

Economics as a discipline was born with the question as to why some nations are rich and others poor. Adam Smith's *An Inquiry into the Nature and Causes of the Wealth of Nations* found the economic answer in specialization and exchange. The greater productivity of the division of labor is the source of wealth. In order to realize the benefits of a more refined division of labor in society, however, there must be in place institutions of property ownership, use, and transference that enable social cooperation. These institutions take the form of both formal and informal rules of the social game, and the mechanisms of enforcement.

The 'big' picture contrast in economic systems was between capitalism and communism. Capitalism is defined as an economic system based on private ownership of the means of production, whereas communism is defined as operating under a collective ownership scheme. In actual practice, private property rights are often attenuated, and state control substitutes for some collective ownership.

In this class, we will examine both the theoretical debates concerning capitalism and communism, and the empirical debates over the performance of real existing capitalist and socialist economies. With the collapse of real-existing socialist economies in the late 1990s, the focus has shifted to less developed economies and to the situation in failed and weak states. In short, Adam Smith's questions are once again at the forefront of the economics profession and the public policy community.

I am teaching this course in cooperation with my close colleague Dr. Dragos (Paul) Aligica of the Mercatus Center. We will split the lecture duties for the course. The readings selected are to be read prior to class as they provide the background to the course discussion. *indicates required, # indicates recommended. The course readings will be of an analytical, historical and contemporary policy analysis character. And we will draw from the assigned texts as well as journal articles and book chapters as we see appropriate.

READINGS

- Dragos Aligica and Peter Boettke, *Challenging Institutional Analysis and Development: The Bloomington School*.
- Masahito Aoki. *Comparative Institutional Analysis*.
- Peter Boettke, *Calculation and Coordination*.
- Wolfgang Kasper and Manfred Streit, *Institutional Economics: Social Order and Public Policy*.
- Michael McGinnis, ed., *Polycentricity and Local Public Economies*.
- Michael McGinnis, ed., *Polycentric Games and Institutions*.
- Michael McGinnis, ed., *Polycentric Governance and Development*.
- Paul Milgrom and John Roberts, *Economics, Organization and Management*.

Chapters and articles to be made available:

- Boettke, P.J., Coyne, C.J., Leeson, P.T., and Sautet, F. (2005) “The New Comparative Political Economy.” *Review of Austrian Economics*
- E. Ostrom, *Understanding Institutional Diversity*, chapter 1
- J. Montias et al, *Comparative Economics*, chapter 9
- F. Pryor, *Marxist Economic Systems*, chapter 9
- G. M. Hodgson (1996) “Varieties of Capitalism and Varieties of Economic Theory”, *Review of International Political Economy*, Vol. 3, No. 3
- M. C. Allen *The Varieties of Capitalism Paradigm*, chapter 2
- J. Rosser and Marina Rosser (2008) “A critique of the new comparative economics”, *Review of Austrian Economics*.
- Djankov, S., Glaeser, E., La Porta, R., Lopez-de-Silanes, F., and Shleifer, A. (2003) “The New Comparative Economics.” *Journal of Comparative Economics*.

DATE	TOPIC	READINGS
January 24	Course overview	
January 31	The Economic Analysis of Capitalism, Socialism and Democracy	*Milgrom and Roberts, chapters 1-6, 9. *Boettke, chapter 3 and 4.
February 7	Institutions and Economic Performance	*Boettke, chapters 14-15. *Kasper and Streit, chapters 1-6.
February 14	Ownership, Incentives and Information	*Boettke, chapter 2-3, 5, 14.
February 21	Progressivism and the Transformation of Public Administration	*Aligica and Boettke, especially chapters 1, 2, and 6. #McGinnis, <i>Local</i> , chapters 1-6.
February 28	Lessons from Soviet History	*Boettke, chapters 6-8, 10. ** Pryor, <i>Marxist Economic Systems</i> , chapter 9
March 7	Public Choice and Constitutional Political Economy	*Boettke, chapters 9, 11-13.
March 14 (Spring Break)		
March 21	Polycentricity and Institutional Analysis	*McGinnis, <i>Games</i> , chapters 1-4, 15-16. #Aoki, chapters 1-6.
March 28	Polycentricity and Development	*McGinnis, <i>Development</i> , chapters 3, 7-8, 15, 17.
April 4	What Have We Learned From the Collapse of Communism?	*Milgrom, chapter 17. Montias et al, <i>Comparative Economics - System Change</i> , chapter 9
April 11	Institutional Diversity and Varieties of Capitalism	Ostrom, <i>Understanding Institutional Diversity</i> , chapter 1 Allen <i>The Varieties of Capitalism Paradigm</i> , chapter 2 Hodgson <i>Varieties of Capitalism and Varieties of Economic Theory</i>
April 18	The New Comparative	*Djankov, et. al.

	Economics	*Boettke, Coyne, Leeson, and Sautet *Boettke, Coyne and Leeson *Rosser and Rosser, A critique of the new comparative economics
April 25	Policy Analysis for a Free Society	
May 2	The Future of Democratic Society	*Aligica and Boettke, conclusion and post-script

Important Dates

- research paper due May 2nd
- exam due May 2nd