning:** The redistribution of global power in the 21st century and its implications for the practice of international relations; fasten your seat belts when you leave CBS.

**Required**: Richard Haass, “Liberal World Order, R.I.P., Project Syndicate, March 21, 2018; Peter Goodman, “The Post-World War II Order Is Under Assault From the Powers That Build It,” The New York Times, March 26, 2018

**Day Five in the Afternoon**: Q and A review session; final examination.

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